



Funding
of Political Parties
and Election
Campaigns

Handbook Series

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Handbook Series.

The International IDEA Handbook Series seeks to present comparative analysis, information and insights on a range of democratic institutions and processes. Handbooks are aimed primarily at policy-makers, politicians, civil society actors and practitioners in the field. They are also of interest to academia, the democracy assistance community and other bodies.

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Preface

Democracies cannot function without political parties. Parties are expected to reflect the concerns of citizens, aggregate and mediate diverse interests, project a vision of a society and develop policy options accordingly. They are supposed to inspire and attract supporters to their cause, their membership being of key importance in their claim to represent citizens. Parties may well not live up to expectations regarding their services to citizens or quality of leadership. They nevertheless continue to be entrusted with what is perhaps the most strategic responsibility of modern democracy – to prepare and select candidates for parliamentary and presidential elections and then to support them into positions of leadership and government.

Parties need to generate income to finance not just their electoral campaigns but also their running costs as political institutions with a role to play between elections. Yet parties, in newer as in older democracies, are under increasing pressure, faced with a vicious circle of escalating costs of campaigning, declining or negligible membership income, and deepening public mistrust about the invidious role of money in politics. Their problems of fund-raising are causing deep anxiety not just to politicians but to all those who care about democracy. The issue of party finance has in the past been dealt with in sharply contrasting ways across the world, but there are now signs of some convergence in the debate. There at least three distinct but interrelated questions:

- How free should parties be to raise and spend funds as they like?
- How much information about party finance should the voter be entitled to have?
- How far should public resources be used to support and develop political parties?

Each of these questions raises others about the function of political parties in society and reminds us of how much remains to be done, even in some quite stable democracies, to have political parties act according to basic principles of transparency and the rule of law. There are no simple answers about how political finance should be organized but there is much

to be learnt from current experience in different parts of the world.

International IDEA considers party finance to be one of the key challenges for the future of democracy. This long-awaited *Handbook* aims to increase knowledge about the law and practice of political finance around the world and in so doing encourage reflection on options for regulatory reform. It provides a general description and analysis of the central features of party funding in six regions: Africa, Asia, Latin America, Western Europe, Central and Eastern Europe, and that group of countries in various continents which have what might be called an Anglo-Saxon approach. It also examines two key issues: the enforcement of political finance regulations, and the role of funding in promoting gender equality. Finally, it provides a comprehensive matrix of regulatory provisions by country.

The work follows the pattern set by other handbooks in the series. Drawing on recent academic analysis as well as practical experience, it seeks to provide an operational tool and reference source in accessible language and format. It is far from a final word on the subject, however. There have been very recent developments, some of which are noted in the Conclusion, and indeed IDEA will remain engaged in analysing trends in party finance. One issue of particular interest to IDEA is that of public funding, including the role of financing from the international community, since it seems there is scope for more creative support to assist parties in becoming more effective proponents of democratic practice. Though there should be much further debate and analysis, we hope that with this *Handbook* we can already engage the interest and cooperation of several new partners convinced of the need for regulatory and funding improvements in this important area of political reform and democratization.



KAREN FOGG

Secretary-General
International IDEA

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Acronyms

ACEEEO	Association of Eastern European Election Officials	LDP	Liberal Democratic Party (Japan)
AEC	Australian Electoral Commission	LOFPP	Ley Orgánica para la Financiación de los Partidos Políticos (Spain)
ALP	Australian Labor Party	MMD	Movement for Multiparty Democracy (Zambia)
ANC	African National Congress (South Africa)	MP	Member of Parliament
BJP	Bharatiya Janata Party (India)	NDC	National Democratic Congress (Ghana)
CCFP	Commission Nationale des Comptes de Campagne et des Financements Politiques (France)	NDP	New Democratic Party (Canada)
CDU	Christian Democratic Union (Christlich-Demokratische Union, Germany)	NGO	Non-governmental organization
CEC	Central Election Commission (Russia)	ODA	Civic Democratic Alliance (Czechoslovakia)
CEE	Central and Eastern Europe	OAS	Organization of American States
CEO	Chief Electoral Officer (Canada)	PAC	Political Action Committee (USA)
CPI	Consumer price index	PC	Progressive Conservative Party (Canada)
DC	Democrazia Cristiana (Italy)	PDCI	Parti Démocratique du Côte d'Ivoire
DJP	Democratic Justice Party (South Korea)	PSI	Partito Socialista Italiano
DLP	Democratic Liberal Party (South Korea)	PSL	Polish Peasants' Party
DPP	Democratic Progressive Party (Taiwan)	SA	Sponsors association (South Korea)
DRP	Democratic Republican Party (South Korea)	SDPU (O)	Social-Democratic Party of Ukraine (United)
FEC	Federal Election Commission (USA)	SLD	Democratic Left Alliance (Poland)
FECA	Federal Election Campaign Act (USA)	SLFP	Sri Lanka Freedom Party
GDP	Gross domestic product	SP	Socialistische Partij (Netherlands)
JCP	Japan Communist Party (Nihon Kyosanto)	UDF	Union of Democratic Forces (Bulgaria)
JSP	Japan Socialist Party	UNIP	United National Independence Party (Zambia)
KANU	Kenya African National Union	UP	Labour Union (Poland)
KCIA	Korean Intelligence Service	UW	Freedom Union (Poland)
KMT	Kuomintang (Taiwan)	ZANU-PF	Zimbabwe African Nationalist Union-Patriotic Front

Currencies

This publication uses the convention of a full stop to separate the digits in figures over one thousand and the comma to indicate the decimal fraction – for instance, 1.000 (one thousand) and 1,4 (one and four-tenths). The symbols used in this volume are the three-letter

currency symbols of ISO 4217 to be found on the Internet pages of the International Organization for Standardization, www.xe.com/iso4217.htm. Values in US dollars (except for historical values) are those which applied at the time each chapter was written.

ARS	Argentine Peso	JPY	Japanese Yen
ATS*	Austrian Schilling	KES	Kenyan Shilling
AUD	Australian Dollar	KRW	South Korean Won
AZM	Azerbaijani Manat	LBP	Lebanese Pound
BAM	Convertible Mark	LKR	Sri Lankan Rupee
BBD	Barbados Dollar	LSL	Lesotho Loti
BDT	Bangladeshi Taka	LTL	Lithuanian Litas
BEF*	Belgian Franc	LVL	Latvian Lats
BGL	Bulgarian Lev	MNT	Mongolian Tugrik
BRL	Brazilian Real	MRO	Mauritanian Ouguiya
BSD	Bahamian Dollar	MTL	Maltese Lira
BWP	Botswana Pula	MUR	Mauritius Rupee
BZD	Belize Dollar	MYR	Malaysian Ringgit
CAD	Canadian Dollar	NLG*	Netherlands Guilder
CFA	Central African Franc	NGN	Nigerian Naira
CLP	Chilean Peso	NOK	Norwegian Krone
COP	Colombian Peso	NPR	Nepalese Rupee
CYP	Cyprus Pound	NZD	New Zealand Dollar
CZK	Czech Koruna	PGK	Papua New Guinea Kina
DEM*	Deutsche Mark	PHP	Philippine Peso
DKK	Danish Krone	PKR	Pakistan Rupee
EEK	Estonian Kroon	PLN	Polish Zloty
ESP*	Spanish Peseta	PTE*	Portuguese Escudo
EUR	European Monetary Union (EMU) member countries, Euro	ROL	Romanian Leu
FJD	Fiji Dollar	RUR	Russian Ruble
FRF*	French Franc	SBD	Solomon Islands Dollar
GBP	British Pound Sterling	SEK	Swedish Krona
GEL	Georgian Lari	SGD	Singapore Dollar
GHC	Ghanaian Cedi	SKK	Slovak Koruna
GMD	Gambian Dalasi	THB	Thai Baht
GRD*	Greek Drachma	TOP	Tongan Pa'anga
GTQ	Guatemalan Quetzal	TRL	Turkish Lira
GYD	Guyana Dollar	TTD	Trinidad and Tobago Dollar
HNL	Honduran Lempira	TWD	New Taiwan Dollar
HTG	Haitian Gourde	TZS	Tanzanian Shilling
HUF	Hungarian Forint	UAH	Ukrainian Hryvnia
IDR	Indonesian Rupiah	USD	US Dollar
IEP*	Irish Pound	VUV	Vanuatu Vatu
ILS	New Israeli Sheqel	XCD	East Caribbean Dollar
INR	Indian Rupee	ZAR	South Africa Rand
Int'l \$	International dollars, for an explanation see <i>Methodology</i> .	ZWD	Zimbabwean Dollar
ITL*	Italian Lira		
JMD	Jamaican Dollar		

** On 01-01-1999, the Euro became the currency of those Member States of the European Union which adopted the single currency in accordance with the Treaty establishing the European Community.*

Glossary

Alternative Vote (AV) A preferential, plurality majority electoral system used in single-member districts in which voters use numbers to mark their preferences on the ballot paper. A candidate who receives over 50 per cent of first preferences is declared elected. If no candidate achieves an absolute majority of first preferences, votes are reallocated until one candidate has an absolute majority of votes cast.

Assessments See “party taxes”.

Block Vote (Block) A plurality majority electoral system used in multi-member districts in which electors have as many votes as there are candidates to be elected. Voting can be either candidate-centred or party-centred. Counting is identical to a First Past the Post system, with the candidates with the highest vote totals winning the seat(s).

First Past the Post (FPTP) The simplest form of plurality majority electoral system, using single-member districts, a categorical ballot and candidate-centred voting. The winning candidate is the one who gains more votes than any other candidate, but not necessarily a majority of votes.

Independent expenditure In the Anglo-Saxon Orbit, US context, an expenditure which explicitly “advocates the election or defeat of a clearly identified candidate and which is made independently from the candidate’s campaign. To be considered independent, the communication may not be made with the co-operation or the consent of the candidate or his or her campaign; nor may it be made upon a request or suggestion of either the candidate or the campaign”.

International dollars See *Methodology*.

List Proportional Representation (List PR) In its simplest form List PR involves each party presenting a list of candidates to the electorate. Voters vote for a party, and parties receive seats in proportion to their overall share of the national vote. Winning candidates are taken from the lists.

Macing The practice of requiring public servants to make contributions to the party in power in order to keep their jobs or to promote their careers.

Mixed Member Proportional (MMP) Electoral systems in which a proportion of the parliament (usually half) is elected from plurality majority districts, while the remaining members are chosen from PR lists. Under MMP the PR seats compensate for any disproportionality produced by the district seat result.

Parallel System (Parallel) A PR electoral system used in conjunction with a plurality majority system but where, unlike MMP, the PR seats do not compensate for any disproportions arising from elections to the plurality majority seats.

Party taxes Sometimes termed “assessments”: parties oblige their elected representatives or other office-holders to turn over a proportion of their income earned in office to the party.

Single Non-Transferable Vote (SNTV) A semi-proportional electoral system which combines multi-member constituencies with a First Past the Post method of vote counting, and in which electors have only one vote.

Single Transferable Vote (STV) A preferential PR electoral system used in multi-member districts. To gain election, candidates must surpass a specified quota of first-preference votes. Voters’ preferences are reallocated to other continuing candidates if a candidate is excluded or if an elected candidate has a surplus.

Slush fund A reserve fund, especially as used for political bribery.

Soft money Money raised for purposes not formally related to campaigning.

Toll-gating The practice of demanding a contribution to party coffers in exchange for the granting of permits or licences.

Two-Round System (TRS) A plurality majority electoral system in which a second election is held if no candidate achieves an absolute majority of votes in the first election.

Introduction: Political Parties, Funding and Democracy

KARL-HEINZ NASSMACHER*

Modern political systems face a major and persistent problem: ensuring that ethnic, religious and other socially and economically distinct parts of their societies enjoy an equal opportunity to participate in the political processes and decisions which affect their well-being and status. This problem can result in conflict, and undermines the democratic and peaceful management of social contradictions. The harsh reality is that it is often the lack of financial resources which prevents the leaders and supporters of such groups from achieving political participation through representation which would foster the democratic protection of their interests.

Thus the achievement of sustainable democracy demands that particular attention must be paid to the issue of political finance, or the financing of politics. This is as important as other factors such as the appropriate electoral system (see *The International IDEA Handbook of Electoral System Design*) and selection of the best institutional design for governance, such as a parliamentary versus a presidential system. Over the years established democracies have experienced and sought to deal with the issue of money in politics, and their experience can provide useful lessons. However, these more or less satisfactory experiences with the management of political finance issues cannot ensure that unintended effects will be avoided. Thus this *Handbook* seeks to provide a menu of options and a guide to efforts made in the search for sustainable democracy, emphasizing the problems and the solutions adopted in the interests of achieving better political competition through financial regulation.

1. Sustainable Democracy: The Common Goal of a Global World

The transition to democracy has been and remains a time-consuming process involving many years and many mistakes. An estimate of how long the process takes would depend on what stages are identified as “transitional” and a judgement as to when the process “ended”. For example, Britain became a constitutional monarchy in 1689, introduced universal suffrage in 1918, and evolved the current alternation between

Conservative and Labour Party governments in 1945. France became a constitutional monarchy in 1790 and a democratic republic in 1871, and established a stable democracy (the Fifth Republic) in 1958. Germany became a constitutional monarchy in 1871, made its first attempt at democracy in 1919 and established the present system of stable democracy in 1949. The USA became an independent state in 1783, started with party government in 1824 and established the present party system in 1856. Japan became a parliamentary monarchy with party government in 1945, and experienced an electoral defeat of the governing party for the first time in 1993. On the basis of this evidence the process of democracy building took between 27 and 256 years in Britain, between 78 and 168 years in France, between 30 and 80 years in Germany, between 30 and 70 years in the USA, and about 50 years in Japan. Meanwhile, in all these countries and other established democracies popular sovereignty, the protection of human rights, pluralism of political forces, a universal franchise, elections based on a free and secret ballot and institutionalized control of power are the practical concepts on which the political system is based.

1.1. Sustainable Democracy is Party Democracy

An important part of the transition to democracy is the formation of effective political blocs – the organization of political pluralism.

There is a contemporary tendency, especially in newly democratizing states, to overemphasize the significance of non-governmental organizations (NGOs) as the link between the grass roots of society and those who make and implement decisions. While NGOs clearly have an important role to play in the development of pluralist structures in society, the experience of the pluralist democracies of Western Europe and North America is the experience of *party* democracy. Nobody planned for it, it was not part of any blueprint put into practice, but for all practical purposes it turned out that way.

Past attempts to build a democracy without parties have failed. Notable examples are George Washington in North America at the beginning of the nineteenth century and General de Gaulle in Western Europe in

* This chapter has benefited greatly from ideas presented by Manuel Antonio Garretón in a draft chapter written for this *Handbook*. This author gratefully acknowledges his input.

the mid-twentieth century. These two examples of military leaders who became national heroes during a fight for national independence or liberation and then leading politicians may provide telling lessons: generals Washington and de Gaulle deeply disliked political parties. Nevertheless each of them contributed to the establishment of a new political system which is still in operation. Both critics thus ended up founding a stable party democracy.

Presidents Mikhail Gorbachev and Boris Yeltsin are more recent examples. Gorbachev brought about the end of the Soviet empire when he tried to modernize the political system without replacing the Communist Party with an intermediate structure of competing political forces. Yeltsin organized regular competitive elections in the emerging Russian democracy but left the problem of effective political organizations unsolved. Political organizations competing effectively with each other were also anathema to post-communist leaders Walesa in Poland, Landsbergis in Lithuania and Havel in the Czech Republic. It seems that great men have difficulty accepting rivals, and at the very core of political parties is the idea of rivalry (competition) on equal and equitable terms.

On the other hand, Turkey, India, Taiwan and Mexico provide examples of a revolutionary movement producing a dominant party which was successfully challenged in competitive elections – in the Mexican case only after 70 years, demonstrating the fact that the consolidation of democracy takes time. In the cases of Austria and Israel, national independence and a democratic political system were initially based on the support of different groups which still form the effective backbones of political competition in these countries.

The attempt to transfer experience has to start with the recognition of differences. In some countries parliamentary elections are centred around individual candidates; in others elections are controlled by political parties. This is above all the effect of voting systems and the existence of regional strongholds of party support. In the age of television the importance of parties has increased in some countries and decreased in others. In the USA political scientists have been surprised by processes that have considerably altered the long-standing models of parties' roles in a democracy and have argued that we are observing a decline of parties. What they have really observed is a change in party organization and in citizen involvement. But the basics remain unchanged: A competing set of loosely coupled

subsystems composed of organizational nuclei, conventionally called parties, still provides labels for political conflict.

These formal organizations, built around the interests or common ideas of people who seek to participate, are institutionalized mediators between civil society and those who decide and implement decisions – government and the administration. Parties enable the social demands of their different supporters, and thus potential voters, to be represented in parliament, government and administration. Parties compete for access to political power, generate democratic governments and shape public policies, reflecting a variety of demands by interest groups. Today, although the position of parties is being challenged, especially by the media, and they are not the only bodies that perform the following functions, they nevertheless remain the only institutions that carry out *all* these functions which are necessary for the democratic process:

- Parties mediate or arbitrate between a pluralistic society and its political institutions of government.
- Parties organize political campaigns in order to mobilize voters to participate in an election.
- Parties recruit political personnel by selecting and nominating candidates who stand for public office in an election.
- Parties aggregate a plurality of interests into a reasonable number of political alternatives or policy options, and thus channel conflicts between government and opposition.
- Parties enable people to generate a plurality of opinions in public debate, elaborate projects or proposals for society, and transform policy options into political decisions.

Parties link particular interests with the “commonwealth” by means of a process of interest aggregation and majority building, if need be by wheeling and dealing. Aggregated in this way, the demands of the people amount more or less to public involvement in social security or economic affairs and the advancement of ethnic, religious, ecological or gender issues. Parties striving to win an election or to participate in power (e.g., in a coalition government) will be able to aggregate different groups of people and to take in newly emerging problems, thus reflecting changes in society. (A major problem arises when parties

do not accept competition but insist on the authoritarian rule of a single “state” party.)

If a party is not able to establish and maintain ties between civil society and the politicians who decide in the name of the people they represent, it will wither away. Other parties tied more closely to their voting clientele will survive or gain in strength. Such ties change over time and in different societies, according to changing lifestyles and priorities. The parties have to meet these challenges by organizational innovation.

Electorates may split over ideologies, interests, leaders or policies; parties can organize and manage any of these differences. In all sustainable democracies the party system must be deeply and durably entrenched in specific substructures of the specific society. **Parties link the institutions of government to the elements of civil society.** The strategies, forms and means of linkage may vary greatly but they represent lines of response and control between a party and its clientele.

There has been no mass democracy without parties during the past two centuries. In all Western democracies, as well as in India, Israel, Japan, Chile, Costa Rica and Uruguay, parties have provided the orientation for individuals and groups of citizens. In continental Europe some but not all parties have engaged in additional activities and have kept up permanent field organizations for over 100 years. In what I refer to as the “Anglo-Saxon orbit” (the title of the chapter indicates traditions in the public law system in general and the law regulating political finance in particular – cf. Michael Pinto-Duschinsky 2001:15, 19) most parties have been weaker but have been operating for an even longer period of time, that is, since the transition to responsible and popular government, which in Canada and the USA took place during the nineteenth century.

Over the decades the basics have remained unchanged. Wherever non-partisan elections have been held they were either partisan in all but name or non-democratic despite the name. Obviously, for the near future there will be no democracy without parties. If parties in general wither away, as has been predicted for some of the most advanced democracies, the institution called “party” will be replaced by some other type of political organization which will have to perform many similar functions.

Political competition demands that at least two parties effectively contest an election. Anything less is the end of democratic government.

Although a multiparty system is necessary, ups and downs in the levels of party support are quite common. For the proper functioning of the democratic system there is no need for a specific party to survive after it has lost the support of the electorate. The party system of any democracy is a never-ending dynamic process in itself. Parties are instruments of change as well as being themselves subject to change. In the long run each major party should have the opportunity to govern once and each party should learn how to survive in opposition as a minority party.

Modern political parties face a number of new problems and difficulties. People are less interested in party politics and there is a lack of personal involvement. Thus, the media are of major importance in enabling parties to get their message through to and mobilize the people. The fact that some or all media operate as commercial enterprises is one reason why funding is critical for party activities.

1.2. Functioning Party Democracies Need Appropriate Funding

Obviously, political financing is one vital aspect of party politics (although it would be a mistake for any party to become preoccupied with survival strategies based on safeguarding its financial status). There are other reasons why parties can decline, for example, if they allow their main objective to become the re-election of established leaders. The experience of the Italian Democrazia Cristiana (DC) shows that even a well-established, long-standing “cartel” party has to fear decline when grass-roots dissatisfaction results in alienation.

1.2.1. Party Competition Demands Political Spending

In newly democratizing countries the spotlight is on charismatic politicians, who are seen as essential for victory. In the short run this may be true, but in order to build sustainable competition among parties other resources have to be available. Among these prerequisites for party competition three stand out as pillars on which any party relies: **organization, volunteer labour and money.**

Organizational models and practices may differ widely but all parties operate decentralized structures consisting of a national headquarters and some regional or local chapters. This structure comprises a combination of a paid permanent staff, which may be

large or small, and fluctuating numbers of volunteer party workers. The backbone of each party organization is offices and meetings. The scale and frequency of these may differ widely but at least a few offices and a handful of staff have to be available and occasional meetings of party activists have to take place in order to initiate grass-roots involvement and political discussions, for example, for the selection of candidates at local, regional and national levels. Any degree of organization will pose a considerable need for funds for the operation of a party. Paying for media time and poster space or printing leaflets and brochures during an election campaign will add to the amount of money needed to fund party activities.

1.2.2. Definitions of Political Financing

The money needed flows legally or illegally into the various elements of a political system – the politicians, the administration, pressure groups and, not least, party coffers. It would be tempting to tackle the much broader aspects of this subject. Unfortunately, distinctions between political finance and money in politics, political money and politicians' money, the costs of democracy and the costs of democratic politics cannot be pursued here; nor can pressure-group influence and non-party political institutions, especially third-party advertising, which also raise important questions. A much narrower definition of the subject will be applied here. This *Handbook* will focus essentially on the financing of parties' activities (a) in elections and (b) during non-election periods. This is in order to highlight more precisely what financing is needed for sustainable democracy.

Although this is a limited definition – campaign and party financing – there will be brief background discussions of some broader aspects, for instance, scandals and corruption.

Even within the narrow definition applied here, there are still many gaps in our knowledge of the sources of money. These include international money, pressure-group activity, secret funds (of parties, politicians and governments), personal wealth and the changing flow of money in response to regulation.

Although campaign finance in North America is more closely regulated than party activity in Western Europe, there are unreported monies as well as unregulated areas on both sides of the Atlantic (Gunlicks 1993:238–239). These include the line of demarcation between public administration and party

activity, including the abuse of legislative privilege (e.g., franking or telecommunications facilities); the diversion of services or allowances provided for office-holders (e.g., the administrative assistant of a legislator acting as a local party agent, or the government car or aeroplane used for campaign “blitzes” by cabinet ministers); and the abuse of government-sponsored advertising during and before the official campaign periods.

Political finance is both the object and the result of political processes. The funding of parties and campaigns is determined by the policy decisions of politicians. This *Handbook* will provide indications to decision makers who have to work out specific regulations to cover both the needs of sustainable democracy and those of their different political cultures.

1.2.3. Campaign and Party Expenses are Costs of Democracy

Approaching the financial dimensions of party activities means assessing the costs arising from a specific political system. Each political system operates at specific material and immaterial, social or economic costs. In a democracy, policy concessions offered to pivotal groups in the decision-making process are a part of the overall cost of democratic politics. For the sake of precision such opportunity costs in economic terms will not be considered here; nor will the income of politicians. This *Handbook* will deal with all funds raised and spent in order to **influence the outcome of elections** and to support the **routine operation of political parties**, including the provision of services to citizens and party leaders, the training of party workers and the recruitment of candidates and volunteers, treating these as costs of democracy. Except in the exceptional circumstances of foreign sources being successfully tapped (e.g., for the process of transition to democracy), it is always the citizens at large who pay for the **costs of their democracy**. They may do this in different capacities – as party members, as voluntary donors, as the providers of “interested money”, as the consumers of goods and services, or as taxpayers.

FIVE KEY POINTS FOR THE FUNDING OF POLITICAL PARTIES LESSONS LEARNED FROM THE EXPERIENCE OF ESTABLISHED DEMOCRACIES*

1. Political parties and their competition for political power are essential for sustainable democracy and good governance. Viable party competition requires well-entrenched political parties. They need to be encouraged to develop, strengthen and consolidate. Competing parties need adequate resources for necessary activities.

2. Money is an essential part of this process and should be treated as an essential resource for good political practice. Thus in new democracies it should not be treated solely as a problem but as a means to create a basis for democratic government. The challenge is to find the best ways of matching the need for a sustainable financial base for parties with the wider public interest of curbing or curtailing corruption and avoiding undue influence in politics.

3. Unfortunately some activities of political parties are purely partisan. Such activities will do no good either to civil society or to the political system. Which activities of political parties are deemed necessary to run a democracy and how much money is enough for these activities? Which sources of political funds are acceptable to pay for such activities?

4. The funding of political activity by parties and candidates should be made an issue of public debate. Disclosure and reporting rules and their implementation can provide for adequate transparency of political funds. Transparency allows voters to make better decisions about which party or candidate they want to support.

5. Too much reliance on funding from either the private or the public sector of society is unwise. Democracy involves pluralism in all things, including sources of funds for political activity. New democracies should try to encourage a mixture of public and private funding when designing laws to regulate political finance.

* The author gratefully acknowledges the help of Ben Reilly, formerly of International IDEA, who developed the idea for this box and most of its contents.

2. Basic Assumptions about Money in Politics

Many writers on the role of money in politics invariably see it as the main driving force for modern competitive political systems. A frequently quoted remark by Jesse Unruh, a leading Californian politician of the 1960's, describes money as "the mother's milk of politics", that is to say it is the political resource that matters most. Scholars of the subject though with differing degree of emphasis agree that money serves as a highly significant medium. K.Z. Patel (1981:138) observed that with the aid of money "shortages of manpower may be mastered and virtually all other deficiencies overcome". Or as H.E. Alexander (1992:362) has put it: "Money can buy goods, skills and services".

2.1. Political Contributions are a Means of Participation

Legitimizing decisions in a political system by encouraging the potential subjects to participate in such decisions is widely accepted as a necessary feature of popular government in liberal democracies. Participation as a principle of democracy has its own contradictions: The inalienable right to participate is inextricably linked to obvious practical difficulties. Unequal opportunities for participation and an unequal propensity to participate are relevant features of the very concept. A realistic view of democratic government has to accommodate the general claim to participate as well as the actual variations in the degrees of participation caused by economic inequality and the voluntary nature of that participation.

Modern democracy as a form of mixed government applies different rules at one and the same time. The principle of "one person, one vote" coexists with the concept of the legitimate use of money for political purposes. In societies with a broad middle class the tension between these two principles is not as great as it is in developing countries, where it can result in the rich having overwhelming influence. The poor may use their right to vote, but sometimes without real choice because the competition is unfair.

The claim of pure democracy, that political action should be paid for by those who take a voluntary interest in ideologies, issues and candidates, has led to **overemphasis on the idea of grass-roots financing**. No reliable concept can obscure the fact of life that the flow of funds into any party system reflects the economic and

social structure of its society. Parties trying to fund themselves often rely on financial sources that presuppose inequality and illegality. The search for funds may induce politicians to listen more to those who give to their campaigns than to those who vote for them, or for their party (Paltiel 1981:138).

On the other hand, politicians are sensitive to factors that may influence the outcome of an election, one of which may be the availability of funding. If this is so, and if elections are the mainspring of responsive and responsible government, money becomes a vital influence on democratic government. Government of the people for the people by the people (i.e., democracy) is a regime of political elites: The use of money as a resource in politics necessarily imports the unequal distribution of income and wealth among members of a modern society into the political process. One way to deal with this financial problem is to make money available from **different sources**.

Participation by way of financial giving is not widespread, even in affluent societies. Political participation in established democracies is by no means a general activity of all citizens. On the contrary, it seems to be acceptable to see political participation as a minority activity. Active and interested minorities manage the political process. They must rely on the consent or at least the tolerance of a population which remains generally passive. Political parties are a democratic avant-garde; card-carrying members of political organizations and people who donate money for political purposes are overlapping segments of an elitist minority. As long as the democratic elite remains relatively open to any individual who claims access, and as long as people can exercise the liberty to drop out of donating or participating and have the opportunity to replace elites, elitism does not endanger representative democracy. Within the democratic elite there is change and competition as well as hierarchy. At the top of this hierarchy, the people holding elective office must be subject to the will of the voters who are able to promote some and to remove or dismiss others.

Because democratic systems, and their subsystems such as parties and pressure groups, depend on voluntary participation (membership as well as activism), they need to be able to offer reasonable incentives for participation. Social incentives – honour, rank or money – channel individual activity into functions that are necessary to maintain the political system. Division of labour, democratic participation

and individual selection of the preferred means of participation are in competition, but they are certainly not in contradiction.

The general principle of the democratic participation of a mass public has to be contextualized by recognizing the range of intensity of participation. This varies with the degree of input as well as output, with investment as well as impact. The different forms of participation available to the general public and its active members can be seen as a continuum. This continuum starts at one end with voting, the form of participation enjoyed by the largest number of people. Then there is voluntary campaign work for issues, candidates and parties which means “donating” leisure time for political purposes. Writing letters to politicians or newspapers, making telephone calls or meeting influential leaders, and contributing money for issues, parties and candidates are other points on the scale. People who prefer to participate by making a financial contribution probably fall at the other end of the continuum.

The selective citizen who participates, choosing between the political resources available to them – voting or giving time, money, information, knowledge or social standing – will be part of different participating elites. Among those elites, only the voting elite – in modern democracies – involves a majority of the population. The debating minority, however, seems to constitute a larger constituency than the joining elite (i.e., citizens who actively join a political organization) or the contributing elite (i.e., people who actually donate money for political purposes). The contributing elite is nevertheless usually larger than the campaigning elite, which consists of those citizens who actively work for any political candidate, party or issue during campaign periods (Nassmacher 1992:152–155).

In most Western democracies, despite their high standards of living, parties and candidates face increasing difficulties in collecting the funds they consider necessary to support their routine and campaign activities. Parties find that they are no longer able to raise sufficient income to meet increased costs. In many countries **public subsidies** granted freely by parliamentary decision have bridged the gap between voluntary giving and necessary party spending. A flat grant to national party headquarters is the standard method of subsidization on the continent of Europe.

There are, however, risks involved in this secular trend. Citizens and parties in democratic countries have become accustomed by “pathological learning” to a

situation in which democracy demands political opinions and occasional voting, but never any additional activity or even money from personal funds.

This trend has to be reversed if amateur democracy is to survive. Some established democracies have developed sets of rules for public funding of political parties which deviate significantly from the general pattern of subsidization. If citizens decide to contribute their own money to party coffers and campaign chests, a financial link of grass-roots support for party politics is maintained. In these cases the political finance regime takes special care to make sure that politicians will continue to seek donations from their supporters.

2.2. Political Fund-Raising Provides Linkage

In a democracy the allocation of political power depends on the result of an election, which is a competition with an uncertain outcome. The risk of losing an election forces governments to care about the continued support of the electorate. The hope of winning the next election helps the opposition to accept the lack of power resulting from its minority position.

Grass-roots support for a party may find expression in various acts by individuals or groups of citizens. The financing of party activity or a “cause” is one of those means which provide and sustain linkage between leaders and supporters. If a particular segment of society that supports a party happens to be more affluent, individual citizens will be able to donate freely from personal income or wealth. If grass-roots supporters are less well-off, they need to collect “big money in little sums” (Heard 1960:249) in order to promote their political cause, as all working-class parties did in Western Europe during the nineteenth and twentieth centuries. This very process of raising “big money in little sums” helped to fund movements working for the independence of many African states.¹

A party leadership striving for success must reach out to different audiences and listen to those who can vote as well as to those who may contribute their time and money. Responsiveness towards society is necessary if people are to be willing to invest any part of their own income or wealth in the future success of a political party. Such investments, possibly on a large scale, enable the party to spend either on campaign activities or on organizational efforts. Financial contributions from a minority of donors help a party to communicate with the majority of voters. Reliable links with both groups are useful for any party in a sustainable democracy. If

either link breaks down in a working democracy, the loss of power becomes inevitable.

Thus a party should never allow itself even for a short period to neglect to seek **financial support from its voting clientele**. Obviously there are times and circumstances when this may seem either unnecessary or extremely difficult for a particular party. The bitter consequence of neglect, however, is not only a loss of fund-raising potential but also a loss of grass-roots linkage, and eventually the loss of political power and the end of a party's very existence – as happened to the DC in Italy during the 1990s. A prudent care for traditional links is in the best interest of each individual party. Because peaceful change rather than dramatic turmoil is at the core of sustainable democracy, such continuity is also a service to the political system.

As emerging democracies shape their rules for a stable party system they have to be aware that vigorous parties need vital links with social groups that support their values, aims and policies. The formation of goals, interest aggregation and voter mobilization depend on unceasing communication – and that includes successful linkage with party supporters.

Despite such advantages, there are risks involved in the search for funding. Problems can arise from:

- **scarcity of resources**, either in society in general or in specific segments thereof. Scarcity of funds may lead to various undesired situations. If a society is poor the funding of politics may be too limited to be effective in a mass democracy. Parties may also turn to foreign or undesirable sources, which could lead to dependence or to a loss of legitimacy;
- **inequality of resources** available for competing parties. First, governing parties have easier access to funds and are thus able to stabilize their position against parties or groups in opposition. Second, there are always segments of society which are better off than others. The unequal distribution of wealth will translate into unequal terms for political competition and the democratic principle of a “level playing field” is at stake; and
- **interested money**. Special interests can be influential in motivating a political contribution. Anyone who benefits from the status quo may be inclined to give financial support to parties that do not favour change. Parties of the “haves” may raise more funds than parties of the “have-nots”. Besides a legitimate interest in the outcome of democratic

politics there may be ulterior motives for political contributions. For example, donations by corporations and trade unions reveal the difference between grass-roots funding and “plutocratic financing”. The issue at stake is whether interested money should be allowed to override equal voting rights. For all practical purposes this cannot be handled as a problem of principle, but rather as a problem of size of donations.

Certainly **a distinction has to be made between small and large donations**. Some amount should be fixed as a useful threshold between “participating financially” and “buying access or influence”. All individual donations exceeding a certain (but not universally defined) amount should be seen as crossing the line towards plutocratic financing. Large donations may originate from organizations such as trade unions or other interest groups, corporations and individuals. Individual donations by persons entitled to vote (citizens) from their own funds raise the question decided by the US Supreme Court in 1976: Is money constitutionally equivalent to speech? The court decided that the inalienable right of any citizen in a democracy to speak up on political issues in public debate automatically includes the liberty to spend unlimited amounts of his or her own money on behalf of any personal opinion, preferred candidate or political party.

The next question to be considered is whether a wealthy person or organization should be allowed to provide political funds in exchange for specific favours. Such favours can be ranked by the risk they pose to democratic politics, for example, the chance to meet a famous personality, the opportunity to present particular views to an office-holder, the privilege of being granted a licence or contract, or the chance to bring influence to bear on a government decision in a field of public policy. Whereas the first two examples are more or less part of routine politics, the two latter would be widely regarded as examples of corruption.

In response to repeated cases of corruption, different means of regulation have been implemented during the past three decades. In some countries bans on corporate donations and contribution limits for individual donors, set by political agreement or national legislation, were meant to put an end to any dependence on plutocratic financing. By introducing a combination of disincentives and incentives, political reformers have sought to channel private money of

appropriate scale and origin into party coffers. Disclosure provisions have been designed to discourage corporate and large donors. Tax credits and “matching” provisions have been created to induce individual donors to give fairly small amounts to political causes, candidates and parties.

2.3. Public Funding

The insufficiency of the income from parties’ fund-raising efforts and the desire to achieve more equal opportunities in political competition have led to public money being made available for parties in many democracies. The rules for providing these funds should neither discourage individual supporters from voluntary giving nor parties from seeking private money.

This is important, because the measures to regulate and subsidize political parties have resulted in many unintended consequences and **risks**. These include:

- The **independence** of parties may be undermined by financial reliance on the public purse. This is a major problem in countries during transformation, where dominant parties are in power.
- Decisions about the amount and allocation of public funding may be unfair to **opposition parties**.
- Opinion polls have shown that financial subsidies for parties are extremely **unpopular** with ordinary citizens.

In democratic systems public funding to political parties has to address two major **goals**:

- first, granting to parties and candidates the essential resources for the exercise of their functions, promoting equality in their access to and use of resources, and correcting any privileges which may affect that equality; and
- second, promoting and stimulating citizens’ participation and involvement through private funding and achieving the maximum impact of civil society in politics. This objective also imposes limitations on the amounts and the modalities of private contributions.

The models for handling political financing should be tested in relation to the problems pointed out above.

3. How to Deal with Party and Campaign Funding?

There are different strategy options for dealing with “money in politics” as a political issue. Starting from their own specific experience, many democracies have attempted to deal with some of the issues mentioned here. Different problems have led to a variety of approaches which can best be summarized by identifying two groups of issues and two types of solutions favoured by legislators. There are regulative as well as distributive public policies. “States may affect political financing in two different ways, by regulation and by financial subsidies” (Pinto-Duschinsky 2001:7):

- If interested money and incidents of corruption have spurred **regulation**, the emphasis has been on rules for the financial conduct of parties, candidates and their supporters.
- If lack of funds and a desire to level the playing field have stimulated **distributive measures** (direct or indirect), **public support** has often been the cure applied to deal with shortcomings.

The extremes of the legislative approaches to political finance are typified by Malaysia and South Africa. In Malaysia there is no public subsidy but no shortage of regulations – among others a ban on foreign donations and on paid political broadcasts, as well as a ceiling on candidates’ campaign expenses. By contrast, South Africa concentrates on subsidies rather than on regulatory measures. Although there are various public subsidies, South African parties are not required to disclose their funds to the public (Pinto-Duschinsky 2001:15). In most countries the means of regulation and support are combined in current political finance regimes.

3.1. Distributive Policies

Distributive policies provide public support in different ways. A wealth of detail is presented in the following chapters, which cover different regions of the world. Although they were introduced early by some countries, the worldwide spread of **cash subsidies** – direct state funding – to parties and candidates is relatively recent. In a few younger democracies, such as Spain and Portugal, cash subsidies to political parties have been widely available from the very beginning of the transition process. This is not true of the new

democracies in Central and Eastern Europe (see chapter 5). Their turning away from communist traditions produced a reluctance to finance political parties mainly from the state budget, which had been common under the former regime. In Latin America there now seems to be a cross-national trend in favour of public subsidies because private funds have frequently been related to scandal (see chapter 6).

In many countries the bulk of public money is provided practically without any **obligation** for the recipient. **Earmarking** for campaigns or other purposes is rare. In most cases public cash subsidies are provided for the whole range of party activities, including campaigns, because it is not easy to differentiate between the day-to-day operations of parties and their campaign activities. The most common criterion for the distribution of money is the number of seats and/or votes achieved. Different thresholds for access are used, sometimes within the same political finance regime for different kinds of subsidy.

In many European countries public support is traditionally provided indirectly. Such **indirect support** for parties is available currently and is the only source of public support in countries which do not have cash subsidies for parties and candidates. All started with generous allowances for individual members of parliament and parliamentary party groups (caucuses). These public subsidies are often transferred in part to national party organizations. In some countries public money is provided earmarked for specific tasks, such as the work of youth organizations, political training for adults or political research. Sometimes only specific elections are funded (e.g., the US presidential election).

In affluent societies **incentives** for fund-raisers and donors are a method of indirect public funding. Some public cash support is given as matching funds, adding public money to private funds which individual supporters of parties and candidates have donated in small amounts. Some countries have introduced tax incentives for political contributions.

A major **subsidy in kind** in all the continental European countries (see chapter 7) is the preparation of an official voters’ register by public authorities (the state administration or local authorities), which renders US-style voter registration drives unnecessary. The provision of **media time free of charge** by public broadcasters has become more and more important. This subsidy in kind is provided in all the established democracies except the USA. Others, like postal

services, free use of halls and offices, and free poster space, are less frequent and less important but perhaps worth considering.

3.2. Regulatory Policies

Where regulatory policies are used their impact on the funding of politics will be determined by the rules on and practice of enforcement (see chapter 8). Individual systems of regulation differ greatly among the democracies. Nevertheless two major items can be identified which are the subject of regulatory efforts. **Bans and limits** will restrict anonymous, foreign or corporate sources of funds or spending on politics. **Disclosure and reporting rules** for parties and candidates will aim at the transparency of political money.

The whole range of detailed measures will emerge from the systems of regulation in the major regions of the world, as presented in the following chapters of this *Handbook*. The more general **problems** of such rules (the autonomy of parties, transparency of funds and implementation of the rules) are now analysed in terms of options. Three of the four options (see boxes 2–4), focus on one important aspect of the problem each: the autonomy of each party, the transparency of all political funds, and the concept of advocacy on behalf of the general public. The fourth country presented (box 5) combines these three elements.

3.3. The Autonomy Option

This treats parties as voluntary associations entitled to the unregulated privacy of their internal organization and financial transactions.

A naive version of this option would assume that under the democratic principle of equality (“one person, one vote”), the principle of free and fair elections, and the practice of secret balloting, each voter is assured of the right to decide their fate freely. No amount of money spent on propaganda, it is assumed, will have a serious impact on the rational choice of grown-up citizens. A less naive version would take into account that many voters are influenced by emotion, the mass media, party campaigns and interest groups. These, however, are also an essential part of the democratic process. The multitude and variety of forces at work makes sure that the pressures balance one another out, creating a pluralistic balance of forces, and thus having no major impact on the individual citizen. This less naive version might further assume that any

interference of state agencies in the process of democratic politics would endanger the liberty of the people, the freedoms of opinion and expression for all voluntary associations and thus the very principle of elections as a free competition for the voluntary support of the citizens.

However, some of the underlying assumptions are unrealistic.

- Differences in party fund-raising will not automatically balance one another out. Some parties may solicit corporate donations “by the

BOX 2.

THE AUTONOMY OPTION: SWEDEN

The Swedish debate on the funding of political competition has been terminated three times by a decision to abstain from statutory regulation and to respect the internal autonomy of political parties as private, voluntary associations of civil society.

1. As early as 1951 a committee of inquiry presented a detailed scheme for the reporting of party funds, but did not support any legal stipulation to implement such measure. The Swedish Parliament followed this recommendation.
2. When in 1965 the Swedish Parliament decided to provide public support for party activities (*partistöd*) from general revenue funds this subsidy was not tied to any statutory rules, e.g., for making information about party funds public.
3. Although in 1973 a motion by a parliamentary majority urged the government to propose legislation to disclose corporate donations, no bill was introduced.
4. The issue was resolved when in 1977 Moderaterna (the Conservative Party) followed the example set by Folkpartiet (the Liberal Party) in 1971 and decided “voluntarily” not to accept corporate donations in the future.
5. The parliamentary motion of 1973 was finally put to rest when, in 1980, all five parties represented in parliament concluded a “voluntary agreement” for the annual mutual exchange of their balances of income and expenditure and to make these balances available to others upon request and thus avoid legislative action on the transparency of political funds.

million”; others will collect subscriptions “from the millions”, i.e., a large membership of faithful supporters.

- Over time the amount of money needed for party activity will increase significantly because there will be an “arms race” in terms of campaign technology and/or professional organization.
- The willingness of party supporters in different segments of society, for example, business and labour, to provide funds will depend on the intensity of ideological “warfare” over values or belief systems.

BOX 3.

THE TRANSPARENCY OPTION: GERMANY

Following the assumption that German industry was instrumental in the rise to power of Hitler and his Nazi party, the German Constitution of 23 May 1949 (Grundgesetz) stipulated: “Parties . . . must account to the public for the sources of their funds” (article 21, section 1, clause 4). Detailed rules on this constitutional stipulation were laid down in the Law on Political Parties (Parteiengesetz) of 24 July 1967, chapters 23–31.

After a major decline of public confidence in political parties as a result of a political finance scandal (the “Flick affair”), the constitution was amended in 1983. Since 1 January 1984 under the constitution parties have to “publicly account for the sources and use of their funds and for their net assets”. The Parties Act was amended accordingly to provide for annual reporting of

- a balance of income and expenditure, and
- a balance of assets and liabilities.

These annual reports are verified by chartered accountants and presented to the speaker of parliament no later than 30 September by the treasurers of the national parties. Reports include data for all levels of a party organization, federal headquarters, regional sections and local chapters. Parties have to attach to their annual report a list of all donors who contributed during the year a total amount in excess of DEM 20.000 (Int'l \$ 10.000) (For an explanation of the use of International Dollars, please see *Methodology*).

3.4. The Transparency Option

This emphasizes the right of the people to know, as well as their ability and determination to judge, all aspects of party behaviour, including fund-raising and spending, when casting a vote. The major issue of party and campaign funding under this option is the quest for transparency achieved by rules enshrined in national legislation.

Economic theory suggests that fair competition is not a self-sustaining process, and the history of democratic politics has taught us that moneyed interests will try to influence the outcome of elections. At this point the idea of transparency becomes crucial.

In any democracy the constitution may stipulate that political parties and/or candidates for elective office disclose the sources of their income publicly. Two basic assumptions underlie this rule: (a) that parties raise their funds solely from private sources; and (b) that some of these sources can be dangerous for the recipient. Some parties may depend on specific donors without their voters even knowing about it. Contributions from wealthy individuals, business enterprises, trade unions or business associations may be given with secret strings attached. Donors may intend to buy access to politicians or policy decisions in order to suit their personal or institutional interest. Banning this source of party funds would restrict individual freedom for the donor and/or the recipient. Transparency of such financial links passes the judgement on these questions to the voter, who is the sovereign in a democracy. He or she may take a personal position on a specific source of funds and vote accordingly. Parties, it is assumed, will be careful when taking contributions from dubious sources because this may cost them dearly in terms of votes.

In two respects this model may be regarded as politically unrealistic.

- If voters are expected to apply an effective sanction they will need to benefit from such financial transparency close to “judgement day”, when they cast their ballot, not afterwards or up to three years in advance.
- Financial data made available to the public does not reach individual citizens automatically. Agents acting on their behalf – the administration, scholars, news editors or reporters – have to prepare the information for presentation in the print media, on radio or on television and explain the facts to the

voting public. Without the entertaining element of scandal attached to such data there may be a tendency to ignore it.

3.5. The Advocacy Option

Transparency of financial operations may not be enough. As voters will rarely care for details of party funding, the anticipated sensitivity of parties, leading to sound fiscal behaviour, will be limited. Public policy must create a **public agency** which is expected to monitor and check the flow of political funds on behalf of the general public.

Whereas the transparency option assigns wide margins of decision to individual voters, such a public agency will need a set of reliable yardsticks. Statutory rules of conduct, bans, limits and controls have to be legislated for and implemented. This procedure seeks to make sure that no financial malpractice or ultimately corrupt practice between parties, candidates and their sources of funds will happen.

Four basic assumptions may induce legislators to pursue this option.

- No measure of transparency applied to political funds will suffice to create a level playing field for all political competitors.
- No automatic supervision will effectively regulate the financial conduct of parties and candidates.
- A detailed set of rules will be able to close off dangerous sources, restrict excessive spending, avoid unwanted dependence and root out corrupt practices related to the funding of party activity.
- Only an independent public agency can be a non-partisan guardian, a public watchdog, of the financial rules of political competition.

At first glance these arguments provide a strong case for a tightly-knit system of political finance regulation. A closer look, however, indicates that major findings from policy analysis in other fields of public policy also apply in this area. The implementation of policy through any state agency involves more than the simple application of rules. The agency is only one of the actors in the policy arena. Regulatory measures have to be backed up by incentives in order to be effective. The more detailed a set of rules is the more intensive, and probably successful, the search for loopholes will be. In a modern society no complex or complicated issue can be addressed head-on. A multifaceted, piecemeal

approach based on trial and error may be more promising.

BOX 4.

AN ADVOCATE FOR THE PUBLIC INTEREST: THE UNITED STATES

Political finance regulation in the USA started early and the first measure addressed a specific issue head-on. In 1907 corporate contributions were banned by federal law. Statutory disclosure and reporting rules, and spending and contribution limits were added step by step in 1910, 1925 and 1940. The ban on corporate donations was extended to labour unions in 1943. This comprehensive set of rules looked quite impressive, but it had little impact during the 1950s and 1960s.

The Watergate scandal spurred Congress to pass the Federal Election Campaign Act (FECA) in 1974. The FECA consolidated and tightened regulatory provisions and created an enforcement agency, the Federal Election Commission (FEC). The FECA had to be partly revised and the FEC reconstituted after the Supreme Court ruling in 1976 (*Buckley v. Valeo*).

Ever since, the independent, or more accurately bipartisan, FEC

- supervises all financial transactions by all bodies (known as political action committees, PACs) soliciting and spending money to support or defeat federal candidates;
- verifies all reports presented and discloses to the public and the media all information available; and
- implements the specific rules which apply to the financial aspects of nomination (the primaries and conventions) and the election of presidential candidates.

3.6. The Diversified Regulation Option

This option takes account of the different, interrelated issues which need to be tackled by a carefully designed policy mix of benign neglect, precise regulation, public incentives and occasional sanctions. Learning from experience with the three options presented above, this approach tends to be more comprehensive in scope and more modest in expectation. Walking the tightrope between laissez-faire and perfect rules, any realistic approach to the multitude of issues raised by any

DIVERSIFIED REGULATION: CANADA

Following the example of one province (Quebec, 1963) the Canadian federation addressed a variety of issues of political finance in the Canada Elections Act (CEA) of 1974. The new regulation

- limited a further escalation of campaign costs by: spending limits for political parties and limits on the provision of television time;
- provided additional funds for political activity by: a partial reimbursement (public subsidy) of campaign spending and a tax credit for small donations to parties and candidates;
- stipulated transparency of political funds by: reporting of income and expenses for both parties and candidates and disclosure of donations in excess of CAD 100 (Int'l \$ 81) to parties and candidates; and
- created an independent agency in charge of all enforcement activities, especially: control of public funding and supervision of application of the rules.

Various amendments to the CEA have tried to tackle the specific issue of “third party advertising” during election campaigns. The most recent (and most promising) attempt restricts such spending and provides for its transparency.

attempt to regulate political finance needs to be modest in its expectations. Nevertheless, basic rules which have some impact are absolutely necessary if the present state of political finance in democracies is to improve.

Established democracies have created a variety of sets of rules which provide examples for the different areas of political finance regulation. Emerging democracies will find a variety of options for their individual policy mix or package of reform measures. The major elements of the package should be **transparency, encouragement, public support** and **supervision**.

4. Standards of Good Practice for Political Finance

The rules and regulations for the financial aspects of party competition may be called a **political finance regime**. The best practice in an adequate regime for party and campaign funding will consider the specific

features of the national polity as well as the general problems of democratic governance. Rule-making for the role of money in politics has to be a multifaceted search for the optimum, not the mere transfer of a perfect set of rules applied somewhere else. Nevertheless, a “toolbox” of options can be offered which is based on experience so far.

4.1. No Perfect Solution

The development of a useful and efficient political finance regime has to start with the acceptance of a basic piece of anthropological wisdom: nobody is perfect or will ever be.

If common sense applies to people, it will apply to rules set up for their behaviour. If the US example of a political finance regime (as set out in chapter 3) has proved anything to the rest of the world, it is the commonsense insight that the flow of money is rather like the flow of water. No obstacle set up for control purposes will stop trickles from flowing and siphons from being applied. As long as human creativity is confronted by legal frameworks, **loopholes** will be sought, found and used. **The more perfect the rules designed, the more perfect the evasion will be.**

Accepting such facts of life should not mislead legislators and administrators into thinking that all regulation is useless. Existing and potential loopholes have to be identified, major loopholes closed and minor loopholes tolerated in order to keep the regulatory regime operational. A carefully designed set of rules which demands neither too much nor too little of parties and candidates, their treasurers and agents, the public purse or the individual citizen will help to stop past practices and improve the future working of a democracy. No meaningful political finance regime will be content to apply merely symbolic restrictions to the flow of funds used for political purposes. The late K. Z. Paltiel may have hit upon the major elements of an efficient regulation when he stated as early as 1976:

A system of public financing, full disclosure and an enforcing agency backed by legal sanctions are essential to the success of a reform for party finance. Disclosure requires systematic reporting, auditing, public access to records and publicity. Enforcement demands a strong authority endowed with sufficient legal powers to supervise, verify, investigate and if necessary institute legal proceedings. Anything less is a formula for failure.

Although some authors and legislators believe that money in politics ought to be regulated tightly, the case studies in this *Handbook* (see chapters 2–7) provide many reasons for doubt. The persistent problems in Italy and Spain may be ascribed to lax implementation. Recent problems in the UK, Germany and Israel may be due to under-regulation or imperfect phrasing of the law. However, it is the examples of France and the USA which highlight the most important problem: attempts at a perfect solution are bound to fail.

4.2. Vigorous Parties

Any financial regulation for political parties has to enable parties to perform adequate services to the democratic public. Which services are to be considered indispensable?

The answer to this question depends very much on the political traditions of each individual country. In general terms parties participate in the process of democratic politics. This may include the articulation and aggregation of political interests and the development of policy options. The “minimum” service, however, to each specific polity is to nominate candidates and mobilize voters for nationwide elections. Because this is a public service provided by voluntary associations, some financial support from general revenue funds seems appropriate. The volume, scope and details of public subsidies have to be adjusted to the actual need and the available resources.

4.3. Equal Opportunities

An adequate system of rules for the funding of political parties should improve the equality of opportunity for all parties competing in an election rather than work against it.

Like other rules for the political process, party finance regulation overall should favour neither big and established nor small and new parties, neither governing nor opposition parties, neither rich nor poor parties, neither parties of the “small guy” nor those of “big money”. Public subsidies will extend to minority opposition parties some of the benefits which are always available to the parties in power and supporting the government.

If the funding system includes public subsidies, **access for small and new parties** deserves special consideration. The threshold for access to public funding is an important dimension of the level playing field that will enable small and fringe parties to be

serious contenders which can challenge incumbents effectively. Political innovation can originate either within the established parties or through the founding of new ones.

To some extent precautions against frivolous candidates are legitimate as long as such discrimination does not exclude new political movements from effective participation in the political competition. Political finance regulation has to be adjusted to other rules governing the electoral process, e.g., the voting system, nomination procedures, access to radio and television time and government advertising, and the privileges of incumbency. All parties and their candidates need equal opportunities to increase their support or to fail.

Concerning equal opportunities as between large and small, old and new parties, the modalities of **party registration** are important. Legal definitions of “party” which emphasize standards of organization, programme and membership might be considered useful. For the regulation of party finance matters a specified definition is not necessary. Some private organizations, called “parties” by themselves or others, which compete for representation in parliaments have to be made legal subjects with public obligations and privileges by registration. Because of the differences between political traditions there will be no single set of provisions for the registration of political parties that is easily transferred from country to country.

Challengers to established organizations and groups should not be obstructed. To avoid splintering of small new groups and discourage frivolous challengers and purely personal or opportunistic initiatives, organizations seeking registration should demonstrate a minimum (sizeable) number of supporters or a small number of members in the current legislature.

Because parties cannot become public agencies but have to remain private organizations, **public funding should only partly cover party expenses**. To give new competitors a realistic chance, an equalized minimum sum payable to all registered parties and the distribution of the remaining subsidy according to size is reasonable.

In supporting party activity, **subsidies in kind** such as printed ballot papers, public billboard space, the use of public halls for party rallies, a free mailing to individual voters, and free air time on public or publicly licensed radio and television **are preferable to cash subsidies, and indirect support preferable to money transfers. Matching funds are more appropriate than flat grants.**

The most efficient forms of indirect subsidy to political parties are **tax exemptions** and **income tax benefits**. Parties should generally be exempt from income, property, sales and inheritance taxes. Tax deduction means that the donor may subtract the amount of a donation from his or her taxable income. Tax credit means that the donor may claim some part of the donation against his or her income tax liability. With progressive income tax schedules the latter provides more incentive for the small taxpayer. In addition, tax credits may be made more advantageous to political than to charitable donations. (For details see Nassmacher 1992:161–162; and Nassmacher 1994:148–152.)

4.4. Grass-Roots Linkage

Any system of public funding of political party activities has to take account of the fact that the linkage between a party and its voting clientele is essential. Financial support from the grass roots should take precedence over any other source of funding. Accordingly a set of rules for state aid (public assistance) should identify the potential for grass-roots funding and provide incentives (e.g., tax benefits or matching funds) for individual contributions as well as fund-raising efforts. If the initial transition to democracy calls for a massive infusion of public money into party coffers, the political finance regime should provide for such subsidies to be terminated or reduced after a period of time. If parties do not develop permanent linkages with segments of civil society they will not contribute to sustainable democracy. Equally, if such linkage does not produce financial rewards, in the long run it will not be rooted deeply enough.

Whereas tax benefits are an incentive for the potential donor, matching funds provide an incentive to the fund-raiser. If a party has collected a lot of money in small donations, the total amount will be matched by public funds. (For details see Nassmacher 1992: 166–170; and Nassmacher 1994:152–154.)

4.5. Balanced Sources

We have seen that generally speaking there are four major sources of funds for party activity and election campaigns: grass-roots support, interested money, public subsidies and foreign funding. Each of these potential sources is closely associated with specific risks which may endanger the successful operation of a democracy.

The most obvious danger comes from foreign

funding. If a governing party depends heavily on financial resources provided by foreign governments or especially multinational corporations, their influence may undermine national sovereignty and the democratic principle of self-determination.

If public funding is the dominant source of party and campaign funds this reduces the financial linkage between a party and its supporters, the party leadership and the grass roots. It also poses additional problems. How much money is necessary to keep parties working without inviting them to waste public money or just fund an “arms race” in political competition? Alternatively, if a party relies solely on limited individual contributions because its particular clientele or the citizens in general are poor, funds available for political activity may be limited – to the point where organizational or publicity efforts almost cease to exist.

This is, however, less dangerous than having politicians in search of funds turn to interested money or even corrupt practices. “Just as there are needy politicians and greedy donors ... there are greedy politicians seeking out needy donors” (Alexander 1992:356). Although in theory the borderline between influence trafficking and institutional donations is quite obvious, in day-to-day politics this is less clear. Interested money may be given because the business community or the trade unions support a wide range of policies on which a party and a group of donors are in agreement. Some donations may be given because a donor wants to “buy” access to a governing party or even influence specific policy decisions. Politicians may demand a contribution to party coffers in exchange for granting a licence – “toll-gating” – or a commission on government contracts – “kickbacks” (Paltiel 1981:151).

A legal ban on such sources may seem the obvious solution. Another is making contributions visible to the public, and this depends largely on the media. A more promising approach is to **open up different channels for political fund-raising** so as to counteract the risks inherent in each individual source by creating some kind of balance among the different sources. Although no perfect mix can be identified, the very idea of balancing a variety of risks through a variety of opportunities seems an important basis for any good political funding practice.

The most important item on the agenda for regulation is the general aim to establish and reinforce public confidence in the soundness of financial sources and funding practices.

4.6. Reinforced Confidence

A political finance regime is not an end in itself but a means to promote the confidence of the general public in the financial operations related to the political process. The demand for transparency of political funds is incompatible with a claim to privacy for political donors and voluntary associations. Nevertheless both demands are legitimate. Complete transparency will not be achieved; complete privacy cannot be granted. **Public confidence has to be the yardstick** which applies when a reasonable demarcation line is drawn.

The aim of promoting and if necessary reinforcing confidence will also shape the overall composition of any political finance regime. Separate sets of rules for federal and state parties, party and candidate funding, campaign and routine spending will create loopholes. Such loopholes tend to undermine the credibility of any regulation. Regulation should aim to be comprehensive in scope and practical in design if it is to contribute to public confidence.

Money is an important resource and is instrumental to the competition for political power in any democracy. This competition, especially at election time, has to be free, fair and equitable. Does this require **complete transparency** of all funds used for political purposes? Not necessarily, because minor amounts of cash contributions are unlikely to disguise undue influence. A demarcation line between voluntary work by party supporters and in-kind contributions provided by the same people is difficult to draw. On the other hand, the flow of interested money into the political process should be monitored, and transparency is an important means to this end. Each democracy will have to work for its own measure of adequate transparency.

Transparency should ensure information for the voting public. Who is giving financial support to a party? How do the financial operations of one party compare to those of others? Thus any transparency regulation has to address two dimensions of the issue: the **disclosure** of large donations, and the **reporting** of income and expenses, debts and assets. Items identified by the reporting rules should strike an adequate balance between the party's right to privacy as a voluntary association and the public's right to know the important financial details of the struggle for power. The disclosure provisions' details on the sources and amounts of large donations must take into account the potential to identify interested money and the desirability of confidentiality in grass-roots support to

parties and candidates. The usual and practical solution is to establish a **threshold amount** that will determine differential treatment – either transparency or privacy.

Another area where the political finance regime has to strike an adequate balance between what is too loose and what is too strict is that of **bans and limits**. Both devices can be applied to income and expenditure, although it is most likely that specific types of income, such as foreign or anonymous donations, will be banned and expenses, especially campaign expenses, will be limited. Some countries apply contribution limits for specific categories of donors. The greatest danger inherent in bans and limits is that they will be introduced symbolically, without account being taken of the need to enforce them or the possibility of their actually being enforced. Thus, a ban on corporate and/or foreign donations is not worthwhile if multinational corporations continue to buy highly-priced tickets for fund-raising events and to send senior management to attend. Unenforced bans may thus create a credibility gap for the political finance rules and endanger public trust in democratic procedures. Ceilings for expenditure pose a similar problem. Sometimes they seem quite effective, as they do in British constituencies or US presidential campaigns. In both countries, however, other campaigns provide a safety valve where any excess funds can be spent without restriction.

Regulators who are primarily concerned with the idea of a level playing field prefer to provide a minimum level, a **“floor”**, which will enable minor parties and candidates to compete effectively against incumbents. The provision of services in kind by public agencies, such as the free use of meeting halls, mailings, poster space, air time on radio and television or the reimbursement of costs incurred, is the best way to achieve this. Nevertheless there is a problem involved with the provision of floors for political competition. How can frivolous candidates and serious contenders be distinguished? Neither a free-for-all approach nor a restriction to “established” participants should be the appropriate solution.

In general **any rule which cannot be enforced should not be enacted**. Experience from France, Israel, Spain and the United States shows that lack of enforcement destroys the good intentions of reformers. Evidence from Italy, Japan, the Netherlands and Sweden demonstrates that political parties prefer public money with no strings attached.

Any “best practice” of campaign and party financing would strive to:

- contribute to public confidence by means of improved transparency, without aiming at perfection;
- encourage grass-roots funding without trying to make it the only source of financing for party activity, including election campaigns;
- discourage dangerous sources of political funds without expecting too much of “catchy” bans and symbolic limits;
- provide public funding as a partial substitute, but tie subsidies to parties’ own fund-raising efforts via matching or reimbursement provisions;
- create legal incentives to address potential contributors as well as potential fund-raisers;
- exclude public funding for all parties which fail to comply with transparency obligations as prescribed by law; and
- create a supervising agency which strikes an adequate balance between law-enforcing authority, judicial independence, public auditing of political funds and the practical needs of competing parties.

In order to keep party financing on track, in other words, mid-way between a shortage of party funds, which is not good for a sustainable democracy, and a waste of money, which is not good for a healthy democracy, there must be checks imposed by the democratic sovereign – the voting public – and statutory incentives for proper fund-raising.

Such checks require:

- reliable information; and
- sanctions for misbehaviour and breaches.

5. The Form and Objectives of this *Handbook*

The *Handbook* is intended to provide comparative information of practical value on the various methods of political funding and their implications. It describes the different types of party financing, offers the comparative international experiences of countries with legislative and constitutional provisions regulating party funding, and analyses the choices and options for the funding of political parties. In so doing it focuses attention on the implications and consequences for

FIVE RULES FOR THE REGULATION OF PARTY FUNDING LESSONS LEARNED FROM THE EXPERIENCE OF ESTABLISHED DEMOCRACIES*

1. Be innovative. This *Handbook* describes a number of innovative approaches to the funding of parties and candidates, election campaigns and routine operations, e.g., the Canadian tax credit scheme, that may be useful and adaptable to other countries.

2. Generate grass-roots contributions. Parties which have strong ties to the core of their supporters (party members as well as small donors) are likely to conduct their roles, e.g., representation of the people, interest aggregation, policy formulation and the recruitment of candidates, much more effectively than those which have no such links.

3. Focus on incentives, not constraints. Because of the unceasing problems of established democracies with the funding of political parties, most of the material in this *Handbook* looks at the latter, but a key message is that the “carrot” is more useful than the “stick”. Incentives for parties to develop a sustainable funding base work much better than attempts to penalize wrong-doers, e.g., those who over-spend their campaign limits or try to circumvent other rules.

4. Keep it simple. As in most things, simpler rules and regulations are much more likely to be understood, enforceable and complied with. This *Handbook* lists many cases of overly complex regulations which are unenforceable in practice. In addition, simpler regulation can be adapted more easily to changing political circumstances.

5. Finally, be realistic. Money and politics are inextricably entwined and are going to stay that way. Focus on achievable ways to promote an efficient party system which links civil society to political institutions and to provide all the *necessary* information to the public, rather than trying to wish the problem away.

* The author gratefully acknowledges the help of Ben Reilly, formerly of International IDEA, who developed the idea for this box and most of its contents.

political parties' organization, accountability and sustainability. As a reference guide the *Handbook* draws together evidence from an unusually large number of countries.

In some of the developed countries there has been extensive research on a broad spectrum of aspects of funding and regulation for political parties. Among others, the work done by various royal commissions in Canada, committee reports from the UK, and reports prepared by the US Library of Congress and the National Democratic Institute have been used wherever possible in preparing the case studies for this *Handbook*.

This introductory chapter sets the context and indicates the areas the *Handbook* will cover. It tackles issues concerning the funding of political parties specifically – not just electoral campaigns in general terms.

The objective of this *Handbook* is to provide a “How to do it” guide. The following chapters examine the issues more closely and allow the reader to benefit from a wide range of experience from different countries, organized by regions of the world. Chapters 2–7 present regional case studies to illustrate how party financing is regulated and is operating in practice. The aim is to present examples of good practice that may be beneficial to new or emerging democracies. Individual chapters for different regions cover in detail all the important aspects of political finance that are legally regulated, especially disclosure rules, restrictions on donations, limits on campaign spending, and direct as well as indirect forms of public funding for parties and candidates.

Whereas **Anglo-Saxon** democracies have preferred a regulatory approach (see chapter 3), those in **Western Europe** have emphasized distributive measures, especially cash subsidies to political parties, and introduced less strict regulations (see chapter 7). In **Central and Eastern Europe**, after severe financial shortfalls and serious inequalities of private support, public subsidies are now an almost common feature; however, they are less important than private donations (see chapter 5). Parties have been subject to detailed regulations (bans on donations and limits on expenditure), but these rules have proved to be a legal fiction and illegal spending is significant. While several countries in Western Europe support fund-raising from individuals by tax incentives, the emphasis in **Latin America** is on public cash subsidies which are expected to prevent parties raising income from undesired –

often drug-related – sources. The regulatory approach is well developed. However, its impact varies from country to country (see chapter 6). In **South Asia** countries have responded less comprehensively to the issue of party finance. Many of them lack a system of regulation, and with one exception – Sri Lanka – public funding is non-existent. In **East Asia**, elected representatives are expected to be linked to their constituencies by financial obligations. This increases enormously the cost of being a representative. However, in Japan, South Korea and Taiwan, public opinion is swinging away from the toleration of past practices, and the chances of candidates with less resources being elected are therefore increasing (see chapter 4). **Africa** shows a picture of more or less unregulated self-help, including foreign money as well as kickbacks, returns from business investments and a few instances of public funding. The phenomenon of a candidate owning a party as a businessman is fairly frequent. The difference in financial resources between governing and opposition parties seems to be appreciably greater than elsewhere. If there are strict regulations on the statute book they are often not enforced (see chapter 2).

The issue of **compliance and enforcement**, which seems to be the most delicate problem right across the globe and is crucial for each and every set of formalized rules created to deal with money in politics, deserves and receives a thorough discussion in chapter 8.

Drawing this *Handbook* to a close, a separate chapter deals with a very important and often neglected issue – it examines the implications which the funding of parties and candidates has or may have on **gender issues**; whether insufficient resources can be one of the reasons behind the apparently small pool of women candidates; and what tools exist for supporting them (see chapter 9).

The last part of the *Handbook* is an extensive **matrix on political finance laws and regulations**, and a short concluding chapter.

One of the challenges in writing this *Handbook* was the audience to be addressed. We have tried to make it useful to a diverse cross-section of users. We aim primarily to help practitioners such as:

- senior political party officials with responsibility for making policy decisions on matters related to the funding of parties;
- politicians, legal experts, policy makers and legislators practically involved in the development of legislation on party funding;

- election administrators, officials and managers at all levels with functional responsibility for particular aspects of electoral management, including campaign funding for political parties;
- individuals and organizations that undertake advocacy work in election-related matters;
- international political organizations with responsibility for coordinating fraternal party-to-party development relations;
- research and political institutes conducting research on and analysis of the roles, functions and funding of political parties and the implications for the process of democratic consolidation; and
- intergovernmental, parliamentary and non-governmental organizations providing assistance to election management bodies.

As the following chapters of this *Handbook* elaborate in more detail, the issue of party and campaign financing in both established and emerging democracies can be compared to a mechanical problem which needs to be tackled using a number of different instruments. When it comes to dealing with the flow of money into politics, policy makers and practitioners have to recognize the complexity of the matter and the need to apply different regulatory mechanisms and incentives to minimize its corruptive effects. This *Handbook* has been written with the objective to provide different experiences on a variety of tools and instruments that political leaders, election managers, civil society groups and political parties themselves can choose from to address the growing challenge of regulating the flow of money into politics in their countries.

Endnotes

¹ I am indebted for this point to Yaw Saffu who mentioned it during a workshop held by International IDEA and the Commonwealth Secretariat in cooperation with the Election Commission of India and the Confederation of Indian Industry in New Delhi in November 2001.

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The Funding of Political Parties and Election Campaigns in Africa

YAW SAFFU*

1. Introduction

Since the end of the cold war, combined internal and external pressures for democratization and good governance in Africa have resulted in the reinstatement of multiparty politics and competitive elections in country after country. In the period 1985–1989 competitive elections, allowing for more than one party, were held in only ten of the continent's 53 countries (Bratton and van de Walle 1997; Nohlen et al. 1999). Between 1990 and 1997 “founding” or transitional elections, signaling an end to military dictatorship or authoritarian one-party or personal rule, were held in 40 (Bratton 1998). At the beginning of 2002, only eight or so African countries did not operate a multiparty system.¹ Africa's “second wave of democracy” has been a significant expansion of electoral democracy.

However, electoral democracy is only a step, if a vital first step, towards the practice of liberal democracy. Further reforms are necessary if the democratic gains made so far in Africa are to be consolidated. Strategic forces in civil society need to be strengthened to ensure that appropriate attitudes develop, economies need to perform in order to enhance the material basis of democracy, and appropriate political institutions need to be nurtured to sustain fair play and justice. Indeed, given that the fairness and quality of some transitional and subsequent elections have been called into question, particularly in view of the unrestrained use of state resources by governing parties and the consequent lack of a “level playing field” for opposition parties (Bratton 1998; Joseph 1998), the ways in which political parties and election campaigns are financed in Africa are germane to several aspects of consolidating democracy there.

Political parties in Africa incur the usual financial costs associated with the establishment, maintenance and operation of more or less modern bureaucratic organizations. The costs of office accommodation, vehicles, staff, consumables and communicating within the organization and especially with the public, the electorate, are, ideally, ongoing throughout the year. The more serious parties have or aspire to have branch and regional offices in addition to the national

headquarters. However, because of lack of resources usually only the major parties have any discernible network of offices and staff on the ground.

In the African environments of low levels of income, literacy and technology and a preponderantly rural population, usually dispersed over large territories with only poor roads, election campaigns are horrendously expensive, as the excellent report on the 1992 Kenya elections (Throup and Hornsby 1998), for instance, makes clear. In the midst of mass, grinding poverty, political parties are obliged to make huge outlays to buy or hire large numbers of vehicles and keep them on the road, pay salaries and nomination fees, pay for publicity, both sophisticated and traditional, feed party workers and (at present, in a large majority of cases) “treat” voters, including by direct payment, even though that is not part of the modern liberal democratic script.

This chapter is essentially an empirical study of how political parties and election campaigns are financed in Africa. This important issue will be treated more fully in a future Africa regional study by Magnus Öhman commissioned by International IDEA.

2. Legal Provisions Governing the Raising of Political Funds

Political financing is relatively under-regulated in Africa. In general, the raising of funds by parties and candidates is a matter of **unregulated self-help**. Fewer than one in five African states has comprehensive **laws** to govern the raising of revenue, detail permitted sources of revenue, prohibit others (such as foreign and corporate donations), or impose ceilings and specify sanctions. Laws demanding the **disclosure** of sources of party funds and **audited accounts** – the minimum regulation required to grapple with issues associated with the difficult relationship between political financing and liberal democratic governance – exist only in a tiny minority of African states. Even in those states, implementation is usually a problem.

There appears to be no rhyme or reason or pattern to the current patchwork of legal provisions on political financing to be found in Africa. **Mali**, for instance, bans

* The author would like to thank Dr. Pinto-Duschinsky and Susan Toft for their help in preparation of this chapter.

foreign donations but has no provisions regarding other aspects of political financing. **Benin**, another West African francophone state, limits campaign expenditure and has provisions on public funding but not on other aspects of political financing. **Ghana** has disclosure provisions and bans foreign donations, but the relevant act is silent on other equally pertinent issues of political financing, such as limits on campaign expenditure. **South Africa** has no provisions on general disclosure or bans on foreign donations but it has provision for substantial public funding and accounting requirements with respect to the public funds. **Kenya** used to have limits on campaign spending by parties and candidates (although admittedly these were universally ignored), but removed them in 1992, before the first multiparty elections to be held there since the 1970s. In 1999, however, the Kenyan Parliament approved a bill for state funding of political parties (*The Nation* 21 July 1999; Pan-African News Agency 22 July 1999).

For reasons of partisan or personal advantage, incumbents at the time of transition, during constitution-making and at the passing of legislation on political parties, elections and electoral commissions have preferred to address none or only some of the issues involved in political financing. The opposition parties which stand to benefit most from the adoption of regulations that enhance transparency and limit funding and spending have usually been too divided and too weak for their views and interests to influence these provisions strongly.

3. Sources of Income of African Political Parties

All the methods of funding political parties practised elsewhere in the world are in use in Africa. These are listed here in what, it is argued, is a descending order of conformity with democratic ideals and the principles of good governance.

The most compatible with democracy would be party membership dues, local fund-raising by party activists and small, individual donations by party members and sympathizers. Next would be levies on the salaries of categories of party members occupying offices of state, public funding, and returns on investment portfolios. Further away from the democratic ideal would be donations by interest groups, lobbyists and corporate bodies, and investments by political entrepreneurs – the

founders, proprietors or owners of political parties who launch and finance parties as they would any investment vehicle. Finally, the completely unacceptable would be kickbacks from recipients of government contracts and other largesse, diverting state resources to the governing party through front organizations, and donations from foreign sources such as business owners, multinationals and governments.

Of the above, the most prominent in Africa in terms of size and frequency are **donations** (of various types, including those by founders of political parties and foreigners), corrupt **kickbacks**, **state subventions** and **returns on business investments**, in that order. In many African countries the **use and abuse of state resources** is a corrupt form of massive public funding, albeit indirect and unauthorized by the law, and is available only to the governing party. Governing parties' use of state resources, with evident impunity, and their brazen demand for and acceptance of kickbacks explain much of the apparent electoral impregnability of many African governing parties, even those with clear records of economic and human rights failures. They manage to build such formidable electoral war chests that their impoverished opponents usually have little chance.

3.1. Donations

Donations are the modal source of political financing in Africa. Whereas only parties in government can exploit "toll-gating" or percentage kickbacks, or use front organizations to funnel state money to the party, all parties can depend on donations to varying degrees. Furthermore, given that in the transition to electoral democracy new parties had to be formed outside government circles in order to challenge incumbent autocrats and military regimes, seed money was necessary from the beginning. This came almost exclusively from donations.

Some donations came in small parcels from the salaried and professional sectors of civil society. Both a greater understanding of the damage that the neo-patrimonial systems had done and a capacity to donate a few hundred dollars could be expected from those sectors. Thus, in **Ghana** it was a "group of young upwardly mobile, cellular-phone clutching business executives and professionals who provided substantial financial backing for Professor Adu Boahen's 1992 presidential bid" (Jonah 1998). Adu Boahen was the opposition challenger to the incumbent, Jerry Rawlings. In **Zambia**, trade unionists led the formation

of the Movement for Multiparty Democracy (MMD), not only with their organizational skills and energy but also with their donations. In 1991 the MMD was to wrest power from Kenneth Kaunda's United National Independence Party (UNIP), which had ruled Zambia since 1964. Democrats would have had no difficulty applauding these kinds of donations. They indicated democratic citizen participation of the highest kind.

But, useful as such donations were, they usually fell short of the huge sums required to put up a credible show in elections. The really huge donations, counted in thousands and millions of dollars in an economic environment of desperate poverty where gross domestic product (GDP) per capita per year might be only some USD 300, or even less, could be made only by business tycoons. However, there was a marked tendency on the part of the tycoon donors to regard politics as business by other means and political parties as appropriate investments. Their donations either founded parties, which they owned, or made them king-makers in the parties they heavily bought into. **Nigeria**, where politicians are now called "money-bags" and local wags call the political system "nairacracy" and "contractocracy", on account of the brazen role that money plays in politics and the corruption it engenders, provides ample illustration of this type of donation.

In 1992 Nigeria held presidential primary elections during its unusually long-drawn-out transition programme. These elections were distinguished not only by the extent of rigging – "seriously rigged", according to one commentator, and "reaching unimaginable levels of electoral fraud" (Igwe 1994:111) – but also by the amounts of money that were reportedly spent by the candidates who owned the parties that nominated them. According to Ademola Oyinola, a journalist, some presidential "hopefuls" spent over NGN 1 billion (Int'l \$ 204 million) (For an explanation of the use of International Dollars, please see *Methodology*), while the least-wealthy named competitor had a budget of only NGN 120 million (Int'l \$ 24,5 m.) (quoted in Olatunji 1994:138).² It was apparently the complete fiasco of those presidential primaries, represented by the obscene amounts of money spent by the parties and their nominees, that led General Ibrahim Babangida to propose his much-discussed, and much-derided, officially-sponsored two-party system for Nigeria. That idea, however, died with his own political demise.

When Nigeria finally organized its transitional

presidential elections, seven years and three generals later (in February 1999), the amounts of money that the presidential aspirants had to raise were staggering by any standard. Indeed, they made the amounts involved in presidential campaigns in the USA pale into insignificance.³ According to *Africa Confidential*, at a pre-election fund-raiser meeting of the People's Democratic Party (PDP), the eventually successful PDP presidential candidate brought in over NGN 400 million (Int'l \$ 11,6 m.) for the party, much of it reportedly furnished by his chief financial backer, now his defence minister, a vastly rich businessman and oil tycoon (*Africa Confidential* 40(21) 1999). According to unconfirmed reports, the presidential candidate for the coalition of the Alliance for Democracy (AD) and the All People's Party (APP) similarly secured his nomination because he was able to bring in over NGN 100 million (Int'l \$ 2,91 m.).

In **Kenya** the leaders of all the three major opposition parties that were formed to contest the December 1992 elections were multimillionaires. They had to be to make any impression on the then incumbent president, who spent, directly and through his proxies, an estimated KES 2 billion (Int'l \$ 208 million) between January and November 1992, in addition to the vast state resources he pressed into service on his behalf (Throup and Hornsby 1998:358). The presidential hopefuls pumped millions of shillings of their own money into the campaign (Throup and Hornsby 1998:359–382). In addition, their wealthy friends made large donations. Thus, the Democratic Party (DP) was said to have the financial backing of big Kikuyu business, while the inner circle of the Forum for the Restoration of Democracy-Asili (FORD-Asili) reportedly included the chairman of British-American Tobacco (BAT) Kenya, who had close ties to the Kenyatta family. Even FORD Kenya, with fewer wealthy friends, raised 80 per cent of its central fund, some KES 14 million (Int'l \$ 1,45 m.), from "a few large donations from anonymous well-wishers" (Throup and Hornsby 1998:360).

The pre-1990 governing parties that have managed to cling to power, such as Daniel Arap Moi's Kenya African National Union (KANU), Étienne Gnassingbe Eyadema's Rassemblement du Peuple Togolais (RPT) and President Paul Biya's Rassemblement Démocratique du Peuple Camérounnais (RDPC), usually have long-established and very close relations with known groups of business owners who provide

financial backing at election time. In **Cameroon**, for instance, the mutually beneficial relationship between Biya's RDPC and a group of very wealthy Bamileke business owners was on display again during the last elections in 1997. The business owners reportedly raised CFA 100 million (Int'l \$ 463.000) for Biya's campaign, saying: "politics is a 'Savings Club': you get what you put in" (*Africa Confidential* 38(21) 1997).

In the African situation, **opposition parties** struggle for consistent support from business owners who would rather donate to governing parties which can deliver prompt returns than risk the vengeance of vindictive governments whose basic instincts are still authoritarian and whose deeds often suggest that they still believe the opposition has no place in African politics. If business owners decide to finance an opposition party in Africa, they could just possibly be unusually committed democrats, because it is a high-risk game for their business. However, when they decide to finance an opposition party, nine times out of ten they are political entrepreneurs seeking to make money directly from politics by owning a party, or by filling it with their own people to run it, waiting for the day when they can buy enough votes to put the party into power.

Donations from **citizens living abroad** are an important source of funding for political parties in Africa, particularly for opposition parties. In Ghana, political parties list "Ghanaian citizens living abroad" in their disclosure of sources of funds, and the presidential candidate of the main opposition party allegedly received USD 100.000 from its US branch for the 1996 elections (Gyimah-Boadi 2000). Such apparently small individual donations from party members and supporters would normally be counted favourably as an index of support for democracy, especially if the donations go to support opposition parties that face the combined resources of a ruling party and, thus, the state (although not all such financial support from exiles can or should be applauded.)

But most publicized donations from foreign sources are far less defensible. For instance, the late "Tiny" Rowland of the Lonrho conglomerate was reportedly a regular contributor to the funds of the ruling parties in the African countries where Lonrho did business (Bower 1993). He is reported to have donated ZWD 14 million (Int'l \$ 4,0 m.) to the Zimbabwe African Nationalist Union-Patriotic Front (ZANU-PF) to finance its 1996 election campaign (*Financial Gazette*

21 May 1998). When he retired from Lonrho in 1997, *Africa Confidential* reported the event thus: "Lonrho has lost its close links with ZANU" (*Africa Confidential* 38(24) 1997). The giant South African Anglo-American Corporation, which has mining interests in **Botswana**, apparently dispenses its largesse to the ruling Democratic Party in Botswana, reportedly paying South African consultants to manage its election campaign (*Africa Confidential* 40(21) 1999).

Nigeria's General Sani Abacha appeared to have used donations to political parties in power in other African countries to buy diplomatic support. It was widely believed in Ghana that he made a large donation to the election fund of Jerry John Rawlings' National Democratic Congress (NDC) during the 1996 election campaign, although Rawlings denied in public that he or his party had received any such donation. It would appear that the Nigerian government continued where Abacha left off, making friends through donations to ruling parties in other African states. According to *Africa Confidential*, in February 1999 it "made a generous contribution to the ANC's election fund" (*Africa Confidential* 40(5) 1999:4).

The African National Congress (ANC), as is widely known, survived its epic struggle against the apartheid regime in **South Africa** largely through the financial and other support it received from organizations and governments around the world. In 1994, fighting its first election, the ANC would not have been short of money, and most of it would have come from abroad. Three years into its rule, according to *Africa Confidential*, it had to retrench 163 out of the 560 staff it employed, put its headquarters up for sale and sell its vehicles to staff (*Africa Confidential* 38(22) 1997). There are unconfirmed reports that former president Nelson Mandela capitalized on his reputation and stature to raise huge donations from leaders of foreign countries for the ANC's 1999 election campaign. One survey of South Africa indicated that in 1999 parties expected between 50 and 80 per cent of their campaign funds to come from business and foreign donors (IDASA 1997).

Analysts of African politics often have to take account of foreign backers. Thus, for instance, in the **Niger** presidential elections in October 1999 the *Africa Confidential* correspondent in Niamey reported that Yssoufou Mahamadou, the candidate of the Parti Nigérien de la Démocratie et du Socialisme (PNDS), was backed by France through the PNDS's affiliation

to the Socialist International and the candidate's friendship with Guy Laberti, the African specialist of the ruling French Socialist Party (*Africa Confidential* 40(20) 1999:8). He was also said to enjoy the backing of the rulers of Algeria, Nigeria, Burkina Faso, Mali, Chad and Libya. President Eyadema of Togo was named as the foreign backer of Mahamadou's main opponent, while the United States was linked with a third candidate. Whatever foreign backing in such context means in concrete terms, it has to be assumed that money is a large part of it. There have been persistent and widespread unconfirmed press reports about Colonel Muammar Ghaddafi's generous financial support to many African political party leaders.

3.2. Corrupt Kickbacks

Parties that were created within governing circles when incumbents finally bowed to pressures to reform their undemocratic systems, for instance the NDC in **Ghana**, had less need for political entrepreneurs with fat wallets. In their control of the state they already had a powerfully lucrative source of funding – kickbacks on government contracts and the sale of state assets.

Gyimah-Boadi (2000) refers to a GHC 3 million (Int'l \$ 4.189) donation to the governing party in Ghana by Construction Pioneers, a road-building company that had a huge contract with the government. Independent newspapers in practically every African country provide illustrations of the kickback. As many have observed, in the era of International Monetary Fund (IMF), World Bank and donor country-inspired privatization programmes in Africa, "political privatizations" are proving to be even more lucrative channels for party and personal funding than the old "10 per cent commission" levied on the value of government contracts awarded. *Africa Confidential* dissects the interconnections between the leadership of the ruling party in **Côte d'Ivoire**, the Parti Démocratique du Côte d'Ivoire (PDCI), and the business class in the context of privatization. Needless to say, these opportunities for political funding through the control of the state become available to new parties as well once they are voted into office, as in **Zambia** (1991), **Malawi** (1994) and **Nigeria** (1999) (*Africa Confidential* 39(13) June 1998).

3.3. Public Funding

Africa lags behind other regions of the world in the proportion of countries that have public funding

provisions (Öhman 1999; and Öhman in a study commissioned by IDEA). As of the beginning of 2002, on the basis of the available research, only 14 African states were known to fund political parties directly, with or without legislation. These were Benin, Burkina Faso, Chad, Egypt, Equatorial Guinea, Gabon, Malawi, Morocco, Mozambique, Namibia, the Seychelles, South Africa, Tanzania and Zimbabwe. Of these, only in four were the sums involved sizeable enough to make a difference to the operation of the opposition parties (South Africa, Morocco, Seychelles and, if the ruling party there had allowed it, Zimbabwe). In South Africa, for instance, according to the amounts cited by Soggot (study commissioned by IDEA), the five largest opposition parties would have received ZAR 43 million (Int'l \$ 21 m.) as against ZAR 64 million (Int'l \$ 31 m.) for the ANC over the period 1998–2000. The relative absence of public funding provisions in the new constitutions and the laws that governed the recent transitions to multiparty democracy in Africa are testimony to the extent to which the transition programmes were directed and dominated by incumbent authoritarian rulers who did not lack political or financial resources.

From the perspective of such rulers and ruling parties, adopting provisions for the public funding of political parties would have seemed like a careless dissipation of the advantages that incumbency conferred. Thus even parties that "came in from the cold" to topple autocrats and despots, such as the MMD in **Zambia**, promptly saw the advantages of not having the state prop up the opposition, which is how the idea of the state funding parties or candidates would seem to those in power. Thus President Yoweri Museveni of **Uganda** has declared his opposition to public funding of political parties, even before the people have had the chance to vote in a promised referendum on whether **Uganda** should remain a no-party democracy or become a multiparty democracy. His National Resistance Movement has an investment arm whose income he expects to be adequate. In **Ghana**, the then ruling NDC in 1999, not surprisingly, declared its opposition to a bill to authorize public funding of political parties (*Ghanaian Chronicle* 3 December 1999). The New Patriotic Party (NPP), in government since January 2001, has yet to propose legislation for public funding of political parties, although it argued passionately for it when it was in opposition.

In **Zimbabwe** the 1992 Political Parties (Finance) Act,

which authorized state funding for political parties, merely formalized what had existed since 1980. ZANU-PF had been receiving an annual grant of ZWD 32 million (Int'l \$ 21 m.). From 1992, any party that gained 10 per cent or more of the seats in the 150-member parliament was entitled to state subvention. Given the high threshold, the opposition parties did not qualify, while ZANU-PF received increased subventions. According to one calculation, ZANU-PF should have received the sum of ZWD 312 million (Int'l \$ 33 m.) from state coffers by the end of 2000, or an average annual subvention of just under ZWD 40 million (Int'l \$ 4,2 m.) ("The Unfairness of Party Financing." *Financial Gazette* 31 October 1997). The opposition challenged the constitutionality of the whole act, and the 15-seat threshold in particular. The Supreme Court found in favour of the opposition, lowering the threshold to 5 per cent of the popular vote. The government tried to frustrate the effect of the Supreme Court decision, insisting that the 5 per cent threshold really meant more than 5 per cent of the valid votes cast because, it argued, the number of registered voters in all constituencies where ZANU-PF candidates were returned unopposed had to be factored into the calculation of the 5 per cent. That the issue of state funding or aiding of political parties and candidates is primarily a question of fairness, of attempting to create a level playing field for all contestants in an election, is clearly a theme that needs constant reiteration in Africa.

Governing parties in the new, multiparty contexts have been not only most reluctant to help their opponents (as they see it) remove one of the major reasons for their ineffectiveness, namely, their lack of financial resources. But worse, as Cowen and Laasko have observed: "the strategies of many African governing regimes have been directed precisely at making opposition parties as institutionally weak as possible" (Cowen and Laasko, 1997:736).

The **partisan interest of the ruling parties** is a major reason for the relative absence of public funding schemes in Africa. The poor economic and financial base of the state in Africa can also, no doubt, be invoked as a contributory factor. However, a most important explanation that has not been emphasized sufficiently is that the positive correlation between the fairness of public policy and the consolidation of democracy does not appear to have been noted widely in ruling circles in Africa.

3.4. Returns on Investments

Some political parties, especially the older ones dating from before 1990, such as ZANU-PF, the PDCI, KANU and UNIP, have **investment portfolios** that generate substantial incomes.

Some disgruntled members of ZANU-PF, dissatisfied that the party's accounts have not been audited since **Zimbabwe** gained independence in 1980, have managed to lift the lid on the party's quite extensive investment portfolio by persistent questioning. Through a holding company called M&S Syndicate, the party owns or has substantial shares in a wide array of companies dealing in motor vehicle sales and garages, properties, the import and distribution of industrial machinery, water pumps, steel, building materials and mining (*Financial Gazette* 21 May 1998). Some of its companies have supply contracts with government departments, such as the Defence Force and Central Stores, and supply, for instance, books to schools and colleges nationwide. The party has a 50 per cent share in Catercraft, a company that provides catering services to airlines at Harare International Airport, and in National Blankets, a company that manufactures blankets in Bulawayo.

The likelihood of conflicts of interest in all these areas, where policy, legislation and regulation would be called for from time to time, and the probability that the tax office and other state agencies would feel inhibited in performing their statutory functions with regard to such companies are clear. As a tax office spokesperson reportedly complained: "We face a lot of hiccups and political interference when we try to investigate companies owned by the ruling party" (*Financial Gazette* 21 May 1998). Furthermore, in Zimbabwe as elsewhere, a prior problem with this source of party funds is that income-generating investments need initial capital. Where is this kind of capital to be found apart from donations, corrupt commissions, fleecing the state or raising a bank loan?

For an opposition party in Africa, the options are very limited. In the African context, organizing a bank loan is unlikely to be any easier than finding wealthy backers who are not political entrepreneurs.

3.5. Other Sources of Funds

There is evidence that political parties still derive some income from **membership subscriptions** and **local fund-raising**. For instance, in Zambia a candidate for the post of UNIP treasurer donated materials for the printing of

250.000 party membership cards (*Times of Zambia* 30 November 1999), suggesting that the sale of membership cards (membership dues) still raises money for the party. In Ghana, when the NDC held a fund-raising dinner-dance in a major port city with a pool of contractors and other businessmen who could be expected to be eager to pay their way into the good books of the government, it raised the equivalent of only USD 600 gross, before the cost of hiring the venue, the band, food and so on had been deducted (*Sunday Mirror* 28 November 1999).

From the amounts mentioned in such reports, it is clear that these sources can yield only a tiny proportion of the income required by the political parties. However, the general level of poverty means that setting membership fees at levels that would produce respectable incomes for the parties would also put them beyond the reach of most people. Further, substantial numbers of voters and potential party members in many African countries probably take the view that they should be paid by political parties and politicians rather than that they should pay, through dues and local fund-raising activities, for the privilege of supporting the party or candidate.

An incomparably more lucrative source of funds, but only for governing parties, is state funds funnelled through **front organizations**, voluntary groups and NGOs affiliated with the party but receiving state subventions for allegedly doing useful and necessary community or welfare work. Gyimah-Boadi (2000) draws attention to **Ghanaian** examples, and Throup and Hornsby discuss **Kenyan** examples of this phenomenon. Youth for KANU 92 and the “Moi fan clubs” were set up for the 1992 Kenyan elections as “a means to siphon huge amounts of money from the government and party coffers into the political arena”. The authors quote a Kenyan newspaper, the *Weekly Express*, which claimed that Youth for KANU 92 had a budget of KES 3 billion (Int’l \$ 311 million), “mainly looted from parastatals such as the National Social Security Fund and Kenya National Assurance Company” (Throup and Hornsby 1998:354–355).

3.6. Indirect Funding

Indirect funding is any help or resources which can be shown to have monetary value but are given free to political parties or taken or used freely by governing parties. **Free air time** on radio and television or **free advertising space** in the publicly-owned print media

are good examples of the former; a governing party’s **use of state vehicles** (Defence Force helicopters in the case of one KANU candidate), **government employees**, **office equipment** and so on are examples of the latter. In many African countries elections are not really contests between candidates and parties; they turn out, in effect, to be contests between all opposition parties and candidates on the one hand, and the governing party’s candidates and the state on the other.

A report in *The Economist* on the 1999 **Algerian** elections made the same point when commenting on the funding of Abdelaziz Bouteflika’s presidential election campaign: “With plenty of money from *some-where* he set up the flashiest campaign offices and the noisiest loudspeakers playing specially commissioned music from popular Algerians” (emphasis added). The report went on to imply that once the *pouvoirs* (the generals and senior politicians who run Algeria’s affairs) pick a candidate, as they had evidently picked Bouteflika, resources are not a problem (*The Economist* 17 April 1999:78). The state resources behind the state candidate evidently proved so overwhelming that all the other candidates pulled out of the race.

In an account of their experience as monitors of **Gabon’s** December 1998 presidential election, Tordoff and Young remarked that: “The superior financial resources of the ruling party were readily visible; on the opposition side only Abbesale’s campaign showed evidence of much spending capacity” (Tordoff and Young 1999:261–276). Similarly, the Commonwealth Observer Group which monitored the 1991 **Zambian** elections drew attention to the unfair advantage UNIP had as the governing party, using state resources, including government vehicles, although even its superior resources did not save it from defeat that time. In **Botswana**, one of only a handful of African states that have always had multiparty elections, the disparity in resources between the governing party and the opposition parties has led to critical comments about the quality of its democracy (Fernandez 1994:112).

In many African countries the opposition parties have been too weak and divided to succeed in extracting from the government even the most basic aid the state can give to political parties, namely, free and equal access to the government-owned and -controlled **mass media**. Such access remains one of the most persistent demands made by opposition parties. In **Ghana** the opposition parties had to go to court to obtain the free and equal access to the media that the constitution

guarantees. In **Kenya** it took the threat of a lawsuit and the personal intervention of the visiting Secretary-General of the Commonwealth to secure equal access for the opposition parties – 90 seconds per day “paid up” advertising on Kenya Broadcasting Corporation’s radio and television, and live coverage “where possible” of their rallies. This great victory for fairness and democracy was won only six weeks before the December 1992 election. If governments resist demands for free and equal access to the media they ought not to control, it is not surprising that they resist even more vigorously any requests for greater equality in party financing.

4. Summary Propositions on the Funding of Political Parties in Africa

The difference between the amounts of money available to governing and to opposition parties tends to be far larger in Africa than elsewhere. This difference in fortune cannot be explained by differences in ideology, policies or the social bases of party support. Instead, the primary explanation is the advantages of incumbency. Kickbacks and the abuse of office, or corruption, play a large role in party financing. Only governing parties are in a position to award contracts, grant other favours or divert state funds illegally to themselves. African governments exploit the opportunities of office to “bankroll” their parties without many of the political constraints and restraints that operate in mature democracies.

There is a far sharper distinction between the sources of income of governing parties and those of opposition parties. All over the world business owners who donate to parties to obtain business advantage or to influence policy donate to either the governing party or the pro-business party. In Africa, because there is not much alternation in power between competing parties or clear ideological differences, or because the competitive, multiparty process has only just begun again, the opposition parties tend to attract political entrepreneurs rather than business owners, if they manage to find any wealthy business backers at all. Wealthy financiers of opposition parties in African countries are not likely to be ordinary business-owners who donate to parties for the usual reasons business owners do.

The **reluctance of ordinary business owners to donate to opposition parties** is one legacy of the recent authoritarian past of one-party systems and military

dictatorships, and explains much. Governments still find it difficult to accept that business owners who donate to opposition parties are as entitled to bid for government contracts as anyone else. This is a facet of the larger difficulty that African governments seem to have in accepting the role of the opposition, or indeed of the independent role of organizations, such as trade unions, that are capable of providing a base for a potential challenge to their power. African governments thus inflate for the African business owner and other elements in civil society the risk, perceived and real, of making donations to political parties other than those in government.

The **relative absence of public funding** provisions in the new constitutions and the laws that governed the recent transitions to multiparty democracy in Africa is testimony to the extent to which the transition programmes were directed and dominated by incumbent authoritarian rulers who did not lack political or financial resources. The partisan interest of ruling parties is a major reason for the relative absence of public funding schemes in Africa. The poor economic and financial base of the state in Africa is also without doubt a contributory factor.

Magnus Öhman’s research and his future study for IDEA shows that the existence of public funding in African countries cannot be related to any other index, whether it be ranking by gross national income (GNI), population size, colonial background, year of independence or ranking on the Freedom House scale. The research also reveals that the legal provisions for public funding sometimes are permissive and not compulsory, and thus implementation is often very different from the law.

5. Conclusion

If electoral democracy in Africa is to become liberal democracy, political parties, along with independent electoral commissions, independent judiciaries, ombudsmen and independent media need to be nurtured to ensure greater accountability of the executive and the legislature, ultimately through the agency of elections. Several political transition programmes in Africa have devoted attention to political parties, usually with a view to shoring up their internal democracy and encouraging them to be national and non-sectarian, but few have grasped the nettle of party financing as such.

The gross inequality of resources between governing parties and opposition parties, shown in a ruling party's ability to outspend all the opposition parties put together by 15:1, as in Ghana, probably by a bigger margin in Kenya, and by as much as 30:1 in Senegal (Fall 2000:313-331), affects the fairness or democratic quality of the elections. Fairness of electoral processes and outcomes is, in turn, a major factor in the chances of successful consolidation of a fledgling democracy. It is for the sake of consolidating the fragile democracy that has re-emerged in Africa that public funding of political parties should be considered seriously and may need to be adopted widely.

There are several well-founded arguments that can be advanced against public funding, for instance, that parties will come to depend less on their members and supporters or become more focused on gaining or retaining access to state funds and thereby possibly become dependent on the government; and that in very poor countries every penny of state revenue needs to go into education, health or economic infrastructure, instead of creating another "grave train" for politicians. However, there are strong arguments on the other side. Political parties need funds in order to play their roles effectively in the democratic process, especially the opposition parties' role of balancing the incumbent. If parties received public funds, the incentives for using illegal sources for funding might decline. Public funding can also level the playing field somewhat for all players and, equally important, act as the "sweetener", the quid pro quo, for a stringent regulation of election expenditure. Parties that accept public funding can be made to agree thereby to disclose their other sources of income, publish audited accounts and observe spending limits. A legal provision entitling any registered political party to seek judicial enforcement of the regulations will give all participants in the democratic process the tools to insist on transparency, and thereby protect and advance democracy.

Endnotes

¹ Of those, six (Comoros, Democratic Republic of the Congo, Libya, Sudan, Swaziland and Uganda) are no-party states. Eritrea is technically a one-party state and Somalia does not have a functioning political system. Multiparty elections in Sierra Leone were held on 14 May 2002, now that the civil war there has ended.

² See also the Lagos newspaper, *Tempo*, 9 December 1999 for a report on the All People's Party (APP) Convention at Abuja that month. According to this report, Dr. Olusola Saraki, who responded with a NGN 5 million (Int'l \$ 145,000) donation to the party's appeal for funds, filled the party posts with his own nominees, and the state governors, who provided over NGN 300 million (Int'l \$ 8.7 m.), were allowed to fill the posts of state chairmen of the party.

³ The nominal sums involved are of course much higher in the United States. To get a true measure of just how staggering are the sums involved in Nigeria and in other African countries, compared with the USA or other industrial democracies, the African nominal figures would have to be multiplied by 70–80 (roughly the difference between African **per capita** GDPs of USD 350 per year or less versus USD 20,000 or more for industrial countries).

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The Funding of Political Parties in the Anglo-Saxon Orbit

KARL-HEINZ NASSMACHER*

Even in the “Anglo-Saxon orbit” – Australia, the United Kingdom, Canada¹ and the United States – public subsidies for political parties seem to have become a necessity because there is no easy way to bridge the gap between the expenditure that is necessary for political purposes and the funds raised from voluntary donations to parties and candidates. Experience of political corruption associated with party fund-raising and unequal opportunities for party competition have also contributed to the proliferation of such subsidies. Each system of financing has been a specific response to problems resulting from previous strategies of fund-raising and spending by political parties. This chapter explores the variety in the financing of party politics in these four predominantly English-speaking established democracies.

1. The Costs of Democracy

Electoral systems based on single-member constituencies have made the political cultures of the countries in the Anglo-Saxon orbit predominantly campaign-oriented. In these countries the term “political finance” is virtually synonymous with “campaign finance” – money spent in order to influence the outcome of an election. Election campaigns devour the bulk of political spending, while the funding of party organizations’ routine, inter-election activities absorbs far less money.

1.1. Political Finance on the Political Agenda

Generally speaking political finance is a “restless” topic. One item, however, withstands the whirlwind of change: once introduced, public subsidies are never subsequently abolished.

The British Corrupt and Illegal Practices (Prevention) Act of 1883 was the starting point for the Australian and Canadian systems of political finance. Recently this “mother of political finance regulation” has been subject to profound legal changes. In October 1998 the Committee on Standards in Public Life, chaired by

Lord Neill of Bladen, published a special report on the funding of political parties in the **UK** (United Kingdom 1998). Its recommendations were broadly supported by the major parties. In July 1999 the Labour government issued a White Paper in which it accepted most of the committee’s proposals (United Kingdom 1999). The resulting Political Parties, Elections and Referendums Act of 2000 received the Royal Assent on 30 November 2000 (United Kingdom 2000).

Among the established democracies **Canada** stands out for its highly successful effort (the Canada Elections Act 1974) to rid itself of the spectres of corruption and scandal usually connected with the funding of politics by means of an effective political finance regime. The USA and Australia have been less successful. Beginning with the Commonwealth Electoral Act, political finance has been a topic on the public agenda in **Australia** since 1902. Not until 1981 did a Labor government in the state of New South Wales introduce public funding and disclosure obligations for political parties. A federal Labor government introduced public funding and disclosure rules in 1984. Since then the federal legislation has been amended several times.

The **USA** has a long history of federal campaign finance laws. The Federal Election Campaign Act of 1971 (FECA), which deals with federal, especially presidential, elections, stands out as the most important regulation of campaign finance in American history. It is the basis of today’s very extensive regulation. Moreover, it created an independent regulatory agency charged with guaranteeing public disclosure of funds raised and spent in federal elections.

For non-federal elections, each state or province in the three federal systems (Britain, which does not have a federal structure, being excluded) may establish campaign finance rules for elections held within its borders. American cities and counties may even apply specific rules governing the funding of local elections. Rules at the non-federal levels may differ considerably, making it impossible to provide a general account of non-federal political finance. This chapter will deal only

* This chapter summarizes four of the twelve case studies prepared for International IDEA by Ruud Koole (Leiden, Netherlands) and Karl-Heinz Nassmacher (Oldenburg, Germany). The sections on the UK and the USA were written by Ruud Koole, who acknowledges comments by Michael Pinto-Duschinsky and Galen Irwin. The sections on Australia and Canada were completed by Karl-Heinz Nassmacher, who is grateful to Dima Amr and Rainer Lisowski for preparing initial drafts for those two sections.

with the federal level in Australia, Canada and the USA as well as the national level in the UK.

Today, political finance in the UK and Canada plays an important role for political parties. In both countries campaigns are run predominantly by parties. Candidates and their individual committees dominate US campaigns. US political finance is almost completely candidate-oriented as inter-election party organizations are relatively weak. The situation in Australia is less clear-cut. For all four countries it is quite obvious that election campaigns have become more expensive.

1.2. Levels of Spending

In the USA an increasing amount of money is spent to influence the outcome of elections, not by candidates or by parties, but by formally independent groups. Groups trying to influence the outcome of elections in other countries do so mostly by giving money to candidates or parties. Expenditure by parties and candidates still constitutes the bulk of political spending, and it is a subject of comparative research as well as an issue of political debate. Concerning the costs of party activity in national politics, financial reports produced by parties and candidates since the 1970s provide much of the information on the four countries compared in this chapter.

Only four times in five decades have political scientists tried to answer the question, How much money is spent on party apparatus and/or election campaigns? In 1963 Heidenheimer estimated the per capita cost of party activities for “a nine-month election-year time span” around 1960 to be AUS\$0,19 for Australia (Int'l \$ 2,50), GBP 0,19 for the UK (Int'l \$ 3,70), DEM 2,73 for Germany (Int'l \$ 4,90), USD 2,53 for the USA (Int'l \$ 14,70), JPY 150 for Japan (Int'l \$ 5,37), ITL 1.000 for Italy (Int'l \$ 11,35) and 25,70 Israeli Pounds for Israel (Int'l \$ 0,002) (Heidenheimer 1963) (For an explanation of the use of International Dollars, please see *Methodology*). Heidenheimer's conclusion, repeated in 1970, was summed up by an index of expenditure using the average hourly wage. The index placed **Australia** and the **UK** in the lower-cost stratum, the **USA**, Germany and Japan being about twice as costly. Canada was not mentioned (Heidenheimer 1970). These findings were quite in line with the “cash costs of electioneering” reported by Heard (1960:373–375).

Using information available for the late 1970s, the

present author calculated the costs of national politics for a full four-year election cycle per voter to be: for the UK, DEM 5; for Canada, DEM 7; for the USA, DEM 8; for the Netherlands, DEM 9; for West Germany DEM 21; and for Sweden DEM 27 (Nassmacher 1986). The conclusion based on this data was to label the UK, Canada, the USA and the Netherlands “moderate-expenditure countries”. This sample did not cover Australia.

On the basis of more recent data, Italy, Austria, Israel, Sweden and Japan have been identified as “high-expenditure” countries, while the UK, Canada, Australia and the Netherlands still belong to the group of established democracies with a moderate level of party and campaign expenses. The most significant change of recent years concerns the USA, where an increase of political expenditure – even adjusted for inflation, it tripled between 1976 and 1996 – has now put that country up with Germany, France and Spain among the “medium-expenditure countries” (Nassmacher 2001:183).

1.3. Types of Spending: Routine and Campaign

With regard to the amount of money needed for party activity, all established democracies show similar patterns. Election years are characterized by high levels of income as well as expenditure. As might be expected, the share of expenses for “public relations and campaigns” in total expenditure varies between election and non-election years. Any comparison over time must therefore consider entire election cycles. The terms “(permanent) organizational spending” and “(extra) election spending” emphasize some aspects which are not connoted by everyday language. Party headquarters spend considerably more on “routine operations” and on special campaign expenses in election years. Although campaign activities paid for by the party headquarters amount to impressive figures, there is also a considerable outlay of fixed costs for permanent party organizations in the UK and Canada.

A traditional feature of Commonwealth politics is subsidies in kind to support party activities which tend to reduce the need for cash for election campaigns. In Australia, the UK and Canada preparation of the electoral registers is the responsibility of public authorities, thus rendering US-style voter registration drives unnecessary. Compulsory voting (as in Australia) is another, although rare, means of public support.

Free postal services (not just legislators' franking

privilege), reduced rates for direct mail, advertising at public expense such as the renting of billboards, the provision of signs by municipal authorities, and the use of public buildings for party rallies should also be mentioned. The net value of such subsidies in kind is very difficult to estimate. In the **UK** candidates in a parliamentary election or an election to the European Parliament are entitled to free postage for one letter to every elector in the constituency. The total cost of free postage at the 1997 general election was GBP 20,5 million (Int'l \$ 32 m.). The free hire of halls for the purpose of election rallies or meetings in buildings such as schools maintained by public funds is available in the UK to both parliamentary candidates and candidates in local elections.

Media expenses are an important component of party expenditure. Television and radio are needed to transmit political messages. Public broadcasting corporations provide free air time to all parties for campaign purposes.

In the **UK** free broadcasting time is conventionally allocated to parties both during election campaigns and between elections by the BBC, and on a voluntary basis by commercial channels, which consider it a public duty. The ratio of broadcasting time allotted to the Labour Party, the Conservative Party and the Liberal Democrats is 5 : 5 : 4. Paid political advertising on British radio or television is prohibited to political parties, candidates or interest groups (United Kingdom 1998).

In **Australia** free media time has traditionally been provided by state-owned radio and television services for policy speeches (which correspond to a party election manifesto) and advertisements, and by commercial radio and television stations for policy speeches. Formerly a statute regulating media access prohibited political parties from buying media time and required broadcasters to provide some free time for party advertisements. In 1992, however, this law was declared unconstitutional by the High Court, which held that it interfered excessively with the freedom of speech necessary for free elections under a system of representative government. As a result the effects of this regulation were never tested at a general election.

In **Canada** radio and television stations have to make up to 6,5 hours of prime time available for paid advertising or political broadcasts by the parties during the last four weeks of the election campaign. Since 1983 a Broadcasting Arbitrator has allocated the time

between the parties according to a formula based on the number of seats held and the party's vote in the previous general election, as well as the number of its candidates in the current election. No party may receive more than half of the total time (Stanbury 1993:71).

The provision of free media time saves parties in Australia, the UK and Canada considerable sums of money during election campaigns, in contrast to their US counterparts.

1.4. Items of Spending: Public Relations, Staff and Offices

Setting aside national peculiarities, some relevant pieces of information can be computed from the standardized reporting forms used in many countries, at least at the national level. Unfortunately, the data available does not enable us to distinguish spending on non-party media (television and radio, print media such as newspapers and magazines, and billboard advertising) from spending on party-produced media (brochures and leaflets) or on meetings, conferences and rallies aimed at policy development and the public presentation of policies and politicians.

The bulk of the campaign funds in most established democracies still goes into media advertising and party rallies. A traditional campaign event is a party rally convened to listen to and cheer a key speaker who is a presidential "hopeful", a cabinet member or a high-ranking member of the parliamentary caucus. Expenses are mostly for the rent of halls rather than for travel expenses of speakers or participants. However, a trend towards more spending on professional electoral research and communication technology is discernible in all parties which can afford these options.

During non-election periods, even in the Anglo-Saxon orbit, an increasing amount of money is spent on salaries for paid party workers and expenses for permanent offices. The latter category includes rent of premises, office equipment and machinery, stationery, telephone charges and postage. Spending on professional personnel seems to have increased over time. This is certainly true for Canada and the USA; the Australian and British situations are less clear in this regard.

2. Fund-Raising Strategies

Money needed to cover the expenses incurred by parties and candidates is provided by citizens, who pay in one way or another for their specific form of government. Political debate generally emphasizes a difference between private contributions and public subsidies as major sources of political funds. Nevertheless, ultimately it is always the citizens who pay to run a democracy, although they may be acting in different capacities – as party members, party supporters, members of an interest group, consumers of goods and services, or tax-payers.

The more traditional approach to potential sources of income for political parties looks to membership dues, contributions from office-holders, and individual or corporate donations. Rejecting these distinctions, Gidlund (1983) proposes a distinction between “grass-roots” and “plutocratic” financing. The main implication is to distinguish between democracy as a system of equal political participation by the multitude and plutocracy as a political system dominated by the riches of a wealthy minority. Funds from spoils – “graft” – plutocratic donations and grass-roots sources have to be treated separately from public subsidies to candidates, party organizations and parliamentary party groups (caucuses). Major differences between the countries discussed in this chapter (and in other regions) result in different approaches to public funding and publicity regarding political money. In North America, but not in Australia or the UK, public subsidies and tax benefits or matching funds provide incentives for candidates and parties to cooperate with systems for the public monitoring of political funding.

Of the four countries studied here only Canada operates a mechanism designed to reduce the influence of big donors, avoid dependence on public money and intensify fund-raising activities by parties and candidates. Since 1974 the number of individual contributors has risen because the tax credit incentive has stimulated small donations (Nassmacher 1994). Elsewhere fund-raising practice largely follows the spending pattern: The emphasis of party activity on running campaigns encourages party funding to follow the election cycle. In the USA stipulations of the FECA and decisions of the Supreme Court have distinguished between “hard money” – money directly given to a party, an issue or a candidate’s committees – and funds which are raised beyond the limits set by the FECA –

“soft money”. The domain of “soft money” was extended considerably when the Supreme Court, on various occasions, lifted the ban on certain contributions (see section 3.1 below).

2.1. Income from “Grass-Roots” Financing

This term includes all money provided in small amounts by the rank and file of identified party supporters. It can be divided into: (a) membership dues, i.e., the gross amount of income from regular subscriptions of party members; (b) voluntary donations from formal party members in excess of membership dues; and (c) contributions from other supporters (loyalists or the “faithful”), including those who contribute by means of direct mail, fund-raising events, auctions or lotteries. Party members have always been relatively unimportant for the income of political parties in all four countries. Parties in the Anglo-Saxon orbit traditionally do not have paid-up party members. (The Labour Party in the UK, the Australian Labor Party (ALP) and the Canadian New Democratic Party (NDP) are the exceptions) In using modern communications technology, however, US and Canadian parties have tried to bind supporters more closely to the party leadership.

Contributions by individuals are the most important source of income for US federal parties. Legally these contributions belong to the category of hard money, i.e., they go directly to a candidate’s campaign committee for use at its discretion. Thus FECA limits (see section 3.1 below) on the amount individuals can donate apply to such grass-roots funds. Donations from individuals accounted for almost two-thirds of the funds for Senate elections and over one-half for the House of Representatives elections in 1996 (Hrebener, Burbank and Benedict 1999). For presidential elections, donations by individuals are very important at the primary election, since they are matched by public funds up to a certain maximum (see section 2.4 below). However, once the parties have nominated a presidential candidate, she or he is no longer entitled to receive money from individual citizens.

The **British** Labour Party depends for just over 10 per cent of its annual income on the monthly subscriptions of individual members, but part of the donations is reported to come from annual donations by ca. 500.000 people. Money from subscriptions and small donations accounted for 40 per cent of the total income of the Labour Party in 1997. Although the membership

figures of the party have risen since 1992 to ca. 400.000 in 1997 (to decline thereafter), the increase in income is due to individual donations rather than to membership dues. The Liberal Democrats in the UK received over 40 per cent of its income from membership fees in 1997. For the Conservative Party no income from subscriptions is reported, but party headquarters receives less than 5 per cent of its income from the constituencies. In the UK party income at the local level is declining: In 1992 the average income of a constituency was ca. GBP 29.873 (Int'l \$ 52.000), and in 1997 ca. GBP 20.267 (Int'l \$ 31.000). This decline is due to a substantial fall in the local income of the Conservative Party, for which this source of income has always been relatively important. Total Conservative Party income per constituency declined from an average of GBP 44.304 (Int'l \$ 78.000) to an average of GBP 33.305 (Int'l \$ 51.000) during the period 1992–1997. Nevertheless it is still considerably higher than the average local income of either the Labour Party or the Liberal Democrats – GBP 8.912 (Int'l \$ 14.000) and GBP 6.199 (Int'l \$ 9.600), respectively, in 1997.

For **Australian** parties as “campaign machines”, total income from membership dues is fairly low. Because small donations do not appear in any form in reports to the Australian Electoral Commission (AEC) it is impossible to give details of grass-roots financing. Voluntary activity, however, is significant in Australia and is very unequally distributed. Whereas the ALP is able to call on party workers at the grass roots, the Liberal Party needs cash to pay for local campaigning.

Although most people in Canada pay no party membership dues, many citizens support parties and candidates financially. In 1990 more than 200.000 individuals contributed. In election years involvement is even higher. Almost 2 per cent of registered voters contributed to a federal party or candidate in 1984 and 1988 (Stanbury 1993:82–83). The importance of individual contributions has increased over the years. Initially it was the grass-roots organization of the NDP which attracted the highest number of contributions. By the late 1970s, however, the Progressive Conservative (PC) Party had begun to use structured mailing lists and electronically generated personalized letters from party leaders to contact citizens and ask for donations. This strategy carved out a new class of donors among young professionals and corporate business officials. Within three years direct mail

had more than tripled the number of contributors.

Over two decades (1977–1996) the PC experienced dramatic ups and downs in its political fortunes which severely affected its overall income. The share of individual contributions peaked in 1983 at almost two-thirds of the total income, but has since been relatively stable, at 50–60 per cent for non-election years and ca. 40 per cent for election years. The NDP depends on individual contributions for 70–80 per cent of its federal income in non-election years and ca. 60 per cent in election years. Corresponding figures for the Liberals are 40–50 per cent in non-election years and 25–35 per cent in election years. The Liberals' weakness in attracting money from larger numbers of contributors was compensated to some degree by bigger contributions.

One means of indirect public assistance to encourage grass-roots fund-raising is a tax benefit for political contributions to parties and/or candidates provided by public law. In **Australia** donations up to AUD 100 (Int'l \$ 67) by individuals are tax-exempt. In **Canada** federal and provincial tax credits for political donations and legal provisions for issuing tax receipts have supported efforts to solicit small donations from individual citizens and small businesses. The average annual contribution from individuals ranged from CAD 75 (Int'l \$ 160) in 1978 to CAD 190 (Int'l \$ 210) in 1988 (Stanbury 1993:84). “Big money in little sums” (Heard, 1960) for the Canadian parties has become a political reality thanks to an innovative combination of public regulation (tax credits) and organizational effort (direct mail). The federal tax credit is calculated as follows:

- 75 per cent of amounts contributed up to CAD 200 (Int'l \$ 160);
- 50 per cent of amounts contributed between CAD 200 (Int'l \$ 160) and CAD 550 (Int'l \$ 440); and
- 33,3 per cent of amounts exceeding CAD 550 (Int'l \$ 440) up to a total tax credit of CAD 500 (Int'l \$ 400).

The maximum tax credit of CAD 500 (Int'l \$ 400) will benefit donations totalling CAD 1.075 (Int'l \$ 870) per year. Once an individual candidate has been nominated his or her agent may issue receipts for tax credits. Registered parties may issue receipts continuously. The average amount of federal tax credit claimed is CAD 85 (Int'l \$ 68). In the 1980s the value of tax credits was equal to ca. 30 per cent of the total income of federal

parties and they accounted for more than two-thirds of the government's total contribution to parties and candidates (Nassmacher 1989).

The recommendation of the Neill Committee that personal donations to political parties below a certain level should be eligible for income tax relief (United Kingdom 1998:94–99) has not been adopted in the UK. The current Labour government has argued that such tax relief “would amount to general state aid by another route” and would be too expensive (United Kingdom 1999:33). Tax benefits previously available to **US** citizens were abolished as part of the Reagan tax cut package in 1986.

2.2. Income from Plutocratic Financing

For many parties, individual contributions from wealthy supporters and corporate donors have been a traditional source of funds. Contributions in kind, such as time, voluntary services, franking vouchers, cars, billboards, pickets, banners and so on, should also be mentioned, although their value cannot be adequately estimated.

The general term “contribution” applies to different types of donors. One donation may be a small amount given by an individual supporting a chosen party, a Political Action Committee (PAC) or a candidate. A second type of donation may be much larger, given by a corporation, an interest group or an institutional donor wanting to “buy” general access to politicians or to influence specific policies. The third, “voluntary”, type of donation may be given in exchange for political favours, such as public office, contracts or licences. This would of course be a clear example of bribery or fraud, but it cannot be excluded as an important source of income for any party in power. (This type of political income from “interested money” is also considered in detail in section 2.3 on fund-raising by graft.)

Difficult problems related to the idea of donating money for political purposes arise with institutional donations. Institutional donations are interested money seeking to influence party policies in favour of the donor's interest. If organized social interests (pressure groups) such as associations of trades or professions, business enterprises (corporations) or trade unions use money for such purposes, this is plutocratic rather than democratic. Businesses and trade unions are more likely than individuals to make large contributions since they have a direct interest in economic and political decisions and possess greater resources. Only a tiny

fraction of business enterprises – in Canada less than 3 per cent – make any political contribution. A recent example which requires careful scrutiny is the case of corporate PACs in the USA. Here the interested money is collected in small amounts, although finally these funds add up to big money.

Political financing in the **UK** is renowned for the importance of institutional donations by labour unions and business corporations. However, this general impression must now be adjusted somewhat. The Labour Party's dependence on the political levy of trade union members dropped from 66 per cent in 1992 to 35–40 per cent in 1996/97. In the mid-1980s the Conservative Party was still dependent on income from corporate sources, which at that time contributed ca. 50 per cent of the party's income. The accounts for 1996/97 indicate that this share had dropped to ca. 20 per cent. However, recently the reliance of Conservative Central Office on large donations has grown. This can only be explained by an increasing share of larger donations from individuals, although corporate donations of over GBP 5.000 (Int'l \$ 6.900) still outnumber individual donations to the party of a similar scale: they numbered ca. 200 and 150, respectively, in 1996/97. Of these big donations 119 were for amounts over GBP 50.000 (Int'l \$ 77.000). The Labour Party received 134 donations, including sponsorships, of GBP 5.000 (Int'l \$ 7.700) or more in 1997, and of these 21 were in excess of GBP 50.000 (Int'l \$ 77.000) (United Kingdom 1998).

Until 1999 the legal regime in the UK made a distinction between contributions to parties by the labour unions from political levies on union members (traditionally important for the Labour Party) and outright plutocratic financing. Contributions by labour unions can only be given with the full consent of the union members. Members are considered to approve of donations unless they take the positive step of “contracting out”. The Political Parties, Elections and Referendums Act 2000 introduced a similar regime applicable to corporate donations, which now require the consent of companies' shareholders.

Financial scandals caused by plutocratic financing were instrumental in promoting legal reforms during the early 1970s in the USA and Canada, and more recently in the UK. During the last years of the previous Conservative government, damaging – although unproven – allegations about the Conservative Party's funding practices received prominent coverage in the

press. Problems had arisen from the party's increasing reliance on anonymous contributions of GBP 1 million (Int'l \$ 1,6 m.) or more from a few wealthy backers. Recently Labour has also turned to the very rich for money. Within months of its landslide election victory in 1997, the incoming Labour government was accused of having received GBP 1 million (Int'l \$ 1,6 m.) in exchange for allowing cigarette advertising at Formula One motor-racing events in contravention of its anti-smoking policy. To clear itself of charges of impropriety, the party returned the GBP 1 million (Int'l \$ 1,6 m.). The scandal, however, acted as a spur to seeking proposals for reform from the Neill Committee and the new legislation of 2000.

In **Australia** party income from big donations is still effectively concealed from public scrutiny. Formerly donations had to be reported in the campaign reports, where they appeared in 1987, 1990 and 1993 as a one-line item called "gifts". Only in the 1984 report was there a complete list of all donors who had contributed more than AUD 1.000 (Int'l \$ 1.600), disclosing the name, amount and address of each donor. This detailed regulation was later abolished. The only evidence of big donations and donors is therefore to be found in the literature. Trade unions seem to support the Australian Labor Party, and it has been heavily dependent on union contributions for its campaign funds (Chaples 1989). Companies and business federations prefer to donate money to the Liberal and National parties.

Traditionally the **Canadian** parties depended for 75–90 per cent of their income on contributions from large corporations. For both the Liberals and the Conservatives the principal sources of funds were the business communities in Toronto and Montreal and the regional financial centres of Western Canada, and multinational corporations operating in the country (Paltiel 1970). As the costs of election campaigns increased a reform of party and campaign finance became inevitable. Since 1974 the situation has changed remarkably. Following the introduction of tax incentives (as mentioned in section 2.1 above), the share of individual donations has increased considerably and has reduced the potential influence of large contributions in Canada.

Today the importance of contributions from corporations and commercial organizations varies between the major parties. For the NDP and the Bloc Québécois such donations are of no importance, but between 1975 and 1997 corporations contributed

about half of all Liberal and PC income. Significantly greater amounts are contributed by corporations in election years as compared to non-election years. Corporate donations to the Reform Party (now the Canadian Alliance) range between 10 and 20 per cent of its total income. Canadian trade unions have traditionally supported the NDP's federal election campaigns with cash and donations in kind. It is notable that union contributions made in goods and services exceed their cash contributions. Between 1975 and 1997 trade unions on average provided 15 per cent of the party's revenues. However, their importance has declined as party spending on election campaigns has increased and union contributions have not risen correspondingly.

In 1988 the Liberal and PC parties as such received about twice as many large contributions as did their candidates. The benefit from contributions to parties is appreciably greater, particularly to parties in power. Contributions to candidates, however, can lead to more obvious financial dependence because a small number of large contributions can easily represent a preponderant share of a candidate's revenue. On average incumbents receive more in contributions than non-incumbent candidates, because incumbents have greater opportunities to cultivate links with potential contributors. Ministers often receive donations from firms that are related to their region or to their portfolio. In 1988 among incumbents, non-incumbents and ministers, ministers were the most dependent on large contributions, which accounted for more than 25 per cent of their total contributions (Padget 1991).

In the **USA** rules have been set up to reduce plutocratic financing by "big donors" or "fat cats". The FECA sets limits for contributions (see section 3.1 below) and explicitly prohibits certain individuals and organizations – namely, corporations, labour unions, federal government contractors and foreign nationals – from influencing federal elections. Foreign nationals, national banks and other federally chartered corporations are equally forbidden by the FECA to contribute in connection with state and local elections. Evidence exists, however, that rich donors often give more than USD 1.000 to a candidate by way of a "bundle" of individual contributions from themselves, their aunts, uncles, in-laws and children on the same day. This technique of bundling is also used by interest groups, offering a bundle of individual donations which they have collected to a candidate with the

implicit assumption that the interest group will receive credit for this (Hrebentar, Burbank and Benedict 1999).

In the USA there is an infinite variety of PACs, ranging, for example, from the Connecticut Bankers Association PAC, the Women's Pro-Israel National PAC and the Californian Cotton Growers Association Inc. PAC to the Sheet Metal Workers Local 100 PAC. Pacronyms, a list of acronyms, initial and common names of federal PACs on the Federal Election Commission (FEC) Internet site, provides an overview. The importance of donations by PACs is considerable. During the 1997–1998 election cycle more than 4.500 PACs raised USD 502,6 million (Int'l \$ 535 m.) and spent USD 470,8 million (Int'l \$ 501 m.), of which USD 206,8 million (Int'l \$ 220 m.) went to federal candidates. Incumbent candidates received most of this money (78 per cent in 1997–1998). Republican congressional candidates received more PAC contributions (USD 108 million (Int'l \$ 115 m.) in 1997–1998) than did their Democrat counterparts (USD 98,3 million (Int'l \$ 105 m.)). In 1998 candidates depended on PAC-generated funds for ca. 35 per cent of their income for elections to the House of Representatives and 18 per cent for Senate elections (Hrebentar, Burbank and Benedict 1999).

2.3. Income from Graft: The Spoils of Office

When parties want to earn income from their political activities, they may turn to different target groups. In the past political parties in Western democracies have successfully tapped various clienteles for donations given more or less voluntarily. The borderline with corruption has always been close and has sometimes been crossed in order to ensure the flow of party revenue from the spoils of office.

In earlier days the “macing” of public servants wanting to keep their jobs or to promote their careers for periodic campaign contributions to the party in power was common in the USA. Changes in civil service recruitment procedures have long since put an end to this practice, but it continues to flourish where patron–client relations are strong. In Puerto Rico between 1940 and 1957 a quota system was established whereby public employees were expected to contribute up to 2 per cent of their salaries to the governing party. The practice ended when public subsidies to parties were introduced.

Paltiel (1981) has identified other types of income from spoils (traditionally called “graft” in the USA).

“Toll-gating” is a system which requires holders of government permits and concessions to make regular contributions to the war chests of incumbent parties. “Kick-backs” or “slush funds” (called *ristournes* in Quebec or *tangenti* in Italy) refers to the payment of a percentage of the value of all government contracts made by the contractor to the governing party. Elected office gives a politician significant advantage to access kickbacks paid by public contractors and “toll-gating” – contributions in exchange for permits and licences. Variations of these schemes are probably the most traditional means of graft used by incumbents to reinforce their financial positions. Public inquiries and judicial prosecutions have time and again revealed details of these processes in different jurisdictions. However, with respect to kickbacks or toll-gating no major scandals have been reported recently. Nothing has indicated that they have been significant sources of political income in the Anglo-Saxon orbit. (The “cash for questions” affair in the UK, when MPs were accused of having asked questions in parliament in exchange for money from enterprises, is not a case in point because the money did not end up in party coffers. This was a case of individual “sleaze” rather than graft.)

2.4. Income from Public Subsidies

As almost everywhere in the Western world, the importance of public funding has increased in the Anglo-Saxon orbit. Only the UK has been reluctant to provide any public subsidy apart from subsidies in kind for candidate campaigns and free election broadcasts. The Political Parties, Elections and Referendums Act 2000, however, introduced a modest fund to finance policy research by the parties. Although the Neill Committee argued against a system of direct public funding for political parties, it recognized that parties are driven to concentrate their resources on campaigning and routine expenditures at the expense of long-term policy development. It therefore proposed a Policy Development Fund (United Kingdom 1998:88–93). The government now spends GBP 2 million (Int'l \$ 2,7 m.) per annum to be divided between registered political parties on the basis of a scheme set up by the new Electoral Commission (see section 3.4 below).

The rising costs of politics have stimulated the introduction of party subsidies in Australia, Canada and the USA. Direct public subsidies, however, are closely linked to campaign expenses. (Details of national

regulations have been summarized by Paltiel 1981:154–159, table 7-1 and Nassmacher 1993: 241–243, table 10.1.) While details vary depending on national peculiarities, the general principle seems to be that a clearly defined proportion of reported and receipted campaign expenses actually incurred by candidates and/or parties is reimbursed from public funds.

In **Australia** the amount of public funding is easily calculated. For every first-preference vote under the compulsory voting system a party receives a certain amount of money – currently AUD 1,70 (Int'l \$ 1,1) per voter. In a half-year cycle these amounts are adjusted for inflation. Between 1984 and 1993 the dominant change was a moderate adjustment of public subsidies to inflation, but in 1996 the Australian parties raised the level of subsidization dramatically: Subsidies for Senate votes were tripled and 50 per cent was added for House of Representatives votes. Total public subsidies more than doubled, from AUD 14,9 million (Int'l \$ 11 m.) to 32,2 million (Int'l \$ 22 m.). A party qualifies for entitlement if it receives at least 4 per cent of all first-preference votes cast. Between 1984 and 1996 the four major parties (Labor, the Liberals, the National Party and the Australian Democrats) received 97–99 per cent of the total amount of public funding. In 1998 that percentage dropped to 89 per cent when Pauline Hanson's One Nation Party received AUD 3,044 million (Int'l \$ 2,3 m.), or 9 per cent of the total subsidy. The total amount of the public subsidy paid to political parties increased from AUD 7,8 million (Int'l \$ 11 m.) in 1984 to AUD 33,8 million (Int'l \$ 26 m.) in 1998.

In **Canada** public funding was introduced in 1974 as a means of covering part of the “documented” campaign expenditure, while the rest has to be funded by private donations. Since 1983 a registered political party has been entitled to a reimbursement of 22,5 per cent of declared election expenses, provided that it obtained at least 2 per cent of the number of valid votes cast at the election or 5 per cent of the number of valid votes cast in the electoral districts in which the party endorsed a candidate. The reimbursements received by parties other than the major ones (three up to 1988, five since 1993) have been insignificant. Since 1983 constituency candidates have been entitled to a reimbursement of 50 per cent of their election expenses up to a maximum of 50 per cent of the spending limit (see section 3.1 below) if the candidate obtained at least

15 per cent of the valid votes cast. About half of all candidates and roughly two-thirds of the major parties' candidates qualify for reimbursement. In 1988 a total of 739 candidates (47 per cent of 1,574), in 1993 a total of 714 candidates (33 per cent of 2,155) and in 1997 a total of 801 candidates (48 per cent of 1,672) were reimbursed. For candidates of the major parties (of which there were three in 1988, and five in 1993 and 1997) the share is considerably higher: 82 per cent in 1988, 61 per cent in 1993 and 66 per cent in 1997.² Because most candidates end up with a surplus, reimbursements have reduced reliance on a few major sources of funding and have probably eradicated the risk that, out of financial necessity, candidates will depend on large donors.

At the federal level in the USA, public funding started in 1971 when Congress introduced the income tax “check-off” by which individual American citizens can indicate on their income tax returns that USD 3 (Int'l \$ 13) of their tax goes to the Presidential Election Campaign Fund. About 20 per cent of US taxpayers participate in this system of tax check-offs. The money thus collected is distributed under three programmes:

- *Primary matching payments.* The first USD 250 of a donation by any individual is matchable, i.e., the amount of a donation is doubled. Donations by PACs are not matchable. Candidates in presidential primaries who wish to receive public funding, as most of them do, must agree to abide by spending limits, to keep records, and to submit those records for audit. In 1996 pre-convention matching funds totalled USD 58.538.356,15 (Int'l \$ 64 m.). To be eligible for money from the matching fund programme a presidential candidate must demonstrate broadly-based support by raising more than USD 5.000 in matchable contributions, in amounts no higher than USD 250 from any individual contributor, in 20 different states.
- *Party convention grants.* Each major party is entitled to receive a grant for its national convention which nominates the candidates for president and vice-president. This was USD 12,36 million (Int'l \$ 13,6 m.) each in 1996.
- *General election grants.* Both the Republican and the Democratic candidate in a presidential election receive a grant to cover all the expenses of their general election campaigns. In 1996 the grant was USD 61,82 million (Int'l \$ 67,9 m.). Third-party

presidential candidates are entitled to receive some public funds after the general election if they have won at least 5 per cent of the popular vote. Nominees who receive funds are not allowed to raise private contributions from individuals, PACs or party committees. This means that candidates raise these kinds of donations during the pre-nomination campaigns, but refrain from doing so once nominated.

Even with the Political Parties, Elections and Referendums Act 2000, the approach of the **UK** is completely different. Even including the new policy development grant of GBP 2 million (Int'l \$ 2,7 m.) per annum, public funding of political parties is rather modest. Most of the public subsidy is limited to activities related to campaigning or to opposition in parliament. With respect to campaigning, air time is given to parties free of charge (see section 1.3 above), and free postage and free meeting rooms are guaranteed to candidates. Recently there has been a new tendency for MPs to use public funding for office expenses, partly to pay for services from their constituency party offices. Since 1975 opposition parties in the House of Commons have received an annual flat grant to help them carry out their parliamentary duties more effectively. In 1998, the rate was GBP 3.841 (Int'l \$ 5.700) per seat and GBP 7,67 (Int'l \$ 11) per 200 votes, totalling GBP 1,7 million (Int'l \$ 2,5 m.) for all opposition parties. Responding to a proposal by the Neill Committee, the Labour government agreed to increase the amount to GBP 4,9 million (Int'l \$ 7,3 m.) for all opposition parties in 1999–2000. During the 1990s other funds have been added to this “short money”: a specific allocation for the office of the Leader of the Opposition, a travel fund for opposition front-benchers and subsidies to parties in the House of Lords. The three together now total ca. GBP 900.000 (Int'l \$ 1,2 m.) per year.

3. Public Monitoring of Political Finance

Western democracies open up various channels of political action for groups of citizens: the poorer strata essentially employ only their votes, the richer strata also use their wealth. With respect to political finance, concepts such as transparency, control and equal opportunities for parties and citizens have repeatedly attracted the attention of reformers. Supervision of the flow of political funds can be achieved by administrative

regulation or by political competition. The general aim of financial accountability is to encourage parties and candidates to raise and spend their funds in ways that do not provoke controversy among the electorate. Disclosure of the names of donors and reporting on political funds should provide the necessary information.

In the **UK**, North America and Australia public regulation of political finance has put the emphasis on limiting campaign expenses. In the USA the emphasis has been on limiting individual contributions. Campaign finance laws limit the amount a candidate and/or a party may spend on the campaign, and in the USA the amount a donor may contribute towards the candidate of her or his choice. Disclosure of the donors' identities and of the amount of individual donations (not in Australia) is supposed to help control the flow of private money into campaign coffers.

As the UK rightly claims to have the “mother of parliaments”, it also produced the “mother of political finance regulation”. Since then many countries, notably those in the Anglo-Saxon orbit (i.e., Australia, Canada and the USA) have surpassed the original example in the scope, detail and comprehensiveness of their legislation in this field. With the 2000 act, the UK caught up with that progress. While the Australian rules are closest to traditional British practice, Canada has improved on the British tradition, advancing from spending limits for constituency candidates to a complex set of rules which includes political parties, public funding, transparency provisions and an enforcement agency. The UK has followed suit recently, although with much difference in detail. The political finance regime in the USA is based on strict controls of political money which include disclosure and reporting provisions as well as limits and bans.

3.1. Limits and Bans

Public regulation of political finance has often aimed at limiting expenses or contributions. A legal maximum for expenses incurred by candidates or parties during a defined campaign period is a frequent element of political finance regimes. Such spending limits can apply to the campaigns of constituency candidates (e.g., in Britain since 1883), nationwide party campaigns (e.g., in Canada since 1974) or presidential campaigns (e.g., in the USA since 1974). In order to control the flow of interested money into party coffers many countries have established statutory ceilings for political

donations (contribution limits) by individuals, corporations and/or organizations.

Bans on anonymous donations, restrictions on foreign contributions and bans on corporate donations supplement those political finance regimes and are intended to discourage kickbacks and toll-gating, foreign influence and plutocratic dominance in the political process. Quite often strictly-worded legal bans or limits have diverted human creativity into the search for loopholes or strategies to circumvent the law. Despite repeated experience with various attempts to apply or enforce these laws, the propensity to legislate for bans and limits, quite often for purely symbolic reasons, remains unrestrained.

The **USA** is the most striking case. Foreign nationals are explicitly prohibited by the FECA from making contributions directly or indirectly in connection with any US election, federal, state or local. Foreign-owned corporations, however, are allowed to establish “separate segregated funds” on condition that foreign nationals do not take part in the decisions regarding the activities of this PAC and that its funds do not come from the foreign owner. Loopholes in bans and limits are a major problem. A recent criminal investigation into foreign contributions illustrates the difficulties with this prohibition. When the story broke many of those implicated fled the country, thus evading legal action. The extreme complexity of the financial transactions made it difficult for the source and the intended purpose of some of the funds to be established in a timely fashion.

The general goal of US law has always been to reduce the influence of wealthy donors on politics by capping the amount of money that is donated to or in favour of a candidate or their campaign committee. Money spent by individuals or groups to promote a particular candidate or attack another was considered to be a donation to a candidate, and hence subject to the limits set by the FECA. The limits on contributions from individuals and from PACs differ, starting with the USD 1.000 per election which an individual may give to a candidate or candidate committee. Contribution limits for a political party’s national committee per calendar year are considerably higher: USD 15.000–20.000. It is, however, important to note that the contribution limits have not been adjusted for inflation since they were established in 1974. Today they are worth less than half (in purchasing power) what they were then.

In 1976 the Supreme Court (*Buckley v. Valeo*) held that individuals and groups other than candidates and parties can spend as much money as they want. This verdict tried to combine the main objective of the FECA – to prevent large contributions having a coercive influence on political decision making – with the freedom of speech protected under the First Amendment. Giving money to campaigns was considered to be a form of speech, and the main goal of the FECA was upheld by allowing it to cap the amounts spent to advocate the election or the defeat of a specific candidate.

In 1996 (*Colorado Republican Federal Campaign Committee v. Federal Election Commission*) the Supreme Court ruled that political parties are also free to spend as much as they want to as long as the party does not coordinate its efforts with the candidate. Since then the rule has been that party committees may make unlimited “independent expenditures” (sometimes called “soft money”) in connection with federal elections. “Independent expenditure” describes a communication which (not explicitly) “advocates the election or defeat of a clearly identified candidate and which is made independently from the candidate’s campaign. To be considered independent, the communication may not be made with the co-operation or the consent of the candidate or his or her campaign; nor may it be made upon a request or suggestion of either the candidate or the campaign”.

As far as domestic sources of political funds are concerned, the most liberal view of the issue is prevalent in the three other countries. No legal limits exist in Australia, the UK or Canada to the amount of political contributions by individuals or corporations which may be given to a party or a candidate.

Campaign spending in the **UK** is subject to legal constraints, initially limited to the constituency level, which have their origin in the Corrupt and Illegal Practices (Prevention) Act of 1883. This statute introduced strict limits on the amount of money that could be spent on an electoral campaign in a constituency in order to prevent wealthy candidates from buying votes. At that time general elections were fought mainly at the constituency level. The Representation of the People Act of 1989 still reflects this origin: Constraints are mostly directed at local spending even though campaigns have become “nationalized” during the twentieth century. In 1997 candidates in county constituencies were allowed to

spend GBP 4.965 (Int'l \$ 7.700) plus 4,2 pence per elector. Lower amounts apply in urban constituencies, higher limits for by-elections. The main national-level restriction has been the ban on paid political broadcasting (television and radio). Restrictions on spending by central party organizations were enacted in 2000. Campaign expenditures of national party organizations (and issue advocacy groups, legally called "third parties") are now limited, too. The new concept of "national campaign expenditure limits" will also cover donations in kind – staff, equipment, advertising and campaigning – received by the Labour Party from labour unions. The legal maximum varies with the type of election. The limit for Westminster elections is GBP 19,77 million (Int'l \$ 27 m.) for the entire UK. When different elections are held within the same period, maximum limits are set for each combination of elections (United Kingdom 2000).

Experience in **Australia** has shown that limiting national party expenditure does not work. In the 1970s a broader discussion on the impact of the 1902 expenditure limits for candidates started. In the end these limits were abolished because this mechanism was not considered to work effectively under the circumstances of modern party democracy.

In **Canada** the amount a registered political party or a candidate may spend during a campaign period is limited. Each party is allowed to spend up to 30 cents per name on the preliminary list of voters for each electoral district in which the party is sponsoring a candidate. Similarly, the spending limit for constituency candidates is based on the number of electors in the electoral district: CAD 1 (Int'l \$ 0,80) for each of the first 15.000 names, plus 50 cents for each of the next 10.000, plus 25 cents for each elector in excess of 25.000. Both limits are indexed to the consumer price index (CPI) using 1980 as the base year (Elections Canada Internet site). For the general election in 1997, any party that ran a candidate in all 301 electoral districts was permitted to spend CAD 11.358.749 (Int'l \$ 10 m.). The average constituency limit then was ca. CAD 62.600 (Int'l \$ 55.000). A person or group other than a candidate, a political party or one of its local associations (called a "third party" in law) must register with the Chief Electoral Officer (CEO) after spending CAD 500 (Int'l \$ 400) on election advertising and is subject to a national spending limit of CAD 150.000 (Int'l \$ 120.000), of which no more than CAD 3.000 (Int'l \$ 2.400) may be spent in any one constituency.

Since no public subsidy exists for congressional elections in the **USA** (see section 2.4), these elections are not subject to any spending limits. Senate and House candidates are free to spend as much money as they want. The *Buckley v. Valeo* decision of the Supreme Court declared limits on congressional campaign spending to be unconstitutional. Only spending limits for presidential candidates who voluntarily accept public funding were upheld by the court. Presidential candidates are free to spend as much as they want if they do not wish to receive public funding. Recently an increasing number of candidates have been willing to forgo public funding, and consequently rely to a large extent on personal wealth to run a primary campaign. For these "entrepreneurial candidates" no spending limits apply.

Only candidates in presidential primaries who receive matching funds (see section 2.4) must comply with spending limits. These include overall spending limits and limits for spending in each state. The latter are geared to the voting age population of that state. The limits are adjusted for inflation in each presidential election year. In 1996 the overall spending limit was USD 30,91 million (Int'l \$ 33,9 m.) for each candidate. In addition candidates may spend up to 20 per cent of the national spending limit for fund-raising activities. Presidential nominees cannot spend more than the amount of the General Election Grant. Additional spending of up to USD 50.000 from their own personal funds does not count against the expenditure limit.

There are no limits for so-called independent expenditures – expenditures for a communication which advocates (even if not explicitly) the election or defeat of a clearly identified candidate but which is made independently from the candidate's campaign. Each item of independent expenditure, however, must include a public notice that identifies the name of the person or the committee that paid for the expenditure, and it must state that the communication was made independently of the candidate and their authorized committee, for example, "paid for by the XYZ PAC and not authorized by any candidate or candidate's committee".

3.2. Disclosure of Donors' Identities

In North America donors are at the core of political finance supervision. Disclosure of the donor's identity and the amount of the individual donation is meant to monitor the flow of private money into campaign

coffers. For a disclosure policy to be effective the information disclosed should be accurate, publicly available, understandable to potential users and timely. Negative publicity for large donations is expected to discourage donors as well as politicians. The puritan expectation of US law-makers seems quite simple: If all financial leverage can be made a subject of public debate, politics will be “cleaned up”. Public subsidies and matching funds (in the USA: see section 2.4) or tax benefits (in Canada: see section 2.1) provide incentives for candidates and parties to cooperate with such public policy programmes.

More than two decades of political practice in North America and Australia have emphasized again the general paradox of constitutional reform measures. Implementation of reform breeds the need for more and more complex reform legislation. Elaborate restrictions designed to control the flow of money into the political process have encouraged professional politicians to engage in a creative search for potential loopholes either in the application of the existing law or when drafting necessary amendments. The public and its main agent in democracies, the media, take at best an interest in the introduction of reform measures, none in their routine application, and hardly any in later amending processes.

Disclosure is at the heart of public supervision of political finance in the **USA**. The FECA requires candidate committees, party committees and other PACs to file periodic reports disclosing the sources of their funds. Candidates must identify, for example, all PACs and party committees which gave them a contribution. All committees must identify individuals who gave to them more than USD 200 in one year. They must be able to demonstrate that they have made their “best efforts” to disclose the name, mailing address, occupation and employer of each individual contributor. With respect to independent expenditures the FECA requires persons (and parties since 1991) making such independent expenditures (soft money) to disclose the sources of the funds they used, although there are no limits on independent expenditures.

In **Canada** the source and amount of contributions over CAD 200 (Int'l \$ 160) have to be disclosed. Individuals will be mentioned by name and the amount donated stated. Privacy concerns, however, mean that the address, employer and occupation of the donor and even the date of the donation are not included in the information disclosed on contributions. Full disclosure would place an administrative burden on the parties

without really improving openness and accountability (Young 1991). Under Canadian disclosure provisions it is possible for as long as 18 months to pass between the time a contribution is made and when it is reported. By this time the information is of little use. Since current disclosure provisions cover only party and candidate financing there is no legal requirement for leadership campaigns. A donor can successfully avoid disclosure requirements and even enjoy the political tax credit by giving large sums of money to a leadership campaign.

While the broad pattern of the **Australian** political finance regime has been fairly stable, details in this particular area are still in flux: Disclosure obligations have been changed quite often. Presumably because companies and corporate federations prefer to donate money to the Liberal and National parties, these parties strongly oppose disclosure obligations and have even stated that they would use every legal loophole to conceal the identity of their donors. Until 1996 donors contributing at least AUD 200 (Int'l \$ 150) to candidates or Senate groups and AUD 1.000 (Int'l \$ 770) to parties had to be disclosed to the Australian Electoral Commission (AEC). This was amended in 1996 when, under an ALP government, there was a retreat towards less transparency. At present each party's agent is required to give detailed information in their annual report of transactions of an aggregate of AUD 500 (Int'l \$ 330) or more with persons or organizations. For those over AUD 1.500 (Int'l \$ 1.000), names and addresses must be supplied. Non-monetary donations (subsidies in kind by private donors), such as loans of company cars or business jets, must also be included, with a market price equivalent.

Rules on the transparency of donations to parties are quite new in the **UK**. Traditionally donations to British parties have not been made public for all kinds of reasons, in particular the protection of privacy. Recently, however, there has been a development towards greater transparency. Since 1995 the Labour Party has revealed, albeit after some delay, the names of donors and sponsors who have contributed more than GBP 5.000 (Int'l \$ 6.900) in one year, without mentioning the exact amount received. Since the general election of 1997 the Conservative Party has done the same. These developments coincided with a public debate calling for more transparency with respect to larger donations to political parties. This followed press allegations concerning donations from overseas sources in the case of the Conservative Party and from

Formula One motor racing in the case of the Labour Party. Following suggestions by the Neill Committee, the new act stipulates that parties publish both the names of donors and the exact amounts of their donations when they amount to GBP 5.000 (Int'l \$ 6.900) or more annually, or GBP 1.000 (Int'l \$ 1.400) at the constituency level. In future such contributions must be reported quarterly to the newly created Electoral Commission (see section 3.4) in periods between elections, and within seven days during a campaign period. Anonymous donations of GBP 50 (Int'l \$ 69) or more should be refused.

3.3. Reporting of Political Funds

All regulation based on transparency assumes that public availability of data leads to publicity about political finance in competitive news media. Publicity through the media is a necessary but not always sufficient condition for public debate. Some scandalous revelations can be expected to induce different behaviour on the part of a considerable number of voters, and the anticipation of such revelations should improve the self-control mechanisms that are built into all parties and campaign organizations by the rules of political competition. This procedure has to have gone through all the steps mentioned in order to be effective, and could be completely jeopardized at any stage. It therefore seems reasonable to insist on the systematic enforcement of political finance regulations.

As no rules concerning transparency of political funds existed in the **UK** until 2000, reporting was done on a voluntary basis (see section 3.2 above). Under the new law, audited annual accounts of parties' income and expenditures will have to be delivered to the Electoral Commission within six months of each year's end.

The Australian, British and Canadian legislation on political finance regimes leaves the reporting of all financial transactions by local party chapters to their own discretion.

In **Australia** between 1984 and 1996 parties and candidates had to file campaign reports listing expenses for broadcasting advertisements, publishing advertisements, displaying advertisements, campaign material, direct mailing and opinion polling. Furthermore, issue advocacy groups had to report on donations and activities. Broadcasters had to report on income from party advertisements. Since 1996 campaign reports are no longer required. Parties, candidates and donors have to file annual reports,

which were already introduced in 1992. The parties must disclose totals of their receipts, payments and debts. The annual reports, covering the period from 1 July to 30 June, must be lodged with the AEC by 20 October. Although they are not published they become available for public inspection at the AEC offices from 1 February of each year. Because legislation is intended primarily to empower the AEC, reports give some clues to the control of financial transactions by political parties. Instead of informing a broader public, the AEC works to prevent abuse as it investigates and reveals cases of improper dealing with financial restrictions.

Compared to other countries with a Westminster-style parliamentary system, reporting provisions in **Canada** are fairly rigorous. The Canada Elections Act of 1974 stipulates that political parties must be legally registered and responsible for their financial transactions. In order to register parties must have a leader, an agent, a bank account, a headquarters, proper records and an auditor. The two key criteria for registration, however, are that a party must either have had 12 members in the House of Commons when parliament was dissolved or nominate 50 candidates for the election. A registered party that fails to meet either one of these requirements is de-registered. The chief agent of a registered party has to transmit to the Chief Electoral Officer (CEO) an annual return of the party's receipts and expenses (other than election expenses) within six month of the end of the fiscal (i.e., calendar) year. In addition, within six months from the date of a general election the chief agent must file a return of the election expenses incurred by the party. The financial agent of a registered "third party" (see section 4.1 below) has to report to the CEO within four months of polling day on contributions and expenses for a period which begins six months before issue of the writs and ends on the day of the election.

Local party associations, however, are not included in these reports, except for tax-receipted donations which have been channelled through party headquarters. Although local (constituency) party associations benefit from public funds through the transfer of candidates' surpluses after elections, they are not required to report their funds. This gap is likely to remain (see section 4.4 below). The official agent of every candidate at an election is, however, required to transmit to the returning officer an audited financial report of election expenses no later than four months from the date of the election. All reports must give the aggregate amount of

money and the commercial value of goods and services provided for the use of a party or a candidate. In addition to disclosure (see section 3.2), information on contributions is to be arranged by categories of donors. The report on party expenses is required to comprise detailed amounts of the party's operating expenses and the total amount spent by or on behalf of the party during the fiscal period. For candidates the report must include election expenses, the candidate's personal expenses, and disputed and unpaid claims. The CEO must publish summaries of all the returns; returning officers make returns available for public inspection.

Reporting duties are much stricter in the **USA**. All candidate committees, party committees and other PACs are obliged by the FECA to file periodic reports on the money they raise and spend. In addition, candidates or candidate committees must report all expenditures exceeding USD 200 per year to any individual or vendor. Persons and parties undertaking independent expenditure (soft money) have to report the amounts of their expenses, even though there are no limits on independent expenditures. All reports filed are open for public scrutiny at the FEC, a public agency. Could this mean that too much information is available on US political finance in too much detail?

The FEC has actively pursued failures in reporting. In 2000 Congress authorized it to establish a system of administrative fines for straightforward reporting violations. Under this new regime many reporting violations are processed in a manner akin to speeding offences, where a prescribed fine is levied depending on the circumstances.

3.4. Enforcement

As political money has become an issue of public policy, some political systems have created agents for the public interest. The first of these appeared in North America before 1975 – the Federal Election Commission (FEC) in the USA and special divisions of most CEOs in Canada. Australia followed suit in 1983 and the UK established an Electoral Commission in 2001. The absence of such an agency, according to Paltiel (1976:108–109), might be a serious failing:

A system of public financing, full disclosure and an enforcing agency backed by legal sanctions are essential to the success of a reform program for party finance. Disclosure requires systematic reporting, auditing, public access to records and publicity.

Enforcement demands a strong authority endowed with sufficient legal powers to supervise, verify, investigate and if necessary institute legal proceedings. Anything less is a formula for failure.

The emphasis in this section is therefore on the initiation of investigations and prosecutions. Has a country experienced specific scandals concerning “money in politics”? Did the violation of an existing law come up in the course of a scandal? Did civil or criminal prosecutions follow? Who initiated them? Were court sentences or sanctions imposed against minor or major suspects? Was there any impact on the further career of politicians involved in the scandal?

In **Australia** the rules work quite simply. They may not create transparency in the field of plutocratic financing, but “rough” legislation seems to give security against abuse (for example, macing). In particular, the AEC as an independent national authority has had a positive impact. The members of the commission are: (a) the chairperson, who must be a judge or former judge of the Federal Court; (b) the Electoral Commissioner, as the Chief Executive Officer; and (c) a part-time, non-judicial member, who so far has always been the Australian Statistician. Although the AEC may not be able to inquire into financial resources, it is allowed to check the financial practices of Australian political parties and is therefore able to detect cases of abuse. After some parties, especially the Liberal and National parties, refused to cooperate and the Attorney General stated that registered parties were not required to comply under the 1984 legislation, this loophole was closed in 1991 when the AEC's right to information on parties' financial activities was introduced. Since then the AEC has been allowed to investigate party reports at hearings and other means of inquiry. It is involved in reforming the legislation on political finance and has made several proposals, including some on disclosure obligations, which have been adopted by parliament.

As the proper authority for election administration and political finance issues, the AEC acts forcefully only when the transparency of the process is deliberately compromised. The highest-profile case to date, involving a AUD 4,7 million (Int'l \$ rate n/a) donation, did not lead to a sanction but did open the door for further clarification of the legislation concerning associated entities and the AEC's own powers. The agency has developed a three-year audit cycle to cover all state branches of all registered parties; this serves as

an early warning system on malpractice. This capacity is somewhat weakened by its limited human resources. The enforcement division controls probably slightly less than 10 per cent of the total budget of the AEC.

The **Canada** Elections Act of 1974 (see the Elections Canada Internet site) set up a supervisory mechanism with appropriate sanctions to enforce the political finance regime and to verify and publish all required financial reports. An independent authority, the CEO, is charged with additional duties, e.g., to follow alleged violations of the law and to impose sanctions if necessary. As the Canada Elections Act can only be enforced through the criminal courts, not the civil courts, offences are resolved with preventive and remedial rather than punitive measures. Offences are subject to a moderate fine or a few months' imprisonment. Illegal and corrupt practices can be punished by a ban preventing a person from contesting elections to or taking a seat in the House of Commons, or holding any office of the Crown or of the Governor in Council. Political finance regulation, however, offers incentives for parties and candidates. Since they benefit from tax credits and reimbursements, observance of the law is in their own best interest. Although "quasievasions" (related to the legal definition of election expenses; see section 3.1) occur, outright violations of the law are very rare. Canadian political finance is modest in scale and unlikely to engender great interest among academics or journalists. Media coverage is infrequent and tends to be superficial in nature.³

As a consequence of the FECA of 1971, the FEC was set up in the **USA**. It is an independent regulatory agency charged with administering and enforcing the FECA. It has six voting members who are appointed for six-year terms by the president with the advice and consent of the US Senate. The commissioners elect two members each year to serve as chairman and vice-chairman. A major task of the FEC is to guarantee public disclosure of funds raised and spent on federal elections. The FEC has a budget of USD 38.278.000 and, in 2000, a total of 352 personnel. It has exclusive jurisdiction over the civil enforcement of the FECA. If there is "reason to believe" that a violation has occurred, a vote by the majority of the members of the commission can order an investigation. If this leads to the determination of a "probable belief", the majority of the FEC members has once again to confirm this. Thereafter the agency will seek to resolve the matter

through "informal methods of conference, conciliation and persuasion" and reach a conciliatory agreement with the respondents. If a violation of the law has taken place, the FEC tries to resolve the matter by reaching a conciliation agreement with the respondents. The agreement may require them to pay a civil penalty and/or to take other remedial steps. If an agreement cannot be reached, the FEC may file a suit against the appropriate persons in a district court. The penalties in this case are more severe: imprisonment for up to five years for criminal misuse is possible. Because this procedure is partly open and the process is burdensome and time-consuming, some see the FEC as a weak watchdog. As agents are responsible for the funds, the candidates and representatives themselves are shielded, which is a problem. Enforcement matters remain confidential until they are concluded; once the matter is closed, the pertinent documents are placed on the public record.⁴

In the **UK** the legal limits on campaign spending at the constituency level are generally accepted but hardly checked. At by-elections especially the limits are sometimes exceeded, but in general parties refrain from making complaints about overspending by a competing party in order to receive reciprocal treatment from their opponents when they themselves overspend. At the 1997 election suspicions of considerable evasion were voiced. Still, 1999 saw the first major post-war legal case against a sitting MP and her election agent (*Crown v. Jones and Whicher*). Although both were initially found guilty of spending twice the constituency campaign limit, the decision was reversed on appeal.

Currently it is up to a defeated candidate to bring a legal case against the winner. Under the act of 2000, the independent Electoral Commission, consisting of six part-time commissioners, has been installed. It oversees compliance with the new requirements, especially in the monitoring of donations, reporting on them and the submission of proper accounts. It does not have any judicial power but it can make recommendations and reports, on the basis of which the Director of Public Prosecutions may decide to ask a court to apply criminal sanctions (fines or imprisonment) against those responsible within the parties.

4. Conclusion

American and Australian political parties are relatively weak organizations. In the USA the use of primaries for

nominating procedures has helped to stress the importance of individual campaigns. Political finance, therefore, is concentrated on campaigns rather than on political parties. The Australian attempt to control the high level of media expenses by introducing public funding seems to have failed. Public funding and media expenses both continue to grow and the three-year parliamentary term contributes to both increases.

Despite such important differences the established democracies of the Anglo-Saxon orbit have much in common.

4.1. The Impact of Federalism

From the beginning the dominions of Australia and Canada combined the British tradition of responsible government (adversary politics and majority rule in a parliamentary democracy) with a US innovation, the federal system. Only the USA operates under a presidential system with strict separation of legislative and executive powers, and a federal system at that. The federal structure of political systems largely determines the financing of politics in two respects.

First, jurisdiction over political finance regulation in Australia, Canada and the USA rests with the federation as well as with each of the states/provinces. In all three federal systems separate political finance regimes operate at the state level: the federation, provinces and states have used their own jurisdiction to legislate on the subject. In the USA even cities and counties can establish their own rules. This may result in a situation where a political committee or party which supports candidates at the federal, the state and the local level will be confronted with three different sets of rules on political finance (Alexander 1992).

In Australia any party faces two different sets of rules for federal and for state politics. The Australian Capital Territory, New South Wales, Queensland, Tasmania and Western Australia have implemented their own disclosure legislation, while South Australia, Victoria and Northern Territory do not have any legislation on this topic.

The overall situation in Canada is a little less complicated because rules applicable in the ten provinces fall into four broad categories: (a) four provinces are much stricter than the federation in that they additionally limit the size of contributions and demand reporting by constituency associations; (b) two provinces are slightly stricter in that they include local party groups; (c) three provinces are similar to the

federation, which emphasizes rules for expenditure and neglects local organizations; and (d) only Alberta is closer to the US approach, which emphasizes limits on political income.

Second, the major role of supreme courts in federations has had an enormous impact on political finance regime in the USA, Canada and Australia. By declaring important parts of the legislation unconstitutional on several occasions, the US Supreme Court has widened the opportunities to give and spend money for federal elections. Freedom of speech, as protected by the First Amendment, plays a major role in all attempts to regulate political finance in the USA. On the basis of concern for free speech, courts in Alberta (Canada) have ruled against restrictions on “third party advertising” (which, however, have recently been upheld by the Supreme Court of Canada). Neither in the USA nor in Canada or Australia have the supreme courts put much emphasis on the principle of “equal access”, that is, the equality of opportunities for individual citizens as well as political parties or candidates. (Major court cases on “campaign funding” are accessible at www.uscplus.com for US Supreme Court decisions and at www.elections.ca – Major Court Cases – for Canada.)

4.2. Levels of Public Involvement

Other important findings relate to the level of public subsidization of parties and candidates and the degree or scope of political finance regulation – bans, limits, disclosure or reporting. While the USA combines a low level of subsidy with a high degree of regulation, Australia and the UK (even after implementation of the act of 2000) present a low profile on both counts. Within the Anglo-Saxon orbit only Canada represents a medium level of public subsidies, direct and indirect, and regulation. The Canadian model seems potentially transferable to other countries. The other, more extreme cases – the high–low combination of the USA or the low–low combinations of Australia and the UK – should be a warning to emerging democracies.

British political finance has been a subject of public debate since the early nineteenth century. The advent of mass democracy with general suffrage in a majoritarian electoral system resulted in a party system dominated by two major parties. In the early days plutocratic financing in the strict sense was predominant. The Trade Union Act of 1913 allowed political levies to be collected from union members and

helped to install the Labour Party as one of the two major political forces. During the twentieth century a shift away from elections fought at the constituency level to highly centralized national election campaigns has taken place. Nowadays, most money is spent by the national party organizations. The British political finance regime has only now started to address these changes. Canadian regulation elaborated the British tradition of legal prevention of “corrupt and illegal practices” in the electoral process much earlier, with new initiatives which aim at controlling corporate donations and campaigns via the electronic media.

4.3. Participation through Parties?

Two further remarks are called for on the type of political parties apparently developing as a possible consequence of the introduction of public subsidies to parties.

First, parties with low citizen involvement may become instruments of wealthy groups or individuals. The rise of PACs and the growing importance of soft money in the USA are cases in point. Where public funding is given directly to candidates rather than to their parties, for example, to presidential candidates in the USA, this may further weaken the already weak position of political parties, although direct-mail fund-raising and organization-building by national party headquarters offer counterbalancing influences. The introduction of contribution and spending limits has bolstered PACs at the parties’ expense. Because of the limits put on individual contributions to parties, wealthy donors must now curtail their contributions to parties, thus reducing their financial power. Political parties only accounted for ca. 10 per cent of all the money spent in the congressional races during the 1990s. But parties can play an important role in promoting competition by supporting non-incumbents more than individuals or PACs can.

How bad is it if political parties are giving way to the PACs? Proponents of political parties say that the rise of PACs promotes the defence of “special interests” to the detriment of the “public interest”. PACs also tend to support incumbents. Today ca. 70 per cent of all PAC contributions goes to incumbent candidates, making the political system less accessible to challengers. PAC supporters state that not all PACs are the same. PACs have helped to get minorities elected to Congress and they represent a variety of interests which, when combined, express the public interest. Nevertheless,

several proposals have been put forward to curb the influence of PACs.

Second, thoughtful political engineering, combining a mix of private and public funding for political parties, may very well prevent parties from turning into semi-state organs or plutocratic toys. Specific instruments, such as the tax credit in Canada, have given an impulse to innovation. Tax credits (federally and in all provinces) stimulated individual donations by the middle class and family businesses and provided an expansion of the financial base for candidates and parties. Within a few years parties were able to reach a far greater number of potential donors than before, with the result that individual donations soon made up more than half of their total income. This in turn reduced the dependence of federal parties on corporate donations from the business community. The high level of economic development, the use of modern computer technology and the existence of an effective income tax system were essential prerequisites for the success of Canadian political finance regulation.

4.4. Public Monitoring of Political Funds

Experience has shown that intense regulation sometimes works against the original intentions. Tight rules seem to speed up the search for legal loopholes. Political finance in the UK has been characterized by the predominance of institutional donations from business corporations and trade unions to political parties, as well as by a reluctance to grant state aid or public subsidies to parties. For a long time, formal regulation of political finance concentrated on spending limits for candidates but failed to adjust to highly centralized national campaigns. The new act of 2000 has introduced major changes to the regime of political funding and subjects the conduct of political parties to statutory regulation. What has not yet changed is the British aversion to the public funding of politics.

Public funding and disclosure obligations were implemented in Australia because the former expenditure limit mechanisms seemed to be useless in the circumstances of modern party democracy. Current legislation is quite simple. This “rough” character seems nevertheless to work effectively. This is to the credit of the AEC: Several cases of abuse have been made public or have been controlled by this independent authority. In recent years a trend towards non-public investigation by the AEC – instead of public transparency of party receipts and spending – can be observed. There have

been several changes to the law on disclosure since its introduction in 1984. Despite the reforms there has never been effective transparency of private funds applied to political purposes in Australia.

Whereas Anglo-Saxon legislation against “corrupt and illegal practices” has traditionally been limited in scope, by addressing constituency campaigns only, the 1974 Canada Elections Act (and more recently the British Political Parties, Elections and Referendums Act of 2000) produced several improvements which are potentially suited for adoption in other parliamentary democracies. Political parties are officially recognized, their nationwide campaigns are included within the scope of the law, and their financial operations have been made subject to statutory transparency rules. The compulsory reporting of donations and campaign expenses has had a sanitizing effect on Canadian elections. As the regulation was satisfactory in general it has remained basically unchanged since 1974. A proposal by the CEO in 1999 to revise and update the Canada Elections Act, which was designed to introduce contribution limits and to improve reporting and disclosure, was not accepted by parliament. The major gaps in regulation will therefore remain. Unlike most of the provinces, the Canadian federation will not require constituency associations to file financial reports. Nomination campaigns and party leadership contests will remain outside the purview of the law.

4.5. Fighting the Cost Explosion

The debate on whether US campaigns are too expensive is inconclusive. The costs of campaigns have risen dramatically in recent years. But is it too much, or not enough? The answer depends on the perspective taken. Compared to other arenas the costs of the electoral process may seem low. As H. E. Alexander observed shrewdly in a discussion, “Americans spend more on chewing gum than they do on elective politics”. Other observers stress the limited accessibility of the system for those who are not wealthy. The “price of admission” may have become too high for us to be able to speak of equal rights among citizens.

The combination of high costs and contribution limits induces candidates to spend more and more time in raising money, possibly leaving too little time for their legislative duties. One solution is to limit spending by introducing for congressional campaigns a system whereby candidates accept limits in exchange for public funding (comparable to that for presidential elections), or in exchange for lower postage rates or lower rates for

purchasing television advertising. Another approach would be to abolish all limits. Since the efforts, started in the early 1970s, to prevent the influence of large contributions on political decision making and to promote a “level playing field” have been given up, the main task of the FEC is the disclosure of donations, where it has been quite successful. As a result of the enormous increase of soft money or independent expenditures, other tasks of the FEC have become more difficult.

Endnotes

¹ The inclusion of Canada in this chapter may seem a little strange, as it is a bilingual and multicultural country. However, the title of the chapter indicates traditions in the public law system in general and the law regulating political finance in particular. On both counts, Canada is much closer to Australia, the UK and the USA than to any other group of countries. We are also aware of the increasingly multicultural nature of other countries.

² Alain Pelletier of Elections Canada kindly supplied the data for these computations.

³ Ron Gould, former Assistant Chief Electoral Officer, provided helpful information for this paragraph.

⁴ I am indebted to Lisa Klein for some of the information in this paragraph.

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Party Funding and Political Corruption in East Asia: The Cases of Japan, South Korea and Taiwan*

PETER FERDINAND

1. Introduction

The issue of money and its effects on politics is increasingly gaining attention in the Asian continent in the same way as in other parts of the world. However, not all Asian countries have responded as quickly and comprehensively to this phenomenon as, for example, countries in Latin America, Central and Eastern Europe, and the rest of the established democracies. According to a survey of the party funding laws in over 110 countries around the world conducted by International IDEA during 2002 (see table 1 of the *Matrix*), a substantial number of countries in Asia do not have laws regulating party funding. Even in large democracies such as India and Bangladesh the regulations are focused on individual candidates and not on political parties as critical actors in the democratic political system. The survey noted that to date only Sri Lanka in South Asia has public funding of political parties, whereas in South-East Asia such laws have been introduced only in Indonesia, Malaysia and Thailand. The other countries in the sub-continent, including the Philippines, do not have public funding or laws controlling the flow of money into politics at the party level. This leaves only a few countries in Asia with experience in party funding laws and regulations for minimizing the corruptive effects of money in politics.

This chapter will focus on the experience in funding parties of Japan, South Korea and Taiwan. In the twentieth century South Korea and Taiwan were only freed from Japanese colonial rule after World War II, and after that for most of their existence they were ruled by military-backed authoritarian regimes. Coincidentally, however, both introduced or reintroduced democratization in 1987, and have since made significant progress in consolidating democracy.

In addition to geographical proximity and the fact that the three countries democratized over broadly the same period, three further factors make the hypothesis of a similar model of, or at least approach to, democratization plausible.

The first is the fact that both Korea and Taiwan were colonized by Japan from 1895 until 1945. Since Japan was nominally democratic for most of that period, there is the possibility that a common orientation towards political processes might have emerged. After all, **the single-vote multi-member constituency system for the parliaments that is still extant in South Korea and Taiwan was inherited from Japan**, where it was in force for the Diet until 1996.

The second is the **processes of economic modernization and later democratization** which are common to all three of these states. They have managed to organize and sustain political life in traditional rural settings where the traditional political culture was antipathetic to democratic values. And they developed the flexibility to do this at the same time as they reached out to more mobile sections of society who were abandoning the old-fashioned villages for industries in the new towns and cities.

The third common feature is the set of **popular expectations** in all three states about the social role and status of **elected representatives**, which is quite different from that in other parts of the world. This poses particular challenges for the funding of political parties and their regulation. Basically, representatives are supposed to be linked to their constituents by a set of reciprocal obligations as if they were part of one family. The citizens' obligations are less onerous; they are expected to cast their votes. But the representatives are expected to help constituents with all kinds of assistance when dealing with authority. In many cases this may include intervention over the application of regulations or laws by officials which might damage the livelihood of constituents. For more active political supporters this could include gifts on important family occasions, such as births, weddings and deaths.

This enormously increases the cost of being a representative. A group of younger Liberal Democratic Party (LDP) Diet members in Japan calculated in 1987 that they would need to give anything between JPY 20.000 and JPY 70.000 for weddings in families which were members of their supporters' club, and JPY 10.000

* This chapter builds on and draws from Ferdinand, P. "Building Democracies on the Basis of Capitalism: Towards an East Asian Model of Party Funding." In *Funding Democratization*, edited by Peter Burnell and Alan Ware. Manchester: Manchester University Press, 1998.

for condolence money at funerals. In one year these sums would mount up to around JPY 18 million (c. USD 120.000)¹. New Year and mid-year gifts would add a further JPY 6 million (Herzog 1993:135). In none of the three states is it conceivable that a representative in the national legislature could make do simply on the parliamentary salary. In Japan a member of the Diet receives JPY 18 million per year in salary and bonuses (c. USD 167.000). The government pays for two secretaries for each parliamentarian, but almost all employ more (Hrebenar 2000:67). Extra money has to be found, and, although citizens may in general condemn “illicit” money-gathering by politicians, they still expect gifts for their families. In a sense this has made most of society complicit in the raising of illegal political contributions. So from an early date the practice of condoning some forms of “illegal” political fund-raising became established, since all actors could see that it was impossible to make the rules work and yet satisfy all expectations. On the other hand, propriety would have been infringed by too open a hunt for money by politicians. Instead, most of the funds would be solicited and obtained by “middlemen” who could be sacrificed if some scandal emerged – although it rarely did.

Because the process of democratization has lasted far longer in Japan than in South Korea or Taiwan, this chapter begins by outlining in separate sections the initial state of affairs in each of these three countries, before returning to consider their more recent attempts at the reform of party funding. The basic argument is that the pro-business orientation of political debate in each of the three created the conditions for political parties to attract substantial funding. More recently, however, the problems of “money politics” have fueled public debate over the need for greater state regulation of party funding, and possibly for state support, so as to ensure greater accountability and greater equality of opportunity for parties.

2. Japan: The Early Post-War Years

Japan has the longest-established democracy in Asia. Its first parliament was founded in 1891 and political parties had already been established by then. Although it was supplanted by political and military extremists in the 1930s, democracy was re-established immediately after World War II on the command of the Allied administration. Since then it has prospered, as has the country. Even this shorter period of existence would

make it the longest-lived democracy in continental Asia, pre-dating that of India by two years. How, therefore, might its experience have lessons to offer to more recent democratizing regimes?

Money has always been an important issue in Japanese democracy. It was money politics and the sense of corruption which discredited the pre-war Japanese parliamentary system and favoured the takeover by the military. This mood had been exploited by extreme nationalist parties and groupings, which closely associated themselves with the army. It was one of the chief factors in the assassination of Prime Minister Inukai Tsuyoshi in 1932. The army then took advantage of this to suspend normal political activity. With World War II over, the occupying powers, especially the United States, wanted to ensure that democracy was enshrined – if possible liberal democracy. Thus on the one hand there was official encouragement from the highest level for competitive party politics to be resurrected, and in the first elections in 1946, over 260 parties put up candidates (Yanaga 1956:238. According to Kataoka, the figure was 363. Kataoka 1991:49).

On the other hand, the occupying forces came predominantly from the United States, where there was no habit of state subsidy for political parties, so it was not seriously contemplated for Japan either. Yet the **necessary costs of running parties were still high** – indeed, they were proportionately higher at that time than they became later, because the economy had been ravaged by the war and there was little money to pay for anything. Individual party leaders therefore began to search for businesspeople who could make large contributions to their organizations. In the business climate which prevailed at that time, these were predominantly to be found among black-marketeers and those who wanted to evade official scrutiny or to gain government licences to protect their markets. The profits from this type of business activity escalated rapidly as the cold war, and especially the Korean War, began in earnest. **Politicians relied on local “bosses”** – landowners, enterprise owners and so on – to deliver votes for them. In turn these local bosses used the authority of the politicians to further their business interests (Yanaga 1956:111–112). In addition, the need of the Allies to ensure that communism was defeated also meant less searching analysis of the accounts of individual parties because, if nothing else, they stood for the free world.

Very rapidly, by the 1950s, money had returned to play as prominent a role in national politics as it had in the 1930s, and so too did scandals. Official **rules on campaigning** laid down how much **individual candidates** could spend for their campaigns. These have been periodically updated to take account of new kinds of infringement. (For a summary account from 1948 until the 1980s, see Curtis 1983:160–164.) Parties, however, did not have a clear legal status in between elections, so that the state was handicapped in its attempts to control their spending activities. Politicians and donors would set up harmless-sounding associations through which **money could be channelled**, but whose activities were very difficult for the state authorities to penetrate. Parties reported funds which they “officially” received, but did not necessarily include funds channelled to individual politicians or groups of politicians. Candidates would set up **secret deals** with the rich through intermediaries. Only if it could be shown that a politician was personally aware of such dealings could legal action be taken against him.

Two major consequences followed from this:

The first concerned the orientation of political debate. Although there was no official bias in favour of one type of political view or another, **the need for significant sums of money gave advantage to those parties with a pro-business outlook**. The spur to the realignment of parties which took place in 1955 and lasted until 1993 was the formation of the Japan Socialist Party (JSP). This was for a short period the largest party in the Diet and caused apprehension not merely in Japan but also in the United States over the direction of Japanese politics, when the cold war was still at its height. All of this provided the glue which finally held together the alliance of the previously separate and rival Liberal and Democratic parties to provide a united pro-business party, the **LDP**. This became the largest party in the Diet and it managed to retain its dominant position for the next 38 years, largely because of its **fund-raising ability**. It was reported in 1974 that the LDP and its factions gained four-fifths of the total of JPY 51,6 billion (USD 170 million) in income reported by all the party headquarters to the Ministry of Home Affairs (Watanuki 1977:22–23).

Until 1993 the **employers' association**, the Keidanren, actively collected money on the LDP's behalf. This was by no means the only source of funds at the disposal of the LDP, but it was by far the largest. For a long time there was no official limit on

contributions which could be given to a party, and the LDP was qualitatively different from the other parties in the share of its declared income which came from **donations rather than membership dues**. Still in 1991 58 percent of its income came from corporate donations, while only 28 percent came from membership dues, and no other party could match that (Tan 1993:115).

The second consequence concerned the structure of the LDP's organization. Since money became such a key issue, the party was not solely responsible for raising funds for the activities of its representatives. **Individual representatives could supplement funds raised centrally with whatever they raised by their own efforts**. Some were more successful than others, and so attracted followers with whom they shared surplus income. Consequently the factions which had already appeared within the LDP from its initial formation because of rivalries between individual leaders **acquired a financial basis**. Initially numbering eight, by the 1960s there were five factions, with the largest, the Tanaka faction, being by far the most successful.

Clearly, the existence of the factions had a major impact on policy making and the apportionment of government posts within the LDP. Not surprisingly, the larger factions also tended to be handed most of the ministerial posts. And ultimately the largest factions determined who was to become the president of the party, and thus normally the Prime Minister. No faction leader was prepared to give up his own faction for the sake of the party. The differences between the factions were based chiefly upon personalities and fund-raising ability rather than policies. Nevertheless, Tanaka Kakuei was most successful in raising funds for his faction because he exploited links with the construction industry, and the LDP governments at that time were strongly encouraging infrastructural construction. So government policies could be – and were – skewed in certain directions owing to the funding needs of individual politicians and their factions. The road and “bullet train” (*shinkansen*) networks especially benefited from this, as politically influential representatives were able to get previously isolated regions added to the shinkansen and road networks (see Woodall 1996 for several examples).

The lavishness of political funding was further exacerbated by the **multi-member constituency system**. Most constituencies had several representatives who ran against each other, while the electors each only had one

vote. This pitted members of the same party against each other. Some constituencies returned as many as five members, so only small variations in voting might separate the candidates. This encouraged **candidates from the same party to fight as hard against each other as against other parties**. The chief means of fighting was money. Thus individual members found that they needed to gain access to local funds, too, and they set up their **own local political support groups** (*koenkai*). (For a detailed account of how a candidate for the Diet used his *koenkai* in the 1960s, see Curtis 1971, chapters 5 and 6.) These too could raise large amounts of cash, sometimes from dubious sources.

Enforcing Funding Laws

The actual amounts raised were always difficult to establish. Although the state had laws on the reporting of political funds, parties and especially individual members were less than punctilious in reporting. Already by the early 1950s it was estimated that **candidates needed to spend between five and six times more than what was allowed by law** (Ike 1957:200). Factions, if they had a definite identity, were required to report what they had raised, but sometimes they opted to do so by dividing the money among individual fund-raisers within the faction. They would choose to report large or small amounts, as public expectations fluctuated or according to whether a particular faction wanted to impress or to keep a low profile. Donations to political organizations were tax-deductible, and so the largest corporations, which made the largest donations, had an interest in being straightforward about this. Small organizations, however, were less punctilious – and in any case those companies which made donations in the hope of an official interpretation of government regulations in their favour might expect better treatment if they kept silent about donations rather than publicizing them, in case the publicity caused embarrassment to the “patron”.

As mentioned above, **the state was not able to demand compliance, because “everyone knew” that it was impossible**. Nor were the parties very effective in policing each other’s campaigning. An indication of the strange consequences to which this could lead can be seen from Table 1. In 1953, when the cold war was at its height, the Liberal and Democratic parties reported an income that was 20 times that of the Japanese Communist Party (JCP) (the party which most prided itself on honesty). In contrast, in the 1990s, when

communism was clearly waning, the JCP was the party which made the declaration of the largest income, 20 percent higher even than that of the pro-business LDP – as can be seen from Table 2.

Yet even the LDP is prepared to admit to a total income, including local branches of the party and funds carried over from previous years, of JPY 40 billion (c. USD 371 million) in 2000 (www.jimin.jp/jimin/english/overview/04.html). Many observers suspect that the LDP’s real income is up to five times the reported figure (Hrebendar 2000:61).

TABLE 1.

JAPAN: POLITICAL PARTIES’ REPORTED INCOME, 1953	
<i>Figures are in JPY million</i>	
Party	Income
Liberal (including Democrats)	229,26
Progressive	108,71
Socialist (right wing)	29,27
Socialist (left wing)	25,50
Farmer-Labour	1,07
Green Breeze	5,05
Communist	11,05
Total reported income	409,91

Source: Ike, Nobutake. *Japanese Politics*. New York: Knopf, 1957:201.

It was true that these lavish party resources caused some spectacular **scandals**, most notably (until the 1990s) the Tanaka Lockheed scandal in the 1970s. These caused public outcries and some tightening of the laws. But at least at that time the LDP showed skill in public relations when its leaders agreed to allow the leader of the smallest and therefore least prosperous faction, Miki Takeo, to become Prime Minister, so as to symbolize an apparent change of heart. And Miki did toughen the regulations on campaign funding, although he was soon forced from office by disgruntled leaders of the larger factions for failing to prevent the prosecution of former Prime Minister Tanaka.

One last consequence of the system should be noted: it was **biased in favour of incumbents**. While the laws were strict on how long an election campaign could last and what kinds of expenditure and activity candidates could engage in, incumbents could maintain their profile with electors between elections by sending them postcards or newsletters at their own expense.

Yet, for all the irregularities and the less-than-frank disclosure of funds, the **Japanese system did at least**

TABLE 2.

JAPAN: POLITICAL PARTIES' REPORTED INCOME AT THE NATIONAL LEVEL, SELECTED YEARS

Figures are in JPY million

	1976	1980	1985	1990	1995	2000
Communist Party	15.918	19.582	21.679	32.058	31.100	32.800
LDP	7.806	18.655	18.966	30.844	23.500	27.100
Komeito	7.130	8.388	9.807	13.490	13.400	15.900
Japan Socialist Party	3.874	5.110	6.649	6.794	14.600	4.400
Democratic Socialists	1.350	2.463	1.830	2.412	—	—
New Frontier Party	—	—	—	—	17.500	—
New Party Sakigake	—	—	—	—	1.500	—
Democratic Party of Japan	—	—	—	—	—	11.000
Liberal Party	—	—	—	—	—	3.800

Note: — = not available or not applicable (party did not exist at the date in question).

Source: Japanese Ministry of Home Affairs.

aspire to establish a “level playing field” between the parties. The rules themselves were not aimed at giving preference to one party. Indeed, in the first few post-war years the Allied administration in Japan tried to favour the JSP because it was regarded as a potentially important bulwark defending the new “peace” constitution which banned Japan from having its own armed forces, provided the JSP could be kept apart from the JCP (Kataoka 1992:48–49). As we turn to the other two systems, those of Taiwan and South Korea, we shall find that this even-handedness has been harder to achieve.

3. Taiwan and South Korea

Until they seriously began to democratize from 1987, both these states practised authoritarianism (in the case of Korea there was the exception of the brief Chang Myon government of 1960–1961). Yet it was an **authoritarianism** which appealed for support to the free world, so both states also attempted to create a democratic cover for their actions. They allowed elections at some levels of administration, but they restricted the opportunities for other parties to make a serious electoral challenge, in both cases citing the threat of communism.

3.1. Taiwan

For Taiwan this meant the banning of other parties than the Kuomintang (KMT) under emergency laws. Moreover, no elections could be allowed to the Legislative Yuan (parliament) for most of the seats

because the incumbents had been elected to represent the whole of China in 1947. But elections could be allowed for the seats representing Taiwan, as well as to the provincial legislature for the island of Taiwan and for posts at the county level. However, the **opponents of the KMT** had to stand as independents. They **could not organize as parties**. An attempt to found a China Democratic Party in 1960 was broken by the arrest of its organizer, Lei Chen, on the dubious accusation of consorting with communist agents. Between 1951 and 1985, KMT candidates won between 80 and 100 percent of local government posts. In local legislative elections, the KMT won between 70 and 85 percent of the seats in the provincial assembly between 1957 and 1985, and between 75 and 92 percent of the seats in the Taipei City Council from 1969 to 1985 (Lasater 1990:10).

For Taiwan, the KMT's legally protected advantage was reinforced by its **opportunities for patronage**. Even more importantly, it also built up its own financial empire. It had always been part of the KMT's ideology that it was aiming at a new society somewhere between capitalism and socialism. Given the difficulties of raising funds for its activities through voluntary contributions in an impoverished China during the civil war on the mainland, it had set up its own business operations in areas which it controlled, just as it also encouraged state-owned enterprises. There was a definite blurring of the distinction between private and public enterprise. Particularly at the end of World War II, the Nationalists had seemed to be in league with “carpet-baggers”, who came into areas newly liberated

from the Japanese and took over businesses from former “collaborators”, although this did then lose them support in favour of the communists. Then, when the Nationalists lost the mainland and were forced to retreat to Taiwan, they found that they largely had to start from the beginning again, having abandoned most of their assets. They also found themselves confronted by a fairly hostile local population, following massacres on and immediately after 28 February 1947, when several thousand protesters were killed. **They overcame their lack of funds by setting up their own business operations**, which they ran in association with the state.

Although the KMT has never published accounts of its businesses, they prospered as Taiwan prospered. By the early 1990s rumour suggested that these operations were worth perhaps USD 1.5 billion in total, with income for 1995 estimated at USD 450 million (*Far Eastern Economic Review* 11 August 1994:62–65; and Chiang Ching-ki et al. 1992:38–39). Whether or not these figures are accurate, the KMT itself reportedly had a permanent staff in the early 1990s of 5,000 employees. On the assumption that they were each earning around TWD 3,000 per month, this would put the total wage bill at around TWD 1.5 billion per month, that is, USD 58 million, or almost USD 700 million per year (Liu Shuhui 1992:38–39).

When democratization began from 1987 onwards, the KMT was reluctant to give up its organizational wealth, or the political advantage this wealth could bring. Thus, although, as in Japan, **campaign laws were drawn up** which attempted to regulate the activities that could be carried on during election campaigns, **nothing was done about party finances for the rest of the time**. This obviously put candidates from other parties at a significant disadvantage, especially as the KMT candidates tended to be incumbents already and so could continue to use their position as members of the Legislative Yuan to keep up their profile in advance of the election.

Yet **the organization of rival parties also significantly raised the cost of electioneering**. It has been argued that in earlier times politics was much cleaner, albeit partly because of popular apathy, than in the more recent era of democratization (Ma Ch'ihua 1991:161). Reportedly, already by 1989 a candidate for the Legislative Yuan might have to spend as much as USD 1.2 million–3.2 million on a single campaign, that is, more than a candidate in elections to the US Congress (Shiau Chyuan-Jeng 1996:221). By the mid-1990s,

Robinson estimated that a campaign might cost USD 2–4 million, whereas successful candidates in US congressional races would spend only USD 600,000–1 million, even though US constituencies were twice as big (Robinson 1999). Indeed, as the pressures mounted upon the KMT in the new era of competitive politics, and as the costs of politics mounted, the party businesses became if anything more aggressive in their pursuit of new investment opportunities so as to ensure a regular supply of funds for the KMT.

The **multi-member constituency system** has had some of the same impact on the internal cohesion of the KMT as in Japan. Although it has forced individual candidates to set up equivalents of *koenkai* to raise funds locally, relatively speaking the **party headquarters controls a larger proportion of the funds at the disposal of its candidates**. Yet individual candidates from the same party are still pitted against each other in the same constituencies. Attempts by the party headquarters to give assistance to “weaker” candidates so as to increase the chances of overall party success cause resentment among the “stronger” ones, who fear that intervention may cause them to lose their seats.

There are **maximum figures** set for the amounts which **individual candidates** can spend on **election campaigns** at the various levels of government, but enforcement is extremely difficult. For example, as in Japan, it is difficult to distinguish between spending by the candidates themselves, which is restricted, and spending by their supporters, which is not. The government's Election Commission does require **reports of campaign spending** to be filed by individual candidates, but these are not published. There are in any case **no restrictions on the amounts the party headquarters can spend**. This obviously continues to favour the KMT.

Unlike the other two systems considered in this chapter, Taiwan still has **extremely limited public support** for party activities. A limited amount of time is made available for free television campaign broadcasts, but no public funds are available for other election expenses during the campaign. Once elected, candidates are able to claim TWD 2 for each vote gained, but this only contributes a small amount towards their overall expenses, and is in any case paid directly to the representative rather than to the party. The chief opposition party to emerge, the Democratic Progressive Party (DPP), requires all its successful candidates to turn over a part of this payment to the

party, but even this requirement is not always observed.

On the other hand, the DPP also targeted the native Taiwanese business community for possible funds. The consequence has been that **political debate has not been polarized into pro- and anti-business discourse**. Nevertheless the DPP has experienced considerable and repeated financial difficulties: at one point it was only saved from bankruptcy by a personal donation from the party president.

Still, “**factions**” are not as important in Taiwanese politics as they have been in Japan. The residual legacy of Leninism as the basic organizational doctrine of the KMT has restrained the party’s representatives from forming several rival factions at the national level. There are factions within the party, but many are local groupings of notables with which the central leadership of the KMT has worked since the 1960s, and which have preserved a kind of separate identity. In many cases they reflect the divide between mainlanders in the centre and “native Taiwanese” outside. More recently, factions have formed within the KMT over fundamental issues of principle such as policy towards the mainland. They do not, however, have the same organizational significance as factions inside the LDP and certainly not the same financial role in determining posts in the national leadership (Hood 1996:468–482; and Lai Hsiuchen 1994:97–108).

More recently, however, the increasing salience of money politics has begun to cause a **public backlash**. Individual KMT representatives have calculated that they would stand a better chance of being elected if they ran against corruption, even if the corruption is associated with their own party headquarters. This has meant that they have actually refused offers of support from the headquarters. Subsequently a few of them broke away to form their own New Party, which they claim is also more firmly committed to the long-term goal of reunification with the mainland than the KMT under former President Lee Teng-hui.

As a result, there is now a groundswell of **popular support for tougher action against corruption** in Taiwan, and there are proposals for **greater state support** for parties so as both to strengthen the party system overall and to try to ensure greater accountability for party finances (Liu Shuhui 1992:45–47). Not surprisingly, the opposition candidates are in favour of this, but whether the KMT can be brought to accept it remains to be seen.

3.2. South Korea

South Korea has had a more varied political history than Taiwan since the end of the civil war in 1953. As in Japan, immediately after World War II a large number of new parties emerged – proportionately as many for the size of the population. In the 1948 Constituent Assembly elections approximately 48 parties took part. There have been military coups, but also more attempts at guided democracy. But the proliferation of political parties was unwelcome to the first president, Rhee Syngman, as well as to President Park Chung Hee in the 1960s.

What is noticeable about Korean democratization is that even when the military were in power they usually attempted to shore up their legitimacy by allowing restricted elections to the National Assembly. In the 1960s President Park formed the Democratic Republican Party (DRP) which was carefully organized by Kim Jong Pil, who was for much of the time also head of the Korean intelligence service or KCIA (for details of this attempt, see Kim 1976:25–34). By the late 1970s it allegedly had several million members. And, like the LDP in Japan and the KMT in Taiwan, the “official” parties sought to enlist the support of rural elites in elections (Kihl Young Whan 1980:85–117). These were a kind of faction. Yet no sooner was President Park assassinated in 1979 than the DRP was abolished. In the 1980s an analogous attempt was made by President Chun Doo Hwan with the Democratic Justice Party (DJP). Despite all the official bias, however, some seats were elected on the basis of proportional representation. This ensured that some opponents of the regime were elected, and opposition leaders such as Kim Dae Jung and Kim Young Sam were surprisingly successful in mobilizing support.

The regime therefore looked to business for support, and in particular money, to win over as many people as possible. Patterns of relationships between party leaders and supporters/funders developed: in particular there were very **close relationships between the state and the large business corporations** (*chaebol*). As a whole the *chaebol* owed a lot of their success to privileges granted by the state. It was illegal, for example, for trade unions to engage in any organized party political activity. In return the *chaebol* were expected to contribute handsomely to the ruling party. This, however, could be shielded from the public not only because of controls on the press, but also because of a highly unusual feature of the Korean economy. Until 1993 it was quite legal to

hold bank accounts in fictitious names: contributions to individual parties could thus be further disguised under meaningless names, or indeed hidden entirely.

In addition, the first Political Funds Law of 1965 introduced the principle of **some state funding for political parties**, although at that time this was intended to ensure that the money went to regime supporters.

All of this contributed to an **escalation in the costs of running election campaigns**. As early as 1967 it was estimated that in the National Assembly elections ruling DRP candidates spent an average of KRW 30 million (USD 100.000) each. At that time the main opposition party was the New Democratic Party, and it could only compete with resources on this scale by tapping contributions from those of its candidates who were successful in the proportional representation seats, allegedly to the tune of KRW 20 million each (in other words, USD 60.000) (Han 1972:134).

Expenditure on elections escalated rapidly. While the DRP by 1967 officially reported spending KRW 259.000 on elections in 1963, by 1967 the figure had risen to KRW 614.000 and by 1971 to KRW 2,5 million. But these figures seriously underestimated real spending. One commentator remarked in 1977 that campaign expenditures in Korea were 25 times as large as those of the United Kingdom, even though Korea's gross national product (GNP) was only one-seventh of the UK's (Pae 1986:188–189). According to a former director of the KCIA, in 1971 the ruling DRP spent KRW 60 billion – a sum equivalent to more than 10 percent of the overall government budget for that year – on the re-election campaign of President Park (Park Chan Wook 1994:183).

Thus, when the newly-installed president, former

general Roh Tae Wu, decided in 1987 to tolerate the development of democracy, he cast around for ways of keeping the official DJP in power. In the end this was achieved by merging it with the largest opposition party, led by then oppositionist Kim Young Sam, so as to form the Democratic Liberal Party (DLP). The intention was to create a new party that would stay in power as long as the LDP had done in Japan.

The cosy relationship between top business and political leaders did have the benefit of limiting the development of **factious** of the kind that are endemic in the LDP, especially as there were no local elections until 1995, so that there was no pressure to raise funds to fight local elections. It reinforced the tendency for leaders to dominate their parties in fund-raising as in everything else. **Parties remained the rather simple patron-client networks dominated by an individual leader** such as may be found in many other countries, rather than the complex ones found in the Japanese LDP (Yun Seongyi 1994:539–565). On the other hand, elections to the national legislature tended to be characterized in many cases by races between local notables rather than between parties, and still required large injections of cash.

An indication of the money officially declared by parties is given in Table 3. These figures show the extent to which the ruling party's income far exceeded that of its rivals. In 1994 the ruling DLP reported income equivalent to USD 256 million, 12 times greater than that of its nearest rival, the Democratic Party. Yet, as in Japan and Taiwan, the figures only tell part of the story. Yong-ho Kim has revealed that during his presidency Roh Tae Woo collected about USD 640 million in secret political contributions from over 30 business

TABLE 3.

KOREA: PARTY REVENUES 1988–1990			
<i>Figures are in KRW million</i>			
Party	1988	1989	1990
Democratic Justice Party	32.370	23.606	–
Reunification Democratic Party	14.240	5.737	–
New Democratic Republican Party	12.583	6.209	–
Party for Peace and Democracy	15.481	6.243	8.775
Democratic Liberal Party	–	–	39.895
Democratic Party	–	–	2.199

Note: 1988 was a National Assembly election year, hence the much higher expenses. KRW 700 = c. USD 1.

– = not available or not applicable (party did not exist at the date in question).

Source: Park Chan Wook. "Financing Political Parties in South Korea, 1988–91." In *Comparative Political Finance Among the Democracies*, edited by Herbert E. Alexander and Rei Shiratori. Boulder, CO: Westview Press, 1994:178.

tycoons, of which about USD 274 million went to his party and campaign expenses. In addition, something like USD 2,5 million was given to his opponent, Kim Dae Jung (Kim Yong-ho 1996).

4. Japanese Reform Proposals, the 1996 General Election, and Reforms in South Korea and Taiwan

In all three systems, then, the problem of money politics has been perceived to have become more serious in the 1990s. In Japan and South Korea attempts began to remedy it, more or less simultaneously. More recently this concern has spread to Taiwan, as well.

4.1. Reforms in Japan

In Japan the spate of financial scandals in the early 1990s finally drove the LDP to try to address the issue, although ultimately it took their loss of power in 1993 for the alternative reform coalition, led by the newly-formed opposition party Shinshinto, to actually introduce measures, the most important being the 1999 revision of the Political Fund Control Law (1948).² Basically these measures relied on a more pronounced role for the state in regulating party activities. In part this meant increasing the **controls on individual contributions**. **Companies are no longer allowed to give money** to individual candidates, but **only to parties and recognized political organizations**. Donations of over JPY 50.000 (c. USD 500) now have to be **reported**, where previously the threshold was JPY 1 million. It also meant increasing the **penalties for infringements** of regulations. Previously a candidate's victory could only be quashed if they or their campaign manager could be proved to have been involved. Now if any campaign worker is found to have broken the rules, this can lead to the result being overturned. Partly, too, it involved the redrawing of parliamentary boundaries, so that all

the multi-member constituencies were done away with. This was intended to reduce the competition between different factions of the same party which, it was thought, had contributed to escalating electioneering expenses.

At the same time, the government introduced **subsidies** for parties that had candidates who had succeeded in elections (the threshold was five seats in the Diet). The overall sum available was set at JPY 30 billion, which represented the official size of the population multiplied by JPY 250 per head. This is roughly equivalent to USD 250 million, and was agreed partly because it seemed to be in line with the subsidies available in West European countries, and partly because it represented roughly half the figure which politicians had calculated they spent every year on political activities.

Most of these new regulations are aimed at strengthening the political parties at the expense of factions and individuals. The hope is that this will lead to more substantive policy-oriented debate and to the parties' evolution into more impersonal institutions. It should lead to more funds being made available to the party leaderships, so that they can exercise greater real leadership over their supporters.

The paradox about these arrangements is that the state is intervening not because of a shortage of funds available for political parties, but because of parties' own weaknesses. The state may only be able to regulate party activity better by contributing its own funds and requiring proper accountability. Thus, where the original concern was with the need for viable parties to give substance to democracy, now things have changed so that the state needs to intervene to **help parties perform a more useful and effective role as part of a democratic system**.

Whether this will work obviously remains to be seen. As can be seen from Table 4, spending reported by local

TABLE 4.

JAPAN: POLITICAL SPENDING REPORTED TO THE CENTRAL AND PREFECTURAL AUTHORITIES, VARIOUS YEARS SINCE 1976

Figures are in JPY billion

	1976	1980	1985	1990	1995	2000
Central	69,3	112,8	145,6	184,5	170,7	156,8
Prefectural	40,4	78,9	106,3	153,8	185,9	175,9
Total	109,7	191,7	251,9	338,3	356,6	332,7

Source: Japanese Ministry of Home Affairs

parties and candidates to prefectural organizations after 1994 began to exceed that reported by the central parties to the central government. If this trend continues, then it would suggest that the central party apparatuses will still not find it so easy to centralize control over their party branches. Nevertheless, the Political Fund Control Law was revised so as to prevent corporate donations to individual candidates and their *koenkai* from the year 2000. Instead, they can only donate money to local branches of parties. Even if incumbents still chair these local branches, that may provide a little extra leverage for the central party leaderships.

In addition, a leak that was brought into the open in 2002 by the leader of the Japanese Communist Party, Shii Kazuo, revealed that over a period of 14 months in the years 1991–1992 the government of Prime Minister Miyazawa Kiichi distributed JPY 143.87 million (c. USD 1 million) in **discretionary funds** to ruling and opposition party representatives, as well as to cover personal expenses at his official residence. This was sometimes used to smooth the passage of government legislation through the Diet (www.japantimes.co.jp/cgi-bin/getarticle.pl5?nn20020414a2.htm). Nor does this seem to have been a unique period. Secret discretionary funds have been a regular feature of Japanese diplomacy and domestic politics for decades. Other party leaders claimed that the Miyazawa government must have had considerably more than JPY 144 million at its disposal. This has reinforced the widespread popular impression of corruption in politics – an impression strengthened by regular **resignations** of individual Diet members throughout the 1990s and up to the present over revelations of corrupt practices. Even former cabinet ministers such as the LDP's former Secretary-General of the LDP and a former contender for its leadership, Kato Koichi, have been forced to resign. The reformist Prime Minister Hosokawa Morihiro was forced to resign in 1994 over a personal financial scandal. Nor were resignations confined to the LDP. A leading figure in the Social Democratic Party, Tsujimoto Kiyomi, who had strongly criticized corrupt political practices, was forced to resign in 2002 because an aide had misused political funds. Aides to politicians were often implicated in these scandals, which suggested that the corruption was spreading more widely in political circles. (For a summary of several of the scandals of the 1990s, see Blechinger 2000).

To try to rebut increasing popular cynicism, in 2002

four members of Parliament voluntarily disclosed their political spending. Two came from the LDP and two from the Democratic Party of Japan. Two were from the Upper House of the Diet and two from the Lower. Each of them claimed to spend around JPY 40 million per year (c. USD 370,000). Although this was welcomed as a first step towards greater openness, it was also noted that another LDP Diet member, Suzuki Muneo, who had recently been forced to resign, had admitted to raising JPY 500 million per year (USD 4.6 million) for himself and colleagues (Iwai Tomoaki 2002), and the newspaper *Asahi Shimbun* claimed that a typical LDP Diet member actually took in about JPY 88 million per year, or about USD 817,000 (www.asahi.com/english/op-ed/K2002120300289.html). So the attempt at increasing openness instead reinforced popular cynicism.

One curious by-product of the new rules has been actually to encourage instability among parties, as can be seen from Table 2. Since five seats in the Diet entitle a party to receive subsidies, and the funds are assigned on an annual basis at the beginning of the new financial year, the first three months of the new year see repeated squabbling and plotting within parties as disaffected groups decide whether to jump ship in time for the next year's subsidy. This is not the only reason for new parties emerging and for the short life of some of them, but it is certainly a factor.

However, one achievement that has followed the introduction of government assistance for political parties in the 1990s is that **it appears to have ended the secular increase in the costs of political activity** of previous decades, although the decade-long stagnation of the Japanese economy will also have been a factor. As can be seen from Table 4, the total amount raised for political activity in 2000 that was declared to the government was almost identical to the figure for 1990. Of course, this is still an enormous figure, roughly equivalent to USD 3.1 billion. And in 2003 the Japanese business organization, **the Keidanren, will resume the practice of donating funds** to business-friendly politicians, which it abandoned ten years previously following a series of scandals. This may renew the upward pressure on the funding of politics.

4.2. Reforms in Korea

In Korea in 1993 the apparently cosy relationship between big business and the ruling party was thrown into disarray. The President of the Hyundai

Corporation, Chung Ju Yung, decided to run for the presidency by setting up his own party, the United National Party. For this he relied largely on the resources of his own corporation. In the end he was defeated, and the winner, Kim Young Sam, then arranged for a major tax audit of the corporation which found, not surprisingly, that offences had been committed. So Chung was sentenced to a jail term, although this was commuted when he agreed to resign from the corporation, since this also marked the end of his political ambitions.

This **attempt to buy electoral success** worried not only the established politicians but also the general public. It led President Kim to crack down on **corruption** in public office and to try to impose restrictions on the campaign funds of candidates for political office. He increased subsidies to political parties and introduced severe **penalties** for candidates who broke the law. Most surprisingly of all, he allowed the prosecution and imprisonment of his two predecessors, Chun Doo Hwan and Roh Tae Woo. Kim Young Sam came under increasing pressure to make the political playing field more even, and he responded with a series of laws intended to control corruption, including an Act on the Election of Public Officials and the Prevention of Election Malpractices (1994, revised 2000). The Political Fund Act was revised in 2000 to prevent illegal political funds and to create a basis for legal and transparent political funds. But the measures were uncoordinated and the main focus was on trying to develop a sense of ethics in public servants and an ethic of anti-corruption among citizens. In the meantime, **scandals continued to surface**, with even the president's own son being implicated in 1997. (For an outline of the changes in the informal practices of Korean parties, see Chon Soohyun 2000:66–81.) There was a general **perception that democracy had increased the scope of corruption** because lower-level and local officials and representatives could now obstruct agreements and deals, where previously the will of the president could force things through.

In part it was public exasperation with the apparently hydra-headed nature of corruption in Korea that led to the election of the other famous oppositionist, Kim Dae Jung, as president in 1997. He was the first president to be elected without any major ties to business and he was committed to reform. In 1999 he launched a national Anti-Corruption Programme. This tightened up **regulations on donations and contributions**,

imposing ceilings on the amounts individuals and corporate bodies could give to the central party organization or a local branch. Individuals can now give a maximum of KRW 100 million in one year to a central party headquarters (USD 83.000) and/or KRW 20 million (USD 16.500) to a local party or an individual representative. Companies can give up to KRW 200 million (USD 166.000) to a central party headquarters and KRW 50 million (USD 41.500) to a local party or an individual representative. Associations of supporters (the Korean equivalent of *koenkai*) can collect a maximum of KRW 30 billion (USD 2,5 million) in a normal year for the party headquarters and/or KRW 3 billion (USD 250.000) for a local representative, but this can be doubled in an election year.

The Political Fund Act also established an **annual government subsidy** for political parties calculated at the rate of KRW 800 (USD 0,60) for each vote cast in the most recent elections to the National Assembly. This is only one-third of what is allowed in Japan, but it does reward parties for overcoming voter apathy. (The subsidy in Japan is paid irrespective of voter turnout.) (For fuller details of the Korean system, see http://home.nec.go.kr/english/p_2.htm.)

The costs of political activity in Korea remain large, though not apparently on the scale of Japan. In 1998 (not an election year) the Millennium Democratic Party of Kim Dae Jung reported income of KRW 71,3 billion (c. USD 55 million), the Grand National Party (the former Democratic Liberal Party) KRW 55,7 billion (USD 44 million), and the United Democrats KRW 29,3 billion (USD 23 million). Yet no Korean believes that the figures reported are close to what is really spent (Croissant 2002:258). And, despite the efforts of the new administration to clamp down on corruption, it ended in the same embarrassment as its predecessor with the arrest of one of President Kim Dae Jung's sons on accusations of peddling influence (although this was not enough to prevent the candidate from the same party, Roh Moo Hyun, from being elected at the end of 2002 to succeed Kim Dae Jung).

4.3. Reforms in Taiwan

In Taiwan the KMT lost the presidential election in 2000 amid widespread allegations about “black gold”, i.e., **corruption**. This was not the only cause of the defeat: the fact that there was effectively a three-horse race with an official and a disaffected candidate from

the KMT let in the DPP candidate, Chen Shui-pian. Afterwards, however, the DPP tried to strengthen anti-corruption legislation. The fact that the KMT still had a majority in the Legislative Yuan made this difficult; nevertheless at the end of 2002 the Parliament approved a new law that **regulated party spending during election periods**. In return parties would be rewarded by **state subsidies** allocated according to the number of votes won, provided they reached a certain threshold. In elections to the Legislative Yuan, for instance, candidates in single-member constituencies who gained at least one-third of the votes would receive TWD 30 (USD 0,90) per vote, while candidates in multi-member constituencies who gained at least half of the minimum needed for election would get the same.

This was a start, but, as the Japanese had learned, it was likely to strengthen the personal **role of the individual candidate at the expense of the party**, widening the possible avenues for individual corruption. Although the Legislative Yuan also explored the possibility of legislation regulating **party funding between elections**, it abandoned the attempt for the time being on the grounds that this was too complicated. Nevertheless, even though the KMT as the party with the most to lose was reluctant to relinquish all its advantages, its candidate for president in 2000, Lien Chan, volunteered during the campaign to turn all his business enterprises over to trust funds so that the party could not be accused of directly manipulating the market for its own advantage, and it has begun to do this even though it lost the election. In 2001 it put the first tranche of TWD 2 billion (USD 57 million) into trusts. But newspapers speculated that the total remaining directly under the KMT's control was still 30 or more times this amount (Liu Yuling 2001:112).

5. Conclusion

This chapter has shown that **there is no simple Asian model** for funding political parties. It is true that the social context of politics in each of these states has imposed particular features on the activities of political parties and representatives which are not so obvious in other parts of the world. It is certainly true that in all three countries money is vital for electoral success. And it is certainly true that business interests have dominated those of labour and other groups in the determination of public policy.

There has been one characteristic of democratizing

politics in East Asia which sets them apart from those in, for example, Western Europe. Langdon has made the point for Japan, but it applies equally to South Korea and Taiwan: although **business groups** have made substantial contributions to the funding of political parties and thereby to politics itself, they **have been less assertive than in, say, West Germany in using this to raise the profile of business generally**. They have also been less exacting as to the use of the funds. Politicians, both individually and collectively, have been freer to make use of the funds as they chose. Langdon explained this in part by the traditional deference which the people in traditional Confucian societies have shown towards officialdom (Heidenheimer and Langdon 1968:193 and 200–201). Even though political leaders may now be democratically elected rather than appointed, they have still inherited some of the aura of the bureaucrat. And to some extent the officials have reciprocated by being less demanding than their counterparts in the West over accounting for money within companies. Thus, each side has been “generous” towards the other.

There is no doubt about the **success of all these systems in raising funds** for political life. None of them has suffered from the equivalent weaknesses observable in African states. If anything, these three Asian countries have been lavish in their political spending. But there are also three conclusions to be drawn.

The first concerns the implication of this study for the policies of the international economic organizations and governments in the developed world towards Third World development. Since the 1980s, and especially since the end of the cold war, it has been axiomatic that the “West” should encourage “good governance”. This is usually taken to include economic liberalization and political democratization. These two vectors of development are assumed to go together and to reinforce each other.

This account has shown, however, that **in none of these states did political democratization and economic liberalization proceed in parallel**. In all of them, at early stages of development once peace came after World War II and the civil wars, **political parties generated funds** for their organizations. They did so **by linking with state officials**, who directed national economic development, **and with business people** who took advantage of special relations with government either to make extra profits or to exploit black-market opportunities. Whatever have been the problems of

democracy in these three states, shortage of resources for the political world has not been one of them. Yet the practice of elections – even if, as in Taiwan, no opposition party was permitted to contest them until 1987 – sustained the rudiments of a democratic political culture which could then develop when more favourable circumstances permitted. And opposition parties have now won elections in both South Korea and Taiwan without any challenge to their legitimacy. Second, **public opinion in all three states is now swinging away from the toleration of past practices**, since they have been shown to have led to some individuals accumulating unheard of wealth. Many Japanese had their breath taken away after the arrest of one of the godfathers of the LDP, Shin Kanemaru, in 1993, when JPY 6 billion (c. USD 460 million) in bank debentures, gold bullion and cash were discovered in his home (Wood 1994:43). Some KMT candidates have now calculated that they stand a better chance of being elected if they openly dissociate themselves from the party's central apparatus and refuse any funds. In that way they think that they will avoid being tarred with the brush of corruption.

The chances of candidates with fewer resources winning elections are therefore increasing. As Fukui and Fukai have shown for Japan in the 1990s, money was important in the success of candidates, but the effectiveness of the *koenkai* was even more vital, **and money was not the only determining factor** (Fukui and Fukai 2000:23–41). The successes of presidents Chen Shui-pian in Taiwan and Kim Dae Jung in South Korea, despite organized business opposition, also testify to that. Their successes have led to legislation on the funding of elections, as well as on disclosure of party income. That will be positive.

The third conclusion, however, concerns the **possible role of the state in funding political parties**. All of the three countries discussed here now allow this. But the reason for this is not shortage of resources. Rather it is because it **allows the state greater access to control over party funding** so as to ensure that it is increasingly transparent and legal. In this respect all three states are now confronting many of the same problems which the United States and countries in Europe have been addressing in recent years. There, too, the issue of the relationship between the state and funding of political parties is contentious. (For an attempt to outline a theoretical justification for the state partially financing the activities of political parties because they perform

important social functions, see van der Beek 1994).

In that respect, therefore, **it is Japan which is more likely to become a “model”**, especially in Asia, for it has so far made the most effort to curtail spending by parties. Nor is its influence likely to be limited to North-East Asia. There were reports that politicians in Thailand have been watching Japan's efforts with considerable interest, given the extremely venal nature of the general election there in 1996 (*Japan Times* 18 October 1996). Indeed, this kind of corruption has become endemic throughout East and South-East Asia. A great deal of attention will be devoted to this problem (see, e.g., Council of Asian Liberals and Democrats 2002).³ But the debate will also take in studies of practices in Western Europe and the United States in the hope that they will provide useful lessons (for an extended analysis of Western practices on campaign funding see Horie Fukashi 1993). As noted above, this could involve a greater role for the state in regulating the behaviour of individual parties, as happens elsewhere in the world (see, e.g., Landfried 1994). It does, however, complicate the role of political parties and their leaders in determining the direction of state activity in a democracy.

In fact, the experience of Western democracies has shown the continuing difficulty of eliminating political corruption. However, in East Asia there is an additional problem. Will the public there accept changes in their relations with elected representatives, for instance, ceasing to expect “gifts” for major family events, as part of the price of change? This is especially a problem if the total amount available for subsidies to political parties is based upon a multiple of the total population. Every taxpayer may feel that he or she is entitled to some return for his or her contribution, especially if politicians are suspected of having raked off disproportionate benefits for themselves. In that case the extreme pressures on political funding, often deteriorating into corruption, will continue. **Without significant changes in public expectations, the problem of political corruption in East Asia cannot be fundamentally addressed.**

Endnotes

¹ Where USD conversions are inserted, these are provided by the author.

² The most important Japanese legislation is: (a) the Public Office Election Law (1950, revised most recently in 1999, 2000, 2001 and 2002); and (b) the Political Fund Control Law (1948, revised 1976, 1994, 1999 and 2002).

³ The workshops of Council of Asian Liberals and Democrats were held in conjunction with the National Democratic Institute for International Affairs in Washington and the Friedrich Naumann Foundation in Germany.

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Money and Politics in Central and Eastern Europe

MARCIN WALECKI

1. Introduction

In the present particularly problematic stage of the democratic transition in Central and Eastern Europe (CEE) the issue of political finance is playing an important but thus far a largely undocumented and generally negative role. Academic attention has, rightly, been focused on issues relating to institutional design. One of the leading researchers in this field, Peter Burnell, says: "A much higher premium tends to be placed on such things as leadership skills and the techniques of constitutional drafting than on issues to do with political finance" (Burnell and Ware 1998:2). It is, however, precisely during the recent period of rapid change that political finance has been especially important.

The politics of CEE are less homogeneous than might be expected. National histories and social, cultural and economic conditions are very diverse. However, the post-communist countries share certain characteristics. All the countries surveyed here have experienced the transition from communism which constitutes "the fourth wave" of democratization.¹ Not all of them can as yet be firmly categorized as democratic regimes (including Belarus, Russia and Ukraine).

The current dissatisfaction in CEE is to a large degree the result of perceived problems relating to political finance. In country after country there have been explosions of discontent with the state of democracy in general and with political corruption, frequently associated with political finance, in particular. Recently published reports show that over 60 per cent of people in Poland, Hungary and the Czech Republic are dissatisfied with the current stage of democracy (Rzeczpospolita 31 May 2000). Yet, apart from the general analyses of regional experts such as Paul Lewis (1995, 1996, 1998), Janis Ikstens (2000, 2001a, 2001b) and Daniel Smilov (1999), there seems to have been no serious attempt to investigate the subject.

This chapter provides a preliminary cross-national comparison of the 17 CEE countries – Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Moldova, Poland, Romania, Russia, Slovakia and Ukraine – with a particular emphasis on

Poland. It starts to apply to this region some of the models developed in the contemporary West European literature on political finance. It examines the laws regulating the political finance systems and considers (a) the cost of politics in CEE; (b) the sources of "political money"; (c) links between political finance and political corruption in post-communist countries; and (d) enforcement, disclosure, normative underpinnings and practical concerns. **It concludes that the influence of the financing of politics on the ways in which parties and politicians involve their party memberships and the electorate is a matter of profound importance to the quality of new democracies.**

There are certain limitations on research on political finance in CEE.

The first is the availability of data and data collection. Official data concerning political finance suffers from a number of shortcomings. Party accounts are inaccurate or incomplete. Official data often produces information on political parties' current expenses, campaign spending and fund-raising, but in reality that is only part of the picture. Moreover, the official party accounts fail to include political financing at the local level. Despite those omissions, recent regulations on election finance have produced a good deal of information on political finance in most CEE countries, and unofficial materials and interviews have proved fairly valuable.

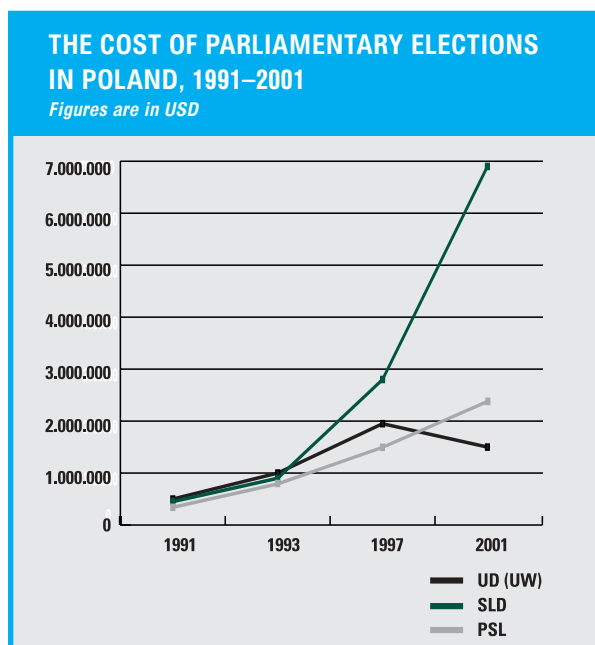
The second limitation concerns the interpretation of data. Time-series studies have some disadvantages, and instead of collecting one set of data (for example, party accounts for one year for a whole region), more sets of data must be collected, which at this stage of the research is impossible.

Regardless of those limitations, a combination of sources of data and methods of analysis does produce a general picture of political finance in CEE.

2. The Cost of Politics in Central and Eastern Europe

The changing style of political campaigning might not seem to be a convincing explanation for the continuation of corruption and scandal as far as campaign fund-raising is concerned. However, in

FIGURE 1.



Notes: A legal ceiling on election expenditure of PLN 29 million (c. USD 6,744,000) was introduced in 2001. There were no legal ceilings to expenditure in the 1991–1997 national campaigns. PSL = Polish Peasants' Party; UD = Democratic Union, (after 1994) UW = Freedom Union; SLD = Democratic Left Alliance.
Sources: Parties' annual reports for 1991, 1993 and 1997, tabulated by the author.

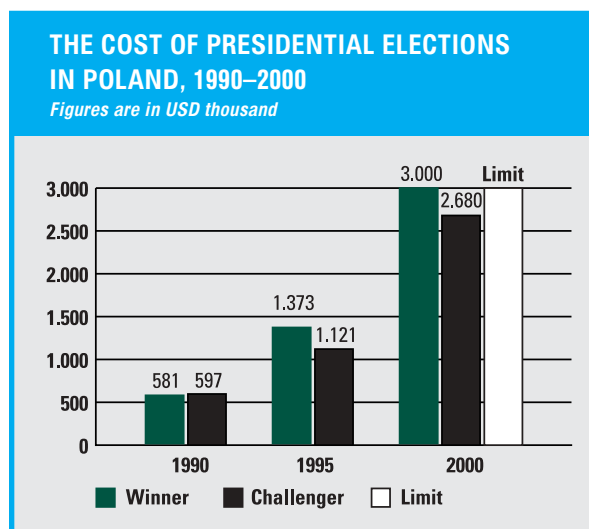
countries where television, newspaper and billboard advertisements are the norm, access to money becomes essential. In the emerging democracies of the former Soviet Union and CEE, **the mass media are the main tool of political communication**. As commentators have frequently pointed out, professional political mechanics – individual experts in opinion polling, television presentation and film production – have therefore become vital, expensive components of modern campaigning in CEE.

An examination of the revenue and expenditure items from the parties' annual reports shows that there was a significant **increase in election expenditure** between 1991 and 2001 in Poland (Figure 1).²

In particular, expenditure on the mass media and campaign advertising increased during presidential elections (see Figure 3). Yet official statistics need to be treated with considerable scepticism. In some CEE countries the artificially low legal limits on permitted campaign spending make the reporting of political party expenditure irrelevant.

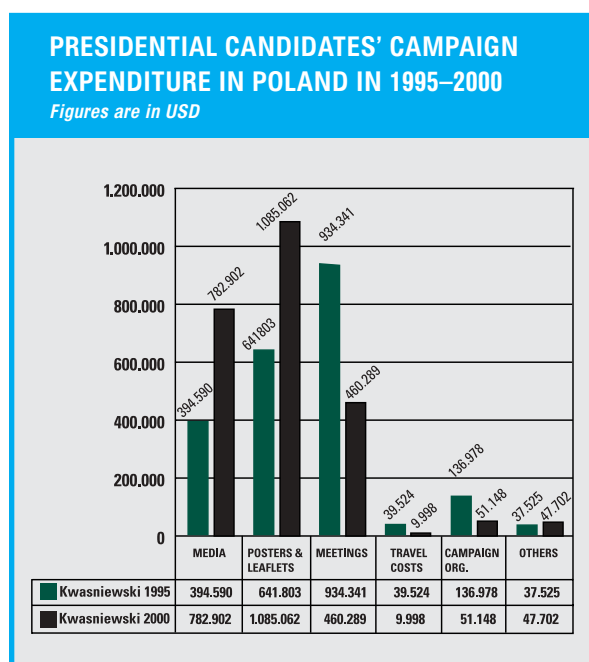
The regulation of political expenditure generally involves the placing of **limits on the campaign expenditure** of political parties or individual candidates, both parliamentary and presidential. Such limits are a common feature in nearly two-thirds of the

FIGURE 2.



Notes: There were no legal ceilings to expenditure for the 1990–1995 campaigns.
Sources: Candidates' financial reports for 1990, 1995 and 2000, tabulated by the author.

FIGURE 3.



Sources: Candidates' financial reports for 1995–2000.

post-communist countries surveyed; they are applied according to a ceiling which may be based on a formula such as a multiple of the average monthly wage.

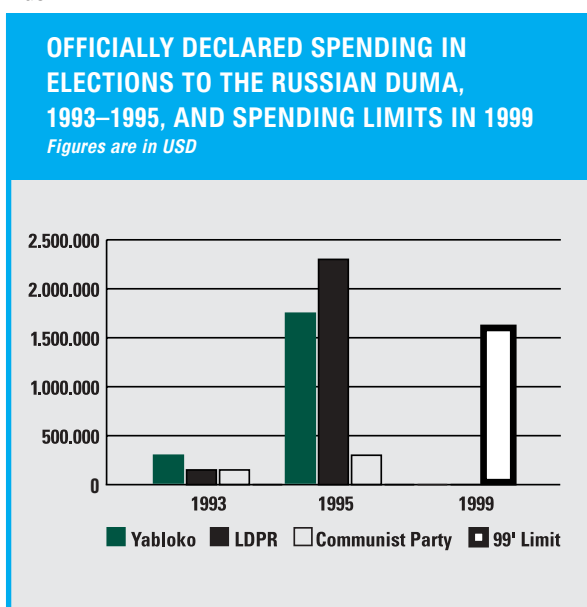
Bulgaria, Lithuania and Russia apply limits to the campaign expenditure of **parliamentary** candidates. In the case of **presidential** candidates, Bulgaria and Poland set a definite quota limit, while Russia and Ukraine use a formula (the minimum wage multiplied by 300,000 and 100,000, respectively). Furthermore, **Bosnia and Herzegovina** and **Slovakia** have introduced a **ban on**

paid political advertising, and Poland has introduced limits to it: the total time of paid programmes may not exceed 15 per cent of the total free time allocated to a particular election committee for its broadcasting of election programmes.

However, one key factor must be taken into consideration where the application of limits in the CEE countries is concerned: inflation, or as has been the experience of some of them, hyperinflation. In Bulgaria, a 1991 spending limit was applied to the 1997 elections, but by 1997 inflation had reduced the value of the leva by 3200 per cent. Candidates' maximum allowable expenditure on the campaign, BGL 30.000, was now worth the equivalent of just USD 20.

Another problem in controlling expenditure is **independent campaign spending**. Most of the countries surveyed here did not directly apply limits on independent groups spending money on behalf of a political party or presidential candidate during a campaign. In **Ukraine**, as the new election law places unrealistically low limits on campaign spending, parties and individual candidates are tempted to create a large number of small front organizations. Different non-official organizations fund billboard or television advertising, printing materials, opinion polling, research and so on. According to *Ukrainska Pravda*, an Internet newspaper, over USD 1.073.000 was spent on television advertising for the Social Democratic Party of Ukraine (United) (SDPU (o)) by organizations under the party's control. At the same time, the party's official spending on television advertising amounted to a mere USD 7.900 (*Ukrainska Pravda*, www.pravda.com.ua, 11 March 2002). In **Poland**, as a result of the recent reform of campaign finance, individuals or organizations not registered as candidates or election committees are not allowed to incur electoral expenses over specified limits. Third parties are prohibited from spending more than PLN 5.000 (ca. USD 1.200) during presidential elections and PLN 1.000 during parliamentary elections. Yet there is no legal definition of independent expenditure in any of the CEE countries. In Poland any form of campaigning done without committee approval is defined as independent expenditure and anyone who fails to limit their independent expenditure is subject to the penalty of imprisonment for up to two years, limitation of liberty or a fine. In fact it would be difficult to prevent political parties from using foundations and political institutes to run their election campaigns indirectly.

FIGURE 4.



Notes: LDPR = Liberal Democratic Party of Russia.
Sources: Parties' & candidate's financial reports.

The way in which the **reported statistics have reflected changes in spending limits** is demonstrated by the financial accounts of the **Russian** parties and electoral blocs. During the 1993 election campaign, national blocs spent ca. USD 3,7 million; two years later national blocs reported spending USD 15 million on campaigning.

In 1995 spending limits were imposed, allowing individual candidates to spend no more than USD 100.000 and electoral blocs no more than USD 2,4 million. The officially reported figures on campaign spending naturally slumped in line with the new regulations. In the 1999 elections to the Russian Duma, individual candidates were allowed to spend only USD 65.000 and electoral blocs USD 1,6 million. Not surprisingly, the press has reported that unofficially national blocs spend considerably more than these totals, which of course they were unable to declare without laying themselves open to prosecution. In mid-1999 consulting companies and public relations agencies confidently asserted that in the upcoming Duma elections half as much money would be spent as in 1995. In the 1999 elections, according to different estimates, all parties combined spent between USD 300 and USD 500 million on this democratic procedure. In fact, according to the campaign fund-raiser for the Union of Right Forces (Soyuz Pravykh Sil, SPS), the SPS spent over USD 32 million on the 1999 Duma elections (interview September 2000). Leonid Gozman, who was responsible for the party's electioneering

strategy, reportedly spent no less than USD 200.000 on campaign research alone (Gozman November 2000).

Another example comes from the Russian 1998 campaign for the election of governor in the Krasnoyarsk region, where General Alexander Lebed won together with the successful bureaucrat–technocrat Valeriy Zubov (former governor of Krasnoyarsk). According to expert estimates, Lebed spent ca. USD 12 million, while Zubov spent only USD 4 million. Yet the official spending limit for the race was little more than USD 160.000 (www.ispr.org/proba1.html).

In the Russian 2000 presidential election, each candidate could spend ca. RUR 26 million (ca. USD 920.000) in the first round of the election and RUR 34 million (ca. USD 1.200.000) in the second round. In the case of acting president Vladimir Putin's campaign, total contributions to his electoral fund topped RUR 29.886.720 (ca. USD 1.030.000), and part of this amount was returned to the contributors. Putin had made it clear that he had no intention of running an intensive and costly election campaign. He considered it unacceptable for him “to be explaining during the election campaign which is more important – Tampax or Snickers” (Interfax 7 March 2000). However, according to Lev Ponomarev, Executive Director of the all-Russia Movement for Human Rights, Putin made extensive use of the advantages of his official position in his election campaign. For example, Ponomarev cited instances of Putin's handing out of gifts during his trips round the country and allocating sums of money to various institutions (*Nezavisimaya Gazeta* 1 March 2000).

The Central Election Commission (CEC) determined that the book *In the First Person: Conversations with Vladimir Putin* should be considered as campaign material for the presidential candidate, so that his electoral fund had to pay for its publication and distribution. Also, during the 2000 presidential elections four presidential candidates made serious accusations against Grigoriy Yavlinskiy to the effect that his extensive newspaper and television coverage exceeded the first-round limit of RUR 26 million (ca. USD 670.000). As a result of these and many other complaints, the CEC examined Yavlinskiy's campaign spending.

In general, the **Russian, Ukrainian and Polish** examples (Table 5) show that **spending limits have proved in practice to be a fiction**, having been introduced at an unrealistically low level. Not only have they failed to curb a political finance “arms race”, but

their failure has also undermined confidence in the whole system of political finance regulations. In addition, the rules have made it difficult to assess the true levels of expenditure.

Moreover, in countries like Ukraine and Russia the institutional imperfection of the political market, restricted access to the media even for those with capital, and discrimination in the allocation of free media coverage limit the effectiveness of money in the context of an election. The distinctive feature of these countries is that **money alone is not a sufficient condition** for proper political communication. Rather, it must be combined with “**administrative capital**, that is, control over the administrative and regulatory apparatus” (Treisman 1998:12). According to one Russian newspaper:

Like in Yeltsin's days, the acting governor always has a certain advantage during the election: it is always easier to be re-elected than to be elected anew. A good example of using the so-called “administrative resource” is Boris Govorin's campaign in Irkutsk. Govorin was obviously using his position as an acting governor to his full advantage. In such cases, the presence of the presidential representatives in the regions is a limiting factor – they can use their power if an acting governor “goes too far”. It is the support of local elite that usually determines the outcome. In most regions, the ruling class is divided into a number of groups that have various economic and political interests. All the contenders chose a specific “clan” as their protector against other clans. For example, if an acting governor controls TV, his opponents can use newspapers. If one candidate is supported by [the Federal Security Service] FSB, another one can make an alliance with the local militia etc. A skilful manipulation of the different groups' rivalries can give outstanding results even if a candidate is lacking the “administrative resource” and is not supported by the Kremlin. This is exactly what happened in Vladivostok, where Sergey Darkin won the election against such strong candidates as Apanasenko and Cherepkov (Strakhov 2001).

So-called “administrative resources” are based on special treatment by the local government, the state-owned media, directors of state-owned enterprises and organizations funded by the state budget. A favoured party or presidential candidate receives undocumented

TABLE 5.

FINANCING A PRESIDENTIAL ELECTION CAMPAIGN: MAJOR CANDIDATES' OFFICIAL SPENDING IN RUSSIA, UKRAINE AND POLAND.

Figures are in USD million

RUSSIA		UKRAINE		POLAND		POLAND		POLAND		POLAND	
Presidential elections 1996 a)		Presidential elections 2000 b)		Presidential elections 1999 c)		Presidential elections 1990		Presidential elections 1995		Presidential elections 2000 d)	
Candidate	Exp.	Candidate	Exp.	Candidate	Exp.	Candidate	Exp.	Candidate	Exp.	Candidate	Exp.
Lebed	2,83	Zyuganov	0,869	Moroz	0,214	Mazowiecki	0,597	Kwasniewski	1,373	Kwasniewski	2,999
Zhirinovskiy	2,72	Titov	0,866	Tkachenko	0,195	Walesa	0,581	Walesa	1,121	Krzaklewski	2,680
Yavlinskiy	2,72	Yavlinskiy	0,840	Kuchma	0,154	Tyminski	0,351	Pawlak	0,544	Olechowski	0,491
Yeltsin	2,42	Putin	0,451	Vitrenko	0,125	Cimoszewicz	0,192	Kuron	0,529	Kalinowski	0,528

Notes: a) Official spending limit for 1996 was USD 2.850.000. b) Official spending limit for 2000 was USD 920.000.

c) Official spending limit for 1999 was USD 385.000. d) Official spending limit for 2000 was USD 3.000.000; not applicable for 1990 and 1995.

Sources: Annual reports for 1990, 1995, 1996, 1999 and 2000. Tabulated by the author.

BOX 7.

THE USE OF ADMINISTRATIVE RESOURCES

Restricting:

- censored access to the mass media
- restrictions on getting premises for meetings
- introduction of mechanisms regulating the work of the bodies supervising party counterparts' offices – of NGOs, private enterprises, the mass media, etc.
- public statements on positions of the heads of oblast, city, factory, etc.

Supporting:

- free or preferential access to state mass media, publishing houses, transport agencies, etc.
- recommendations to the heads of state and private institutions on assisting in continuing pre-election activities
- immediate influence on the staff of household agencies and election commissions

and “free” services, uses state facilities, attends organized meetings with “working collectives” and so on. The administrative resource of power has to be analysed in two dimensions – restricting and supporting. For instance, according to Strakhov, “[The] Kremlin's priority today, unlike Yeltsin's days, is not helping a ‘loyal candidate’ – it is the preventing of an ‘unacceptable’ one from winning” (Strakhov 2001).

For certain CEE countries, therefore, financial resources alone are not sufficient. It is still possible for those who have comprehensive control over instrumental aspects of political life – the media, the security services,

the administration and the enforcement agencies – to exclude actors who may have seemingly limitless resources from effective political competition.

3. Sources of Political Finance

According to Panebianco, “A plurality of financial sources safeguards the party from external control” (Panebianco 1998:59). The tentative conclusion that emerges from existing academic research is that in Central and Eastern Europe, and particularly in the post-Soviet countries, the lack of **diverse sources of money** emerges as the major problem, rather than the level of expenditure. Even if the real levels of income and expenditure, as distinct from the declared levels, are still uncertain, two things are clear: (a) the relative importance of different sources of political finance; and (b) the contrast between the funding of communist (or post-communist) parties and other parties.

In CEE **regulatory frameworks** have attempted to regulate the sources of political money. No regulations existed during the communist period. However, CEE regimes are characterized by a variety of regulations, some having a liberal approach (Croatia) and little state funding (Latvia, Russia, Ukraine), others having more detailed regulations or severe restrictions on the role of non-state donors. For instance, **Poland** has recently chosen to **prohibit donations by any corporate bodies, foundations, associations** and so on in a desperate attempt to limit the influence of “plutocratic” funding.

In general, in terms of patterns of **income**, political funding in the region is characterized by:

Figures are percentages of total income and total costs in Polish zloty (PLN) and USD.

Figures are percentages of total income and total costs in Polish zloty (PLN) and USD.

Notes: Donations cover contributions by institutions (companies, partnerships), individual donations, contributions by candidates and public collections.

a = Parliamentary elections year.

Sources: Parties' annual reports for 1997, 1998, 1999 and 2000. Tabulated by the author.

- irregular flows of funds and relatively non-diversified financial sources;
- limited income from membership subscriptions; and
- the disproportionately large role of plutocratic funding, which often exceeds direct state subsidies.

In most of the CEE countries **direct public funding** is less important than would be expected.

In considering the issue of political finance in CEE, and particularly sources of income, it is also necessary to analyse the special features relating to countries in transition. One of the crucial aspects of CEE countries' political financing is the way in which **political parties emerged from the old regime unequally endowed**. In Hungary and Czechoslovakia all major parties were allocated resources such as buildings and office equipment on an equal basis, whereas in Poland this was not the case. The communist parties' hold on some of their economic resources has had a continuing influence in a number of countries. The special circumstances of the transition in Poland, Hungary, Bulgaria and Romania, for instance, undoubtedly had the effect of protecting the communist parties' finances (Holmes and Roszkowski 1997). "Considerable care was taken during the reconstruction of the communist parties in Hungary and Poland to place the new, post-communist parties in as advantageous a financial position as possible" (Lewis 1998:150). The result was that the parties began with radical financial advantages through different endowments for electoral spending. It is hardly surprising that the issue of the inheritance of party property is still a subject of lively political debate. The substantial differences between the funding of the post-communist parties and the post-Solidarity movements became a definite and permanent characteristic of the Polish political finance system. For instance, in 1999–2000 the income of the Polish Peasants' Party (PSL) was on average 56 times higher than that of the Labour Union (UP), and the financial imbalance between parties has influenced the process of political competition and party consolidation.

3.1. Membership Subscriptions and Party Taxes

There are a variety of reasons why parties need members. Certainly one of them is the potential to generate resources, such as money, for the organization. Duverger argued that: "The party is essentially based upon the subscriptions paid by its members.... The

mass-party technique in effect replaces the capitalist financing of electioneering by democratic financing" (Duverger 1954:63).

Indeed, income from membership subscriptions has traditionally been a healthy form of party financing, particularly for the West European mass parties. According to Duverger's possibly overly idealistic account, written after World War II, the mass party "is essentially based upon the subscriptions paid by its members" (Duverger 1954:63). Curiously, before 1989 membership fees were officially the main source of finance for the communist parties. In most cases party members, including those working abroad, were obliged to pay fees. Janda found that in 17 out of 42 democratic parties in the 1950s "sources, including membership dues and the income from party enterprise" accounted for more than two-thirds of total income (Janda 1980).

The circumstances of the transition from a non-democratic regime to a democratic system do not entirely account for the failure to develop popular financing of politics in CEE. There have been similar failures in West European countries. However, **low party membership** and, resulting from this, low income from party membership, are especially pronounced in CEE. If party membership is measured as a percentage of the electorate, there is a wide range of results both in Western Europe and in CEE, but on average CEE scores considerably lower than Western Europe. According to recent research by Peter Mair and Ingrid van Biezen (Table 7), the percentage of electors who were party members in 1999–2000 was 2,8 per cent in the four CEE countries for which evidence was available (Czech Republic, Slovakia, Hungary, Poland) compared with 5,5 per cent in 16 countries of Western Europe. Had figures been obtained from more CEE countries, the proportion of party members to electors would almost certainly have been lower than 2,8 per cent.

It is apparent that the CEE parties are anything but mass parties. The low percentage of party members in Poland is especially striking when compared with the years of Solidarity in the 1980s. As a mass movement Solidarity achieved greater popular mobilization than almost any other movement in modern times. Perhaps this very success paradoxically prevented the emergence of organized parties. The contrast between the huge mobilization under Solidarity and the failure of the post-Solidarity parties to take advantage of it are remarkable. Poland witnessed a mass political

TABLE 7.

PARTY MEMBERSHIP AS A PERCENTAGE OF THE ELECTORATE (M/E), LATE 1990s AND 2000			
Country	Year	Total party membership	M/E
Austria	1999	1.031.052	17,66
Finland	1998	400.615	9,65
Norway	1997	242.022	7,31
Greece	1998	600.000	6,77
Belgium	1999	480.804	6,55
Switzerland	1997	293.000	6,38
Sweden	1998	365.588	5,54
Denmark	1998	205.382	5,14
Slovakia	2000	165.277	4,11
Italy	1998	1.974.040	4,05
Portugal	2000	346.504	3,99
Czech Republic	1999	319.800	3,94
Spain	2000	1.131.250	3,42
Ireland	1998	86.000	3,14
Germany	1999	1.780.173	2,93
Netherlands	2000	294.469	2,51
Hungary	1999	173.600	2,15
United Kingdom	1998	840.000	1,92
France	1999	615.219	1,57
Poland	2000	326.500	1,15
<i>Mean</i>			4,99

Sources: Mair, P. and Ingrid van Biezen. "Party Membership in Twenty European Democracies, 1980–2000." *Party Politics* 1(7) 2001:9.

movement, but when the euphoria of 1989–1990 disappeared, parties with a smaller membership base than Poland's neighbours, namely the Czech Republic, Hungary and Slovakia, were all that remained.

There are variations between old and newly established CEE parties in the structure of their income. Income from membership subscriptions is particularly low in non-communist CEE parties. Moreover, post-communist and communist parties still benefit from having significant numbers of local activists and are relatively well organized in units that are based on old networks supported by many informal links with local businesses.

In Bulgaria, in the case of the Bulgarian Socialist Party, which has a significantly larger membership base than its competitors, in 1995 membership subscriptions accounted for 23,1 per cent of the party's total income. However, during the period 1997–1999 the Socialists reported receiving only 4 per cent of their income from this source (Kanev 2000). At the same time, the Union of Democratic Forces (UDF) reported in 1995 that party members paid BGL 1.995.000 (6,87 per cent of total income). However, in 1997 membership subscriptions (BGL 718.000) amounted

to only 0,078 per cent of the total income of BGL 921.718.000 (Smilov 1999).

The records of the main Czechoslovakian parties in 1991 showed a great degree of differentiation between parties' income. The role of membership subscriptions was very clearly evident in the Communist Party of Bohemia and Moravia, where they accounted for 36,6 per cent (ca. USD 1,32 million) of the party's total income of CZK 112 million (ca. USD 3,61 million). For the Civic Movement, the Czechoslovak People's Party and the Czechoslovak Socialist Party, however, membership subscriptions accounted respectively for 0,34 per cent, 15,6 per cent and 5 per cent of total income (Lewis 1998:139).

In Estonia in 2000 membership subscriptions amounted to 1,81 per cent of Pro Patria's income, 7,15 per cent of the Centre Party's total income and 3,05 per cent of the Reform Party's. The Moderates stated in their annual financial report that the party had not received any membership subscriptions at all. Even in Hungary the proportion of membership subscriptions in party budgets is generally very low. In 1995 the Hungarian Democratic Forum received HUF 9,7 million (equivalent to ca. USD 79.500), which accounted for

TABLE 8.

INCOME FROM MEMBERSHIP SUBSCRIPTIONS IN POLAND, 1997–2000*Figures are percentages of total party income.*

Party	1997	1998	1999	2000	Mean
Polish Peasant Party (PSL)	0,29	0,42	0,81	1,48	0,75
Labour Union (UP)	2,09	0,00	59,68	86,32	37,02
Freedom Union (UW)	3,39	15,75	62,80	36,89	29,70
Social Democracy of the Republic of Poland (SDRP)/(SLD)	11,98	n/a	66,07	80,64	52,90

Sources: Parties' annual reports for 1997, 1998, 1999 and 2000. Tabulated by the author.

0,96 per cent of total income. In the case of Fidesz the proportion of total income accounted for by membership subscriptions (ca. USD 5.738) was only 0,12 per cent in 1995. Again, the post-communist Hungarian Socialist Party received far more from membership subscriptions than any other party, although its income from this source was low – 3,27 per cent of the total (ca. USD 160.000) (Lewis 1998:139).

According to Roper, “In the case of Romania, party member dues have traditionally never been collected. Because of the low standard of living and lack of participatory culture, membership dues have never been an important source of party revenue” (Roper 2002). Similarly, for the Ukrainian political parties the role of membership subscriptions is very limited and parties do not encourage their members to make direct payment to the organization. Yet the Socialist Party manages to receive money indirectly from its members and supporters who subscribe to the party's newspapers (Moroz October 2000).

In 1997 the PSL in Poland – the party with the strongest membership base – reported that members paid only PLN 36.032 – equivalent to ca. USD 11.000. The share of the PSL's total income which membership subscriptions accounted for remained fairly constant, ranging from 0,29 per cent in 1997 to 0,42 per cent in 1998 (Bentkowski 1999). The importance of membership subscriptions in the smaller parties is also slight. This can be illustrated by the example of the Labour Union, which stated in its annual financial report for 1998 that it had not received any membership subscriptions, whereas these had amounted to the 2,09 per cent of total income in 1997. This, however, as the party's deputy chairwoman pointed out in an interview, was a mistake made by the party treasurer in drawing up the accounts (Jaruga-Nowacka 1999).

In the case of the Freedom Union (UW), the proportion of total income accounted for by membership subscriptions rose sharply from 3,39 per cent in 1997 to 62,8 per cent in 1999. Yet the official records of any party are highly misleading in that they confuse two different kinds of donations under “membership income”. According to the records, membership income includes not only dues from ordinary members but also so-called “party taxes” which are levied at much higher rates from public office holders.

3.2. Income from the Spoils of Office

If they are unable to raise the funds they consider sufficient from voluntary payments from ordinary party members, governing parties and their candidates in many parts of the world levy “taxes” on those who derive benefits from government. In post-communist regimes, two classes of donor are the main sources of such enforced contributions: government contractors and office-holders, both appointed and elected.

The phenomenon of demanding money from office-holders is not limited to CEE, and the history of party taxes among Western democracies is well known. Political “assessments” have long characterized the spoils system by which Western governments have partly been staffed. In the United States in 1867 the first restrictions of any kind on campaign giving were put in place to protect government employees. Nonetheless, in 1878 at least 75 per cent of the money raised by the Republican Congressional Committee came from federal office-holders (Heard 1960:145–147). According to Ware, “this has been practised by various parties in Germany, although it came to be used by the Greens in the 1980s not so much to raise money for the party as to prevent the development of careerism amongst its legislators” (Ware

TABLE 9.

PARTY TAXES IN POLAND, 2000 <i>Figures are percentage of salary or quota in PLN.</i>				
	SLD	RS AWS	PSL	UW
Parliamentarians	7	PLN 120 (USD 27)	5a)	10
Councillors	7	PLN 100 (USD 22)	1	10b)

Notes: a) 3 per cent for parliamentary caucus and 2 per cent for campaign fund. b) For councillors' caucus.

SLD = Democratic Left Alliance; RS AWS = Solidarity Election Action's Social Movement; PSL = Polish Peasants' Party; UW = Freedom Union.

Sources: Rzeczpospolita 44, 21 February 2001; and interviews.

1996:299). In CEE the "party tax" is usually reported jointly with all other income from membership dues or donations. In the context of party taxes, therefore, the relation between parties and the state as a major source of financial resources comes into prominence.

In **Romania**, all parliamentary factions oblige their MPs to make similar payments. Roper reports that "the amount may be as much as 20 per cent of an MP's monthly salary" (Roper 2001).

The **Polish** case shows the spectacular importance that these party taxes have come to assume (Table 9). The rise of this new form of fund-raising is the result of recent party reorganization and expansion. As a result of the 1998 administrative reform, political parties considerably increased the number of their councillors (Szczurbiak 1999). Parties demand a fixed share of the salaries of members who hold an elective or appointed public office. These tolls apply to most of the 560 MPs, hundreds of party members with government positions, members of supervisory boards and, above all, thousands of local councillors. The amount depends on the party and in the case of local councillors varies, being 5–10 per cent of their salaries or certain fixed quotas. Members of supervisory boards and other members with functional positions are compelled to contribute 10 per cent of their salaries. The current importance of contributions from public employees should not be underestimated. In the presidential campaign of 2000, most of the senior office-holders of the presidential administration contributed to President Alexander Kwasniewski's campaign fund. To say that there was a causal connection between "voluntary" contributions and significant financial bonuses received by these officials would be speculation. It is estimated that "party taxes" have annually provided and provide approximately PLN 20–30 million (USD 4–7.5 million).

Moreover, the political parties have taken over a large part of the public administration, nominating middle-level party bureaucrats as "political advisers" to senior government officials. These political appointments have resulted in additional in-kind subsidies. In general, such political advisers receive a salary of PLN 2.000–5.000 (USD 500–1.250), together with additional benefits such as an office, a mobile telephone and a computer. Thus, the approximate total cost of maintaining such a political adviser probably amounts to PLN 4.000–8.000 (USD 1.000–2.000) per month. All the parties in Poland make use of such arrangements, although the scale depends on the number of offices they control (both at national and local levels). In total, although this calculation is only approximate, the number of such positions in Polish politics may be close to 1.000.³ Thus, the annual overall cost of maintaining such party apparatus for all the parties throughout Poland can be estimated at approximately PLN 72 million PLN (USD 18 million).

3.3. Donations from Wealthy Individuals and Corporations

In CEE the importance of large donations is in proportion to the insignificance of money from membership subscriptions. Parties which are stressed by the dynamic of the electoral struggle and yet do not engage themselves in grass-roots initiatives and indigenous growth of their memberships have had reasons to be keen to accept generous contributions from a "few big private donors, industrialists, bankers, or important merchants" (Duverger 1954:63). Thus, as the process of party development in CEE has accelerated through a sequence of elections, the intensive party competition has led to growing costs and mobilization of the necessary resources.

One of the most prominent issues in post-communist states has been the large donors' political influence and access to decision makers. In a matter of years fund-raising efforts among ordinary supporters have declined and **institutional donations** have become more significant. Individual contributions from personal income or wealth, as well as corporate donations, have become a major source of income for many CEE political parties and candidates, especially during election years. Even taking account of almost certain under-reporting of political payments, the growing role of large donors emerges clearly.

In **Poland**, in terms of corporate support, institutional

donations represented less than 40 per cent in the 1991 parliamentary campaign, compared to ca. 87 per cent of the total party income of the UW in 1997. During the 1995 presidential elections Lech Walesa received one donation from businessman Aleksander Guzowaty which constituted almost 72 per cent of Walesa's income and is the largest official donation to date in Polish politics. In **Russia**, in the 1995 Duma elections, 515 corporate donors contributed ca. RUR 28 billion (ca. USD 6 million) to the 30 electoral associations – almost 38 per cent of all parties' income. During the elections, institutional donations represented ca. 55 per cent of the income of Our Home is Russia (ca. USD 1,3 million) and 49 per cent of the income of the Liberal Democratic Party of Russia (LDPR) (ca. USD 1,1 million). During the 1996 presidential elections contributions from corporate donors played the most important role, representing more than 72 per cent of the total candidates' income (ca. USD 10,6 million). General Lebed received 93 per cent of his income from 94 legal entities (ca. USD 2,65 million) while donations made up 90 per cent of Yeltsin's campaign fund (ca. USD 2,6 million).

In **Latvia**, examination of the parties' annual reports shows that some 80 per cent of their funding comes from donations. According to Ikstens, "large donations (more than USD 5.000) make up 80 per cent of corporate contributions and donations of more than USD 1.000 cover almost 75 per cent of income from private donations" (Ikstens 2001a). Most of the corporate donations come from financial institutions, companies engaged in transport of oil and chemical products, and the food industry, which is the third most important contributor.

In **Bulgaria**, despite the lack of legally disclosed information concerning parties' income, the clear picture is that in recent years donations and sponsorship have played a major role in financing political parties. In 1995 donations accounted for 47,81 per cent of the Bulgarian Socialist Party's total income and 81,26 per cent of that of the Bulgarian Democratic Forum. The UDF received 82,25 per cent of its income from donations in 1995; in 1997 donations constituted 99,9 per cent of its total income.

In **Ukraine** more than in any other country informal political actors – financial groups and political "oligarchs" – dominate the political spectrum. The oligarchs have taken a direct and active role in supporting political parties and campaign blocs. In the

1998 parliamentary elections money officially received from legal entities accounted for 91,4 per cent of the parties' campaign committees' overall income. The by-elections in 2000 only confirmed that Ukrainian political funding is dominated by plutocratic financing. According to expert evaluations, and consistent with information provided by the staff of the central office of the Democratic Union Party, the expenditure of one representative of oligarchy during by-elections on the constituency no. 115 in Lviv in June 2000 totalled USD 110.000–150.000.

A similar set-up exists in the Ukrainian Parliament, where a market for votes exists. Thus, a parliamentary faction would pay a new MP USD 20.000–50.000 (depending on his/her political weight) plus ca. USD 1.500 in monthly salary. When Hromada (a faction created by former prime minister Pavlo Lazarenko) was formed, its deputies received ca. USD 30.000–40.000 each (out of total faction cost of ca. USD 500.000–700.000). It was still a profitable business, as Hromada managed to seize the most influential committees, such as those on the budget, combating corruption and the parliamentary agenda. Another example comes from the ex-government People's Democratic Party (PDP): When in power, the party guaranteed its faction members important privileges from the cabinet. Approximately 90 new members joined the faction hoping to gain access to state property. In general, in the Ukrainian Parliament the cost of votes is discussed openly. During the political uncertainty after presidential elections one vote has sometimes cost USD 10.000–15.000 (normally it is not more than USD 1.000) (PiK 2–9 March 2000).

The fragmented and non-institutionalized party system encourages big business to form client circles and establish its own political parties, parliamentary factions and mass media. This allows it not only to directly control the decision-making process but also to gain parliamentary immunity. Ukrainian politics is to a great extent a combination of business projects run by powerful oligarchs who enjoy political immunity.

The regulatory frameworks have attempted, with varying degrees of success, to prohibit certain sources and limit the amount of allowable contributions. About half of the countries in the region have introduced **limits on campaign contributions** to parties and/or individual **candidates**.

The two most common prohibitions on sources of donations concern **state enterprises** and **foreign**

TABLE 10.

OFFICIAL FINANCIAL REPORTS OF MAJOR POLITICAL PARTIES AND BLOCS IN THE UKRAINIAN 1998 PARLIAMENTARY ELECTIONS

Figures are in Ukrainian hryvnia (UAH).

Party or bloc	Total campaign budget	Received from corporations	As % of all income
Hromada	190.132,00	n/a	n/a
Green Party	1.128.487,50	1.127.487,50	99,9
Communist Party	24.934,60	2.491,10	9,9
Labour & Liberal Bloc	705.935,00	705.935,00	100
United Social Democrats	529.900,00	529.900,00	100
Party of Regional Renaissance	793.568,90	754.802,90	95
Agrarian Party	125.000,00	101.000,00	80,8
People's Democratic Party	1.915.936,30	1.915.936,00	100
All-Ukrainian Workers' Party	56.558,10	56.338,10	99,9
National Front	7.401,00	n/a	n/a
Socialist & Peasant Bloc	106.967,00	20.000,00	18,7
Working Ukraine Bloc	406.600,00	386.600,00	95

Sources: Central Election Commission, in *Holos Ukrainy* 57 (1807), 26 March 1998.

donors. Many CEE countries have also prohibited corporations with shares belonging to the state or local government and **trade unions** from making political contributions. A number of CEE countries have banned **anonymous contributions**, while a few limit the amount that can be given anonymously. Anonymous donations cannot exceed 25 per cent of total party income in Bulgaria and in Lithuania are limited to USD 25 each.

3.4. Foreign Contributions

When there are political disputes concerning the territorial boundaries of a state and/or differences concerning who has the right to citizenship in that state, then the issue of foreign influence becomes very delicate. Because of their recent tragic history, most of the post-communist countries are sensitive to external political influences. Thus, in CEE one of the most common regulations is a partial or complete ban on contributions from foreign sources.

The most common limitation is a prohibition on funding from foreign governments, foreign citizens and international companies. One interesting exception is **Lithuania**, where political parties and political organizations may be funded by Lithuanian citizens resident abroad and political parties may establish branches abroad in Lithuanian communities. The important role of international assistance in the post-war restructuring of **Bosnia and Herzegovina** also

explains why certain foreign contributions are permitted.

In practice it is relatively easy to circumvent these regulations through the use of party foundations and phantom companies. With foreign investment rising sharply the regulations have proved to be anachronistic and impossible to enforce, as both foreign investors and political actors seek to gain advantage through the giving of reciprocal favours in the rapidly changing landscape of political and economic transition. This was especially the case during the first years of the transition, when foreign investors made significant contributions to the financing of political parties.

Foreign foundations (particularly the German *Stiftungen*) and international organizations are a different case. Their impact has been particularly important. However, this support has mostly been in the form of subsidies in kind – training, consultancy, travel grants and very occasionally equipment.

3.5. State Subventions

Public subsidies for political parties have already become a dominating feature of most stable democracies. They have been in operation in various forms for decades. Even so, the debate on **direct subsidies** continues to this day. In Western European democracies generally “subsidization has passed through three structurally similar but overlapping stages of implementation”. For Nassmacher, the first

step (1954–1974) was the “stage of experimentation”; then the Western democracies (West Germany, Austria, Sweden, Italy) entered the second phase (1967–1982), the “stage of enlargement”; and the last stage (from 1982), has been the “stage of adjustment” (Nassmacher 1989:238–241). The same process can be observed in certain post-communist countries (e.g., Poland). In general, for the new democracies of CEE direct public funding is an almost standard feature; **Belarus, Latvia, Moldova** and **Ukraine** are the only countries among those considered here where political parties receive no direct support from the state. However, the precise pattern of state subvention varies considerably, and the levels of direct public funding in the CEE countries differ significantly.

3.5.1. Direct Public Subsidy

In several countries the level of public subsidy is notably low. In **Bulgaria**, according to Daniel Smilov, “The financial state support was most significant in the first years of the transition period: it was gradually scaled down, and in the last general election became largely symbolic. This is partly explained by the financial collapse of the state at that time (spring 1997)” (Smilov 1999:5). In 1991 the Ministry of Finance provided state subventions, which were allocated to the parties, coalitions and independent candidates who won parliamentary seats in the general elections (Decision no. 317 of 16 September 1991 on the funding of the election campaign). Parties and coalitions which had won over 50.000 votes in the Grand National Assembly elections were granted BGL 3.600.000 in advance. Moreover, the parties and coalitions could also make use of short-term interest-free loans from the budgets up to a maximum of BGL 3.600.000 for a separate party or coalition. After the elections the parties and coalitions received additional funds depending on the number of parliamentary seats won. The total sum which a party or coalition obtained from the budget was BGL 30.000 for each national representative. Independent candidates who were elected received additional funds amounting to the difference between BGL 30.000 and the sum obtained in advance. The same regulations applied to the 1994 and 1997 National Assembly elections; however, there was no full compensation for the inflation effect.

In the **Russian** 1995 State Duma elections, the total amount of direct public subsidies distributed to the electoral blocs was a little over USD 1 million – ca. 6

per cent of the total funds raised (ca. USD 16 million). Thus, 43 registered electoral associations received ca. RUR 115 million (USD 23.255) each (Russian Central Electoral Commission 1996). During the 1996 presidential elections each of the 11 registered candidates received RUR 300 million (ca. USD 60.000) of direct subsidies, which accounted for only 4,46 per cent of the total candidates’ income (RUR 73.977 million) (Russian Central Electoral Commission 1996). In the Duma elections of 1999 direct state subsidies to all political parties combined rose to RUR 118.185.000 (ca. USD 4,6 million). Even individuals received direct state subsidies – a grand total of USD 38,91 each; this accounted for 0,06 per cent of their total spending allowance. However, the introduction of direct state subsidies for individual candidates did nothing to change the predominantly private funding of candidates and parties.

During the 2000 presidential elections money was allocated to all registered presidential candidates by the CEC not later than 40 days before voting day. Thus, each of the 11 candidates running for president received RUR 400.000 from the federal budget (ITAR-TASS 29 February 2000).

In **Poland** the financing of political parties from the state budget has a long and inglorious tradition, perfectly exemplified by the illegal financing of the Polish United Workers Party (PZPR) by the state. In 1989 the first Solidarity government revealed the existence and the amount of budget subsidies allotted in 1989 to the Communist Party and its allies. These revelations, coming at a time of severe economic crisis, were greeted with deep and wide-spread public anger (Winczorek 1990:13). Partly as a result of the public mood, direct state financing was not introduced by the Law on Political Parties of 1990. The first step towards state subsidy of political financing was taken with the Electoral Law of 1993, which introduced state reimbursement of electioneering expenses. Thus, parties’ election committees received the equivalent of ca. USD 7.650 for each deputy elected to the two chambers. After the 1997 general election the treasury allocated a total of USD 4,1 million to the individual election committees. The two main parties, Solidarity Election Action (AWS) and the Democratic Left Alliance (SLD), received ca. 79,3 per cent of this, amounting to USD 7.350 for each elected deputy. Thus, the AWS, with 201 MPs and 51 senators, received USD 1,85 million and the SLD, with 164 MPs

and 28 senators, received ca. USD 1,4 million. The other four parties had to divide proportionately the sum of USD 0,8 million.

Public subsidies accounted for only 4,75 per cent of the total declared income of the PSL in 1997 and 4,44 per cent in 1998. In 1998 public financing accounted for 11,63 per cent of the UW's total income. The Labour Union (not represented in the current parliament) recorded public funding as its main source of income. However, as a result of the political finance reforms of 2001, a system of considerable public financing was introduced. It is estimated that these new subsidies may cost the state budget ca. USD 14,5 million in 2002.

In **Lithuania** political parties and political organizations represented in the parliament (Seimas) are entitled to subsidies from the state budget. According to the law on funding of political parties and political organizations of 1999, the state subsidy is allocated to those parties which have received at least 3 per cent of all votes cast in the Seimas and municipal council elections: The budget is distributed according to the results of these elections in proportion to the number of votes received by the parties' lists. However, the subsidy cannot exceed 0,1 per cent of state budget expenses.

The role of state funding for campaign expenditure is clearly evident in the **Czech Republic**. According to the Electoral Law of 1995 (Law no. 247 on Elections to the Parliament), state financial assistance is granted only for elections to the Chamber of Delegates and to those political parties and coalitions that have obtained 3 per cent or more of valid votes cast. These electoral blocs receive CZK 3 million per year plus an additional 100.000 for every further 0,1 per cent (up to 5 per cent of the vote) per year. The contribution for each parliamentary seat obtained amounts to CZK 500.000 per year. Moreover, each party which obtained more than 3 per cent of votes receives from the national budget a payment of CZK 90 per vote. After the 1996 general elections the successful Civic Democratic Party (Obcanska Demokraticka Strana, ODS) of Vaclav Klaus received ca. CZK 161 million (ca. USD 6 million) from the state budget. Also, in the parliamentary elections of 1998 a significant subsidy, amounting to CZK 174 million (ca. USD 5,5 million), was allocated to the victorious Social Democrats.

According to the laws on the operation and functioning of **Hungarian** political parties (no. XXXIII

of 1989 and no. LXII of 1990), a subsidy is allocated from the national budget to any party which gains at least 1 per cent of all the votes cast in parliamentary elections. First, 25 per cent of the total funds provided by the national budget for the support of political parties is distributed equally among the parties represented in parliament. The remaining 75 per cent of funds is distributed to parties on the basis of numbers of votes gained by the parties or their candidates in the first valid round of parliamentary elections. However, support from the national budget may not exceed 50 per cent of a party's income, and a party must refund the excess if it is determined that support has exceeded 50 per cent. In the 1998 parliamentary election campaign 3.873 candidates also received state funding to the value of HUF 100 million, which was determined by the parliament. Every nominating organization was entitled to use a part of the support proportionately to the number of its nominations. Independent candidates were entitled to the same amount of support. According to the parties' published reports, the pre-election state subsidy alone accounted for ca. 7 per cent of total expenditure (HUF 1.438.000.000, ca. USD 7 million).

In practice, the state funding of political parties is an important factor in the operation of Hungarian democracy. Already in 1990 it accounted for 93 per cent of the Independent Smallholders' Party budget, 88 per cent of the Christian Democratic People's Party budget and 24 per cent in the case of the Hungarian Socialist Party. Well-documented records for 1995 only confirm the significant dependence on the state of six of the parliamentary parties. Parties received between 18 per cent (Fidesz) and 90 per cent (Alliance of Free Democrats) of their total income in the form of state subsidies.

3.5.2. Indirect State Subsidy

Indirect state subsidies have contributed significantly to party financing in CEE countries. There are various kinds of indirect subsidies, but two are of particular importance:

- free broadcasting; and
- subsidies for parliamentary groups.

First, of the countries studied, **all have free access to the national or private mass media**. In most of the CEE countries the amount of air time parties are entitled to

is decided in a manner which ensures that principles of equality are maintained between presidential candidates and political parties.

In **Bulgaria** during presidential elections half the air time (60 minutes per week) is distributed between the lists for president and vice-president registered by the political parties and coalitions represented in the National Assembly, pro rata to their representation. The rest of the air time is distributed equally to the lists for president and vice-president registered by political parties and coalitions not represented in the National Assembly or by nominating committees, with a maximum of five minutes per list. During general election campaigns the national mass media Bulgarian Television and Bulgarian Radio allot time for political debates twice a week (90 minutes on television and 120 minutes each for the two radio programmes). Time for debates is also granted twice over the entire election period to those extra-parliamentary parties and coalitions which have registered lists in at least one-third of the constituencies. Moreover, under a Grand National Assembly decision of August 1991, on the first and last days of the election campaign Bulgarian Radio and Bulgarian Television broadcast under equal programme conditions and up to a limit of five minutes the election addresses of all parties and coalitions which have registered lists in at least one-third of the constituencies.

Political parties contesting elections in the **Czech Republic** are allotted a total of 14 hours of television time, divided equally between the parties. However, parties cannot buy any additional time for political advertising.

In **Lithuania** all candidates for the office of president have equal opportunity to use the state mass media free of charge for the purpose of campaigning. The actual duration and time of radio and television programmes used for each candidate's campaign are decided by the Electoral Committee in coordination with the radio and television administrations. Candidates may use the time allotted to them in the state mass media themselves or they may permit political parties or political organizations indicated by them or other specified individuals to campaign for them at the times fixed.

In **Poland**, during a general election parties have the right to broadcast their election programmes at no cost on both television and radio. On nationwide channels the total time allowed for broadcasts for all parties is 15 hours (Polish Television) and 30 hours (Polish Radio),

while on regional channels the total time allowed is ten hours (Polish Television) and 15 hours (Polish Radio). In addition to the free time allotted for the broadcasting of election programmes, each election committee may broadcast paid election programmes on public and non-public radio and television up to a certain limit. Rates charged may not exceed 50 per cent of those charged for commercials. Free access to state radio and television is also granted during presidential elections, although the number of candidates in the 1995 elections made it difficult for the National Committee for Radio Broadcasting and Television to allocate time for the presentation of every candidate. In the 2000 presidential election, given the average commercial cost per minute of advertising on television and radio, a financial equivalent of subsidy to all the candidates amounted to PLN 30 million (USD 7,5 million) (Lubelska 2000:2267). The importance of these subsidies in conveying party messages is particularly evident in the case of smaller parties, which would otherwise be denied this opportunity. For Kopecky, "The mass media in east-central Europe seem to provide a more effective channel of communication between the party and citizens than would a developed party organization" (Kopecky 1995:521).

In **Russian** presidential elections the election law gives each candidate 80 minutes of free air time on work days on television and radio. This saves each candidate ca. RUR 10 million in campaign funds. A registered candidate can choose the form of the election campaign, but half of the free air time must be given to televised debates between contenders. The campaign is also broadcast by regional television. Moreover, candidates can also buy time on both private and state-owned television channels.

Despite the fact that free air time is provided for political parties in all the countries surveyed, **production costs have to be covered by the parties**. The production of professional television "spots" involves dozens of professional political consultants and advisers. In effect, all political parties have to spend substantial amounts of money on their free broadcasting as media campaigning becomes more competitive in CEE countries.

Second, an important source of money for CEE parties is the **subventions allocated to parliamentary caucuses and individual parliamentarians** (excluding salaries) (Lewis 1998:145–149). There is government funding of party groups in parliament or individual

TABLE 11.

SUBSIDIES FOR PARLIAMENTARY GROUPS IN POLAND, HUNGARY AND THE CZECH REPUBLIC, 1995–1996

	Party	Amount in USD million
Poland^{a)}	Democratic Left Alliance	3,980
	Polish Peasant Party	3,220
	Freedom Union	1,522
	Labour Union	0,761
	Confederation for Independent Poland	0,312
	Non-Party Reform Bloc	0,293
Hungary^{b)}	Alliance of Free Democrats	2,186/1,501
	Hungarian Socialist Party	2,156/2,293
	Hungarian Democratic Forum	1,933/1,022
	Independent Smallholders	1,228/0,848
	Fidesz	1,062/0,740
	Christian Democratic People's Party	0,951/0,742
Czech Republic^{c)}	Civic Democratic Party	2,275
	Social Democratic Party	2,018
	Communist Party	0,764
	Christian Democratic Union	0,611
	Association for the Republic	0,611
	Civic Democratic Alliance	0,471

a) State funding of parliamentary clubs and circles, 1995, total amount allocated to support the activities of parliamentary clubs, circles and their members as well as the sum of deputies' allowances and expenses for running constituency offices. *Source*: Gebethner, Stanisław. "Problemy Finansowania Partii Politycznych a System Wyborczy w Polsce w Latach 90." In *Historia, Idee, Polityka*, edited by F. Ryszka et al. Warsaw: Wydawnictwo Naukowe Scholar, 1995:431.

b) State assistance for parties, 1994/95. *Source*: Lewis, Paul. "Party Funding in Post-Communist East-Central Europe." In *Funding Democratization: Perspectives on Democratization*, edited by Peter Burnell and Allan Ware. Manchester: Manchester University Press, 1998:145–149.

c) State funding for parties, 1996. *Source*: Lewis (1998):145–149.

legislators in all CEE countries; however, it should be pointed out that the levels and methods of funding differ. Generally, grants for party representation in parliament are a perfect supplement to the party's central and local offices, and can also be used for campaign activities. In Poland during the 1991 campaign the SLD officially received PLN 10 million from its own parliamentary caucus, and these essentially illegal practices still go on in a more indirect way (Polish National Election Committee Communiqué 18 February 1992). Sakwa describes this practice in Russia:

The law allows a deputy to employ between one and five assistants: The CRRF (the Communist Party) has established that each communist deputy will have five assistants, one in Moscow and the other four in the regions. The latter are usually fulltime party officials... With their salaries paid from the state budget, the 800-odd assistants to the communist deputies are effectively the organisational core of the party. Assistants, moreover, have the right to free public transport,

offices in the parliament building, and access to working documents and to other state institutions (Sakwa 1998:150).

Political parties would not be able to operate adequately without access to these parliamentary resources. In Poland, political parties with parliamentary representation receive money through their MPs' and senators' offices for running their local offices, as well as the necessary equipment for operating these offices, and a certain number of postage-free envelopes for parliamentary correspondence. By 2001, the aggregate sum of state money for parliamentary parties amounted to PLN 55,75 million (USD 13,9 million). In countries where direct subsidies to political parties are small, these indirect subsidies play an important role for extra-parliamentary activities.

4. Political Money and Corruption

One does not have to look to Central and Eastern Europe to find plenty of examples of corruption linked with political funding. Western Europe has been

severely affected in recent years by scandals and cases of proven wrongdoing. Bettino Craxi, prime minister of the longest-lived government in Italy's post-war history, claimed: "What needs to be said, and which in any case everyone knows, is that the greater part of political funding is irregular or illegal" (Porta and Vannucci 1999).

Concerning CEE it is too early to give a proper assessment. However, a preliminary review reveals several points.

Political corruption is a prominent issue. **Illegal funding of politics undermines the democratic system**, and the degree of political corruption in certain post-communist countries can be frightening. There is a problem in distinguishing personal "sleaze" from general political corruption: Money obtained corruptly by politicians for their private use may well be used to fund their campaigns, in which case we move into the sphere of systemic corruption of political finance. The following is a list of such cases; however, it has not been shown in all of these that the money was used for political rather than private purposes.

In the Czech Republic, in February 1998, Jiri Skalicky, the deputy prime minister and minister for the environment, resigned as a result of a political scandal concerning secret, anonymous donations allegedly made to the Civic Democratic Alliance (ODA) by Czech companies via an organization registered in the Virgin Islands (*Keesing's Contemporary Archives* (44) 42686, February 1998). Moreover, Swiss officials recently confirmed that in 1995/1996 the ODA received ca. USD 1 million into its illegal Credit Suisse account. According to official documents, CZK 45 million were transferred using the Czech Corporate Bank (CSOB) and the Foresbank to the account of the ODA party treasurer, Ludvik Otto (www.idnes.cz). The party then used the money to pay for its 1996 election campaign. New investigations should check whether the Dutch company TelSource, successfully participating in the privatization of Telecom, the Czech telecommunications company, was involved in the transfer.

In Poland, according to evidence gathered by Office of the State Protection in 1992, in January 1990 two special envoys of the Communist Party of the Soviet Union (CPSU) handed over USD 1,2 million to the Polish Communist Party's First Secretary, Mieczyslaw Rakowski, thereby violating Polish currency law. In February 1990 Leszek Miller and the party treasurer

Wieslaw Huszcza asked a member of the Politburo of the CPSU, Alexander Yakovlev, for an RUR 50 million loan to the SDRP Economic Agency, offering to discharge the debt in the form of goods. The Social Democracy of the Republic of Poland (SDRP) leadership also offered the Soviets their Western contacts. The fate of the loan and the joint CPSU–SDRP business activity still remain unclear, and the post-communist Minister of Justice, Jerzy Jaskiernia, dropped the investigation (*Gazeta Wyborcza* 12 January 1996 and 25 November 1996).

In November 1995 the General Prosecutor's Office of the Russian Federation investigated the transfer, sanctioned by the prime minister, of USD 10 million and RUR 75 billion (ca. USD 16,7 million) to Russian public television (ORT). It appears that the Russian Government paid with state budget money for the governing bloc's campaign advertisement. Moreover, in the 1996 presidential elections prominent enterprises which had not sponsored Yeltsin's campaign sufficiently were declared bankrupt and insolvency procedures were initiated against them. At the same time presidential supporters were forgiven for tax evasion.

After the 2000 presidential elections in Russia, Boris Berezovsky accused President Putin of using profits from the Swiss-based firms Andava and Focus Service, both working with Aeroflot, to finance the pro-Kremlin Unity (Yedinstvo) party and the presidential campaign. Moreover, Berezovsky acknowledged that he had transferred cash from Aeroflot to "fund the presidential campaign" (www.cnn.com/2000/WORLD/europe/11/16/russia.media).

In 2000, a Geneva court convicted former Ukrainian Prime Minister Pavlo Lazarenko of money laundering and confiscated USD 6,6 million from his Swiss bank account. Lazarenko accepted two charges of money-laundering in which he, according to his lawyer, "in 1993–94 confused his public office of a regional governor and private commercial interests". Moreover, the government of Antigua and Barbuda announced that Lazarenko's bank accounts had been used for laundering USD 80 million. Now in prison in San Francisco, Lazarenko faces charges of laundering USD 114 million allegedly stolen while in he was office (dailynews.yahoo.com/h/nm/20000630/wl/ukraine_la_zarenko_dc_1.html).

In Poland in 2002, a film producer and media entrepreneur, Lew Rywin, tried to solicit a bribe from Agora, the publisher of *Gazeta Wyborcza*, of USD 17,5

million, offering to influence changes in the broadcasting law. The offer included lobbying the government for a favourable legal regulation allowing Agora to buy Poland's largest private television company, Polsat. The money, calculated at 5 per cent of the estimated value of Polsat, was intended for the use of the ruling SLD. On 27 December 2002, *Gazeta Wyborcza's* editor, Adam Michnic, publicly revealed Rywin's offer, exposing this very serious political scandal, which also involved one of the SLD leaders and the chairman of the public television channel Polish Television (TVP), Robert Kwiatkowski (RFE/RL 14 January 2003). It is assumed that Rywin's company, Heritage Films, has been used on many occasions to channel money from the public channel TVP to the SLD.

It is easier to describe the hundreds of political funding scandals in CEE than to analyse their causes, especially since the countries which are under consideration here are scaled differently according to different indexes such those produced by Freedom House, Transparency International and the World Bank.

Nevertheless, the links between political finance and political corruption in post-communist countries have certain distinct features. In general, in CEE there are two major characteristics of illegal funding:

- the legacy of communism and **abuse of state facilities**, and
- the motives of contributors during the **rapid transition**.

First, to understand why the degree of irregular funding in CEE is apparently higher than that in Western Europe, we should analyse the final years of communism and the values that were transmitted into the post-communist world. The economic and political climate into which post-communism was born was less than optimal for political parties' raising their funds in a very transparent way. In the late 1980s and early 1990s a number of informal ties between party-state functionaries and private business people arose. There was a massive flow of people from the political and economic establishment into the private sector. In most of the countries in the region the former communist *nomenklatura* converted itself from apparatchiks to "entrepreneurchiks". These were allowed to establish enterprises, shops and brokerage agencies but, most importantly, they became members of the boards of

trustees of the giant corporations and main banks.

Moreover, in most post-communist countries the legal framework did not recognize the problem of irregular and illegal political finance for a long time. Indeed, countries regulated some aspects of money in politics (for example, donations by foreign and state enterprises) but this was completely new ground. They had little previous experience in reporting and enforcement. From the legalistic point of view, scandal related to political finance in many of its forms could not be classified as crime, but rather as malfeasance or misfeasance.

In addition, as far as raising money for election campaigns and routine party activities was concerned, some practices of patronage from the old regime have survived, particularly the abuse of state facilities, and especially state enterprises. The central characteristic of political funding in the communist period was that political money was assured for the ruling party as a product of its close links with the state. Instead of engaging in grass-roots initiatives and concentrating on recruiting members, the new CEE parties displayed a **high level of dependence on public offices**, essentially turning them into profit centres. The uncontrolled expansion of parties' financial and economic bases caused a profound "politicization" of the economy.

At the beginning of the economic transition, in trying to obtain the necessary resources political parties exploited **state resources** to a much greater extent than private donors. The fact that post-communist political parties came to rely heavily on contributions from state enterprises is not surprising if we consider the environment in which these parties were operating. In the first place, private contributors were few and lacked individual wealth. This caused parties to maintain and consolidate their relationships with the bureaucrats still in charge of state companies who, in the immediate period after the change of regime, were the people in control of economic resources. In the second place, the change in the political landscape of the early 1990s caused the need for financial support of political parties to be matched by the need of bureaucrats to secure support from the new ruling class of post-communist politicians.

Today's concentration of ownership of former public assets in the hands of past members of the *nomenklatura* and the survival of state firms and sectors where reform has been slow or biased in a predetermined direction can be partly traced back to these developments. In

effect, state enterprises, which were still the main financial players on those fragile markets, became the greatest informal sponsors of political parties. Additionally, the attempts to control state companies by introducing relevant regulations did not produce the desired effect. Attempts like the setting up of phantom companies (which contributed to campaigns but were largely funded by state firms) seemed to meet with significant success.

A related reason for the high level of illegal funding in CEE is a “**corrupt mentality**” – people’s values, attitudes and behaviour. People did not change their attitudes during 1989–1991; they only modified old patron–client relations. They still treat the resources of the state institutions they direct as their private property. Such resources “cost” very little and can be “sold” very easily (e.g., confidential trade secrets). Moreover, the basic concepts of conflict of interest and political accountability are not recognized by the political elites of the CEE countries. The fact that the power stakes at issue in competitive elections are so high makes the temptation to corrupt fund-raising great in all CEE countries.

Second, in most cases the **motives** behind contributions to CEE political parties reflect the worries of representative governments during the end of the 19th and at the beginning of the 20th centuries in Western democracies. Writing in the 1930s, Pareto suggested that a major motive for political contributions would be the hope of **pay-offs** in the shape of licenses and government contracts. He observed: “Almost all the great fortunes made in recent decades have come from government concessions, railway construction contracts, and enterprises subsidized by the state or protected by customs tariffs” (Pareto 1935:1604).

The similarities between earlier waves of democratization and the “fourth wave” are striking. Whereas the motives of donors to government parties are in most cases no different in CEE countries from those in the current Western democracies, a much higher proportion of the total amount of political money is accounted for by payments to politicians and civil servants for the purpose of obtaining specific pay-offs.

5. Control over Political Finance

Political finance is influenced by and significantly influences the relations between parties, politicians,

party memberships and the electorate – relations which are a matter of profound importance to the quality of democracy. Yet, according to one Russian newspaper, “Even FSB [the State Security Service, formerly the KGB] does not know the candidates’ real budgets, not to mention poor Central Electoral Commission, regional commissions or voters. They say in main regions a governor’s seat would cost you \$3–5 million. In smaller or poor regions it could be about \$500,000. It is true and it is not” (www.stringer-agency.ru/020_gazeta/1000008/011/article/default.asp, 1 February 2000).

Different CEE countries use different strategies in order to enforce public control of political money. In the first stage of democratic transition most of the CEE countries adopted a more laissez-faire stand towards the control of political finance. Liberal regulations were a natural response to the former communist system and represented a rejection of its restrictions. Regulations were symbolic only, so that there were few restrictions on parties in seeking sources of finance. The laws often failed to provide an independent controlling agency.

Yet the extent of the regulations varies considerably among the CEE countries, as does their enforcement.

The **reporting of political expenditures** is a feature common to all the countries reviewed here. However, there are different approaches to the control of political finance. Almost all the countries require that **party** and **presidential candidates’** accounts be reported. In most of the countries reporting takes place on an annual basis; in **Russian** presidential elections and **Ukrainian** parliamentary elections it is three times during the actual campaign. Most of the countries also have **disclosure** rules concerning **parliamentary candidates**, and in two-thirds of the CEE countries lists of **donors** must be revealed. Regulations concerning disclosure of **private contributions** are a common feature of all the political finance systems surveyed. A number of CEE countries have a **threshold** below which donations do not have to be reported; the levels of the threshold differ substantially between countries.

The CEE experience confirms a few general points.

First, theoretically well-intentioned regulations requiring the production of financial statements are not necessarily effective if they fail to cover **all aspects of party funding**. It is of little value to demand disclosure only of particular categories of political financing. This will merely encourage the use of sources of money that are not subject to disclosure.

Second, the lack of an **independent enforcement agency** is a most serious weakness that undermines the working of a successful system. Strong enforcement machinery can be used by a regime to deprive the opposition of its right to participate effectively in the electoral process. Selective, **partisan enforcement** of campaign finance regulations serves to reduce electoral competition and can lead to long periods of one-party or individual rule.

Third, the **principle of openness should not be the deciding one**. Total disclosure does not have to be an essential component of all election finance systems. In countries that are not fully democratic, strong control of political funding and certain administrative restrictions might suppress opposition. The delicate process of democratization, even when facing a struggle with political corruption, requires a certain degree of **privacy and freedom from harassment**. The creation of an oppressive political finance system which is not controlled by a non-partisan enforcement agency might undermine the whole idea of free and fair elections, as harassment is only too likely in such conditions. It is true that during the transition period the party in power tends to use the state apparatus to its advantage. Thus, party finance enforcement with a strong authority might not be an optimal formula for all newly democratizing countries.

6. Conclusion

The formation of political parties and the functioning of a mature party system are institutional developments required of all modern democracies. **The central element of a party system is the existence of rules and procedures governing the funding of parties**. For Heard, “Deeper understanding of political money means deeper understanding of representative government” (Heard 1960:11–12).

It has been suggested that in Central and Eastern Europe, and particularly in post-Soviet countries, the lack of **diverse sources of money** is the major problem. A lack of diverse sources indicates that CEE parties have not yet reached high levels of institutionalization. They are characterized rather by irregular flows of funds and relatively non-diversified financial sources. This may lead to lack of party autonomy and the risk of external control.

The small income from **membership subscriptions** is one of the characteristics of the region. Furthermore, in

most CEE countries popular participation in the form of small donations is as a rule not encouraged.

Large donors play a special and disproportionately large role in CEE political finance, often more important than that of direct state funding.

The different levels of dependence on public funding have emerged as one of the main dissimilarities between the post-communist regimes. In fact, for most post-communist countries, public funding in the early stage of transition was less significant than expected, and private donations or even “party taxes” played a more valuable role. Moreover, in the semi-authoritarian regimes, the lack of significant public funding served the evident purpose of starving the opposition of resources. In general, most post-communist countries went through what Nassmacher classifies as the first or second stage of public funding implementation, namely “experimentation” and “enlargement” (Nassmacher 1989:238–241).

Analysis of party financing in CEE has not yet revealed whether close linkage with the state has removed the incentives for parties to establish a stronger **relationship with their supporters**. However, the existing data suggests that the lack of state subsidies creates a great opportunity for corporations and wealthy individuals to exercise external control, “capturing” political parties and their policy-making capacities.

Finally, political finance in CEE not only raises the problem of the relationship between politics and money; it may also have a decisive effect on the very operation of democracy (Council of Europe 1989). Thus, the structure of political funding in countries in transition is an important area of democratization. The experience of the last decade has demonstrated that the funding of political parties is yet another aspect of the particular problem of building party systems in the post-communist world. It is much easier to introduce free elections or to abolish censorship than it is to ensure that all the political actors are competing on a level playing field.

The CEE case proves that, in countries undergoing political transformation, there ought to be a clear set of rules and strict control over political funds. Since political parties are not private businesses but perform a public function, their **financing is a matter of public interest**. Unfortunately, in most of the CEE countries the issue of legal regulations on the activity of political parties and its finance-related aspects did not receive proper attention in the first years of transformation. The

issue of party funding and campaign finance was, and in some countries still is, ignored as a constitutional matter affecting the democracies. Indeed, money matters for democracy because much of democratic political activity simply could not be realized without it.

Endnotes

¹ Huntington claims that Central Eastern Europe was part of a “third wave” of democratization (see Huntington 1991) but his definition is disputed by Whitehead (1996), who argues convincingly that it forms part of a fourth wave following the fall of communism in Eastern Europe.

² Where USD conversions are inserted, these are provided by the author. Since so many of the figures are only in USD, it has not been possible to make conversions to International dollars.

³ The large number of political advisers is the result of the large number of high-level political posts in Poland. At the national level there are 13 ministries, seven central agencies, eight inspectorates, 16 central offices, and over a dozen other central departments. There are also provincial offices for some of these agencies. In addition, there are 17 provincial governors, appointed mostly on a political basis by the prime minister. See www.kprm.gov.pl.

References and Further Reading

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The Legal and Practical Characteristics of the Funding of Political Parties and Election Campaigns in Latin America

DANIEL ZOVATTO

1. Introduction

This chapter presents a comparative analysis of the legal and practical characteristics of the relationship between money and politics in 18 Latin American countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela – by examining the chief characteristics, formal and actual, of their political party and electoral campaign funding systems. It examines the role of the state, political parties and civil society regarding regulations on political finance and their implications for politics and elections and the region-wide process of strengthening democracy. The cost of politics in Latin America is not tackled here; this will remain an issue for many years to come as transparency in political parties' financial activity develops and additional, more reliable information becomes available. The amount of money spent on party politics and electoral campaigns in Latin America remains unknown.

Before embarking on the analysis, we must recognize that there are numerous methodological and practical limitations to the comparative study of political funding. There are still many gaps in our knowledge of the funding variables – international money, personal wealth, changes in money flow related to regulation, secret funds and pressure group activity – as well as in the available (particularly quantitative) information about contributions to and the expenditures of political parties (Nassmacher 1992:237). Among the problems are the following:

- **Political party and electoral campaign funding is relatively new on the Latin American political agenda.** The many corruption scandals clearly indicate a need for political or electoral reform to ensure greater transparency in political funding.
- **Political parties and controlling organizations lack the cumulative experience needed to ensure accurate and reliable data.** This is so despite the presence of regulations in several Latin American countries requiring parties to disclose their election and routine finances. In some cases there are no systems of sanctions; in others they are not

enforced so that political parties are poorly motivated to report accurately.

- **When it is available, information about funding frequently consists of heterogeneous, patchy data which is not suitable for comparative analysis.** This is because of differences in the characteristics of different funding systems, in the frequencies with which accounts must be rendered, in the required coverage of reports or balance sheets, or in the regulations stipulating how political parties must report their financial activity.

Despite these limitations, pioneering research (e.g., Alcántara and Montero 1992; Instituto Federal Electoral de México 1994; Navas Carbó 1998) is gradually overcoming the lack of comparative studies. This research, although it is currently limited to electoral law, is an initial step towards analysing funding regulations region-wide. Moreover, Pilar del Castillo and the present author have carried out comparative research on political party/electoral campaign funding in Latin America, broadening the scope of study and the number of countries analysed (del Castillo and Zovatto 1998). Along these same lines of comparative studies, three other recent works bear mention: *Paying for Democracy in Latin America: Political Finance and State Funding of Parties in Costa Rica and Uruguay* (Casas 2002); *Money and the Political-Electoral Contest: The Challenge of Democracy* (Carrillo, Lujambio, Navarro and Zovatto 2003), and *Political Financing in Europe and Latin America* (Malamud and Posada Carbó, soon to be published).

Finally, it should be pointed out that the government systems of the 18 countries analysed here are presidential systems that vary widely. Thirteen of them have presidential run-off election systems, which also vary substantially. (The countries without these mechanisms are Honduras, Mexico, Panama, Paraguay and Venezuela.) Most of the 18 have proportional congressional representation, but Chile and Mexico, with binominal constituency systems¹ and a combined proportional representation (PR)/majority-based system, respectively, differ from the rest. Bolivia and Venezuela have a personalized PR system based on the combined German model, whereas Ecuador's is a segmented electoral system.²

* The author expresses his grateful appreciation to political scientists and researchers Ileana Aguilar and Tatiana Benavides Santos, whose collaboration was crucial in accomplishing this study.

2. Democratization, Money and Politics

The establishment – or re-establishment – of democracy throughout Latin America, during the 1980s and the 1990s, with the exception of Cuba, and the reinstatement of electoral processes as the central element in the competition for political power have led political parties to resume their role as key actors on the political scene. As a result of this, and the fact that a substantial number of presidential election campaigns increasingly rely on media (especially television and radio), political marketing, foreign consultants, opinion polls and focus groups, election costs have risen in several countries in the region. Political parties are therefore under increasing pressure to raise large sums of money, often without inquiring into its origin or even ignoring suspicious or obviously irregular circumstances. The door has thus gradually opened to illegal funding, to the growing predominance of powerful economic groups, to influence-peddling and to the scourge of funding through drug-related activities.

To address these threats, the legal concept of using public resources to help political parties carry out their campaigns, and in certain cases their day-to-day operations, has been introduced over the past few decades (see table 12). Other laws have also been devised to regulate private contributions and to exercise greater public control over the financial transactions of political parties. Despite these measures, parties' independence remains in jeopardy because of their need for ever-larger sums of money. Thus, the issue of "political funding" policy – governing the revenues and expenditures of political parties to cover their election campaigns and day-to-day activities – has become increasingly important in Latin America, as it has in other parts of the world. **A balanced and equitable system of party funding is an indispensable requirement for truly competitive elections.**

The issue is closely related to the current disenchantment with politics. The continual scandals involving corruption and funding through drug-related activities reinforce the aversion many citizens feel towards politics and politicians. In addition, political parties and candidates themselves accuse one another of obtaining funds from questionable sources or handling them in improper fashion. Poll after poll in country after country confirms the poor image citizens have of political parties and their leaders, who are perceived as corrupt, lacking transparency, looking after their own

interests and reneging on their campaign promises (Latinobarómetro 1997–2002).

This situation has a number of negative consequences for the legitimacy of the democratic system. The first is the progressive loss of respect for politics, the marked rise in antipathy towards politics and the consequent emergence of "outsiders", quite often using "anti-system" political language. Second, there is an apparent indifference towards politics, especially among the young. This translates, among other things, into a growing number of blank ballots and null votes cast, a decrease in political party membership and identification with political parties, and a significant increase in abstention. Argentina, Colombia, Costa Rica, El Salvador, Guatemala, Mexico and Venezuela are some of the most recent extreme cases. Finally, the gap between citizens and politics has widened as cynicism about politics has grown. All this leads to a progressive loss of confidence in the main institutions of representative democracy. This situation, if not corrected in time, could eventually impair the very legitimacy of democracy as a system.

3. The Characteristics of Political Party Funding in Latin America: An Overview

While the individual countries' funding systems vary depending on their relationship with formal, political or cultural factors, certain general characteristics can be discerned.

The most relevant formal characteristics are the following:

- **Type of funding system.** All countries in the region except Venezuela have a **combined funding system**, i.e., political parties receive public as well as private funds to finance their election campaigns and/or meet their ordinary or day-to-day operating expenditures (see section 4.1).
- **Types of public funding.** In most countries in the region, public funding includes **direct** subsidies in the form of cash or bonds and **indirect** subsidies in the way of services in kind, tax breaks, training and so on (see section 4.2).
- **Activities eligible for public funding.** The three main variants are: (a) funding exclusively for the **day-to-day operations** of the political parties; (b) funding for **election campaigns only**; and (c) a **combination** of the two. In Latin America, 10 of

the 18 countries provide public funding for both the day-to-day operations of political parties and election campaigns, and five countries fund election campaigns only. It should be mentioned that over the past ten years some countries have been assigning a percentage of the public funding to pay for the **research** and/or **training** activities of political parties (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Mexico, Panama: see section 4.2.1).

- **Distribution or allocation methods.** There are four basic methods of distribution for direct public funding in the region: (a) in equal shares; (b) proportional to the number of votes cast; (c) proportional to the number of votes cast and parliamentary representation; and (d) proportional to the number of votes cast and equally. The second is the most common method, followed by (d) (see section 4.2.1).
- **Legal barriers.** In 12 countries of the region which have legislation providing for direct public funding, some type of legal barrier regulates access to it: Those eligible for the subsidy must obtain a minimum percentage of votes or parliamentary representation either in the current or in previous elections (see section 4.2.1).
- **Disbursement.** No pattern exists for the disbursement of public funding. In some countries disbursements are made after elections (reimbursement); in others they are made in the period preceding elections; and in still others they are divided into two payments, one before and one after the elections (see section 4.2.1).
- **Restrictions on the origin/source of private contributions.** Almost all the countries in the region provide for prohibitions of various types: first and foremost on donations from the government, institutions or foreign individuals; on donations from social organizations (labour unions, special-interest groups, religious groups and so on); on donations from government contractors; and on anonymous contributions (except for collections taken up in public) (see section 4.3).
- **Upper limits on private contributions.** Most countries in the region set ceilings or upper limits on the amounts allowed for private contributions, particularly from individuals, and to a lesser degree on contributions originating from legal entities (see section 4.3.1).

- **Access to the media.** In most of the countries political parties are granted free access to the state-run or private media or to both during election campaigns. Free access to the state-run media is the most prevalent (see section 5).
- **Oversight of funding.** In all the countries except Uruguay there is some sort of organization in charge of monitoring or overseeing political party funding, usually an election management body (see section 6.3).
- **Sanctions.** In the majority of the countries some provision has been made for some type of sanction to punish failure to observe the legislation governing political party and election campaign funding. Pecuniary penalties are the most common form of sanctions; another penalty, although less frequent, involves revoking the party's registration, or eliminating or reducing its entitlement to state funds (see section 7).

In addition to these formal features, certain characteristics of the actual funding structures should be noted.

- **An upward trend in political costs in several countries.** The perception exists among a considerable number of politicians, journalists and experts in the field that elections expenditures are rising in several countries in the region, especially during presidential elections, in part because of the cost of media advertising. However, no consensus has been reached on this issue due to the lack of reliable official information. Given the importance of this issue and the ensuing debate on it, more in-depth research on the matter is urgently needed. For example, in Argentina's 1999 election campaign, between January and October alone both the main presidential candidates assigned nearly USD 90 million³ for advertising, audio-visual aids, and graphic and advertising materials on public thoroughfares (Gruenberg 2000). Mexico appears to be experiencing a similar trend: Campaign costs for the 2000 presidential elections amounted to nearly USD 234 million. This is a significant issue given that Latin America and the Caribbean together comprise the developing region with the highest number of television sets – 200 – per 1000 inhabitants.
- **Declining membership dues, increasing corporate contributions and narco-funding.** Political parties in

Latin America, as in Europe and North America, have suffered a significant decline in income from membership dues, while the greater part of contributions to them has come from large corporations. In addition, money coming from organized crime and illicit activities such as drug trafficking is believed to have brought considerable influence to bear on campaign funding in many of these countries. Although this mode of funding is typically difficult to detect, given the many ingenious forms it can assume, its influence may be measured by the number of scandals which surface frequently in various countries. There are examples from the 1980s and 1990s in Bolivia (the case of drug trafficking-related videos), in Costa Rica (the Alem and Hank-González cases), in Colombia (drugs money given to support former President Ernesto Samper's campaign), in Mexico (the influence wielded by the Gulf of Mexico drug cartel), in Panama (former President Pérez Balladares admitted that his election campaign had received USD 50.000 in contributions from drug-related sources), and in Venezuela (the alleged involvement of drug traffickers in regional campaign funding). In some cases, for instance in Colombia, the political crises created by such scandals have assumed alarming proportions in terms of the threat they posed to the country's democratic institutions, signalling a warning as to the possible consequences of this phenomenon.

- **The impact of the presidential system.** Particularly in Latin American countries, the presidential system of government has a direct impact on political party funding, as Navas Carbó (1998) has pointed out. The preponderance of the executive over the other branches of government which characterizes the various systems of government in the region gives their presidential elections the utmost importance. This affects the revenue structure of political parties and candidates, particularly with respect to private contributions, which account for the bulk of the funds political parties use to finance their campaigns, as it encourages private donors to channel their contributions directly to presidential candidates in the interest of gaining influence over the office that traditionally amasses the greatest power. Despite the existence of public funding for political parties, *clientelismo* – the practice of obtaining votes with

promises of government posts and so on – and corporatism continue to be factors in political practice in these countries.

- **The impact of party systems.** Political party systems themselves play a fundamental role in the way they finance their election campaigns and their day-to-day operations. Although it cannot be suggested that there is a single political party system in the region, as the systems are very diverse, there is nevertheless one common element which they share. This is the fact that both traditional organizations and the emerging, alternative party political forces evidence a high degree of **personalism** which hinders the development of stable, organized, structured and democratic political parties. In this respect the Latin American political and cultural tradition of rallying the citizenry behind a leader (*caudillo*) appears to have left its mark not only on the operation but also on the funding of political parties, and particularly on the way in which private contributions are channelled for electoral purposes. The willingness of donors in Latin America to collaborate with a political party is often determined by ties of friendship or by common interests shared with a candidate, and is often divorced from ideological doctrine. Again, this results in the **majority of contributions going directly to the candidate or to the candidate's inner circle** of power and not to the formal party structure, thus creating serious obstacles to the exercise of proper oversight of political parties' election and day-to-day finances. This becomes particularly difficult because in most countries the regulations and the enforcement of financial oversight basically rely on the parties or those in charge of their finances to draw up accurate reports, and to a lesser degree on the individual responsibility of their candidates or their closest collaborators.
- **Assimilating democratic values.** Finally, the extent to which leaders and the citizenry at large practise democratic values is critical to the enforcement of the legal framework that defines the political rules of the game, particularly those dealing with political party funding. Because of the very characteristics of institutional development in the region, both financial reporting by the authorities and the oversight of political practice by the citizens are habits of a democratic culture that can only

become ingrained through systematic learning and participation. Although civil society has begun to play a more active role in overseeing the funding of politics as far as circumstances allow, there is still a lack of true commitment on the part of the political actors – both candidates and parties – to adhere to regulations and duly inform the citizens of their financial dealings.

The current situation in Latin America in practical terms can be summarized as follows.

1. Formally, except in Venezuela, **funding systems which combine private and public funding** are prevalent throughout the region. There is no clear trend in favour of or against public funding. Along with this, there is a tendency to reinforce **legal limitations on private contributions** with respect to both their origins and the sums allowed. These formal features contrast, however, with the widespread perception in most Latin American countries that private funds, of which the real total value is not entirely known, exceed public funds – a premise which is supported by the frequent scandals involving corruption, unlawful funding, drug money and so on.

2. This dark side to political funding has inspired reforms aimed at increasing transparency and improving financial reporting. Unfortunately, this process is not advancing as quickly and as thoroughly as it should.

3. **Public funding has served to supplement private funding** rather than to supplant it, as a result of a combination of factors: inadequate regulation, inefficient regulatory authorities, ineffective systems of sanctions and political practices that favour abuse. Therefore, although it is important, **the impact of public funding to date has been rather limited** and has varied from country to country.

4. Another readily observable trend is the introduction of **ceilings on expenditure and limits on expenditure on electoral campaigns**, for instance, in Colombia and Mexico, with mixed results in these two countries. This trend includes a reorientation in the use of public resources, allocating them to strengthen political parties by supporting **research and training** activities.

5. There are **some issues**, such as fair access to the media, especially television, that are **under-regulated** or not regulated at all. Except in a few countries (Brazil,

Chile, Mexico), this is one of the greatest gaps in regulation in the region. In this era of “video politics” the greater part of political parties’ expenditure goes toward television. In many countries **expenditure on television** accounts for 40–70 per cent of all political party expenditures.

6. The Achilles’ heel of the current system and of the vast majority of recent legal reforms is their **failure to provide regulatory frameworks** and an efficient system of sanctions to the entities and mechanisms of monitoring and follow-up. In many cases, these mechanisms usually simply perform “autopsies” on illicit acts that have already been committed. They operate in an improvised, ineffectual fashion vis-à-vis the results of the electoral process.

7. Finally, the **media** have been playing a progressive, encouraging (albeit incipient) role in civil society through surveillance and monitoring of the origin and actual use of the resources handled by political parties.

4. Political Party and Election Campaign Funding Systems

4.1. Introduction

There are three basic funding scenarios: (a) exclusively public funding, (b) exclusively private funding, and (c) a combination of these two options. Table 12 shows the years in which public funding of political parties was introduced in Latin America.

Generally speaking, in Latin America, as in many countries in continental Europe, **public funding** was chosen for a number of reasons. The main reason was to **avoid or reduce the influence of special-interest groups** and to help create **more equitable conditions** for all political actors during election contests. There was also an intention to provide greater **transparency** in political parties’ finances in an effort to reduce political corruption. Moreover, since political parties play a decisive role in representative democratic systems, it was believed that the state should assure the resources and support necessary for their operation and/or election activities, as well as for their democratic institutionalization and consolidation. In Latin America political parties are regarded to some extent as private associations which do work which is of public concern, and they are thus designated as recipients of public funding.

However, a funding system based on huge public

TABLE 12.

INTRODUCTION OF REGULATIONS FOR THE PUBLIC FUNDING OF POLITICAL PARTIES AND/OR ELECTION CAMPAIGNS	
Country	Year
Uruguay	1928
Costa Rica	1949
Argentina	1961
Peru	1966 (indirect)
Venezuela	Introduced in 1973, eliminated in 1999
Nicaragua	1974
Mexico	1977
Ecuador	1978
Honduras	1981
El Salvador	1983
Guatemala	1985
Colombia	1985
Chile	1988 (indirect)
Paraguay	1990
Brazil	1995
Bolivia	1997
Panama	1997
Dominican Republic	1997

contributions also poses some potential **risks**, such as that of political parties becoming financially dependent on state resources, losing contact with society and freedom, conforming to the status quo, losing the incentive to increase their membership, or allowing a gap to develop between their central systems and the grass roots. On the other hand, a system based exclusively on private funding may lead to some individuals or corporations having disproportionate influence over political parties and public authorities. Party political groups and candidates could seek funding without due regard to the intentions of the donor. This trend is growing as the rather low regular membership dues do not constitute a significant source of political party funding in Latin America.

With the exception of Venezuela, all the countries covered by this study have **combined systems of funding**. In some cases public funding prevails: The latest (1996) reform in Mexico, for example, while preserving the combined system of funding, dictated that party funding be predominantly public. Colombia, a country overwhelmed by recent scandals concerning the funding of parties with money from drug-related activities, has also tried to head in the

same direction, requiring that presidential campaigns be financed exclusively by the state, although this attempt failed in 2001. A similar attempt also failed in Argentina the same year. In contrast, private funding is predominant in countries like Chile and Peru, which have indirect public funding only.

The growing debate about public funding has spread to a large number of countries in the region in an attempt to ensure a greater degree of transparency regarding the origin of funds managed by political parties and to reduce the probability of political parties resorting to irregular funding practices. Paradoxically, however, scandals over corruption and the political parties' consequent loss of credibility have led citizens to oppose the idea of giving more public funds to political parties.

A comparative analysis of the strengths and weaknesses of the various funding systems shows that **there is no single ideal model**. Each system must adapt to the idiosyncrasies of the particular country and its legal framework, electoral situation and party political circumstances. Legislation on funding must seek to achieve a healthy balance between preventing excessive party dependence on the state and preventing individuals or corporations from wielding excessive influence on political parties and candidates, as well as averting illicit or drug-related funding. The trend to preserve the combined funding system does seem to be beneficial and effective. In each case, each country would have to determine the ratio of public to private funds that seems most effective.

In order to offset the bureaucratizing effects of public funding it may be advisable to establish some sort of “**matching funds**” scheme, such that a percentage of aid is contributed in proportion to the resources political forces raise on their own. However, public funding should not attempt to match excessively large financial contributions.

There should also be clear criteria for adjusting the total amount of public funding to the **economic and financial realities** of the countries. This is the practice in Costa Rica, where parameters such as the overall state of the economy, production growth and the state of the public finances are applied. If this is not done, popular discontent could arise in times of economic crisis if it became apparent that subsidies to political parties were not being adjusted to reflect the situation of the rest of society. It is also advisable for the state to honour its commitment to public funding responsibly

under the terms established so that – among other reasons – political parties are not given an excuse for not complying with other funding regulation requirements, which are becoming increasingly tough.

4.2. Public Funding Systems in Latin America: Direct and Indirect

State funding to political parties is usually disbursed according to two main schemes:

- **direct public funding:** instalments in the form of cash, bonds or loans; and
- **indirect funding:** facilities in the way of services, infrastructure, tax exemptions, access to the media and so on.

4.2.1. Direct Public Funding

There are three principal uses for direct public funding:

- subsidizing election campaign-related expenditure,
- subsidizing the day-to-day operation of political parties, and
- research and institutional strengthening of political parties.

TABLE 13.

ACTIVITIES ENTITLED TO DIRECT PUBLIC FUNDING			
Country	Election campaigns and regular party activities	Only election campaigns	Only regular party activities
Argentina	X		
Bolivia		X	
Brazil	X		
Colombia	X		
Costa Rica	X		
Dominican Republic	X		
Ecuador	X		
El Salvador		X	
Guatemala	X		
Honduras		X	
Mexico	X		
Nicaragua		X	
Panama	X		
Paraguay	X		
Uruguay		X	

The leading trend in the latest reforms and/or reform bills currently being debated points to a public funding structure designed to cover both election campaign expenditures and day-to-day party expenditure. Fifteen countries have direct public funding (see table 13). Ten of these allow for the use of public funds to cover both election expenses and day-to-day party operations (Argentina, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Panama, Paraguay). The remaining five (Bolivia, El Salvador, Honduras, Nicaragua, Uruguay) restrict the use of direct public funding to election campaigns. In Costa Rica a reform bill has been introduced to provide for the funding of political parties' permanent operating expenditures, among other objectives.

The introduction of public funding for **research, institutional development of party groups, civic education campaigns and training** (e.g., in Argentina, Bolivia, Brazil, Costa Rica, Mexico and Panama) has been another important trend in the region. Funding for such activities is essential for the institutional strengthening of democratic political parties and to ensure their continuous operation through incentives that enable them to become more than mere election machines.

Funding should also be used to strengthen the democratic culture and support the development of modern, effective political parties. Nevertheless, it is advisable to avoid funds being channelled directly to political parties for such purposes. It would be preferable to channel them through **foundations or institutions** which experience has shown to be better prepared to carry out these tasks. Furthermore, pressure is immense within political parties to divert these funds and use them for purposes that are considered more immediate and urgent to the organization.

Distribution or Allocation Methods

There are four ways in which the allocation of direct public funding is calculated in Latin America:

1. The formula is determined by the number of votes cast, i.e., the number of votes received by parties in national (presidential or parliamentary) or municipal elections.
2. Funding is distributed equally among the parties.
3. The distribution of funds is determined by a combined criterion: part of the funds is assigned

according to the number of votes cast and part is distributed equally among the parties.

4. The distribution of funds is again determined by a combined criterion: part of the funds is assigned according to the number of votes cast and part is distributed according to parliamentary representation. The predominant method is the first of these; it is found

in Bolivia, Brazil, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Uruguay. The next most common are the combined formulae found in Argentina, the Dominican Republic, Ecuador, Mexico, Panama and Paraguay (see table 14).

TABLE 14.

LEGAL BARRIERS AND ALLOCATION CRITERIA FOR DIRECT PUBLIC FUNDING		
Country	Legal barrier	Allocation criteria
Argentina	Officially recognized parties must have participated in the preceding elections for national deputies.	Combined (By votes cast/equally)
Bolivia	Parties must attain a minimum of 3% of the total valid votes cast nationwide in the preceding general election (or municipal elections, accordingly).	By votes cast
Brazil	Proportionately to the number of votes obtained in the last election for representatives to the Chamber of Deputies.	By votes cast
Colombia	Above 5% of all votes cast. To qualify for reimbursement of expenditures for parliamentary elections, parties must attain at least one-third of the votes cast for the list that has obtained a seat with the least number of votes.	By votes cast
Costa Rica	Parties must obtain at least 4% of the valid votes cast nationally, or parties registered on the provincial level must attain at least 4% of the valid votes cast in their respective provinces or succeed in electing at least one deputy.	By votes cast
Dominican Republic	Only those parties which have participated in the last two general elections and those who have approved independent candidates may receive funding.	Combined (By votes cast/equally)
Ecuador	Parties must have received a minimum of 0,04% of the votes cast in pluripersonal elections.	Combined (By votes cast/equally)
El Salvador	No legal barrier	By votes cast
Guatemala	Parties must obtain at least 4% of all valid votes cast in the general elections.	By votes cast
Honduras	No legal barrier	By votes cast
Mexico	Parties must obtain at least 2% of all valid votes cast.	Combined (By votes cast/equally)
Nicaragua	Parties must obtain at least 4% of all valid votes cast.	By votes cast
Panama	Parties must obtain at least 5% of valid votes cast in any of the three different types of elections – presidential, legislative or for the heads of local government.	Combined (By votes cast/equally)
Paraguay	No legal barrier	Combined (By votes cast/ parliamentary representation)
Uruguay	Participation in the internal and primary elections is required and at least 500 votes must be attained (the minimum needed to cover the representation quotient).	By votes cast

Conditions for Eligibility

In some of these countries, a threshold – a minimum percentage of votes cast – has been established by legislation as a requirement for parties to be entitled to public funding. Twelve of the 15 countries whose legislation provides for direct public funding of parties (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Mexico, Nicaragua, Panama, Uruguay) have introduced a legal barrier (see table 14). Seven of them require parties to receive a minimum percentage of votes, usually 2–5 per cent of all the votes cast in general or legislative elections. In three (El Salvador, Honduras, Paraguay) the only condition of eligibility for public funding is that the political parties participating in the electoral process be properly set up and registered, regardless of the number of votes received in the current or in previous elections.

Scheduling the Disbursement of Funds for Election Purposes

The timing established in each country for distributing public funding to political parties not only serves to encourage (or restrict) the electoral participation of some political parties, but also has important consequences for the degree of financial freedom or dependence parties enjoy.

Distribution of subsidies after the election – reimbursement – adversely affects emerging parties

which have few financial resources or are less able to take out credit. However, it has positive effects from the point of view of checking election expenditures. In a sense, this system exerts greater pressure on political organizations to render more detailed, clearer accounts of their revenues from private sources and their actual expenditure on campaigns. It also encourages parties to acquire the habit of keeping permanent, detailed accounting records on state subsidies and on all expenditures covered by public funds.

In six countries (Colombia, Costa Rica, Ecuador, Nicaragua, Paraguay, Uruguay) disbursements are made after elections and amounts are calculated on the basis of the election results. Argentina uses a pre-election subsidy system whereby funds are distributed to the parties before elections take place. With this system, unless a country makes special provision to include new or small parties (as Argentina and Mexico do), political parties participating for the first time may find themselves at a disadvantage. Another group of six countries (Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Panama) distribute a part of the funds before the elections and part after. In some cases, distribution is scheduled for after the election but parties may receive partial payment in advance (see table 15).

Finally, in two countries (Brazil, Mexico) ad hoc distribution scheduling systems have been established

TABLE 15.

SCHEDULING OF DISBURSEMENTS FOR DIRECT PUBLIC FUNDS FOR ELECTION PURPOSES					
Country	Before	After	Before and after	Other	Facilities for new parties
Argentina	X				X
Bolivia			X		
Brazil				X	
Colombia		X			
Costa Rica		X			
Dominican Republic			X		X
Ecuador		X			
El Salvador			X		
Guatemala			X		
Honduras			X		
Mexico				X	X
Nicaragua		X			
Panama			X		X
Paraguay		X			
Uruguay		X			

since the timing for the distribution of public funding is not stipulated by the electoral laws. In Brazil, the National Treasury distributes one-twelfth of a special fund in the Banco do Brasil on a monthly basis. In Mexico, the legislation does not expressly establish a date for the distribution of public funds for election campaigns, as it does for day-to-day operational expenditures. For elections held on 2 July 2000, the Federal Electoral Institute decided to distribute the funds allocated for campaign expenditures in six monthly instalments during the first six months of 2000.

4.2.2. Indirect Public Funding

This section analyses the typical and fundamental characteristics of indirect public funding. In Latin America political parties are entitled to different types of indirect aid and benefits in kind, and this type of funding may come from the state as well as from the private sector.

There are provisions for indirect funding in almost all the countries of the region as supplementary state aid in the form of **services, infrastructure, incentives and support in kind** for party political activities. The most important form of indirect public funding is **access to the state and privately-run media**. This is due to the very nature of present-day political campaigns, which are based essentially on managing the candidates' image and broadcasting political advertisements in every corner of the country. Television has increasingly become a determining factor in establishing a connection and maintaining communication between the candidates and the community. Since the impact of the media on elections merits special analysis, this topic is addressed separately in section 5 of this chapter.

In addition to access to the media, indirect public funding includes other elements which are essential to elections and the operation of political parties, such as **tax benefits**, help with **transport**, help in **printing or distributing printed materials** (preferential postal rates or exemptions and so on), **subsidies for parliamentary groups, incentives** for election participation, and **free use of state property and infrastructure**.

Some of the countries offer tax exemptions on vehicles or equipment imported for use in election campaigns or to defray the day-to-day operations of political parties. Others have introduced exemptions for legacies to political parties or for their revenue-

generating activities. A third group of countries have provision for tax deductions for donors on donations and contributions made to political parties. There is also a trend to introduce subsidies for transport costs on election day: this is the procedure in El Salvador, Honduras, Panama and Paraguay. Another current trend is to provide free use of state buildings for meetings, conventions and so on (Argentina, Brazil, Mexico, Panama). Colombia, Guatemala, Honduras, Mexico and Panama provide help in the distribution of printed materials, preferential postal rates or free postage.

Among the less frequent types of indirect support are the granting of subsidies to parliamentary groups (Argentina) and government incentives for electoral participation. In Colombia citizens are encouraged to participate in elections through incentives such as priority in the awarding of scholarships, subsidized loans, land, housing or government jobs and admission to university for qualified students.

4.3. Private Funding

There are five main sources of private funding: (a) **membership dues**, (b) **individual donations**, (c) **donations from special-interest groups or economic institutions** (businesses, corporations, industrial associations, labour unions), (d) **credit**, and (e) **party fund-raising activities**.

The term "contribution" can refer to different types of donation: a small sum of money contributed by an individual supporting a given party or candidate; a larger donation made by a corporation, special-interest group or institution, which could eventually give it influence over decisions or facilitate access to decision makers; and "voluntary" donations made in exchange for specific favours such as public contracts, licences and so on.

4.3.1. Prohibitions and Restrictions on Private Contributions

In Latin America there has been a link between the way political parties fund their election campaigns and significant degrees of **corruption**. Numerous scandals have centred on the connections of party political groups and candidates with money made illegally, in particular through drug trafficking. This has led to **prohibitions and restrictions** being imposed on private contributions.

Most countries in the region have provisions in their electoral legislation to prohibit private donations or

TABLE 16.

PROHIBITIONS ON PRIVATE CONTRIBUTIONS				
Country	Foreign	Social or political organizations	Government Contractors	Anonymous
Argentina	X	X	X	X
Bolivia	X	X		X
Brazil	X	X	X	X
Chile	X			
Colombia				X
Costa Rica	X			X
Dominican Republic	X		X	
Ecuador	X		X	X
Honduras	X		X	X
Mexico	X		X	X
Nicaragua			X	X
Paraguay	X	X	X	
Venezuela	X		X	X

contributions to political parties in one way or another. This is the case in 13 of the 18 countries (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Mexico, Nicaragua, Paraguay, Venezuela). Five countries (El Salvador, Guatemala, Panama, Peru, Uruguay) have no prohibition of this kind (see table 16). Several trends may be found among these 13 countries. Most of them prohibit any donations from **foreign** governments, institutions or individuals.

Ten countries (Argentina, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Honduras, Mexico, Nicaragua, Venezuela) prohibit anonymous contributions, except for those made through public collections (see table 16). These prohibitions were added partly because of the need to combat parties' use of funds originating from illegal activities throughout the region, usually drug trafficking. Despite the allegedly growing connection between drug trafficking and political candidates or parties in some Latin American countries, specific prohibitions on donations originating from illicit activities have been set up in only three countries (Bolivia, Dominican Republic, Nicaragua). Conspicuous by its absence from these lists is Colombia, one of the countries most affected by this phenomenon.

A parallel tendency to introduce limits on both individual and party expenditure is becoming evident in Latin America. This is done to avoid great disparities or unevenness among political parties' resources, on the one hand, and to reduce the size of "plutocratic" contributions and the resulting influence of "fat cats",

TABLE 17.

CEILINGS AND LIMITATIONS ON PRIVATE CONTRIBUTIONS		
Country	Limits on sources of private contributions	Contribution ceilings (maximum amount)
Argentina	X	X
Bolivia	X	X
Brazil	X	X
Chile	X	X
Colombia	X	
Costa Rica	X	X
Dominican Republic	X	
Ecuador	X	
El Salvador		
Guatemala		
Honduras	X	
Mexico	X	X
Nicaragua	X	
Panama		
Paraguay	X	X
Peru		
Uruguay		
Venezuela	X	

institutions or special-interest groups on public institutions and policies, on the other hand.

There are **bans** on private contributions **aimed at the sources** of donations in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican

Republic, Ecuador, Honduras, Mexico, Nicaragua, Paraguay and Venezuela. Seven countries (Argentina, Bolivia, Brazil, Chile, Costa Rica, Mexico and Paraguay) have a **ceiling** on the maximum amount allowable for individual contributions (see table 17).

In some countries **additional requirements** have been imposed on specific types of donations. In Chile, for example, donations above a certain amount must be legally authorized. In Mexico financial contributions must be made by means of numbered receipts showing the donor's personal details, and contributions in kind must be made under a legally valid contract.

4.3.2. Problems in Enforcing Restrictions and Prohibitions on Private Contributions

Despite the advantages, introducing restrictions and prohibitions can also have side effects which must be kept in mind when contemplating potential preventive measures.

1. Groups or individuals which are prohibited or restricted from participating directly in political party funding tend to seek ways to evade these obstacles. As a result they support their political parties and candidates through indirect financing of independent expenditures, which are difficult for oversight bodies and other parties to detect.

2. Imposing restrictions generally encourages parties to resort to "creative" accounting and practices designed to stretch these limits.

3. Restrictions intended to reduce the influence of special-interest groups on government decisions may lead to new special-interest groups gaining greater influence at the expense of others. This hinders efforts to ensure that government remains free to outline and implement policies.

Although it may be desirable in principle to restrict contributions by legislation, it is **difficult in practice to achieve** effective oversight. This is because in Latin America data on most of the money political parties and candidates use in election campaigns is not available. Venezuela is an example: In 1993, the origin of only one-quarter of all campaign funds used by the four presidential candidates was known (Álvarez 1998:161).

The disclosure of information on party finances has provided positive results in other countries outside Latin America. Germany is a good example of the benefits of disclosure. Indeed, once it becomes a requirement to publicize this information it will auto-

matically give rise to mechanisms that further reinforce the practice. To begin with, all contenders will want to know how their rivals are being funded in order to attack any abnormalities they may detect. Critical examination by the public can also reveal any tricks being used to evade requirements or cover up violations. This would also make it necessary to diversify sources of funding, expose the economic intentions behind political parties and candidates, and bolster citizen participation and confidence in the democratic electoral system.

It should be remembered that prohibitions on foreign contributions even apply to aid in the form of support for **training and education** for political parties. Experience has taught that such aid creates a dangerous **loophole** which makes proper control of the ultimate purposes of such funding difficult. In Costa Rica the Supreme Electoral Tribunal has warned about the dangers inherent in this type of aid. Consequently, and in view of the fact that it is so difficult to prevent such aid from being diverted to serve other purposes, the tribunal has advocated the prohibition of all foreign contributions involving training activities. Nevertheless, these provisions are difficult to enforce in the current context of globalization.

5. Political Party Access to the Media

Concerning political parties' access to the media a distinction must be made between television, radio and the print media.

In the case of television, 13 of the 18 countries studied offer **free access** to state or privately owned television, or in some cases to both (Argentina, Bolivia, Brazil, Chile, Colombia, Dominican Republic, El Salvador, Guatemala, Mexico, Panama, Paraguay, Peru, Uruguay).

There are four main types of access to television during the electoral campaign: (a) a free daily time-slot (Brazil, Chile); (b) a combined system, with some free access but dominated by unlimited paid advertising in privately owned media (Argentina); (c) unlimited paid access (Guatemala, Honduras, Venezuela); and (d) paid access but with ceilings (Costa Rica, Ecuador, Bolivia). Although most of the countries grant free air time to political parties, access to public television is limited mostly to the election campaign period (except in Brazil, Colombia and Mexico). Brazil and Chile forbid paid electoral announcements; in exchange, political

parties are guaranteed a daily time slot for free political advertising during the election campaign. In the remainder of the countries in the region, **paid television access** is provided, sometimes on a limited basis, sometimes unlimited.

As for radio, most countries in the region employ a system similar to that used for television.

In general, state support in ensuring greater access to the media in Latin America has taken different forms: (a) free air time on public television channels and radio frequencies, (b) free air time on the entire radio and television network (assuming that it is state-owned and that the state has the authority to allow private groups to use it), (c) air time paid for by the state and divided between the various parties, and (d) assigning part of the direct public funding available for the purposes of broadcasting political advertising.

Regarding the print media, all countries allow paid access and usually unlimited publishing of paid election announcements.

Ensuring Equitable Access to the Media: A Difficult Task

The question of access to the media relates to two basic democratic/electoral principles – **equity** and **access to information**. On the one hand, all political parties must have an opportunity to present their candidates, platforms and election programmes through the media. On the other hand, for the purposes of a “well-informed election”, voters must at the minimum be given the opportunity to be properly informed about all electoral options and proposals.

However, in practical terms the principle of equity turns out to be particularly **difficult to guarantee**. In fact, most countries in the region still have a long way to go to counteract the current levels of inequity on which the different political forces compete. These are chiefly attributable to the following factors:

1. The predominant system combines free media access and the possibility of purchasing additional air time in the private media. This system is highly unregulated and proves very difficult to control.

2. The owners and administrators of the media are frequently associated with powerful economic and political groups. Commonly, even among the collectively owned media, those who hold a controlling interest in these companies have interests that motivate them to favour particular political groups or to offer them better or longer time slots which openly or

covertly benefit them.

3. The low ratings or small audiences that state television and radio stations typically have force even small parties to opt for purchasing air time from private media concerns.

4. The rapid changes taking place in communications technology (e.g., satellite and/or cable television) are giving rise to some gaps in regulations which affect equal media access among political parties.

5. Even though regulations establishing free time slots exist in many countries, very few provide support for the production of advertising, which is usually very expensive.

6. Sometimes biased treatment is given in the news and political programmes in favour of or against certain parties or candidates.

7. National bulletins or nationwide simulcasts broadcast by the state conveying the tangible achievements and outcomes of its policies lend unfair advantages in election campaigns to parties in power.

8. The lack of legislation governing rates hinders media access and control over what the different political parties are charged.

As with direct public funding, it is important to analyse the **distribution** of media air time, frequencies and time slots, and the requirements for **eligibility** to receive such benefits.

There is no defined trend regarding these two issues, and in some cases neither the parties, the eligible candidates nor the distribution schemes are specified. In most countries (Argentina, Bolivia, Dominican Republic, El Salvador, Guatemala, Panama, Paraguay, Peru, Uruguay) air time is distributed equally among the parties. In other cases, a combined method is used whereby part of the air time is distributed equally and another part is distributed according to either the number of seats in parliament or the number of votes cast for each party (Chile, Colombia, Mexico). In Brazil access to the media is distributed according to each party's parliamentary representation.

In short, the relationship between the media, in particular television, and the financing of politics is very complex, even contradictory. On one side, the media play a key role in overseeing the conduct of public officials and politicians. On the other, the electronic media and especially television are in most countries in the region the main reason why in the current times of “videocracy” and “homo videns”

(Sartori 1999:159) political parties need large sums of money to run their election campaigns. **Political parties have had to increase their media budgets substantially as election campaigns have increasingly become television campaigns**, and the pressure to raise large sums of money has led parties to resort to resources obtained through dubious or illegal activities. This is true for parliamentary and presidential campaigns and is not only a Latin American phenomenon. In Italy, for example, corruption clearly began to grow at the end of the 1970s and the beginning of the 1980s, coinciding with the period when election campaigns started to focus more and more on television, while control of television stations began to fall into fewer and fewer hands.

It is therefore important to strengthen the current trend to control the factors that can send election expenditure sky-rocketing. Particular attention should be paid to measures to (a) reduce the length of campaigns; (b) restrict expenditure for media use; (c) facilitate equitable access to both private and public media for all political parties through the use of public resources; (d) promote a professional, pluralistic and objective treatment of political and electoral news; and (e) prevent the concentration of media ownership in few hands.

6. Institutions and Mechanisms of Control

6.1. Detailed Financial Reporting by Political Parties

In almost all the countries studied, legislation requires detailed accounting of revenues and expenditure. In some countries the rendering of accounts to the institutions of oversight specifically relates to public funding, that is, political parties must account for the proper management and use of funds provided by the state. However, there is also a trend in Latin America to set up procedures to account for private contributions as well, and the financial transactions of political parties involving these.

Guatemala and Panama are two countries where detailed accounting is required solely for public funding. In Guatemala, political parties are required to render accounts only on their expenditure for purposes authorized for the use of state funds. In Panama political parties have to justify their election expenditures in order to receive their post-election state funding. In all the other countries parties must disclose

their financial transactions involving both public and private funds.

There are numerous **techniques** for the purpose of detailed accounting. They include: verification of expenditure (Costa Rica, Nicaragua); accounting of revenue and expenditure, whether or not the accounts are required to be signed by a certified public accountant (Argentina, Brazil, Costa Rica, Ecuador, Honduras, Venezuela); the use of standardized financial balance sheets; accounting for revenues in the form of goods and/or services in kind (Bolivia, Paraguay); account books which detail revenues and expenditures, inventory registers and balance sheets (Chile); public reports of revenues and expenditures (Colombia); reports on the origin, amount and purpose of all types of financing (Mexico); patrimony statements and detailed accounting of revenues and expenditures authenticated by a certified public accountant (Honduras, Venezuela); listings of private donations (Argentina, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Paraguay); and the auditing of balance sheets and financial balance statements by a qualified firm in accordance with the contract regulations for independent auditing firms (Bolivia).

In all these cases, **responsibility** for rendering accounts lies essentially with the **parties**. Few countries require this procedure of **candidates or donors**.

Only three countries (Bolivia, Brazil, Colombia) require detailed accounting directly from donors. Bolivian law requires that donations made by private national companies appear in the donor companies' accounting records. In Colombia, donations made by any legal entity must be authorized by more than half of the board of directors, board of members or board of shareholders, and this authorization must be duly recorded in the relevant minutes.

In very few countries does the legislation require candidates to render accounts. In Colombia presidential and parliamentary candidates must render accounts of their campaign expenditures to the regulatory authorities. In Honduras there is legislation on the rendering of accounts by independent candidates; the requirements are, in short, similar to those imposed on political parties. In Brazil the financial reporting requirement includes candidates of political parties running for office in the executive branch and the federal Senate, and for the positions of federal, state and district legislators. However, these accounts must be rendered to the financial committees

of the parties themselves instead of an independent controlling entity, by submitting bank statements and detailed records of cheques.

6.2. Disclosure

The monitoring of political party funding in the region essentially comes down to oversight by state institutions. In most countries the citizens know very little about the origin of the contributions political parties receive or how political parties manage their funds.

Although there is a trend in Latin America towards making this information available to citizens by disclosing political parties' balance sheets, this trend is only now emerging. In eight of the 18 countries studied (Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Nicaragua and Peru) some type of provision has been made for public disclosure. Even so, this information is usually published in official bulletins, gazettes or newsletters which are only read by a small percentage of the citizens. Publishing the information in official newspapers has no major impact from the point of view of funding controls.

Financial accounting is one of the most effective tools for monitoring the financial transactions of political parties and candidates and preventing or at least reducing excesses in campaign funding and the influence of money from illicit sources. Public disclosure, however, often creates large volumes of information which neither the controlling agencies, the media nor the voters are able to assimilate over a brief period of time. Furthermore, throughout the region this type of procedure is carried out after the elections, making it impossible to detect any improper procedures in time for them to be punished by the voters on election day (Ferreira 1998:77). It is also unusual in Latin America for elected officials to be effectively punished or removed from office for violations of the regulations governing political party and campaign funding revealed through their accounting records.

New mechanisms are therefore needed for political parties and candidates to disclose their financial transactions, the management of their resources and the origin of their funds in a transparent fashion. **It is essential for the public to be informed** about contributions to election activities or to the ongoing activities of political parties if they are to judge the candidates' rhetoric and the sincerity of their stance on

specific issues. Only with this type of information will voters be able to cast a well-informed vote. The main goal of requiring detailed accounts and disclosing them to the public is "to enable anyone to raise certain questions of political finance for public debate, and to encourage parties and candidates to raise and spend their funds in ways that do not cause controversy. The voting citizen is supposed to act as a referee in cases of financial misbehaviour" (Nassmacher 1992:258).

6.3. Oversight Bodies

Electoral legislation in almost all the countries in the region – Uruguay being the exception – provides for the creation of an entity responsible for the monitoring or oversight of political party and election campaign funding.

In most of the countries the **election management bodies** are in charge of monitoring and overseeing the financial transactions of political parties (Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Honduras, Mexico, Paraguay, Peru and Venezuela). In El Salvador this duty falls to the General Comptroller. The law gives the Corte de Cuentas (Accounts Court) the task of reviewing and settling accounts with the parties, but in practice this duty has been undertaken by the Treasury. In Costa Rica, Panama and the Dominican Republic, both the election management body and the General Comptroller are invested with this authority. Argentina is different in that oversight there is carried out by federal judges with electoral jurisdiction. In Nicaragua, oversight duties are carried out by the General Comptroller, the election management body, and the Ministry of the Treasury and Credit.

Furthermore, in ten of the 18 countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Paraguay and Venezuela) there is an authority which is charged with overseeing political parties' **internal activities**. Their responsibilities vary, from managing party resources to overseeing accounts management procedures, approving party balance sheets, bookkeeping procedures and internal audits, or approving the accounts and reports presented to independent auditing agencies. In all, however, they are ultimately responsible for all monitoring or account-rendering procedures.

The existence of an **independent, professional authority** that is capable of efficiently overseeing the use of money in politics is crucial to enhance the transparency which is essential in matters of political

funding. The prevailing regional trend of entrusting election management bodies with this responsibility is therefore encouraging. However, two caveats are in place. First, these institutions need to be made stronger with respect to both their jurisdiction and their economic, technical and human resources, particularly regarding their powers to review reports submitted by political parties. Their capabilities to investigate the origin and use of the financial resources of political organizations should also be reinforced. Second, in some cases (as in Colombia) political parties have excessive influence on election management bodies, and here other kinds of controlling entities may need to be created.

There is a current trend in many countries throughout the region to **strengthen oversight procedures and mechanisms**. For instance, Mexico introduced reforms in 1996, that include (a) oversight of political parties on a permanent rather than a temporary basis, (b) requiring political parties to report their revenues as well as their expenditures, and (c) requiring bona fide audits of financial resources. Such audits should be carried out within strict standards of technical accuracy instead of being restricted to simple, superfluous, pliable tests, as is common practice in many countries.

In keeping with this trend of strengthening oversight mechanisms, other reforms are currently being discussed in addition to those mentioned above. The following deserve mention:

- harmonizing procedures and standardizing the frequency for submitting reports;
- making audits a permanent rather than an occasional practice, since they should help avoid problems and not be restricted to just verifying the legality of situations after the event. As far as possible, audits should be preventive procedures rather than mere autopsies of illicit activities;
- intensifying efforts to disclose the results of audits and reports submitted by political parties, insofar as this is possible. These documents must be made available for inspection by the parties themselves, the media and the citizens. In this regard, some experts suggest that party reports should be audited and published before the elections and not months after, as has been the practice, as their influence if the law has been violated is greatly diminished with the passing of time;

- enhancing the quality of contributor records to make them clearer; and
- requiring the creation of “ethics councils” within political parties, the management of resources through the finance system and not by means of cash transactions, and the introduction by law of the office of sole financial executive (*mandatario único financiero*) as the official entirely accountable for managing party funds (de la Calle 1998:16–17).

7. The System of Sanctions (Enforcement)

Most countries included in the study have a system of enforceable sanctions to deal with violations of the regulations governing party funding and election campaigns. Nevertheless, in practice **sanctions have not been followed up with actual enforcement**. Among the reasons for this lack of enforcement are the institutional and technical **weakness** of the bodies responsible for enforcing the respective laws, the **lack of independence** of some electoral and legal entities in relation to the government or political parties, **corruption** and the **practice of bribing officials** in these institutions.

There are two main types of sanctions stipulated by law in the countries of Latin America: pecuniary sanctions or fines, and (although to a lesser extent) penalties such as revoking the party’s registration and reducing or suspending its state funding. In very few instances are there sanctions to prevent elected candidates who have been proven to have violated the law from assuming public office. Even less common is the removal from office of elected officials once they are in power.

There is evidence, however, of a growing trend to legislate for more rigorous measures, among which it is worth pointing out imprisonment for violations of the laws governing election activity or political parties. In Venezuela legislation imposes a three-year prison sentence on candidates who accept anonymous contributions, and sentences are doubled if the money is proved to originate from illicit activities.

Penalties in Latin America apply essentially to political **parties**, their legal representatives, treasurers and so on. Although there is a recent trend to legislate for sanctions that can apply to candidates and/or contributors (Argentina, Brazil, Colombia, Costa Rica,

Ecuador, Honduras, Mexico, Nicaragua, Paraguay and Venezuela), much work remains to be done. It is extremely important to make **candidates and donors more accountable** from a legal point of view, especially since the bulk of private contributions goes directly to candidates or their closest associates (as mentioned above) and often they are not reported to treasurers or controlling entities within the political parties themselves.

Without a strict system of sanctions that includes not only traditional fines but also sanctions that affect individual freedom, regulations on election campaign funding will be ultimately a mere collection of good intentions. Hence, it is important to introduce the administrative and judicial procedures to punish infractions. This should ideally be part of a combined strategy – a “carrot-and-stick” approach – incorporating incentives to encourage voluntary compliance with electoral law as well as a rigorous system of sanctions. Countries in Latin America should continue to toughen sanctions in accordance with the trends in the region, incorporating sanctions that impose a certain period of ineligibility on offending candidates in the event of confirmed violations, or even render an election null and void or remove officials from office after they have been elected.

Above all, it is imperative to strengthen the authorities which are responsible for enforcing such laws. **If those who unlawfully contribute to or receive money for campaigns continue to do so with impunity this will compromise the transparency and fairness that must be ensured in all democratic electoral processes.**

8. Conclusions and Recommendations

Up to this point, this analysis clearly bears out two main conclusions. First, during the last decade progress has been made in this field in the Latin American region, albeit with substantial variations among the different countries. After being absent from the forefront of the region's reform agenda, this issue is now getting increasingly greater attention, not only nationally but also in the framework of specialised conferences of experts in the field (Mexico 2001 and Atlanta 2003), by the heads of state throughout the Americas (2001 Quebec Summit) and by the Rio Group (Meeting in Cuzco, Peru 2003) as well as by the political parties themselves throughout the continent

(Inter-American Forum of Political Parties, OAS, Miami 2001 and Vancouver 2002).

Second, the problem of political funding is a complex and undeniable reality for which there are no panaceas. The fact that there are no absolute truths or ideal solutions is all the more true for two reasons: the close link between political funding and the specific characteristics of a political system in general, and of a political party system in particular; and the close relationship between political funding and the values of a political culture.

Three main lessons should be highlighted.

1. It is important to view reform of a funding system not only in terms of its aims and desired effects on the political system and system of political parties, but also with respect to the **effectiveness** of regulations and their **undesirable effects**. This will help avoid the mistake of basing reform on an abstract evaluation or ideal models.

2. Each reform to the funding system should be analysed not separately, but rather as an **integral part of overall political or electoral reforms**. The consequences of reforms affect very important issues such as the competition among parties, the conditions of that competition, the system of political parties and, consequently, the very credibility and legitimacy of democracy itself.

3. It is important to take into account the fluctuating, **transitory nature of reform**, since a hasty solution often brings about negative effects that must be corrected again through new electoral reforms.

Every reform in this field must be aimed at achieving higher levels of **transparency** with respect to party revenues and expenditures. Transparency and public disclosure are crucial in the fight against political corruption. In principle, this need is more pressing with respect to big contributions than small ones, since the greater the contribution, the greater the risk of dependence and corruption. Transparency must be conceived as a democratic value in itself, a tool designed to avoid any wrongful influence of money in politics potentially leading to corruption.

Although transparency is desirable, it is worth asking how realistic it is to demand it where political funding is concerned. At first sight it seems barely realistic given the **complexity** of the issue. One example of this complexity is the difficulty of proving unlawful contributions (whether in the form of money, goods or

services) from individuals, including government officials and companies with links to the government, for the purposes of personal or party gain.

Quite often, **contributions and commitments** do not reach the parties but go instead **directly to candidates and their inner circle** of supporters. This is particularly relevant in Latin America, where political contests are usually focused more on candidates and personalities than on the party. This is even truer today given the image and credibility crisis facing party organizations and the emergence of local leaders as a result of decentralization. This tends to make transactions between donors and beneficiaries even more secret. Hence, the main party leaders or members are often unaware of private contributions – many of them quite large sums of dubious origin – leaving only candidates and their inner circle informed, a group frequently consisting of private contributors and/or individuals not involved in party activities. This situation is aggravated by the scant prohibitions on anonymous contributions in the electoral laws of the region.

Measures such as requiring parliamentary representatives who receive money to declare it do, in principle, assist efforts to exercise greater control. However, another problem arises in that **third parties** who are not participating in elections can campaign in favour of issues that are very important to certain candidates without contributing funds directly, yet succeed in bribing them through indirect support. Here, too, the issue becomes further complicated. While it is possible to restrict these mechanisms of indirect funding which compromise the complete transparency of the sources of funding for politics, this restriction may be understood as a violation of the right to freedom of expression.

The dilemma is obvious. If laws are intended to be effective in enforcing transparency, they should be very general in nature and apply to everyone, not just political parties or candidates. Otherwise, as stated before, ways of evading control will be devised. That is why it is important not to restrict our focus to strictly legal mechanisms. Over-regulation, moreover, will make regulations difficult to understand and comply with and make it easier to get away with violating them. **It is not by regulation alone** that the pathological diversion of funds and its harmful consequences for the ethics of public administration will be eradicated. In fact, while it is essential to strengthen regulation and the mechanisms and capabilities of oversight, this only

addresses part of the problem. However, this should not prevent us from acknowledging that an improved legal framework may bring about positive consequences for transparency and the rendering of accounts.

In short, the establishment of a transparent funding system which is subject to monitoring must respond to the idiosyncrasies and needs of each country and be based on a comprehensive, holistic and organized strategy. Such a system must evolve through **a combination of effective legal frameworks, with controlling institutions strengthened from an organizational and technical point of view, and vigilance on the part of civil society and the media** in their commitment to monitoring, denouncing and punishing abuse. As stated before, in Latin American countries the institutional capabilities of the entities responsible for enforcing regulations, as well as the participation of citizens and the media, are still developing. As de la Calle aptly stated: “It is not enough for us to travel the route of legal reforms. To a great extent, the topic of political funding concerns both the cultural milieu and civic education” (de la Calle 1998:25).

Until quite recently in most countries in Latin America the culture was fairly permissive with regard to legislation on financial control of election campaigns, and consequently the public has placed little importance on violations of electoral laws. This situation has started to change with growing popular impatience with political corruption scandals. It can safely be said that public opinion is changing and now demands greater transparency and accountability with respect to political funding. This must be capitalized on in order to raise the consciousness of public opinion, the media, watchdog non-governmental organizations (NGOs) and so on, not only about the important role they are meant to play in keeping track of how much is spent, how it is spent and who is funding politics, but also about who is being monitored and through what procedures government work projects and service contracts are being awarded.

Consequently, any proposal for reform of political funding should revolve, among other things, around six main objectives:

- **ensuring effective electoral competition and promoting political equality;**
- **reducing the influence of money** by diminishing its impact and controlling the factors that trigger the

rise of electoral expenditures in each country;

- **improving the use of public money** by investing it in more productive activities for the sake of democracy – such as the strengthening of political parties and the civic culture – rather than long or negative campaigns;
- stopping, or at least curtailing as far as possible, current levels of **influence-peddling and political corruption**;
- strengthening public **disclosure and transparency mechanisms** with respect to both the origin and the use of funds;
- **strengthening rule of law and enforcement capacity** as well as an **effective system of sanctions** to end impunity.

However, it is obvious that legal and institutional reforms will hardly be effective if they are not accompanied by much-needed changes in the way politics are conducted – the attitudes, the values and the very behaviour of politicians – so as to abolish once and for all the model of “self-serving politicians” (*políticos de negocio*). Therein lies the importance of making it an obligation for all elected representatives to report their accounts. This instrument is supremely important not only in the fight against corruption but also in exercising greater oversight – through institutions, parties and public opinion – over elected officials and politicians.

To conclude, our era requires a reconciling of political action with ethics, a new merging of ethics with politics. Political funding plays a pivotal role in attaining this critical goal for the sake of the health and the future of democracy in Latin America.

Endnotes

¹ Parties (or coalitions) present lists of candidates in two member districts. Electors vote for one candidate, but the votes accrue to the party (or coalition). The two parties with the most votes win unless the first party doubles the votes of the second. The effect is a particular form of majoritarianism in which the largest parties, and especially the second-largest party (or coalition), are favoured.

² Ecuador uses a system which in terms of the decision formula is majoritarian, but more than one legislator per district is elected: The candidates from all parties are put in descending order of the votes received and seats are awarded from the top of the list until each seat is filled (*sistema mayoritario con lista proporcional adicional*).

³ Where USD conversions are inserted, these were provided by the author. Since so many of the figures are only in USD, it has not been possible to make conversions to International \$.

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Party Funding in Continental Western Europe

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The political systems of the established democracies of continental Western Europe reflect a variety of experiences. France is the oldest and Spain the most recent addition to the community. Spain should therefore be the most interesting case for newly emerging democracies to study. For institutional arrangements, however, the older democracies may be better suited to serve as benchmark in the field of political finance.

This chapter examines party funding in France, Germany, Italy, the Netherlands, Spain and Sweden.

1. Politics on the European Continent: Similarities and Differences

Institutionally speaking, parliamentary democracy prevails with specific modifications, such as semi-presidentialism (France), federalism (Germany), one-party dominance over decades (Italy), specific cleavages of class and religion (Netherlands) and regionalism (Spain). Proportional representation is common, although with variations – from Spain, where majorities are reinforced, to the Netherlands, where no manufactured majorities exist. Only the French Fifth Republic applies a majority voting system (requiring an absolute majority in the first round). In 1994 Italy changed to a truly mixed electoral system. In party financing a general pattern prevails in all European democracies – a mixture of private and public funding.

At the time of its transition to democracy, in the mid-1970s, **Spain** did not develop a party system deeply rooted in society. The two major parties, the (right of centre) People's Party (Partido Popular, PP) and the (left of centre) Spanish Socialist Workers' Party (Partido Socialista Obrero Español, PSOE), have alternated in power, but their combined membership is still less than 2 per cent of the electorate. Even after more than two decades of democratic rule, the state of political finance cannot be easily assessed. This is mostly due to the nature of the rules stipulating transparency and reluctance to implement them (see section 4 in this

chapter). Campaign funding is regulated by the LOREG (Ley Orgánica 5/1985 de Régimen Electoral General); rules for the current financial operations of national parties can be found in the LOFPP (Ley Orgánica 7/1987 para la Financiación de los Partidos Políticos). A separate Parties Law, the by-laws for both chambers of the national parliament, the annual budget and separate legislation by the 17 regional parliaments further complicate this multifaceted regulation (del Castillo 1989, 1994, 1998).

The **Italian Republic**, established after World War II, has often been characterized as a defective democracy because one leading conservative party, the Christian Democrats (Democrazia Cristiana, DC), dominated all the governing coalitions for roughly half a century. Since 1994 the party system has undergone continual upheaval. The former government parties, the DC and the socialists (Partito Socialista Italiano, PSI), which were involved in severe corruption scandals, disappeared and new parties arose. The Communists changed to a social democratic type of party, as their new name, Democrats of the Left (Democratici della sinistra, DS) indicates. There is no overall legislation concerning the structure and organization of political parties, which are legally still considered as private associations. The most striking feature regarding the regulation of party finance is the enormous gap between legal requirements and actual political practice. The initial legislation on party financing was passed in 1974 and amended to its present form in 1997 (law no. 2/97).

Political finance in **France** is greatly influenced by the semi-presidential system, combining (at the national level) popular elections for the presidency and elections for parliament. Because of the two-round electoral system, elections are more candidate-oriented. Devolution has recently changed the French political landscape. As a consequence, networks of clientelism at the local level have been reinforced and the funding of French politics has to take local affairs into consideration more than ever. Recently the rules for

* This chapter summarizes six of 12 case studies prepared for International IDEA by Ruud Koole (Leiden, the Netherlands) and Karl-Heinz Nassmacher (Oldenburg, Germany). The sections on France, the Netherlands and Sweden were written by Ruud Koole, the sections on Germany, Italy and Spain by Karl-Heinz Nassmacher. Ingrid van Biezen (for Spain), Yves-Marie Doublet (for France), Gullan Gidlund (for Sweden) and Enrico Melchionda (for Italy) added helpful suggestions which are gratefully acknowledged. Nevertheless final responsibility for all mistakes and errors rests solely with the author of this chapter.

political finance have been changed dramatically. In an atmosphere of political scandals involving senior politicians, all donations from private and public-sector companies were banned in 1995. At the same time, the amount of public money given to parties and candidates was increased substantially. What remains unchanged is the comparatively broad freedom of action granted to parties by the constitution of 1958.

In **Germany**, which was added to the democratic fold in 1949, the three tiers of government – federal, state and municipal – are tightly interlocked by federal legislation and through joint decision making by state governments. Party government is a fact of life for all three tiers. The legal term “party” as defined by the constitution and federal law does not include the penumbra of parliamentary party groups at the different levels (all of them heavily subsidized by public funds): parliamentary parties, party institutes (foundations) and other corollary organizations such as those for youth, students, women or local councillors, all of which are subsidized by different government departments at state and federal level. Details of the political finance regime are laid down in the constitution (*Grundgesetz*), in key rulings of the Supreme Court (*Bundesverfassungsgericht*), in the Law on Political Parties (*Parteiengesetz*) and in the Income Tax Code (*Einkommensteuergesetz*). These federal rules are applied to all party organizations at the federal, the state and the local level.

Sweden is characterized by a unicameral national parliament plus regional and local assemblies at the sub-national level. Since 1970 elections for all three levels have been held on the same day. The polity is a clear example of “party government”. Public policy is greatly influenced by political parties, which have strong ties with organized interests. For a long time the party system was dominated by the Social Democratic Party (*Socialdemokratiska arbetarepartiet*). However, since 1988 new parties, such as the Green Party (*Miljöpartiet*) and the Christian Democrats (*Kristdemokraterna*) have entered parliament. A special feature of party financing is the importance of public subsidies, including quite substantial amounts for sub-national party branches (see section 2.3). Data on overall income and spending of parties is difficult to get as a result of a traditional privilege of privacy and the different bookkeeping systems used by the parties (Gidlund and Koole 2001).

In the **Netherlands** the constitution does not

acknowledge political parties, but a new law now calls them “associations for which a label has been registered on the ballot paper”. The reluctance to acknowledge parties formally is the result of a specific history: For decades, up to the 1970s, Dutch society was characterized by its division into so-called *zuilen* or “pillars”. Parties were the political expression of these pillars. The dominant view at the time was that the state administration should stay aloof from the pillars as much as possible. When “pillarization” began to break up, the old parties could not rely on financial support from the pillars as automatically as before, but as a consequence of the old doctrine, state money was still given to party-affiliated organizations. Only after the ratio of party members to voters had dropped below 3 per cent were subsidies given directly to the parties, under the Law on State Subvention to Political Parties (1999).

2. Fund-Raising Strategies: Options and Practices

The constitutional freedom of action of parties in **France** is a major obstacle to obtaining details of the sources of party income there: Data on specific items is not available to the public. For the other countries compared in this chapter there are at least rough estimates.

The **Italian** parties report two major sources – **public subsidies**, which represent the major source, and **membership subscriptions**, which are generally less important. The clandestine element of political funding in Italy is believed to come either from corporate sources or from political graft, including assessments, kickbacks and “toll-gating”. In **Spain**, since the transformation the political parties have relied heavily on public funding. **Sweden** also stands out as having a high level of public subvention (see table 21). The overall income of the **German** parties relies on two major and two minor sources. Membership dues provide for about one-third, and a public grant accounts for another third. The final one-third is made up of donations and “assessments” – payments by office-holders (see table 18). In the Netherlands membership dues were most important until the 1990s (see table 19).

TABLE 18.

MAJOR PUBLIC AND PRIVATE SOURCES OF PARTY INCOME IN GERMANY

Year	Total party income (DEM m.) (1a)	Total party income (Int'l \$ m.) (1b)	Public subsidies (% of total) (2)	Private contributions (% of total) (3)	Assessment of office-holders (% of total) (4)	Membership dues (% of total) (5)	Donations (% of total) (6)	Small contributions (all in % of total income, col. 1a/b) (7)	Medium contributions (% of total income, col. 1a/b) (8)	Large contributions (% of total income, col. 1a/b) (9)
1984	497,4	360	38,36	55,27	9,61	32,17	13,49	n/a	n/a	0,7
1985	458,3	320	31,79	50,64	10,65	35,63	14,36	n/a	n/a	0,9
1986	516,4	360	29,90	65,34	9,99	33,44	21,90	n/a	n/a	2,0
1987	543,7	380	35,42	58,82	10,45	31,34	17,03	n/a	n/a	1,8
1988	482,2	330	30,32	64,43	11,86	35,59	16,98	n/a	n/a	1,5
1989	608,5	410	35,61	58,65	9,79	29,37	19,49	n/a	n/a	0,9
1990	1.107,6	730	no comparable data available for unification year							
1991	763,6	490	25,65	52,00	11,04	28,39	12,57	n/a	n/a	0,9
1992	647,5	400	29,03	63,37	13,17	33,85	16,34	n/a	n/a	2,2
1993	693,1	410	30,20	62,90	12,55	32,26	18,09	n/a	n/a	2,6
1994	882,8	510	40,18	52,48	9,86	25,33	17,30	44,92	6,51	1,05
1995	738,1	420	35,21	58,57	13,10	30,55	14,93	51,66	5,68	1,23
1996	719,7	400	31,93	62,94	13,49	31,49	17,97	55,76	5,86	1,32
1997	710,2	390	32,36	61,52	13,91	32,47	15,14	55,24	4,74	1,54
1998	836,1	450	28,93	63,20	11,90	27,78	23,52	53,42	6,87	2,91
1999	812,7	440	30,27	62,65	12,43	29,00	21,22	53,22	7,07	2,36
<i>Averages:</i>										
1984–89	517,8	360	25,2	58,9	10,4	32,9	17,2	n/a	n/a	1,3
1991–99	756,0	430	31,5	60,0	12,4	30,1	17,5	52,4	6,1	1,8

Notes: small = < DEM 6.000; medium = DEM 6.000–20.000; large = > DEM 20.000 (in 1987–1991 => DEM 40.000). Col. 3 = cols 4 + 5 + 6 = cols. 7 + 8 + 9.

Source: Financial reports by political parties, published in Bundestags-Drucksache (parliamentary papers), most recently no.s 14/5050 and 14/5725.

2.1. Income from “Grass-Roots” Financing

Party income from members and small donors can be described as grass-roots financing. This is practically non-existent in **Spain**. As parties organize less than 2 per cent of the voters, the major parties' annual income from membership dues is only between 3 and 5 per cent of the total. In **France**, as well, membership of political parties is small – ca. 1,6 per cent of the electorate. Estimates from different sources assume that donations constituted 4–6 per cent of total party income and membership fees 8–22 per cent in 1995–1998. In all other countries membership dues and extra contributions from members and supporters are important to varying degrees.

This is still true for Italy and **Sweden**, and especially so for Germany and the Netherlands. Membership of political parties in Sweden, which was ca. 20 per cent of the electorate between 1960 and 1990, fell sharply in the 1990s, one reason for this being the abolition of collective trade union affiliation. The social democrats and communists in particular saw their income from

membership fees fall. In 1992 ca. 6 per cent of the income of the social democrats at the national level came from this source. Only Moderaterna (the Conservative Party) saw their income from their membership increase, from ca. 6 per cent of total income at the end of the 1960s to ca. 10 per cent in the early 1990s.

Although not all of it is grass-roots financing – membership dues and small donations – 85–90 per cent of all private political funds in **Germany** are raised from individuals. More than 96 per cent of all small contributions (up to DEM 6.000 (Int'l \$ 3.000) per person and year) which are raised through donations and membership fees ends up in the coffers of the six parties represented in the federal parliament (for an explanation of the use of International Dollars, please see *Methodology*). In the **Netherlands** membership fees are the main source of income for political parties. Between 35 and 61 per cent of their total income in 1995 consisted of regular dues paid by party members (with the exception of the very small Socialistische

TABLE 19.

INCOME OF DUTCH NATIONAL PARTY HEADQUARTERS PLUS AFFILIATED ORGANIZATIONS, 1989 AND 1995

Party	Membership fees as % of income		State subsidies as % of income		Other sources as % of income		Total income (in NLG)		Total income (in Int'l \$)	
	1989	1995	1989	1995	1989	1995	1989	1989	1995	1995
PvdA	62	54	14	17	24	29	10.418.799	6,5 m.	11.799.348	6,3 m.
CDA	64	61	17	21	19	18	7.276.343	4,5 m.	9.389.528	5,0 m.
VVD	61	55	25	31	14	14	3.980.471	2,5 m.	5.623.762	3,0 m.
D66	48	49	31	37	21	15	1.666.103	1,0 m.	3.631.173	1,9 m.
GL	n/a	35	n/a	25	n/a	40	n/a	n/a	2.539.490	1,3 m.
GPV	46	49	27	37	27	14	1.388.658	0,9 m.	1.554.477	0,8 m.
RPF	44	40	38	52	18	8	621.344	0,4 m.	1.059.846	0,6 m.
SP	n/a	5	n/a	10	n/a	85	n/a	n/a	3.692.600	2,0 m.

Notes: Figures exclude membership fees for sub-national branches and special organizations for local and provincial politicians.

The parties listed are those represented in the Second (150-seat) Chamber of the Dutch Parliament in 1994 except for some smaller parties which are not included. The numbers of seats held were as follows: Labour Party (Partij van de Arbeid, PvdA) 37 seats; Christian Democratic Appeal (Christen Democratisch Appèl, CDA) 34 seats; People's Party for Freedom and Democracy (Volkspartij voor Vrijheid en Democratie, VVD) 31 seats; Democrats 66 (Democraten 66, D66) 24 seats; GreenLeft (GroenLinks, GL) 5 seats; Reformed Political League (Gereformeerd Politiek Verbond, GPV, orthodox Calvinist) 2 seats; Reformed Political Federation (Reformatische Politieke Federatie, RPF, orthodox Calvinist) 3 seats; Socialist Party (Socialistische Partij, SP, extreme left) 2 seats.

Source: Koole 1997:156–182.

Partij, SP) (see table 19). If data on affiliated organizations had been excluded from the analysis this percentage would have been even higher (ca. 80 per cent for the major parties). (Any distinction between affiliated foundations and party organizations proper in the Netherlands is to a great extent an artificial result of the rules on state subvention to political parties. The income of foundations has therefore been consolidated with the revenues of the parties themselves. Otherwise, the degree of parties' dependence on state subsidies would have been invisible until 1999.) Money for the campaign chest comes mainly from extra donations by ordinary party members (Gidlund and Koole 2001).

In **Italy**, besides these sources, additional income is raised from events and festivals, publications, shareholding, interest on assets and ownership of property. The *tangenti* (kickbacks) scandal has added yet another dimension: Within some parties (especially the DC and PSI) factional leaders in clientelistic networks used funds corruptly obtained to buy membership cards (and thus intra-party power). Intra-party factions laundered income from graft into subscriptions "paid" for non-existing members. In **France** the income from rallies, meetings, conferences and events contributes ca. 20 per cent of total party income. In **Sweden** a special form of "most stable"

grass-roots financing comes from lotteries. The social democrats are especially successful in this respect: In 1997 lotteries raised SEK 54,4 million (Int'l \$ 5,7 m.), ca. 38 per cent of their total income.

Another source of party funding which is occasionally regarded as grass-roots financing is **assessments** – payments by office-holders. In **Spain** members of parliament (MPs) – representatives and senators – are subjected by both major parties to an assessment of up to 10 per cent of their salaries. For **Italian** parties the assessment depends on the size of the income from office and therefore on the level at which the office is held. Left-wing parties especially have a tradition of assessments. The **Italian** Communists and their **French** comrades used to compel their MPs to turn over their parliamentary income to the party and then receive the average salary of a skilled metalworker in exchange. The French Socialist Party (Parti Socialiste) also obliges its MPs to pay a monthly assessment to the party; the amount and the use to which it is put being decided by the party congress (Thiébaud and Dolez 2000:65). An additional fee (assessment, *Sonderbeitrag*) is quite common in **Germany**; data is given in column 4 of table 18. In the early 1980s an average of 18,5 per cent of the total income of the Social Democratic Party (Sozialdemokratische Partei Deutschlands, SPD) was

raised through the assessment of office-holders; in the mid-1990s this share had risen to one-quarter. The increase was the result of both a transfer of solicitations from parliamentary party groups to the external party organization (which after 1984 was entitled to provide a receipt for income tax benefits) and the effects of German unification after 1990, which provided the opportunity to assess the many more legislators and municipal councillors elected on SPD lists in East Germany. The German Greens (Die Grünen) follow this procedure even more intensively. It is also common with **Dutch** left-wing parties – the Partij van de Arbeid (Labour Party, PvdA) and GroenLinks (the GreenLeft, GL) – where elected and appointed politicians pay a certain share of their income from office into party coffers, but on a voluntary basis. Other parties also “suggest” that their politicians do the same. Today, the only party in the Netherlands which obliges its MPs to hand over their total salary (paid by the treasury) to the party is the SP. In exchange, SP parliamentarians receive a modest salary; this explains the high percentage of “other” income for the party in table 19.

In **Sweden** parliamentarians' salaries are considered to be too low for such a procedure. In **Italy** the increasing costs of election campaigns and powerful field organizations have contributed to political corruption: Managers of state-owned companies expressed their “gratitude” to politicians who appointed them by donating large amounts of money to political parties, i.e., some managers simply “bought” their reappointment.

2.2. Income from “Plutocratic” Financing

In the past close linkages between parties and specific organizations often guaranteed parties institutional sources of funding. With the exception of **Sweden**, this source of income did not exist in the countries compared in this chapter. Although the relative importance of institutional contributions from the Swedish unions declined after the introduction of state subsidies, the social democrats continue to receive substantial contributions from the top level of the Swedish Trade Union Confederation (Landsorganisationen, LO), and from some individual unions. In a non-election year (e.g., 1992) LO gives ca. SEK 6 million (Int'l \$ 690.000) to the social democrats and in an election year considerably more (for example SEK 16,7 million (Int'l \$ 2,0 m.) in 1991). There has always been a close relationship between the social democrats

and the unions in Germany but there are no union contributions to the party. The same is true for the Netherlands after “de-pillarization”. Because parties in Spain are not formally linked to other organizations, there is no similar institutional source of finance there. Information concerning this kind of party income in France and Italy is not available.

Large donations have posed serious problems in **Spain**, Italy and France. Since 1985 Spain has tried to prevent plutocratic financing. Nevertheless, when in need of money the parties have found ways of approaching big donors. The most improper way is outright corruption through **kickbacks** and toll-gating. A more subtle strategy has been imported from abroad: Front companies affiliated with a party have charged businesses and banks which are interested in buying access to politicians or favourable decisions for bogus research papers, consultancy work or technical advice. It is clear that shareholders did not know of such political donations by their companies. Governing parties have sold their decision-making power; companies have paid a kickback (commission fee) of 2–4 per cent of the total value in return for a public works contract. The Guerra, Naseiro, SAS and Ceres affairs of the early 1990s brought details to light. The Spanish version of toll-gating took place when persons who had obtained a public licence from the regional government to run casinos in Catalonia were obliged to pay a fee to the party in power. There have also been cases of “insider trading” related to property development and local government contracts (del Castillo 1994:100–102, 104).

Despite the fact that legislation in **Italy** demands publication of corporate contributions in companies' annual reports and parties' balance sheets, it seems extremely difficult even to guess the true amounts of money parties raised from this source. In 1988 the public was first alerted to the extent of corruption. Kickbacks (*tangenti*) for public contracts went partly into private pockets, but a large part ended up in party coffers. The use of kickbacks had increased hugely since the 1970s. According to one estimate, in the 1980s it was equivalent to 75 per cent of all public subsidies. In the light of the *mani pulite* (“clean hands”) inquiry, which started in 1992, the funds illegally obtained amounted to some ITL 3.400 billion (Int'l \$ 2,6 billion) a year, at least ten times the total official income of all Italian parties combined (Bardi and Molino 1994:260).

France provides figures from official records. According to these, in 1993 donations from business circles made up only 13 per cent of parties' income. This official figure is generally believed to be far too low. Since 1995 candidates and parties in France have not been allowed to receive donations from private corporations or public-sector companies (*personnes morales*). Some observers, however, expect an increase of clandestine donations to parties and candidates, which would only intensify a practice that existed before 1995. Moreover, donations from businesses may be channelled through individual citizens. It goes without saying that politicians in power have easier access to funds than those in opposition. Especially in the field of town and country planning, industrial or commercial interests frequently coincide with the politicians' need for financial support. Many local enterprises operate in the construction industry, and it is very tempting for the party in power municipally to grant contracts in exchange for kickbacks (Pujas and Rhodes 1999). Exact figures for corruption are not available, and monitoring and control are rather poor. The first half of the 1980s saw at least 48 cases of legal proceedings involving allegations of illegal activities related to party fund-raising (*Frankfurter Allgemeine Zeitung* 3 December 1999).

In Germany, Sweden and the Netherlands plutocratic funding is only a minor problem. In **Germany** contributions from big donors used to be a major source for the right-of-centre parties in election years. This influence was almost completely gone by 1990. In recent years donations in excess of DEM 6.000 (Int'l \$ 3.300) per donor and year have contributed only a minor share (between 6,3 and 9,8 per cent) to the total income of all German parties (see columns 8 and 9 in table 18).

During the final weeks of 1999 various shady dealings concerning the funding of the Christian Democratic Union (Christlich-Demokratische Union, CDU) emerged for public debate. The sources of the bulk of these funds are still unknown. Some funds undoubtedly originated from interested money: an arms trade lobbyist, a big contractor of the national telecommunications monopoly and a businessman involved in the privatization of a federal housing company. Other sources have been alleged but not as yet established, including a state-owned French petrol company (Elf Aquitaine), an armaments procurement firm (Thyssen Henschel) and funds left over from

previous scandals (e.g., that named after the Flick Concern, involved in illegal payments to political parties in the 1980s, or other illegally tax-exempted corporate donations). A parliamentary committee of inquiry has been looking into these allegations for about two years. It has found some indications of a variety of possible infringements in Germany and elsewhere but no final proof of anything.

Although donations to political parties are tax-deductible in the **Netherlands**, big donations from business circles hardly exist. Since the 1960s, donations from corporations have been considered taboo. Moreover, the Dutch system of neo-corporatist decision making, recently called the successful *poldermodel*, makes business donations less likely. Entrepreneurs and unions have direct access to political decision making and therefore do not need money in order to create a "positive climate" for their interests. In 1999, however, the conservative-liberal Volkspartij voor Vrijheid en Democratie (VVD) tried to break the taboo on donations to parties by publicly advocating the sponsoring of political activities. It remains to be seen whether this effort will be successful (Gidlund and Koole 2001).

In **Sweden** large donations used to be an important source of income. The details vary depending on ideological orientation. Until the introduction of state subsidies to political parties in 1965, Folkpartiet (the Liberals) and the Conservatives were almost completely dependent on business donations. In 1971, however, the Liberal Party itself decided to stop accepting direct donations from companies at the national level and in 1976 at all other levels, and the Conservatives made the same decision in 1977. After an electoral reform in 1998 (*personval* – choosing one candidate on a party list) opened the way to candidate campaigns, new questions arose as to the acceptability of corporate donations to individual candidates. Only the Conservative Party explicitly prohibited its candidates from accepting contributions from companies.

2.3. Income from Public Subsidies

All the countries compared in this chapter have made public funds available to parties, using the number of seats and/or votes as the criteria for distribution. In other respects the allocation processes differ widely. A base amount for each party, which is used in the Netherlands and on the sub-national level in Sweden, is not common. Sometimes additional state aid is given

to party sub-organizations (Sweden, Spain), to candidates (France, Italy), to party media (Sweden, Italy) or to party-affiliated foundations (Germany, the Netherlands). In most countries the money is provided practically without any obligation. Only Italy and Germany request partial approval by taxpayers or party supporters to legitimize public funding schemes. The **threshold** for access to such funding in Germany is lower than anywhere else in the world (see below). Sometimes the money given to party groups in parliament is seen as a party subsidy (Sweden); sometimes this is expressly excluded (Germany).

In **Spain** since 1987 annual grants have been given to national party organizations and to parliamentary party groups in both houses of the national parliament. National campaign aid and annual organization subsidies are allocated in accordance with three criteria: a fixed amount of ESP 2.564.000 (Int'l \$ 18.430) is paid for each seat a party has won in one of the two chambers of the national parliament; another ESP 38 (Int'l \$ 0,27) is paid for each vote in the election of representatives; and ESP 96 (Int'l \$ 0,69) is paid for each vote received in the election of senators. Only parties which win at least one seat in a multi-member constituency are eligible for these funds. This allocation formula favours the major parties. In 1998 the national budget provided for a total of ESP 10,14 billion (Int'l \$ 81,7 m.) as the annual grant towards current operations. Grants to caucuses in the 17 regional parliaments and financial aid towards campaign expenses incurred for regional and municipal elections complete the range of public subsidies (del Castillo 1989:176, 185).

The initial law on party financing in **Italy** was passed in 1974, and ever since the state has faced popular demands for the legislation to be modified. The problems are a lack of transparency and the fact that only parties with parliamentary representation have benefited from the generous state support. Although three referendums have been held on the problems, the law has not been entirely abolished. Since the 1993 referendum public subsidies have been officially geared only to electoral activities. To calculate and distribute the financial support, the number of Italian citizens is multiplied by ITL 1.600 (Int'l \$ 0,92). This fund is allocated to the parties according to the number of votes they obtained in the general election. Legislation also includes regulations in terms of state aid for radio stations and newspapers which are owned by political parties. In order to receive state aid for this purpose, the

media must have direct links to a party which has at least two MPs or one MP and one member of the European Parliament (MEP). The act of 1993 (no. 515/93) states that the total amount of this state subsidy must not exceed ITL 91 billion (Int'l \$ 52 m.). An act of 1997 (no. 2/97) regulates quasi-public funding by a tax "check-off". Every Italian taxpayer may choose to give up to 22 per cent of his or her income tax to the political system. These funds are distributed among all the political parties that have at least one seat in proportion to the number of votes obtained in the previous election. The total amount of money distributed may not exceed ITL 110 billion (Int'l \$ 63,2 m.). This subsidy is called a "tax check-off" because each taxpayer is given the opportunity to decide how a specific part of public revenue should be spent.

In **France** state subsidies have been available to candidates and political parties since 1988. Individual candidates receive money to cover the costs of "propaganda" (e.g., the printing of election posters) and the costs of campaigning itself. Campaign grants are provided for elections for legislative and administrative assemblies and for the presidency. In legislative elections (Loi no. 88-227 and Loi no. 95-65) candidates who win at least 5 per cent of the votes in their constituency in the first round are entitled to receive a state subsidy up to a maximum of 50 per cent of the legal election spending limit (see section 4.1) through a system of flat-rate reimbursements. A similar system is applied to regional and municipal elections. Candidates for the presidency are reimbursed only one-third of their spending limit. They are, however, entitled to an advance payment of FRF 1 million (Int'l \$ 150.000) towards their campaign reimbursement (Loi no. 95-62).

The regime for political parties (or groups) is quite different. The public subsidy to political parties is given in two ways. The first part, for parties which have presented candidates for the parliamentary elections in at least 50 single-member districts, is allocated in proportion to the number of votes won in the first round. The second part is distributed in proportion to the number of MPs. Currently the total funds available are divided equally between the two types of subsidy (see table 20). State support to political parties on average accounted for more than half of the national parties' income in 1998. Smaller parties seem to depend on this source for up to 90 per cent of their headquarters' income.

TABLE 20.

STATE SUBSIDY TO FRENCH POLITICAL PARTIES*Figures are in FRF thousand.*

	No. of parties	Amount of subsidy	1st part (votes)	2nd part (seats)	Parties with one MP only
1989	16	105.602 (Int \$ 20.000)	105.602		2
1990	29	260.267 (Int \$ 47.000)	260.267		14
1991	34	262.046 (Int \$ 46.000)	262.046		16
1992	40	277.065 (Int \$ 48.000)	277.065		22
1993	82	580.000 (Int \$ 98.000)	217.500	362.900	27
1994	46	525.949 (Int \$ 88.000)	264.500	261.000	4
1995	36	526.500 (Int \$ 86.000)	263.250	263.250	4
1996	36	526.500 (Int \$ 84.000)	263.250	263.250	4

Source: Yves-Marie Doublet, *L'Argent et la Politique en France*. Paris: Economica, 1997:67.

In 1995 another type of state subsidy was introduced, especially geared to new parties, which do not necessarily compete in legislative elections but may concentrate on referendums, for example. Political parties that do not receive a state subsidy on the basis of numbers of seats and votes can collect a public matching grant of FRF 2 million (Int'l \$ 330.000) (in 1995) on the condition that they have been able to solicit a total of FRF 1 million (Int'l \$ 160.000) from 10.000 identified persons, who have to include 500 elected officials in at least 30 regional units (*départements*). Doublet (1997:68–69) gives a total figure for all public subsidies to parties, parliamentary groups, and municipal and presidential (although not parliamentary) candidates for 1995. His figure, excluding salaries for MPs and their assistants, was FRF 2,355 billion (Int'l \$ 380 million). Thus in 1995 the per capita total of all public subsidies per registered voter was FRF 59 (Int'l \$ 9,6).

Germany in 1959 was one of the first established democracies to grant public funding to national parties. Nevertheless it took 35 years to work out the present political finance regime (which has been in effect since 1994). The Supreme Court has played a key role in that process (Kommers 1997:200–217).¹ Germany now has a combination of the Canadian tax credit, the US matching funds (on both these, see chapter 3) and the continental West European flat grant. In order to qualify for access to public funding a party needs an 0,5 per cent share of the national vote (in a federal or European election) or a 1,0 per cent share of the vote in at least one of the (individually held) 16 state elections.

The amount of the subsidy is limited by two general ceilings. First, no party may receive its public

entitlement unless it has collected an equal amount from (transparent) private sources, i.e., membership fees and individual or corporate donations (the technical term is “relative ceiling”). Second, the public subsidy to all parties may not exceed DEM 245 million (Int'l \$ 130 m., called the “absolute ceiling”) for 1998 and the years following, to be adjusted in due course for inflation. The distribution uses a dual criterion. First, ca. 40 per cent of the public subsidy is distributed according to the number of votes received. Each vote in the most recent state, federal and European elections entitles any eligible party to a public grant of DEM 1,00 (Int'l \$ 0,51) annually. For the first 5 million votes, eligible parties receive an additional bonus of DEM 0,30 (Int'l \$ 0,15) per vote. With the other 60 per cent of the Treasury funds set aside for the party subsidy, small donations by individuals and membership fees are matched 2:1 with public funds.

Of the total allocation, the six parties represented in the federal parliament regularly receive more than 95 per cent. The rest is distributed among between five and ten minor parties. The overall total of public subsidies for the entire election cycle 1995–1998 was DEM 965 million (Int'l \$ 530 m.), meaning ca. DEM 4,02 (Int'l \$ 2,2) per citizen per year is given to state and federal party organizations. This total does not include separate allocations to parliamentary caucuses, party youth organizations, party associations of municipal councillors or party foundations, or the net value of tax benefits for political donations, free air time on publicly owned radio and television networks or other services in kind, which are mostly provided by municipal governments (see section 3). There are no subsidies available for local party organizations or individual candidates.

TABLE 21.

STATE SUBSIDIES TO SWEDISH POLITICAL PARTIES AT THE NATIONAL LEVEL, 1999

Figures are in SEK million. In this table, \$ = Int'l \$ million.

	S	M	C	Fp	V	Mp	Kd	Total
Partistöd	41,24	22,88	6,50	6,21	9,32	4,80	8,19	99,14
Kanslistöd	6,74	6,62	5,30	5,28	5,82	5,26	5,80	40,82
Combined state support to parties	47,98 (5,0 \$)	29,50 (3,1 \$)	11,80 (1,2 \$)	11,49 (1,2 \$)	15,14 (1,6 \$)	10,06 (1,0 \$)	13,99 (1,5 \$)	139,96 (15 \$)
Partigruppstöd	26,02	17,45	6,02	5,94	10,38	5,37	10,05	81,23
Total	74,00 (7,7 \$)	46,95 (4,9 \$)	17,82 (1,9 \$)	17,43 (1,8 \$)	25,52 (2,7 \$)	15,43 (1,6 \$)	24,04 (2,5 \$)	221,19 (23 \$)

Notes: S = Social Democratic Party (Socialdemokratiska arbetarepartiet); M = Conservative Party (Moderaterna); Fp = Liberal Party (Folkpartiet); Mp = Green Party (Miljöpartiet); C = Centre Party (Centerpartiet); V = Left Party (Vänsterpartiet); Kd = Christian Democratic Party (Kristdemokraterna). *Partistöd* is a general subsidy to the parties. *Kanslistöd* is office assistance – a subsidy for the secretariats of parties represented in parliament. *Partigruppstöd* is state support to parliamentary groups of all parties represented in parliament.

Source: Riksdagens utredningstjänst.

In 1965 the **Swedish** Parliament decided to grant subsidies to the central headquarters of the political parties. The technicalities of the national subsidies have changed over time. Today they fall into three categories: a general subsidy to the party (*partistöd*), a subsidy for the secretariats of parties represented in parliament (*kanslistöd* – office assistance), and a subsidy to party groups in the parliament (*partigruppstöd*). The latter was introduced in 1975 and is in practice part of the “national” subsidy. The amount of *partistöd* depends on the average number of seats won by a party over the two most recent parliamentary elections. In 1999, SEK 282.450 (Int'l \$ 29.000) per seat was allocated. Parties which have not won seats in parliament but have obtained at least 2,5 per cent of the votes cast in the entire country in either of the two most recent elections receive a subsidy as well. They receive the amount per seat for each one-tenth of a per cent (0,1 per cent) of the vote. Since 1969 county councils and municipalities have given funds to political parties at their respective levels, too. This was part of a local government reform and was meant to improve information on local government.

The regional and local subsidies, called the community subsidy (*kommunala partistödet*, KPS), consist of a fixed amount (*grundstöd*) and an amount depending on the numbers of seats (*mandatsöd*). These sub-national subsidies add up to much more than the total of the three national subsidies – in 1999 they were SEK 445 million (Int'l \$ 46 m.) as compared to SEK 221 million (Int'l \$ 23 m.) for national subsidies (see table 21). Electoral defeats have very damaging effects

on the finances of sub-national party organizations (unlike national organizations): A party which has lost representation gets public money for only one year after its defeat. On the other hand, the decentralized system of public funding has contributed to the maintenance of local party activity during non-election periods.

Apart from these generic subventions to parties, special subsidies – SEK 487 million (Int'l \$ 52 m.) in fiscal year 1994/95 – were introduced for the press (meaning mostly party-affiliated newspapers, because the subsidies were legally geared towards minority papers in regional markets) in 1972, but these are not channelled through political parties.

As a consequence of these various types of public subsidies, the Swedish political parties are now very dependent on public funds, which are the dominant source of income. Data from the late 1980s indicate that the social democrats were the least dependent on public financing, mainly because they continued to receive substantial contributions from labour unions. In 1989 the Social Democratic Party at the national level depended on public money for 38,5 per cent of its total income, but the Liberal Party and the Green Party for ca. 84 per cent. The incomes of the national Conservative Party, the national Centerpartiet (Centre Party) and the national Left Party (Vänsterpartiet) were made up of 76, 68 and 66 per cent of national public subsidies, respectively (Gidlund 1991:44).

From the 1970s until 1999 parties in the **Netherlands** received substantial state subsidies, not directly but indirectly via affiliated foundations. State

subvention was only given at the national level and earmarked for specific purposes – research institutes, educational institutes and youth organizations. For parties to be able to receive these goal-oriented subsidies, special foundations had to be set up. Consequently, activities that had hitherto been carried out within the framework of the parties themselves were now taken care of by affiliated foundations. The only money given directly to the parties was to cover the production costs of radio and television “spots”, which were broadcast free of charge (see section 3).

Since 1999, as a result of the new law, public subsidies have been given directly to parties at the national level. The funds continue to be goal-oriented, but the list of goals has been broadened to include contacts with foreign sister parties and information to party members. Campaign spending is explicitly excluded from state subvention, for two reasons: campaigns are very difficult to monitor; and it is felt that the state should stay aloof from the direct electoral competition for power and concentrate on reinforcing the inter-election activities of political parties (by way of goal-oriented subsidies). Another new element of the law is the stipulation that political parties which have been condemned by an independent judge for racist publications or activities lose all subsidies subject to the law (including free time on radio and television) for a certain period of time (Commissie Subsidiering Politieke Partijen 1991).

All parties represented in either of the two chambers of parliament are entitled to receive state subsidies. Parties receive a base amount plus an amount which depends on the number of parliamentary seats. The subsidy for youth organizations and research institutes is earmarked, i.e., parties can use this subsidy only for these specific purposes. (The subsidy for youth organizations also depends on the number of their members.) Parties may spend the rest of the subsidy as they please as long as they spend it for the goals mentioned in the law. The total amount of state subsidies given on the basis of the new law was ca. NLG 10 million (Int'l \$ 4,9 m.) in 1999 – ca. 25 per cent more than before. Thus the degree of dependence on state subsidies will be higher now than it was in 1995 (table 19). Individual MPs and parliamentary party groups as a collective body receive state money to hire staff. This has given parliamentary caucuses an advantage over the party organizations (Gidlund and Koole 2001).

3. Subsidies in Kind and Indirect Support

In all the countries compared in this chapter, voter registration is taken care of by the state administration and/or local authorities. In Sweden the state covers the expenses for election material (ballot papers, voting envelopes) and public information. Local governments pay for election officers, polling station facilities and transport to and from polling stations. Italy and Sweden (at increasing cost) provide a free mailing of campaign literature to each voter in national elections. Similarly, Spain provides the distribution of campaign literature at heavily reduced mail rates (e.g., at PTS 1 instead of PTS 32 or 45 per letter). The Italian state permits the use of public buildings for party political purposes. Political parties are granted a guaranteed rental contract for their premises for at least six years. Additionally, the rents on party premises may not be increased by the same amount as rents on other property. Rates for the use of public places for advertisements, billboards and pamphlets are reduced by one-third. Municipal governments in Spain, France, Germany and the Netherlands provide free space for posters. Parties are allowed to put one election poster on each billboard, next to the posters of the other parties. Sometimes meeting rooms (Italy, France, Spain), furniture, computers and cars (France) are given to parties; the German parties have to pay for these. In France and Italy some party workers or collaborators are officially listed as functionaries of public utility organizations, but work only for a party. Obviously, no reliable figures on the value of these subsidies in kind exist.

Politicians in office in **France**, **Germany** and **Sweden** receive money and other support in different ways. MPs enjoy free and unlimited train travel within their own country. In France they can claim the costs of air travel from the constituency to Paris for up to 40 return tickets a year. In France and Germany telephone costs and the costs of computer facilities are taken care of by the state, and offices in or near the parliament building are provided free of charge. The subsidy for personal assistants enables MPs to hire one assistant for each MP (Germany) or two MPs (Sweden). Parliamentary party groups as collective bodies receive office assistance in France, Germany and Sweden to hire staff for secretarial and research work. In **Sweden** a travel fund (*resebidrag*) enables MPs to travel abroad within the framework of their parliamentary duties. At the local

level party groups in municipal assemblies are also eligible for public support. While this support has been common in **Germany** since the 1970s (the amount of money provided depending on cities and the individual states), it is recent in **France** and has coincided with the process of decentralization over the past decades. Since 1993 party groups in French cities of more than 100.000 inhabitants have been entitled to a state subsidy up to a maximum of 25 per cent of the total of all remuneration to local councillors.

A major subsidy in kind for all parties is free media time during election campaigns. In **Germany** private broadcasters are allowed to charge a specific fee to recover their costs; public networks (which are still the major broadcasters in a mixed system of public and private radio as well as television) may recover their production costs only. In European countries air time is generally allocated to the contesting parties in proportion to their performance in the previous general election. Usually major parties receive more time than smaller ones, although by way of contrast the **Dutch** parties represented in the second chamber of parliament receive the same amount of time on radio and television regardless of size on an ongoing basis. During election campaigns (seven weeks before a national election) the same applies to all parties which have nominated candidates in all 19 provinces (*kieskringen*). In **Sweden** free time on television and radio is given to parties during election campaigns only. Paid political advertising by parties is not allowed except on local television and radio stations.

Tax benefits for political donations are not easy to estimate. In **France** up to 40 per cent of donations and membership fees given to parties (or candidates) by individuals is deductible from taxable income. In the **Netherlands** donations from both individuals and corporations are tax-deductible. Individuals may deduct donations in excess of NLG 120 (Int'l \$ 53) and 1 per cent of the individual's gross annual income up to a maximum of 10 per cent of gross annual income. In fiscal terms membership fees are considered to be gifts. Corporations can deduct donations of more than NLG 500 (Int'l \$ 220) per year up to a maximum of 6 per cent of annual profits (Commissie Subsidiering Politieke Partijen 1991:131–133).

In **Germany** there have been tax incentives for small donations (and party membership dues) since 1967. Following a Supreme Court ruling, no tax benefits have been available for corporate donations since 1992.

Today the tax benefit is limited to individual contributions (including membership fees) up to DEM 6.000 (Int'l \$ 3.000) per donor per annum. Individual donors receive a 50 per cent tax credit of up to DEM 1.500 (Int'l \$ 750) for a political contribution of up to DEM 3.000 (Int'l \$ 1.500) per year per taxpayer. Another DEM 3.000 per year per taxpayer can be deducted from taxable income for any donation in excess of the first DEM 3.000. If an individual contributes DEM 4.800 (Int'l \$ 2.400) per calendar year as a membership fee, as a donation or as an assessment on his or her political income (*Sonderbeitrag, Parteisteuer*) or as any combination of these, the amount of the tax benefit depends primarily on the marital status of the contributor/taxpayer. On a joint return a contribution of DEM 4.800 simply earns a couple a tax credit of DEM 2.400 (Int'l \$ 1.200), the amount being considered as an advance payment on the final income tax due. For a taxpayer taxed as a single person a party contribution of DEM 4.800 will earn the donor DEM 1.500 income tax credit for the first DEM 3.000 of the contribution (but only if made to a party, not to a candidate, a caucus or any ancillary group). The remaining DEM 1.800 (Int'l \$ 900) is available for a tax deduction, i.e., this amount will be deducted from taxable income as established annually by the Internal Revenue Service (Finanzamt) and the income tax saved by the surplus contribution will then depend on the personal tax rate applicable.

4. Public Monitoring of Political Finance

Monitoring and control of political finance have been introduced in Germany, Italy and Spain. At first glance the **Spanish** political finance regime seems to cover all possible aspects of public monitoring of political money. **Italy** offers a variety of elements for a strict although inconsequential system of public monitoring. In **Germany** public monitoring of party financing has developed over a long period of time. As early as 1949 the constitution required parties to report to the public the sources of their income. However, it took about two decades to hammer out the details in the Parties Law of 1967, and the present rules were not established until 1983.

In France, the Netherlands and Sweden monitoring of party financing is limited because privacy of donors and parties is emphasized. Since 1988 political parties in **France** which receive a public subsidy or private

money subject to an income tax deduction have been required to keep financial records. Later various regulations were adopted and a great amount of jurisprudence has followed but, because of the complexity and the sometimes contradictory nature of the legal requirements, the poor level of supervision and the great constitutional freedom given to political parties, transparency of political funds is still lacking. In **Sweden** legislation concerning political parties is minimal. There are no rules for donations, campaign expenditure or media access, and the rules on public subsidies to political parties contain no specific provision concerning any quid pro quo from the parties. **Dutch** legislators are still rather inexperienced with regulation on the transparency of political finance.

4.1. Bans and Limits

Bans and limits exist for foundations and donors, as well as limits on expenditure for candidates and parties.

Spain's party and campaign finance regulation includes several restrictions on income and expenditure. The most general rule is a complete ban on donations by public enterprises, government contractors and foreign institutions (except the European Parliament). In order to reduce pressure resulting from sources of funding which are deemed unacceptable – i.e., corporate donations and cash in exchange for favours – only small amounts of private money can find their way legally into party coffers. Since 1985 there has been a limit for the annual total of political donations an individual or group may make. In 1987 this amount was increased to ESP 10 million (Int'l \$ 71.870). For campaign donations there is a further restriction: a maximum of ESP 1 million (Int'l \$ 7.190) per donor applies to all kinds of donors. For any recipient party the total amount of anonymous donations may not exceed 5 per cent of the total public subsidy allocated to all parties in that specific year, i.e., ESP 375 million (Int'l \$ 5 m.) in 1987 or ESP 501 million (Int'l \$ 4 m.) in 1998 (Sanchez 1999:38–39). The spending limit for political parties' campaign expenses depends on the number of inhabitants in those constituencies where the party presents candidates. The amount per inhabitant (ESP 44 in 1996) is linked to the consumer price index (CPI).

Generally there are no limits in **Italy** on donations, whether individual or corporate. Attention, however, must be drawn to business contributions. Privately-run companies and businesses are allowed to financially

support the political party of their choice. The law requires, however, that any donation to a party must be approved by the board of directors and appear in the company's annual report. Legislation also includes provisions which forbid donations by certain companies and semi-public bodies. An act passed in 1975 (no. 195/75) bans any company with a public shareholding of 20 per cent or more of corporate capital from donating to political parties. The law in **Italy** differentiates between ordinary and extraordinary activities (i.e., election campaigns), and limits to contributions for campaign purposes have been introduced. Donations to a particular candidate (but not to a party) to cover campaign costs may not exceed ITL 23 million (Int'l \$ 13.000). Campaign expenses per candidate may not exceed a total of ITL 100 million (Int'l \$ 57.500). There are additional limits in operation for parties which present candidates in all constituencies. This ceiling is ca. ITL 11 billion (Int'l \$ 6,3 million). There are, however, apparent problems with enforcing this law as it appears rather difficult to draw a line between ordinary expenditure and the extraordinary costs of election campaigns (Bianco and Gardini 1999:28).

Since 1995 in **France** candidates and parties have no longer been allowed to receive funds from private corporations or public-sector companies. Foreign donations are likewise banned. Donations from any individual (physical person) may not exceed FRF 50.000 (Int'l \$ 7.500) per year. Donations of more than FRF 1.000 (Int'l \$ 150) must be given by cheque. Expenditure limits exist for both candidates and parties. At presidential elections a party and its candidate may spend up to FRF 90 million (Int'l \$ 13 m.) for the first ballot and FRF 120 million (Int'l \$ 17,9 m.) in the second round. The expenditure limit for parliamentary elections, for both parties and candidates, is FRF 250.000 (Int'l \$ 37.000) plus FRF 1 (Int'l \$ 0,15) for each inhabitant. For European elections it is FRF 56 million (Int'l \$ 8,3 m.) per list, and for local elections it varies from FRF 1,5 (Int'l \$ 0,22) to FRF 11 (Int'l \$ 1,6) for each inhabitant, depending on the type of election and the size of the population (all figures are as of 1998/99). One way to get around spending limits is by setting up support committees for candidates (*comités de soutien*).

In **Germany**, the **Netherlands** and **Sweden** there is no legal limit for political contributions by individual or corporate donors. The same applies to party

expenditure: there is no limit on the total amount or on specific items for campaign expenses or routine spending. Nevertheless there are practical restrictions. For **Germany** the most important of these are (a) a ban on tax benefits for corporate donors imposed by the Supreme Court, and (b) public disclosure of all large donations by the recipient party.

Neither of these applies in the **Netherlands** (which offers tax benefits for donations to political parties by individuals and corporations) or in **Sweden** (which does not provide such benefits). Both countries, however, have other practical restrictions on corporate donations: All major parties have publicly declared that they will not accept such contributions (and so far seem to live up to this voluntary obligation).

4.2. Disclosure of Donors' Identity

With Sweden being the only exception (parties are not obliged to provide any public information about their donors), statutory obligations to disclose donors' identities have been implemented in all the countries compared in this chapter, obviously with different effects. In **Spain** disclosure is only vaguely regulated (by article 4.3 of the LOFPP) and not seriously enforced. Thus very little is known about private sources of party financing between 1977 and 1985 (del Castillo 1994:98–99). Most of the information which came up during the early 1990s was revealed through scandals.

In contrast, in **Italy** all contributions of more than ITL 5 million (Int'l \$ 2.900) must be disclosed. Not only the party benefiting but also the donor has to declare the amount contributed. The distinction between ordinary and extraordinary spending brings about two sorts of disclosure. Although the law demands documentation of a corporate contribution in the donating company's annual report and the receiving party's balance sheet, political practice does not usually obey such disclosure rules. This fact indicates the amazing gap between statutory requirements and political reality (Bianco and Gardini 1999:28).

This may have been the reason why in **France** corporate donations of any kind were disallowed in 1995 (see section 4.1 above). However, it is important to note that all donations to candidates and parties must be given via a financial agent, a *mandataire*, which is either an individual or a special finance association (*association de financement*). Both have to be approved by the Commission Nationale des Comptes de

Campagne et des Financements Politiques (CCFP; see section 4.4) in order for donations to be tax-deductible. Each candidate and each party can only have one *mandataire* (Doublet 1997).

In **Germany** disclosure is restricted to big donors – their names and addresses, and the total of their donations, starting at DEM 20.000 (Int'l \$ 10.000) per donor per year. This feature has remained basically unchanged since 1983. Implementation of the disclosure provision is controlled by the permanent staff of each federal party organization's finance department and its head, the treasurer, in close cooperation with a certified accountancy firm commissioned and paid by each federal party individually. The rules are by and large observed, although parties try to split corporate donations between subsidiaries of big companies (which is perfectly legal, but the subject of scandal-mongering by the media). A serious offence occurred when former Chancellor Helmut Kohl kept undisclosed some clandestine funds of unnamed (private or corporate) origin, amounting to ca. DEM 12 million, during the last decade of his time in office, that is, ca. DEM 1 million per year (Int'l \$ rates n/a). (On the legal and political consequences of these scandals, see sections 4.3 and 4.4 below.)

Initially there was no disclosure in the **Netherlands**. In the mid-1990s, however, most political parties, following a suggestion of the Ministry of Home Affairs, introduced into their by-laws a stipulation that all donations received from private organizations in excess of NLG 10.000 (Int'l \$ 4.600) had to be publicly disclosed by the recipient party. The new Law on State Subvention to Political Parties (1999) includes a stipulation with the same text (article 18); all these donations have to be made public in the annual financial report of the party. Donations by the same organization within a time-span of one year are deemed to be one donation. The date of the gift, the amount and the name of the donor are to be made public unless the donor objects to the publication of his or her name, in which case a description of the category of donor has to be given (e.g., business, union or non-profit organization, although the law does not provide any categories). This rather ambiguous stipulation says nothing about individual donations or transfers to organizations other than political parties (e.g., affiliated foundations).

4.3. Reporting of Political Funds

Reporting procedures in Spain, France, Italy and Germany show some similarities. In Spain and France a special agency is responsible – in France the CCFP, in Spain the Tribunal de Cuentas, the national agency for the monitoring of financial management in the public sector. **French** political parties have to deliver annual reports, while candidates must report within a specific time-span after each election. Presidential elections, however, are subject to a different regime: Candidates have to report their campaign spending to the Conseil Constitutionnel, which must publish reports in the *Journal Officiel* two months after the election. Since 1985/87 each party in **Spain** has reported annually on its campaign expenses and related fund-raising after each election, as well as on its current income and expenditure, to the Tribunal de Cuentas. In Germany and Italy the treasurers of the national parties submit their annual reports to the speaker of the parliament.

In **Italy** all parties are required by law to report annually on their financial transactions. A balance sheet for the national party headquarters has to be handed in to the speaker's office of the Camera dei Deputati (the lower house of the parliament) by 30 March every year. The speaker is assisted by a committee of chartered accountants which reviews the technicalities. After this procedure the parties' financial accounts are published in the *Gazzetta Ufficiale*, the official organ for the publishing of laws and decrees. However, in contrast to the German case, in Italy election campaign donations, incomes and expenditure have to be declared separately to the Corte dei Conti (the state auditor) following any election, while candidates have to declare donations received to the Collegio Regionale di Garanzia Elettorale, the regional administrative agency in charge of elections. Individual donors are not mentioned, and only the total sums of money received are indicated by categories such as membership fees, donations and public subsidies.

Although the **Italian** reports have to mention all party property, such as real estate, shares and income from economic activity, they are still very lacking in detail. It still seems to be quite possible to conceal the flow of money. (Furthermore, the law dealing with reporting and publication of party financing tends to assume that the party press is a sub-organization of the party, because the balance sheet design demands documentation of all incomes from publishing and mass information activities. Taking this into account,

the conclusion is obvious that the parties are entitled to spend part of the state subsidies to cover the deficit of the party press.)

Just as the Italian reports lack transparency, the **French** reports of the parties are also incomplete. Local activities of parties (as in Spain and Italy) are not included, links between parties and specific associations or foundations remain unclear, and the legal status of parties is rather vague. Most candidates tend to be backed by support committees, but money raised and spent by them does not show up in the campaign account of any candidate.

In **Germany** a financial report which includes details on income and expenditure, and information on debts and assets at all levels of each party organization has to be filed with the speaker of the federal parliament. All reports and the lists of donors are published in a parliamentary paper (*Bundestags-Drucksache*). Reporting has been required by law since 1967 and safeguarded by a detailed clause in the constitution (article 21) since 1984. There are some elements of symbolic politics in the current reporting rules, but they have resolved all major problems except one: assessments of legislators and municipal councillors do not show up as a separate category in the reporting schedule (this is being tackled in an amendment to the law currently before the parliament). Obviously the "slush funds" of interested money mentioned above did not show up in the financial reports for the years 1984–1998.

In order to distinguish the political damage caused by the scandal from the regulatory problem as far as reporting is concerned, some observations are in place. The slush funds revealed were (a) non-reported donations to a former CDU party leader and federal chancellor – ca. DEM 12 million (Int'l \$ 6 m.); and (b) unreported assets held clandestinely in foreign banks by the then secretary general of the CDU state party in Hesse (who was later to be the federal minister of home affairs) and his state treasurer – some DEM 20 million (Int'l \$ 10 m.). Both major scandals involve transactions by former CDU officials who decided to keep some clandestine funds "on the side" when all parties implemented the new, stricter rules of political finance legislation. It was not so much the amount of money involved as the violation of statute law by cabinet members which caused the scandal.

Legislators' lack of experience with regulation concerning transparency of political funds in the

Netherlands is evident from the fact that the Law on State Subvention to Political Parties (1999) does not require a detailed common format to be used for the financial reports of political parties. Audited balance sheets for most parties and their affiliated organizations, however, have been available for scholarly research during the past decades, on the basis of which it is safe to conclude that contributions from “big donors” (business circles or labour unions) barely exist.

Although no official monitoring for party funds exists and no procedure for enforcement is in place in **Sweden**, in 1980 the political parties agreed among themselves to make available for inspection annually, on a voluntary basis, the income and expenditure of their national headquarters. At regular intervals, and stimulated recently by an increasing number of political scandals and cases of unethical behaviour among politicians, demands have been made in public debate for the parties’ autonomy to be reduced. So far the parties have successfully defended their privileges. Even in 1999, a royal commission evaluating the elections of the previous year concluded that voluntary agreements among parties were sufficient. However, in 2000, after the Kohl affair in Germany had aroused concern in Sweden, another royal commission argued for some regulation on making public the funding for candidates and parties (Gidlund and Koole 2001).

4.4. Enforcement

Since the transition to democracy, the **Spanish** parties have always had to present financial reports for their campaigns to the election administration (Juntas Electorales), which can refer any breach of the law to the public prosecutor but cannot impose any sanction. Not surprisingly, information on party financing is scarce and, particularly during the first years after the transition to democracy, there was practically no legal monitoring of party financing. Although the prerogatives of the Tribunal de Cuentas have been increased in recent years, reliable data is still lacking. This is largely because the state auditors have limited authority to demand information beyond that offered by the parties, although in 1991/92 an investigation was started into some companies allegedly involved in improper dealings to raise funds for the governing party. The state auditors, whose role is basically limited to investigating the irregularities in the accounts

provided by the parties themselves, have been reluctant to fulfil their legal obligation to publish the annual reports. By 1997 only annual reports for 1987–1992 and the campaign reports for 1986–1996 had been published. A number of cases of illicit party financing, such as the Filesa affair or the Flick case, had been investigated.

The Juntas Electorales can report breaches of the law to the Public Prosecutor, but cannot impose any sanctions. The Tribunal de Cuentas can only recommend to parliament that the public subsidies for a party which does not comply with the legal rules be reduced. Since the authority to impose sanctions ultimately rests with the Spanish Parliament, which means, in practical terms, with the parties themselves, it is perhaps not surprising that, despite the many irregularities in the party accounts and sometimes apparent infringements of the law, effective sanctions have hardly been imposed. Moreover, parties may actually prefer to pay a relatively small fine rather than comply with the legal provisions.

In **Italy** numerous rules have been provided for enforcement. In the event of irregularities allocations from tax check-off funds to a party can be suspended until regularity has been restored (Law no. 2/97). If individual donations to political parties in excess of ITL 5 million (Int’l \$ 2.900) are not declared (by the donor or the party) the sanction for breach of the rule is a fine (Law no. 659/81). There is a fairly harsh enforcement regime to back up the law of 1975 (see section 4.1) which prevents public bodies and companies with public share-holdings of over 20 per cent from donating. If this law is breached those responsible can expect a prison sentence of up to four years. Finally, there is a regime which deals with offences relating to illegal election campaign donations. The institutions that administer elections have the power to impose fines for any violation of the rules.

The enforcement of these rules has been assigned to various agencies. In the event of irregularities the speaker of the Camera dei Deputati may order the suspension of subsidy allocations. Offences relating to illegal election campaign donations are treated in a different way. For parliamentary candidates the Collegio regionale di garanzia elettorale and for parties the Corte dei Conti enjoy the administrative power to impose a fine for any violation of the rules.

In **France**² a special agency, the CCFP, was set up in 1990 to control campaign expenditure and other issues

concerning political finance. Its nine members are appointed for a period of five years by the government as nominated by the vice-president of the Conseil d'État, the president of the Cour de Cassation, and the first president of the Cour des Comptes (each proposes three candidates). The CCFP employs between 30 and 40 staff. It approves, rejects or changes the reports filed with it by the parties and candidates. It can reject campaign accounts for various reasons – if a deficit is unaccounted for, if there are no receipts, or if an account has not been opened by an agent in the proper way.

Nevertheless the powers of the CCFP are very limited. In the event of a suspected violation of the law it can refer the matter to the Attorney General (Procureur de la République), but even then administrative and penal sanctions are quite modest. If there are irregularities in candidates' campaign reports (for example, the spending limit has been exceeded, or donations have been received without the intermediacy of the *mandataire*), the CCFP may refer the case to an electoral judge (juge de l'élection) – a special administrative judge, who can apply electoral sanctions (e.g., declare a candidate non-eligible) or financial and penal sanctions as stipulated in the Electoral Law. A candidate can be disqualified, but only when the excess spending was more than 5 per cent of permitted electoral expenses. However, since 1996 the legislation has allowed exemption from disqualification in the case of good faith, for example, where the application of the law is unclear or would lead to inflexibility. The CCFP can institute criminal proceedings and increasingly does so (it did so in 50 instances in 1998), trying to claw back the power it lost in the electoral area as a result of the "good faith" legislation.

The electoral judge acts not only on the initiative of the CCFP, but also on request of any voter. The Conseil d'État acts as the court of appeal. The penalties have no deterrent effect. Offences involving political corruption are prosecuted under the criminal code rather than under legislation on the funding of political parties. However, parties cannot be prosecuted under the criminal code.

The Conseil Constitutionnel, which is charged with monitoring the funding of presidential elections, has no power to apply an electoral sanction in the event of irregularities or a breach of the spending limits, and has only limited powers to apply other sanctions. Moreover, presidential candidates tend to be backed by

comités de soutien set up for the occasion. These committees were originally introduced by law in 1995 in order to give candidates who are not backed by their own political party, because it is supporting another candidate, the possibility to raise additional money, but they are now used by most candidates, generally on a local basis. The support committees collect money for candidates' campaigns at the local level, but this money is not included in the national campaign accounts. Consequently these funds are not taken into consideration when assessing whether or not a candidate has exceeded the spending limit.

Nevertheless the rules on contribution and spending limits seem to be quite effective in constituencies which are of a reasonable size. The effectiveness of the rules on contribution and spending limits is much more doubtful in a large area like the whole nation. Especially in presidential elections the means of controlling the origin of funds are very limited (Doublet 2001:6).

Enforcement of the **German** regulations relating to political parties is the task of four separate agencies, none of which has any similarity with the US Federal Election Commission or the institutions of other members of the Council on Governmental Ethics Laws (COGEL).

The procedure for registration of political parties is as loose as the requirements for registration. Registration is done by the president of the federal statistical office, who is the head of the German election administration (*Bundeswahlleiter*). Registration requirements are written by-laws, a party programme and a formal leadership. Some 60 parties are currently registered. To a great degree this list of registered parties is identical to the list of parties which are authorized to issue receipts for political contributions eligible for tax credits and tax deductions. The compilation of this list is within the jurisdiction of the Internal Revenue Service (*Bundesamt der Finanzen*) and may be challenged in court.

All parties (as required by law) submit their annual report and their donors' list to the speaker of the federal parliament (*Bundestagspräsident*). The administrative staff of the speaker of the German Parliament have to check (although not to audit) the annual reports, which are submitted by 23 – three parties regularly and 17 others occasionally, publish them (most recently for 2000 in Bundestags-Drucksache no. 14/8022 of 2002) and comment on them in a parliamentary paper (most

recently, for 1999, in Bundestags-Drucksache no. 14/7979 of 2002). It also calculates and pays the (direct) public subsidy to all eligible parties. In recent years all six parties represented in the federal parliament and a dozen others (a few of them represented in one of the state legislatures or the European Parliament, but not federally) have received a public grant. All these parties have submitted their annual reports regularly and on time, as submission of such reports is a legal requirement for subsidization.

In late 1999 a major scandal revealed various dubious transactions and two clear-cut violations of the law on party financing by the major conservative party (the Christian Democratic Union, CDU). First, one of the party's 16 state branches, the state party of Hesse, had not reported considerable assets held in foreign bank accounts. Second, over many years the former leader of the CDU had used a "slush fund".

On the first infringement, the speaker of the federal parliament (in strict application of the rules laid down in the Parties Law) refused to grant the full amount of the public subsidy to the federal party and demanded that the CDU return the cash advance already received. The party decided to question this decision in the courts and has so far been successful in a lower administrative court. On the second infringement a penalty was imposed for refusal to disclose the identity of various donors who had contributed to former Chancellor Kohl's secret fund. Because these donations are deemed to be anonymous (i.e., illegal) the CDU had to face (and has accepted) a total penalty of ca. DEM 10 million (Int'l \$ 5,4 m.). Mr. Kohl made up for the financial, but not the political, damage caused by soliciting this amount in additional, identified and perfectly legal donations. The speaker of the federal parliament restricted his penalty to those illegal acts which had occurred during the previous four years, the period for which documents have to be preserved in the party files.

A commission of experts on party financing (*Parteienfinanzierungs-Kommission*), appointed by the federal president, who is the formal head of state, is in charge of establishing and calculating a price index for party expenses. Since 1992 this index has been the constitutional requirement for any inflationary adjustment of the total amount of direct public subsidies to political parties (technically called the "absolute ceiling", as mentioned above). In addition the commission has to evaluate any proposed amendment

to the present legislation, but it has no administrative duties or oversight jurisdiction of any kind. It has, however, prepared two reports concerning a review of the current legislation (Bundestags-Drucksache no. 14/637 in 1999 and no. 14/6710 in 2001).

In order to check the reliability of financial reports in the **Netherlands** the Law on State Subvention to Political Parties (1999) requires parties to have their reports audited by a registered accountant. The party is obliged to make its accountant cooperate with the auditor of the Ministry of Home Affairs if the ministry deems it necessary to check the work of the accountant. No specific sanction is mentioned in the event of parties failing to abide by the law, e.g., failing to disclose donations or to cooperate. It would, however, be in line with the law to have the subsidy postponed, reduced or even withheld. As the law stipulating all this is very new, no jurisprudence exists.

Following a very heated debate in 1965, when the parties were afraid of state intervention in their internal affairs, no official monitoring exists for party funding in **Sweden**. All transparency provided by Swedish parties is voluntary and no legal enforcement of their agreements is possible. To date legislation concerning public subsidies to political parties does not include any specific transparency or its enforcement. The use of subsidies is entirely up to the party; no statutory rule exists as to the purposes the money is used for. There is not even a check as to whether the purpose is political in character or not. This policy of aloofness was first expressed by the Committee of Experts on Party Financing (a royal commission) in 1951 and is still upheld. Although political parties to a great extent depend on state aid for their income, they enjoy great organizational freedom.

5. Conclusion: Lessons to be Learned from Western Europe

Legislators clearly prefer **public subsidies** to private funding, at least to close the gap between increasing costs and declining membership fees and to prevent parties from becoming instruments of wealthy groups or individuals. Over time this policy has led to very generous systems of state subvention for political parties – in Germany since 1959, Sweden since 1965, Italy since 1974, Spain since 1978 and France since 1988. Until 1999 Dutch political finance was characterized by its modest scale and by the absence of

state subsidies for campaign expenses and for party funds in general. However, as a result of the drop in party membership, the absence of plutocratic financing and the modest level of the state subvention, their limited resources have put the Dutch parties under pressure to follow the path of public financing.

European parties are to a very great extent financially dependent on state subsidies. The impact of public funding in established democracies is controversial. Has it contributed to a breakdown of **mass membership**? Party membership in **Sweden** remained fairly stable for a long period after large-scale state subvention was introduced. This could mean that state subvention does not necessarily have a negative impact on the number of party members, even if the latter have become less important for the income of parties.

One of the major threats with respect to the introduction of large-scale state aid is that it may lead to a “petrification” of the party system: all subsidies foster the status quo. The development of party systems, however, indicates that there is no causal relationship (Pierre, Svåsand and Widfeldt 2000). The European party systems were considered to be “frozen” long before public subsidies to parties were introduced. In the 1990s the volatility of the electorate increased, resulting in drastic shifts of votes between parties (e.g., in Sweden and Italy), notwithstanding the enormous amounts of state subvention to the major parties. In all countries new parties arose, especially the Greens, being almost the creatures of public funding.

In order to reduce the role of big money in political finance, **corporate donations** are prohibited (in France), limited (in Spain) or disclosed (in Germany, Italy and the Netherlands). In Sweden there are voluntary decisions of the parties not to accept such contributions. The cases of **Spain** and **Italy** show that party funding from private sources can operate outside legal mechanisms and thus cause corruption.

A framework of **complete freedom** plus **effective disclosure** would be better than the current system of bans and limits. Generous public subsidies do not stop corruption, especially if enforcement of bans, limits and transparency rules is lax. If, apart from clear fraud, all donations to parties are allowed, scandals are less likely to occur. It may also be important that other channels are open for private interests to influence political decision making. The near-absence of a clientilistic tradition in the Netherlands may have contributed to an atmosphere in which corruption of

and by political parties is rare. Today, big donors hardly exist in the **Netherlands** or in Germany.

Especially in **Italy** and **Spain**, parties are unwilling to accept effective disclosure and reporting as the political price to be paid for generous public subsidies. This has led to undisclosed contributions and fake balance sheets. After a few years any serious observer could already see that in Italy reported party expenses regularly exceeded reported party income. The conclusion was simple: Either parties were living on funds tucked away in earlier decades or the published reports were unreliable. In **France** a succession of various laws (in 1988, 1990, 1993 and 1995), most of them hastily drafted, led to legal contradictions and to loopholes that were exploited by politicians and parties alike; the **German** political finance regime of 1994, on the other hand, has an **integrated systems approach** towards political money, based on public subsidies and reporting rules. This approach seems to be a successful attempt to avoid both overregulation and empty symbolism.

Credible **reporting** cannot be limited to the income and expenses of party headquarters. In order to provide for an easy cross-check, **debts and assets** have to be included and, as parties usually have **regional and local branches**, the income and expenses of these sub-organizations have to be included in the reporting procedure.

European **party organizations**, existing traditionally or built up with public money, are the major cause of increasing expenditure. The decentralized character of public funding in **Sweden** has proved instrumental in keeping local party organizations alive between elections. However, the parties always need more money than they get. The Dutch parties are the exception to the rule. Because public funding has been modest, no party bureaucracies have been built up and consequently the need for large amounts of money is not as urgent as elsewhere. Taxpayers, who are sceptical about public subsidies to parties, may not be willing to agree to an increase.

The case of **Italy** demonstrates a deplorable trend. As inflation nibbled away the purchasing power of subsidies, the parties should have taken measures to ensure substantial income, but the 1978 referendum sent the parties a clear message: Don't be sure that public disenchantment will not stop public subsidies altogether at any time. This created a “glass ceiling” above which public subsidies could not be increased to

adequate levels. At first the parties confined themselves to finding new pretexts for subsidization. Finally the governing parties relied increasingly on a clandestine avenue to additional funds: political graft of the most traditional form (like that in the nineteenth-century USA and mid-twentieth-century Quebec, to name just two examples) provided *tangenti*. The sheer scale of the ensuing corruption triggered recurring scandals – scandals which led to an upheaval of the political system.

Dependence on big donors could be expected in countries where parties are not deeply rooted in society. The path taken by **Spain** since 1977, to develop a newly consolidated democracy with a high level of public funding of political parties, was therefore acceptable. Emerging democracies have an enormous task to encourage **linkage between parties and society**, and this does not seem to get started without public and/or foreign money. However, the Spanish rules for party financing neither encourage the legal use of private contributions from individuals and corporations nor provide a framework for effective disclosure. After the transition phase these rules did not include stipulations concerning (non-foreign) private funds, effective incentives and disclosure. Unfortunately Spain has neglected to provide for this necessary shift in funding sources after democracy was firmly established.

In addition to this, the Spanish experience indicates that if a country copies the political finance regime applied in another country (Germany as of the late 1970s in the case of Spain) it must also copy those parts of the foreign rules which will be a nuisance to the parties. If the country simply aims to address two obvious problems – the lack of funds for party activity and the corrupting potential of corporate donations – it will miss the complexity of the issue which is being regulated. It was a mistake to imitate or copy the German largesse in public funding without the in-built requirements of mixed funding (the amount of direct public subsidies must not exceed the private funds already available to a party) and detailed transparency rules. The Spanish parties' obvious neglect of the opportunity to tap ordinary citizens (party members or small donors) as a source of private funding ended up proving that public funds will not abolish corruption.

The **German** political finance regime (as amended in 1994) is a mixed system, based on an evaluation of the risks and benefits inherent in a system of private

financing of political parties as well as those related to a system of public funding. No party will receive public funding without abiding by the law and its restrictions. The rules setting out the political finance regime incorporate various incentives for political parties to make serious efforts to raise funds from private donors, especially from the ordinary individual citizen:

- No party will receive public funding in excess of the amount of money raised from party members and private donors.
- About 60 per cent of the total amount of public funding is allocated as a grant matching party income solicited from small donations, membership dues and assessments of politicians.
- Generous tax benefits (albeit without selective incentives for small donors) are available for those individuals who have contributed to party coffers (but not for corporations).

A system of public funding which does not include **incentives for party-building** is not desirable for emerging democracies where parties are not yet rooted in society. **Overgenerous** public funding, however, will produce political parties which are overextended and under-resourced. The search for more money for “useful” activities (e.g., an electoral “arms race”) will never end. Corporate funds which have been banned are likely to find alternative ways into party coffers, as the **Spanish** case demonstrates. Therefore precautions to increase the private share of party financing over time by providing incentives for parties to raise private funds and for individuals to contribute to party coffers must be taken meticulously.

German federal law demands comprehensive **reporting**, by all sub-units of each party organization (which is not to be confused with the still inefficient disclosure of individual and corporate donors' identities). Complete transparency of all party organization funds (although not of the penumbra of ancillary organizations) with annual reports on income, expenditure, debts and assets at all levels of party activity was introduced in 1984. It has not, however, earned the parties greater confidence, either among the media or with the voting public, as became perfectly clear during the 1999/2000 scandal.

For Germany, it has to be noted that the most highly developed reporting regime in any established democracy goes along with ineffective disclosure and

enforcement. Part of the enforcement problem is an insufficient demarcation between party work, candidate campaigns, parliamentary party groups and party institutes. Different rules apply and leave loopholes (of unknown extent) as well as loose enforcement by those agencies which are only marginally involved. The major disclosure problems result from having the same deadlines for reporting and disclosure (which delays disclosure of donors) and identical cut-off thresholds for both national and local donors. A high degree of **transparency** and strong enforcement (for example, by not making public subsidies available for political parties which do not abide by the law) are minimum requirements for a healthy system of political finance.

Another weak point of the German rules is that in actual practice base amounts and the matching ratio for public subsidies are set rather high. Because the total entitlement under the law in each and every year exceeds the legal maximum amount for the subsidy, a built-in “airbag” or safety cushion keeps major risks at bay which might result from a change in voter participation or a decline in party membership. The combined financial claim of all parties under the law is ca. DEM 330 million (Int'l \$ 165 m.) annually, whereas the legal maximum is currently DEM 245 million (Int'l \$ 122,5 m.). Thus, a matching grant has been turned into a generous routine subsidy which is in fact distributed without practical dependence on voter turnout and fund-raising success.

Because in many European countries the amount of the state subsidy is at least partly based on the number of seats in parliament, political parties are required to concentrate on winning elections rather than on gaining or keeping financial support from their grass roots. Another consequence may be the loosening of ties between local and national party bodies. With the decreasing importance of a common ideology, and enormous amounts of public money given to national party headquarters, sub-national party bodies may feel themselves less compelled than ever to support the national party. On the other hand, the availability of substantial public funds for political parties at the local level may have a stimulating effect on the number of “local parties”, i.e., parties which contest elections only at the local level, frequently on an ad hoc basis.

Endnotes

¹ An electronic file of all court rulings (in German) is available at: www.uni-wuerzburg.de/glaw.

² For this section on France the author has drawn extensively on a background paper, “Funding in France”, prepared for International IDEA by Yves-Marie Doublet in 2001. His input is gratefully acknowledged.

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Monitoring, Control and Enforcement of Political Finance Regulation

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The scope of rules on political finance and the procedures for their implementation depend on the details of the regulation to be applied. If the regulation is vague there is neither a need nor a real possibility to enforce it. If the regulation is too strict the regulated parties, candidates and citizens will feel burdened by the rules or will regard them as a threat to their freedom. Political procedures normally require compromise and thus the final legislative outcome often produces problems which are likely to make enforcement difficult.

It must be noted first that all political finance regimes face a “magic quadrangle” – **transparency** for the general public, professional **accounting** by volunteer campaign and party workers, administrative **practicality**, and the possibility of **sanctions** in the event of violations. None of these can be ignored; none of them can stand alone in any effort to frame and implement rules to regulate the flow of money into politics. Practicality is essential in order to avoid bureaucratic red tape, but any legal framework requires proper administration. Sanctions have to be in place, but their real use is as a deterrent. Transparency is the most important requirement, but can never be achieved completely. Professional standards of accounting will facilitate external monitoring, but most of the original bookkeeping will be done by amateurs.

This chapter tries to explain *why* enforcement of political finance regimes is so difficult. Among other issues it will explore the methods political parties, candidates and citizens use to find ways around spending and contribution limits as well as disclosure and reporting rules. It will discuss why parliaments, administrations and other agencies are reluctant to apply controls and why judges are either unwilling or unable to investigate alleged infractions.

1. The Basis and Contents of Rules

When, in 1976, the leading Canadian scholar Khayyam Z. Paltiel stated that “enforcement demands a strong authority endowed with sufficient legal powers

to supervise, verify, investigate and if necessary institute legal proceedings” (emphasis added), many people did not believe him. The intervening 25 years have proved that he was perfectly right. This chapter brings together information relating to each of the four elements mentioned above. Evidence on the process of monitoring, control and enforcement can be found in many countries, some of which have been studied more closely than others.

The major general problems to be emphasized before we embark upon details are the basic requirements for public control and the key elements of any regulation.

1.1. Basic Requirements for Public Control

Monitoring of party funding and enforcement of financial controls are the final steps in a long process leading to the regulation of money in politics. Many democracies have ignored the issue until a scandal provoked political action, eventually leading to legislation on the subject. Some statute laws are an expression of the political will to solve the real problem; others are not. The latter simply indicate that a need for political action was felt and that some essentially symbolic action was taken. Laws of the latter kind will never be implemented because nobody meant them to be. But even laws designed to solve real problems may fail to do so because there is no support for the law among those who are subject to it.

The **USA** has created the most impressive enforcement agency but its success in achieving compliance with the law has been frustrated largely by details of the regulation and by court rulings which have undermined the efficacy of important rules. **France** has created a highly independent agency to enforce the regulation but given it very little power to monitor the actual flow of money and to audit the financial reports filed. Moreover a variety of laws has to be enforced which contain some unresolved contradictions. The **UK** has only recently enacted more comprehensive rules and instituted an Electoral Commission, which seems to have made a promising start. Thus **Canada**, **Australia** and perhaps **Germany**

* In the preparation of this chapter I have drawn on papers by Yves-Marie Doublet (on France), Ron Gould (on Canada) and Lisa E. Klein (on the USA). Further information was provided by Joe Baxter, Kevin Casas-Zamora and Patrick Henry. All their contributions are most gratefully acknowledged.

currently provide the most lasting and most effective examples of the monitoring of political money and the enforcement of political finance regulation.

1.1.1. The Rule of Law and the Free Flow of Information

The application of statute law must be embedded in social and legal routines, most of all the rule of law. A society without real practice in applying the rule of law will be incapable of implementing any political finance regime. In all established democracies the rule of law has preceded popular, responsible government. People in a supposedly democratizing world frequently take the rule of law for granted, which it often cannot be. Laws and regulations are of little value if they are widely disregarded and if offences go undetected and unsanctioned. In the field of political financing, enforcement has proved an especially severe problem.

Where disrespect for laws, institutions and the courts is the prevailing attitude, no one can hope to enforce a political finance regime. If the mindset of politicians allows for electoral fraud, why should they respect disclosure rules? Where frequent litigation is the prevalent pattern in dealing with legal matters, a multitude of court rulings will probably transform any detailed political finance statute into a set of loopholes. A mix of national and regional legislation frequently creates a confusion of overlapping and even contradictory laws. The intended objects of such laws will exploit such a patchwork by indulging in selective observation of the rules in order to avoid effective regulation. Between these extremes there is room for countries where the objects of the law will by and large be willing to observe new rules and a vigilant society or its agents will be able to oversee their implementation.

Special note must be taken not only of the rule of law but also of civil liberties, especially the freedom of information and expression. Without such freedom there will be no articulate public opinion and thus no basis for specific requirements on the part of the voting public as to the financial conduct of parties and candidates. A free press is the most obvious indicator of public debate. The Solidarity trade union in Poland hit upon the very substance of freedom when it insisted on publishing a newspaper of its own during the transition process. Nevertheless independent media which are free of government influence and control are not necessarily a fact of life in many emerging democracies.

These absolute prerequisites must be seriously

considered in any attempt to apply the lessons gathered in this *Handbook*. Does the country have a well-founded tradition of the rule of law and a free press? How might any deficiencies in these two prerequisites impact on the enforcement of even the “best” political finance regulation?

1.1.2. Determination to Control Political Money

The determination to address political finance issues varies over time and between democracies. In the world of politics, where good intentions compete with conflicting interests, hard choices and inconvenient demands tend to be avoided. A lack of political will to control the flow of money often hinders either regulation or enforcement. Legacies from the past and elements of political culture have frequently delayed and distorted political finance rules.

Experience from many countries sends a clear message to regulators: If you want to have limits you have to **enforce** them. Unenforced limits are worse than no limits because some day they will produce a scandal which will damage people’s trust in democracy as a form of government and in democratically elected leaders who do not live up to their own laws.

In the past the rules for political competition traditionally neglected political parties, but this is now on the retreat. Parties are mentioned in modern constitutions, and this offers the opportunity to establish the principle of public accountability which may be put into practice in years to come. In post-communist countries well-intentioned regulations which require financial reporting are not necessarily effective. Political parties have a fundamental problem in dealing with accountability. Their organizational weakness is one of the reasons: Parties which drifted into existence during the first stage of the democratic transition, fragmented, collapsed and then re-emerged cannot be expected to be accountable. The enforcement machinery can be used by the regime to deprive opposition parties of their right to participate effectively. Selective, partisan enforcement of political finance regulation may serve to reduce electoral competition (see chapter 5). Thus, the **link between elections, parties and transparency** is still missing in many post-communist countries. As parties recognize the weakness of that link they are not interested in providing and promoting accountability. Greater involvement of civil society, however, may produce a more demanding public opinion in the future.

Democracies which use single-member constituencies have developed rules for such contests and concentrated their legislation on candidates. For a long time Anglo-Saxon countries neglected the fact that parties were raising and spending increasing amounts of money. For many decades **donations** to British political parties were ignored on the basis of respect for privacy. **Canada** was the first country to move ahead in 1974; **Australia** followed in 1984 and finally in 1999 the **UK** introduced new rules for political contributions, party spending and public subsidies. Although the French Constitution of 1958 recognized political parties, rules for their financing were not introduced until 1988. In Germany 18 years elapsed before the 1949 constitutional requirement for transparent party funding was cast into legislation in 1967, and another 16 years went by before the current rules for transparency of political funds were introduced in 1983.

In some smaller European countries the **freedom of organization** has been the main basis for the rejection of public controls of political parties. A reluctance to interfere with the operation of voluntary associations has strongly influenced public policy on political financing. Sweden is the best-known example. Because of deep concern for the internal autonomy of political parties, first expressed in a royal commission report of 1951 and respected ever since, **Sweden** has not introduced any statutory control or restriction regarding party funds. This policy, based on ethics rather than legislation, now entails voluntary agreement among the political parties on the reporting of political funds. Only the appropriation of public subsidies is based on statute law. The distribution of this support, given without a quid pro quo, is a technical problem without any need for monitoring and enforcement. Of the other European democracies, **Denmark** and **Ireland** observe similar principles.

The **Netherlands** has moved away from this position since 1999 and transformed a rather vague party agreement on disclosure into statute law. Enforcement, however, is not yet an issue. Where parties are completely self-supporting, public controls still seem to be superfluous. Parties in **Switzerland** are treated as voluntary associations of civil society and transparency of their financial activity is not stipulated in any regulation. Although the issue of public subsidies and public controls is debated occasionally in Switzerland, the basic reluctance to regulate still prevails.

In **France, Italy, Portugal** and **Spain** as well, political parties are legally considered as private associations. Nevertheless there are detailed statutory provisions on party financing, which to a certain degree undermine the formal status of parties as private and autonomous.

More importantly, these conflicting concepts of political party have produced a tension between legal requirements and actual political practice. Strict rules on the statute book were introduced not to infringe upon the financial autonomy of parties but to demonstrate some action in response to a public opinion which was demanding measures against corruption. This preference for **symbolic action** has resulted in political finance regimes which appear strict but are in fact inconsequential. In these countries, and indeed elsewhere, such regulations will not be enforced because of the inherent contradiction that the politicians subject to them are also those most likely to be guilty of infringements.

Special problems of controlling political funding will occur if parties benefit from influence peddling, organized crime or drug trafficking.

A quite different example is offered by the **USA**. There, after years of inaction, the Watergate scandal forced Congress to do something about the abuse of the unlimited amounts of money spent on presidential campaigns. Congress agreed on the 1974 Federal Election Campaign Act (FECA), an almost perfect piece of legislation which included reporting and disclosure provisions, contribution and spending limits, public subsidies and an enforcement agency. Acting on the basis of a contradictory set of objectives, another important political actor, the Supreme Court, in 1976 (*Buckley v. Valeo*) struck down compulsory spending limits because it saw them as infringing upon the freedom of expression. Spending unlimited amounts of money for a political purpose was considered to be protected by the constitution: "money is speech". Congress had to amend the law accordingly and so from the start the FECA has combined contradictory objectives – to exercise a limiting influence on large contributions while protecting freedom of speech, even for "fat cats".

1.2. The Key Elements of Regulation

Legislation which sets up rules for the financial conduct of parties and candidates has to establish a **minimum set of requirements** before the enforcement of the rules can even be considered.

1.2.1. *Stipulate Responsibility for Political Funds*

Public **responsibility** for political financial activity starts with a legislative answer to the question: Who is responsible for doing what and how?

The Anglo-Saxon orbit provides two different options to identify either a person or body responsible for the movement of political money. The British doctrine of “**agency**” holds an individual person responsible for all financial transactions on behalf of a candidate. Canada was the first country to extend this doctrine to include political parties and non-party groups participating in an election. Each of these must appoint an agent – parties a Chief Agent, candidates an Official Agent and “third parties” a Financial Agent. Among other obligations it is their responsibility under the law to file a financial report annually and/or after each election. Similar rules apply in Australia. Even France has – via Canada – imported the British doctrine of agency: All donations to candidates and parties must be given via a financial agent (*mandataire*), being either an individual or an association (*association de financement*). Both have to be approved by the public agency in charge of political finance (the Commission Nationale des Comptes de Campagne et des Financements Politiques – CCFP) in order for such donations to qualify as tax-deductible. Each candidate and each party may have only one *mandataire*. There may, however, be local support committees, whose donations are not the responsibility of or accounted to the party or the candidate. In Japan there seems to be a similar problem with the proliferation of local candidate support groups (*kōenkai*).

This proliferation of “responsible” bodies was first understood and dealt with in the USA, where the concept of the **political action committee** (PAC) seems to be the most comprehensive: Anyone who intends to solicit or spend other people’s money for political purposes has to set up a PAC, register with the Federal Election Commission (FEC: see Box 8) and report to it regularly.

In other jurisdictions the responsible person is usually the **party treasurer**. This is a reasonable approach if competing parties are responsible for implementing a political finance regime. In **Germany** the national party committee is responsible under the law. In practice the permanent staff of the finance department of each federal party organization, under the supervision of the federal party treasurer, is responsible for reporting and disclosure for all party

branches – national, regional and local – in close cooperation with a certified accountancy firm which is commissioned and paid by each federal party individually.

Requiring the official **registration** of parties, their regional and local branches, candidates and non-party political organizations (“third parties”) is a legislative measure to ensure that all entities which raise and spend political money are identified. This is to enable their financial activities, especially the sources of their funds, to be monitored. Apart from the US practice the **Canadian** approach is the most comprehensive, although local party associations, leadership campaigns and nomination processes are not yet included. Registration of a party in Canada requires the submission of the name of the party, the names and addresses of the leader and officers of the party, and the signatures of 100 electors who are members of the party. The party must also submit the names of its appointed auditor and its chief agent. Without the need for formal registration, legislation in **Israel** and **Germany** obliges parties to include all branches in their financial reports. This, however, leaves loopholes for individual candidates, the party “penumbra” of parliamentary groups, party institutes or foundations and other organizations such as youth groups, and “third party” activities.

1.2.2. *Provide for Transparency (Disclosure, Reporting)*

Restrictions on contributions and expenses (bans and limits) are frequent, but in Western democracies most of them are not effective. There is evidence from many of the countries studied here that restrictions are evaded by setting up new organizations (e.g., PACs) or by finding persons to act on behalf of those banned from making contributions. In order to circumvent the rules, donors (and/or recipients) have resorted to splitting their contributions into several smaller amounts. Recipients try to split corporate donations between subsidiaries of big companies, which may be perfectly legal but is sometimes reported in the media in terms of scandal.

Reporting and disclosure of information is the cornerstone in assuring transparency of political funds and providing the basis for public monitoring. However, the pursuit of transparency has various aspects. The flow of funds used for political purposes is the subject of all **reporting** procedures. Summarized

data on the income and expenses of parties and candidates is filed for public inspection or published regularly. Major donations to parties and candidates are identified to the public by giving names and amounts (**disclosure**). Carried to an extreme, the voting public's right to know who supports candidates and parties would mean that even the smallest amount would have to be disclosed, giving the name, address and occupation of the donor. There are, however, expenses involved in providing transparency: first, administrative expenses, connected with professional bookkeeping at all levels of political activity; and second, the expenses of political actors and public agencies in preparing and processing unnecessarily detailed information. Thus a realistic concept of transparency has to be a search for the optimum balance.

The experience of various post-communist countries shows that **legislation providing for transparency can be counterproductive**. Disclosure rules are the norm in Central and Eastern Europe (and in the former Soviet Union in general) and are more common there than in most other parts of the world. The problem of disclosure lies in the lack of enforcement. While local media have shed light on many suspicious cases, official inquiries or investigations are rare. On the other hand, if donors give to a party in opposition, disclosure may have the dire consequence that the government (or its secret service) will go after them. Selective application of the law becomes a major threat to the non-partisan impact of the political finance regime. The delicate process of democratization requires a certain degree of privacy and, above all, freedom from harassment. Thus a realistic concept of transparency has to be a search for the optimum and, once again, has to balance conflicting demands.

Since small donations can be seen as either a substitute for personal participation or an occasional expression of partisanship, the right to know should not be overextended. A compromise has therefore been reached in most Western democracies which is acceptable as well as practicable: Disclosure starts at a threshold above which an individual contribution may be considered to be "interested" money.

In the **USA** disclosure is the keystone of the public monitoring of political finance. US regulation emphasizes the right of the public to know, i.e., to judge the candidates' sources of support. All PACs must be able to demonstrate that they have made their

"best efforts" to disclose the name, mailing address, occupation and employer of each individual contributor who gives more than USD 200 in one year. However, some critics argue that it is impossible to process all the information that is made available.

In **Canada** contributions over CAD 200 (Int'l \$ 160) have to be disclosed, giving the name and the amount donated (for an explanation of the use of International Dollars, please see *Methodology*). Neither the address, the employer or occupation of the individual donor, nor the date of the donation is required to be disclosed, mainly for the protection of privacy. If the threshold for disclosure established as CAD 100 (Int'l \$ 300) in 1974 had been indexed to inflation, it would by now probably be closer to CAD 400 (Int'l \$ 320).

Australia has a much higher threshold. The party's agent is required to give names and addresses of individuals and organizations contributing an aggregate of AUD 1.500 or more (Int'l \$ 1.000). Non-financial donations, such as the loan of company cars or business jets, have to be disclosed, stating the equivalent market price. Compared to other party finance laws, the Australian rules are made fairly simple in order to avoid raising too many questions in the field of grass-roots financing.

In other democracies the claim to transparency is much more limited. Austria and the Netherlands illustrate a reluctant approach to the transparency of political funds. In **Austria** one major party refused to disclose small and medium-sized donations. Thus the disclosure threshold was finally set at ATS 100.000 (Int'l \$ 7.400), but the parties need only report total annual amounts by type of donor – individuals, interest groups or corporations. No donor's name need be disclosed. In the **Netherlands** the 1999 Law on State Subvention to Political Parties requires the date and amount of a donation and the name of the donor to be published in the annual financial report of each party. If a donor objects to the publication of his or her name, a description of the category of donor has to be given (e.g., business, union or non-profit organization, although the law does not mention any specific categories).

Under the former **Japanese** Political Funds Control Act of 1976, donations of up to JPY 1 million (Int'l \$ 10.910) to factions (*habatsu*) or candidate support groups (*kôenkai*) went undisclosed. The same applied to tickets for fund-raising events collecting less than JPY 1 million per event. Since 1994 the names of all

donors, individuals, corporations and organizations contributing JPY 50.000 (Int'l \$ 332) or more to parties or to financial support groups have to be disclosed. The same applies to individuals and corporations buying tickets for fund-raising parties in excess of JPY 200.000 (Int'l \$ 1.330) per event.

In **Germany** the desire to avoid bureaucracy and administrative cost has led to much higher thresholds. In their annual reports all German party treasurers must publish the names and addresses of big donors and the annual total amount of their donations. Disclosure of donors' identity starts at DEM 20.000 (Int'l \$ 10.000) per donor per year. This has remained basically unchanged since the 1970s. An increase to DEM 40.000 (Int'l \$ 28.000) in 1988 was struck down by the German Supreme Court in 1992.

Summing up experience with transparency of political funds in Western democracies, there are two major indications. First, full disclosure can place an administrative burden on the parties without really improving openness and accountability. Second, in order to be effective disclosed information should be accurate, publicly available and comprehensible to potential users. An essential prerequisite is **timely information** which attracts the attention of the media and public debate, and has a potential impact on voting behaviour. However, under current disclosure provisions it is possible for 18 months (in Canada) or even 21 months (in Germany) to pass between the time a contribution is made and the time it is disclosed. By then the information is of little use. (In Germany an amendment to the law is currently being considered by parliament which would ensure that major donations, of DEM 100.000 (Int'l \$ 51.000) or more, are disclosed within three months.)

The relevance of all this may become clearer from the example of a political finance regime which neglects transparency provisions: Although **Zimbabwe** adopted British regulations on constituency campaigns (agents, spending limits, disclosure of expenses, etc.), two important aspects were not included in the constitution (sections 84–92) or the Electoral Act. In neither document is there any reference to the auditing of expenses or provision for publication of expenses incurred.

1.2.3. Identify an Implementing Agency

Some democracies have decided to give **responsibility for the implementation** of political finance rules to a

government department, for instance, the Ministry of the Interior, the Ministry of Justice (as is the case in Ghana, Liberia, Nigeria and Sierra Leone) or the Attorney General. Somewhat detached from the government of the day is the speaker of the legislature, for example, the President of the Camera dei Deputati in Italy or the German President of the Bundestag. An intermediate option is to make the audit office or state comptroller, for example, the Spanish Tribunal de Cuentas, the Italian Corte dei Conti, or the Israeli State Comptroller, responsible for enforcing rules on the financial conduct of political parties. Other democracies have created a specific agency with administrative and enforcement functions intended to be an impartial body, independent of government as well as parliament, although technically it may report to the speaker of parliament. Where such a separate agency exists, the legislation on the political finance regime usually determines:

- the procedure for the appointment of its members, including their term of office and safeguards for their independence;
- the definition of specific powers, such as the interpretation of relevant laws, the checking and publishing of information on funding and the investigation of suspected violations of the rules;
- the definition of situations that demand specific activities of the agency, such as preparing a report, publishing information, investigating incidents or applying sanctions;
- the details of breaches to be sanctioned and the procedure for enforcement of relevant laws; and
- the procedure for appeals against decisions of the agency.

Agencies at work in Australia, Canada, France and the USA provide useful precedents. In **Canada** implementation of the political finance regime rests with just one person, the Chief Electoral Officer (CEO). The CEO is assisted by two other independent officials, the Director of Financing for compliance and monitoring, and the Commissioner of Canada Elections for investigations and enforcement. In **Spain** the Juntas Electorales and in **Italy** the Collegio Regionale di Garanzia Elettorale are similar bodies. The controlling agencies in **Australia**, the **USA** and **France** are headed by a board of three, six or nine persons. Members of these commissions (see box 8) represent

the majority and minority parties in parliament, the court of auditors, the elections administration and other judicial or non-judicial persons with non-partisan approaches to the subject. The composition of the new British Electoral Commission is similar. Naturally political finance regimes shape the rules for the operation of the controlling agency in a way that conforms to the administrative patterns for supervising agencies, for example, the audit office, the ombudsman or the supreme court in the specific country.

Most democracies have provided their controlling agency with the powers to **sanction** in one way or another financial misconduct by a party, candidate or other person or organization subject to the regulation. Potential sanctions include publicity, investigation and refusal of public funds. Sanctions can be incidental, temporary or permanent, as required by the legislation. Often they are safeguarded by excessive “due process” rights for respondents and subject to a specified right of appeal. Such appeals have to be tried by a court, usually the highest court in the country. None of the existing agencies is entitled to take violating parties to court itself.

The special tasks of the agencies are:

- to receive audited or non-audited reports;
- to provide published compilations;
- to initiate confidential inspection and public inquiries; and
- to execute (mostly administrative) sanctions.

The most important question is whether an agency with a completely impartial position can be created. That would mean that it was totally free from influence from those who should be controlled. This is difficult to achieve. However, some agencies have more safeguards favouring non-partisan action or more control against potential conflict of interest situations than others.

Safeguards against partisan influence, especially from governing parties, are:

- public expectations or a long tradition of independence of similar bodies;
- the status of a judge of the supreme court, auditor or ombudsman;
- bipartisan or multiparty membership of the commission, where members have to include the minority or the opposition;

- no reappointment of commissioners (lifetime or one-term appointments only);
- absence of budgetary strings (on an agency which has become awkward for the government); and
- absence of political pressure or government or party intervention on staff appointments.

Once again the example of Zimbabwe indicates major problems. The chairman of the Election Directorate is appointed by the president, the registrar-general is an ex officio member, and the other members of this supervisory board are appointed by the minister of justice, legal and parliamentary affairs (National Democratic Institute 1998). There is no institutional provision which ensures adequate participation of the opposition in the Election Directorate.

2. Application of the Rules

The effective implementation of political finance legislation is made more difficult where different laws exist dealing with different aspects of the same subject. It is therefore appropriate to distinguish between countries that have:

- one law regulating money in politics and only one agency to implement it;
- various laws and/or various agencies for different aspects of political finance; and
- no enforcement agency to implement the political finance regime.

Evidence from established democracies indicates that only the first approach is likely to work well. This can be demonstrated by contrasting the cases of Italy and the UK. In the UK, under the Political Parties, Elections and Referendums Act of 2000 the recently created Electoral Commission has exclusive powers to register political parties and to supervise donations to parties and politicians as well as party spending on national election campaigns. This means that individuals and organizations intending to spend significantly during election campaigns and political parties are obliged by statute to file their financial reports with the Electoral Commission for monitoring, further consideration and publication. (Unfortunately, jurisdiction over constituency campaigns continues to fall under the purview of the local election authorities.) In Italy three different agencies are in charge and have

FOUR AGENCIES IN DETAIL

The Federal Election Commission (FEC) in the **USA** has six voting members (three Democrats, three Republicans), who are appointed for six-year terms by the president after consulting the congressional leadership of both major parties and with the advice and consent of the US Senate. The commissioners elect two members each year to serve as chair and vice-chair. There are some doubts as to whether the members always act independently because they may seek re-election, and therefore depend on their party leadership for reappointment. The FEC had a budget of USD 38.278.000 and a total of 352 personnel in 2000. As experience shows, the FEC is dependent on Congress: If displeased by decisions of the commission, Congress may limit its funds.

As an independent regulatory agency charged with administering and enforcing the FECA, the FEC has four major responsibilities:

- providing public disclosure of funds raised and spent at federal elections;
- ensuring that candidates, committees and others comply with the limitations, prohibitions and disclosure and reporting requirements of the FECA;
- administering the public funding of presidential elections; and
- serving as a clearinghouse for information on election administration.

The **Australian** Electoral Commission (AEC) is an independent national authority which organizes the entire election process as well as the implementation of the political finance regime. The commission is appointed by the governor general on the recommendation of the government and is composed of:

- the chair, who must be a judge or former judge of the Federal Court;
- the Electoral Commissioner, who works as the Chief Executive Officer; and
- another part-time, non-judicial member, who so far has always been the Australian Statistician.

There is a clear social expectation that the members of the AEC act independently. The AEC can rely on its own

apparatus, consisting of offices and staff; a permanent staff of some 650 and a temporary staff of ca. 110 people.

The Electoral Commission for the **UK** is the newest body. It became operational on 16 February 2001. It is an independent statutory authority accountable to parliament, set up under the Political Parties, Elections and Referendums Act of November 2000. The commission has six voting members (one of whom is the chair), working part-time, who serve five-year terms and may be reappointed. The first commission was appointed by the Queen on 19 January 2001 following an open, advertised competition, consultations between the prime minister and the leaders of the opposition parties, and a vote in parliament.

The commission's main responsibilities under the law include:

- registration of political parties and third parties;
- monitoring and publication of significant donations to parties and office holders;
- regulation of national party spending on election campaigns;
- voter education; and
- local government boundary revisions in England (other boundary revisions to be transferred later).

Its annual budget is GBP 11 million (Int'l \$ 15,4 m.). The numbers of permanent staff for the commission and the financial monitoring section are not available.

In **France** the Commission Nationale des Comptes de Campagne et des Financements Politiques (CCFP) was set up to control campaign expenditures and other issues of political finance. The nine members of the commission are appointed for a period of five years by the government upon recommendation of the vice-president of the Conseil d'État, the president of the Cour de Cassation and the first president of the Cour des Comptes (each nominates three candidates). The CCFP employs between 30 and 40 staff. It approves, rejects or amends the reports which candidates submit regarding their campaign spending, as well as the annual reports by political parties.

to deal with different kinds of financial reports. Italian parties are required to file annual reports of their financial routine operations to the speaker of parliament. The election campaign donations and expenditures of all parties have to be declared to the Corte dei Conti (state auditor) following each election. Candidates have to declare their expenses to the Collegio Regionale di Garanzia Elettorale, the regional administrative agency in charge of elections.

As the legal provisions are described in other chapters of this *Handbook*, this chapter presents those findings that are critically important for implementation and impact as they relate to compliance (section 2.1), monitoring (section 2.2), control and investigations (section 2.3), and enforcement and sanctions (section 2.4).

2.1. Compliance: Promoting Voluntary Compliance

In some countries the will to comply with the rules governing political finance is not very strong. Let us start with an example. In Italy the disclosure rules are set out in detail. All contributions of more than ITL 5 million (Int'l \$ 2.900) must be disclosed, not only by the beneficiary but also by the donor. Although the law expressly demands documentation of a corporate contribution in the donating company's annual report and the recipient party's balance sheet, the political practice is not to obey such disclosure rules. Other countries, among them newly democratized ones, have similar problems.

If this were an example of general practice there would be no point in making rules. It seems more reasonable, however, to assume that people by and large are willing to obey laws. As new and complicated rules demand a change of attitude and behaviour, implementation has to begin with **information and assistance**. Voluntary party workers may not know the details of the current rules. Special efforts to encourage compliance with legal requirements will therefore be helpful, as has been shown by the **US** and **Canadian** examples:

- providing education and training to address some needs of the community to be regulated, that is, all persons involved – party officials, candidates, agents and auditors. Seminars and round tables for them are publicized in the media and on the Internet. The result of this also benefits the agency

because it improves the quality of the information filed in financial reports;

- providing support services, such as toll-free information telephone services, published guidelines and newsletters. The goal is to clarify any questions immediately, give interpretations of the law and thus assist with compliance. An example from the US FEC demonstrates how far support services may be extended for the mutual benefit of those regulated and the agency. The FEC has created an electronic filing program and provides computer software to help committees file their reports electronically. If Congress requires committees which meet a certain threshold of financial activity to file reports electronically, the FEC receives, processes and disseminates the electronically filed data more easily and efficiently than hard copies. Information in the FEC's database is standardized for the major committees, thereby enhancing public access to campaign finance information. Committees using the electronic filing program find it easier to complete and file reports;
- encouraging moral incentives, which may result from public opinion, peer pressure, or the anticipated reaction of those regulated to effective monitoring; and
- material incentives, such as reimbursements, subsidies and tax benefits. The Canadian experience is that reimbursement of part of their election expenses for candidates and parties is a strong incentive to comply. In France half of the donors do not claim the tax benefit for fear that their identity might be revealed – an unwarranted fear since confidentiality is assured.

Not all democracies will have the financial and technical resources to use all these options. Nevertheless it is helpful to assume that citizens and politicians need support for voluntary compliance. However, it would be naive to believe that moral incentives or technical assistance on their own can do the trick. Monitoring, control and enforcement are steps which will have to follow.

A foreign observer who commented on articles 33–37 of the Mozambique Election Law of 1999 insisted that the National Electoral Commission (Comissão Nacional de Eleições, CNE) needed capacity to train people and educate the parties as to

obey the rules. To track, record and account for the public subsidy an accounting regime, which had been lacking, had to be introduced and properly staffed.

2.2. Monitoring

The basic philosophy behind the reporting of party income and expenditure is to make party accounts a subject of public debate. Public debate is expected to produce a more careful selection of donors and a more responsible use of funds.

In general, public debate about political issues is dominated by institutions acting on behalf of the general public, such as competing political parties, pressure groups, NGOs and the mass media. As political money has become an issue of public policy, agencies for the enforcement of regulations, such as the FEC in the USA or the Financing Division with the CEO in Canada, are expected to support the general public and the politically interested media by providing information for publicity on the flow of money in politics. Effective publicity requires that reports be readily available to the public and the media. For the agency this offers an opportunity to monitor financial activities and to challenge any part of a report. As candidates, parties and other organizations file financial reports, the agencies monitor timely filing, check for the adequacy and accuracy of the contents of the reports, and provide access to and publicity for the reports.

Reports are published in different forms. Public access is provided in the USA and Canada, as reports are available on the Internet or open for public scrutiny at the offices of the agency in charge. Most of the European countries do not have similar agencies and do not offer sufficient information for public debate, nor is there monitoring by the agencies to support critical use of the information. In Germany financial reports are published in a parliamentary paper (*Bundestags-Drucksache*) and on the Internet. More frequently reports are published in an official paper – the *Amtsblatt zur Wiener Zeitung* in Austria, the *Journal Officiel* in France, the *Gazzetta Ufficiale* in Italy, the *Boletín Oficial del Estado* in Spain and the *Diário da República* in Portugal. In Australia reports are not published but they are available for inspection at the Australian Election Commission (AEC) offices.

However, the mere availability of the reports, whether on the Internet at a specific web site, in a parliamentary paper or at the office of an agency, is not sufficient to ensure a public debate. Reports have to be

comprehensible to potential users. Public concern with issues such as receipts for tax benefits may widen the public interest. The agency's press office could serve as a resource base for reporters and the public. Special analyses which sum up tendencies in funding are appropriate because the media do not have the time to do their own investigations. It is also very important that everyone is able to contact the agency regarding problems of implementation and alleged violations of the regulations. This would mean that investigations into violations can start before the election and preliminary findings can be available sooner.

The additional services mentioned above require financial resources and qualified personnel. This seems to be no problem in rich countries (see box 8), but agencies in other countries are unable to process and critically analyse the financial reports which have been filed with them. The Election Commission of India (ECI) is an example of the constraints inadequate resources can create for the effective monitoring of campaign expense reports. Although it has powers equivalent to those of a civil court (oversight, investigation, prosecution and sentencing), it has minimal impact on campaign spending limits because of lack of staffing.

The major **aim** of monitoring financial reports submitted by parties, candidates and non-party organizations which collect or spend funds for political purposes is to improve the **accountability** of those who file reports and the reliability of those reports. People intent on cheating will not disappear completely, but effective monitoring can reduce their number and increase their risk of detection. If the regulation stipulates personal responsibility (see section 1.2.1 above), the task of monitoring will be much easier. If the regulation allows for ambiguities as to who is responsible and what is to be reported, monitoring cannot hope to make up for such inadequacies.

Requiring contributions to a party or a candidate to be made to a treasurer or a special agent who is personally responsible for all political income and expenses is crucial to monitoring. As cash transactions cannot be followed up afterwards, monitoring is further supported if major contributions and expenses are required to be routed via bank accounts. If the regulation does not stipulate that all political funds have to be administered using a specially designated bank account, monitoring is difficult. (Cash economies as Ghana, Liberia, Nigeria and Sierra Leone provide

obvious examples.) An agency must try to convince each agent individually that it is easier to balance the books and to track the flow of funds under his or her responsibility if most of the transactions, especially larger amounts, avoid the use of cash. Obviously, if a treasurer is party to shady dealings then it will be impossible to persuade him or her to adopt such a procedure.

Routing money through bank accounts can also improve **identification of contributors**, which is important for the monitoring of limits as well as for the disclosure of sources. If wealthy donors in the **USA** want to evade the limits they may look for persons to donate on their behalf. The US statute (the FECA) prohibits donations in the name of another person. Thus a wealthy person cannot evade the disclosure of his or her name by giving the money to another person to donate or by using several family names. The monitoring agency must check details, such as address, employer or occupation. If the occupation stated is “student” or “unemployed”, this may suggest that the rules are being circumvented. Frequent donations from the same address may suggest irregularities. The appearance of many senior employees of the same corporation among the donors to a specific committee may indicate that salaries have been increased to create room for a “routed” corporate donation, which is prohibited.

Explicit limits on the amount of money that can be contributed to political committees have led to a proliferation of PACs, which has simply created more reports and the need for additional monitoring effort. Moreover, recent experience in Germany with former Chancellor Helmut Kohl’s “slush fund” (see chapter 7), indicates that bank accounts may also be used to hide the origin of funds if a party finds someone who is willing to do the “dirty work”. The major lesson to be drawn from these examples is that no monitoring effort can eliminate grey areas and shady dealings. Nevertheless verification can help to reduce such problems and to provide moral support for law-abiding citizens.

Germany since 1984 provides a good example of **how to shape the reports**. The parties’ financial reports include income and expenditure, and debts and assets of the entire party organization at all levels (local associations, state branches and federal headquarters). Reports are organized according to a common format prescribed by law. Both features – **comprehensive reporting** and a **common format** – provide additional

devices for monitoring over the years and across parties. Plausible controls are much easier if the data provided has to balance. Common formats are not yet used by all countries, but there is a tendency in this direction; even the least publicity-minded countries, the Netherlands and Sweden, have now set their minds to developing common formats for party reports.

Canada and **Australia** provide good examples of **how to handle the reporting**. The chief agent of a registered party must, in both countries, submit annual returns of the party’s receipts and expenses, other than election expenses, to the authorized agency. In addition, within a few months of a general election the chief agent must also file a return of the election expenses incurred. Whereas timely disclosure of donors before an election is necessary, it does not seem appropriate to require separate reports on routine operations and additional reports on campaign expenses. Nevertheless many countries still require separate reports, which causes problems in Italy and Spain, and even in Canada.

2.3. Control and Investigations

Any system of public control is only as strong as the legislation permits. Each and every loophole built into the rules or created afterwards weakens the ability of the system to meet its objectives. Some types of regulation seem to be harder to implement than others. Moreover, adequate material resources for the implementing agency and the availability of qualified staff, especially auditors, are important if the flow of money in politics is to be supervised.

In **Japan** the regulation of political finance (since 1976) emphasizes transparency. Publicity for the financial situation of political parties and public debate are expected to keep abuse of power and corruption in check. However, Japanese regulation does not provide for an enforcement agency empowered to control malpractice or infringement or to apply or demand sanctions. The national and local election agencies which administer the process of reporting and disclosure are not empowered to verify financial statements or investigate financial transactions by parties or politicians.

The most obvious subject of public control is the **appropriate use of public subsidies**. **Belgium** and the **Netherlands** demand public **auditing** for subsidies to party-affiliated bodies. Subsidies to “party academies” in **Austria** and “political foundations” in **Germany** are audited in detail by the federal audit offices. In

principle the same applies to public funds provided for parliamentary groups and caucuses. After decades of subsidization, federal and state auditors in Germany have only recently started to take their auditing responsibilities seriously.

In addition to this, since 1975 Austrian parties have had to prove to the federal audit office that they have spent the public subsidies received according to the purposes laid down in the law. However, this control is implemented by an external chartered accountant who is appointed by the recipient party. A similar procedure applies to the annual financial reports filed by parties in Austria, Germany, the Netherlands and **Italy**. Before filing, reports have to be audited by a certified or chartered accountancy firm of the individual party's choice. To demand that all reports are audited before delivery is an obvious device to improve the accuracy of the information submitted. The external accountants provide a written opinion, in line with the standards of their profession, that the report represents a fair account of financial transactions by the reporting person, body or organization. This procedure means little more than that a minimum of professional standards is applied when political parties prepare their financial reports. No regulation in Western Europe provides for cross-checking of details by an independent enforcing agency, so the procedure cannot be expected to yield any other result and it does not provide a check on the effect of the prevalent funding strategy.

A different approach results from a legal prescription which is intended to highlight offences against campaign finance laws and initiate investigations by the enforcing agency. If the law gives any citizen the right to file an individual complaint which must then be investigated by a public agency, this offers political competitors and other observers an opportunity to raise questions about possible violations. Members of the press can scrutinize reports regularly. Critical information is helpful for the agency in charge; it may even be from anonymous sources. The British experience, however, should caution us against over-optimism. Parties and politicians prefer not to use this opportunity because they expect other parties and politicians to reciprocate by exercising similar restraint in due course.

Without any specific legal stipulation, the administrative staff of the speaker of the German Parliament (i.e., the enforcing agency which may withhold public subsidies in full or in part) investigate

any potential infringement of the law to which they have been alerted by **investigating** a party's financial report, **by following up** media coverage of party finance scandals, or through questions asked by (loyal or disloyal) party workers. The results of such investigations (including a party's response to individual incidents) are reported in a parliamentary paper (e.g., most recently Bundestags-Drucksache no. 14/4747, 2000:16–35 and no. 14/7979, 2002:7–27).

The educational impact of such efforts notwithstanding, the controlling body needs the statutory authority to conduct **random audits**. The audit programme resulting from such authority will serve to detect non-compliance and to list any abuses found. Critical information of this kind will enhance enforcement. **Public access** to records kept by the parties, as is the practice in **Canada** and **Israel**, is therefore crucial in order to verify, if necessary, the information presented by parties and candidates. If the monitoring agency lacks resources and is unable to audit every report filed it may increase its in-house auditing capacity by **systematic sampling** and partial probing. As some reports are checked more precisely than others, all who report will use their best efforts to submit a report which they feel can stand up to cross-examination. For example, the AEC has developed a three-year audit cycle to cover all state branches of the registered parties. Other strategies might be to pick a 10 per cent random sample or to give specific attention to reports which deviate strikingly from the average.

However, in some countries politicians have been reluctant to grant auditing authority. The **US** FEC had such control over candidate committees, but Congress has now withdrawn this and replaced it with limited authority to conduct audits "for cause". The procedure starts when the Reports Analysis Division (RAD) of the FEC examines all committee reports for accuracy, completeness and compliance with the law. Committees are informed of all deficiencies and are invited to provide additional information. If a committee fails to comply the RAD may refer the matter to the FEC Office of General Council for enforcement action. If the committee fails to achieve substantial compliance with the law, the RAD may recommend that it undergo an audit by the commission's Audit Division. In **France** the CCFP is not authorized to rule on whether expenses were appropriate or to investigate party accounts. France is therefore in reality another case where controls

of party and candidate finance are mostly formal.

A more promising option is an **independent official** who is free to investigate cases of suspected non-compliance. This seems to be the case in **Canada**, where the Commissioner of Canada Elections, appointed by the CEO, can initiate investigations and appoint her or his own personnel to conduct them.

In all other countries irregularities have to be investigated by the state or national **police**. Sometimes, for example in **India**, the **tax authorities**, which may become involved upon request, are even more efficient. In none of the countries studied here is there an independent official who is responsible for instituting prosecutions.

A guide to the relative difficulties of the different control measures may be helpful. Comparative research has found bans and limits to be the most frequently evaded. Attempts to circumvent them occur regularly. Depending on the political culture, “quasi-evasions” are often tolerated, for example in Italy. In addition, outright violations are sometimes not detected at all. Most European countries apply less than efficient strategies to enforce public control of political money. Spending limits for national parties are also notoriously open to evasion (for details see Cordes and Nassmacher 2001:280–282).

Moreover, **information overload** and a lack of resources may cause additional problems. Different reporting obligations may exist while reports are not collated in a single report, as happens, for example, for companies in Italy. In India there are so many candidate reports that the Election Commission of India is unable to check all the information submitted.

Problems may be resolved through informal methods, such as conferences, **conciliation** and **persuasion**. For example, in **Germany** an abuse that occurred frequently in the early years of German disclosure practice was terminated after 15 years as a result of informal interventions of the administration in charge and media criticism of an illegal practice. The Political Parties Act of 1967 stipulates that the identity (name and address) of large donors has to be disclosed. Nevertheless one party (the Christian Democratic Union, CDU) “disclosed” donations for the years 1969–1975 totalling ca. DEM 6 million (Int'l \$ 7,4 m.) under the names of two well-known party fundraisers (“bagmen”). For the years 1972–1973 it disclosed 33 donations amounting to DEM 7,8 million (Int'l \$ 9,5 m.) as “anonymous”. In 1982 the Social

Democratic Party (Sozialdemokratische Partei Deutschlands, SPD) “disclosed” donations of DEM 7,65 million (Int'l \$ 5,8 m.) in the name of a deceased former party treasurer. In 1984 a third party, the Free Democrats (Freie Demokratische Partei, FDP) initially reported that the donor of DEM 6 million (Int'l \$ 4,3 m.) was “unknown”. Scandal-raising by the media only calmed down when, within a month, the party treasurer officially informed the speaker of the Bundestag that a well-known German “mogul”, the former owner of a department store chain living in Switzerland, “had been the donor” (Bundestags-Drucksache no. 10/2366). No such blatant attempts to ignore a precisely phrased stipulation of the law have occurred since.

The examples not only prove that informal conciliation helps; they also indicate that parties react to bad publicity. Whenever political money is made a subject of public debate, parties will try to improve their standing with the voting public. Another message of this example is perfectly clear: To implement legal stipulations, the emphasis should be placed on initiatives to **foster compliance** during the reporting process rather than on threatening penalties.

However, these instruments lack efficacy without the threat of **sanctions**.

2.4. Enforcement and Sanctions

Enforcement is a matter of keeping a delicate balance between legal rules and political impact, public interest and media publicity, impartiality and partisanship. However, sanctions or adequate penalties for specific offences have to be stipulated by law. The independence, persistence in dealing with different offenders, and constant vigilance of the enforcing agency in applying the instruments available to it are extremely important. Unless these conditions are met there is no effective machinery for enforcement.

A distinction must be made between **administrative** deals and sanctions, on the one hand, and **criminal prosecutions** leading to fines and indictments, involving a judge or a court, on the other. The Commissioner of Canada Elections is the only official who can initiate prosecutions for offences under the act regulating (elections and) political finance. By contrast, the Central Election Management Committee of Korea has to pass every investigation and prosecution of offences against spending limits and reporting provisions to the criminal investigation authorities,

who have to decide if imprisonment or fines are the appropriate sanction.

Criminal prosecutions result from substantial violations of political finance rules. An unresolved problem is allegations of violations in the critical final weeks of an election campaign which cannot be dealt with by due process of law before the election date. Appropriate sanctions may or may not be available and have different impacts. A tax penalty, for example, withdrawing tax benefits for donations or a party organization's tax-exempt status, can be imposed by government and may easily affect an opposition party. A cut in the public subsidy entitlement can be imposed to enforce compliance with transparency rules, as in Germany, or with spending limits, as in Israel. Administrative fines are an option that is often available to enforcement agencies. Their impact will depend on the maximum set by law, because some parties will prefer to pay a relatively small fine and thus get away with violating the rules. Therefore stricter laws will provide for imprisonment or disqualification of a politician from standing for election or taking his seat in parliament.

Such punishment looks convincing on the statute book. The real problem arises when a case has been taken to court.

If accounting rules or deadlines for reporting and disclosure are violated in **Japan**, the person responsible can be fined or imprisoned. Before 1992 no member of the Japanese Parliament was prosecuted for violation of spending or contribution limits or any forgery intended to conceal such malpractice. Since the 1994 reforms (see chapter 4) the number of cases of politicians being taken to court for violations of the political funds control law and sentenced has increased.

In **Israel** parties must keep accounts to show all their income and expenditure. The State Comptroller (state auditor) may inspect these accounts not only for campaign expenses but also for operating expenses. If inspection reveals any suspicion of a criminal act, the State Comptroller must refer the matter to the Attorney General. Violations of the law concerning bans and limits on contributions may result in prison terms. However, enforcement of the restrictions on party financing was initially less strict than the letter of the law indicates.

For the 1984 and 1988 elections, the State Comptroller reported campaign expenses by various parties, including Labour and Likud, the major parties,

in excess of the spending limit. According to the law, these parties were to be denied 15 per cent of their campaign subsidy. To avoid this, the Parliament (Knesset) Finance Committee retroactively increased the public subsidy and the spending limit. Minor parties which had exceeded the limit after this were nevertheless subjected to the sanctions prescribed by the law. This practice was frequently criticized in the State Comptroller's reports during the 1980s and in two Supreme Court rulings during the 1990s (Levush 1997:119, 125).

During the 1988 election campaign, four parties did not comply with the State Comptroller's guidelines in the registration of their accounts and in receiving contributions from corporations. They were sanctioned by being denied payment of part of the public subsidy. Because their accounts were deficient the State Comptroller also required two other parties to return 15 per cent of the public subsidy they had received as an advance according to the law. After the local elections campaign in 1989 some parties failed to present their accounts to the State Comptroller, probably because their expenses were lower than the advance payment of the public subsidy. Although they were denied the 15 per cent final payment, not having reported their accounts, they escaped the demand for the balance to be returned. Clearly it is quite possible for local parties to get public funding without reporting and to be "left with substantial extra sums, especially after a retroactive increase of the financing unit" (Kalchheim and Rosevitch 1992:225). (The financing unit is an amount per Knesset seat used to calculate both the public subsidy and the spending limit.)

Misuse of funds given under the party financing law and illegal campaign practices was prosecuted, leading to convictions in the 1970s (Shmuel Flatto-Sharon) and the 1990s (Rafael Pinhasi). Heavy fines have been very common. Because it had raised and spent campaign funds illegally, One Israel (Labour) was fined ca. USD 3,5 million in January 2000.

In many reports the State Comptroller has suggested amendments, most of which have eventually been incorporated into the law. Another avenue for improvements to the political finance regime runs through legal complaints, the High Court of Justice, the Attorney General and the parliament.

The existing regulation makes the parties accountable for all their financial activities and they comply. Parties no longer ignore the legislation,

because on the few occasions when they did they were fined heavily. Politicians and parties intent on circumventing the regulation are sometimes ready to pay the fine. There are no other penalties. However, criminal violations may be reported to the police, who will conduct an investigation, as in the recent case of the son of Ariel Sharon, the present prime minister.

At present the **Canada** Elections Act can only be enforced through the criminal courts and not through the civil courts. Offences are therefore always resolved with punitive rather than remedial measures. Elections Canada has developed a policy of imposing light sentences for many offences. The reason for this is that relatively small fines will often be easy to impose. “Nuclear weapon-type” penalties, such as imprisonment or loss of a seat in parliament, will lead to such protracted legal battles that the law will rarely be enforced.

Thus, an arsenal of sanctions of varying degrees of severity is needed to back up political finance rules. **Senegal** provides a telling example of this. Here parties which do not submit their annual reports on income and expenditure are liable to be dissolved by the president. Dissolution has to be recommended to the president by the General Affairs Department (DAGAT) of the Ministry of the Interior. As the administrative staff in the DAGAT devoted to enforcement of legislation on parties is very small, and not even the ruling party abides by the transparency obligation, the DAGAT has been more or less reluctant to implement these rules. There has not been a single dissolution of a party as a result of violation of the rules on party financing. The lack of any alternative sanction other than dissolution is critical. The introduction of public funding is expected to end the need for more gradual sanctions and to provide the DAGAT with a tool to enforce the law.

3. Development of the Rules (Interpretation and Amendments)

The opportunity for legislators to change the rules of the game, which happens to be their competition for political power, is embedded in the principles of democracy. Successive amendments and rulings will influence the practical operation of political finance regimes for better or worse.

If a set of political finance regulations tries to provide strict **definitions** someone has to determine the exact

scope of such legal terms. An enforcing agency will try to broaden that scope, but those being regulated will work to narrow the definitions in order to create some leeway. Finally the courts, the legislators or both will be forced to decide. Immediately following any such decision the race for interpretations will be reopened.

3.1. The Impact of Regulators

Loopholes arise from very different causes. They may be the result of the very complex and sometimes contradictory nature of legal stipulations, or of the independence or neglect of local organizations, or of issues which are unregulated or are subject to poor control. In federal systems there may be differences between the laws at the state (or provincial or regional) and the federal levels in a single political system. Any of these may enable political actors to evade the rules.

As each loophole weakens the law's ability to achieve its objectives – openness, transparency, a “level playing field” and the prevention of fraud – the best way to avoid problems seems to be to pay attention to definitions. Some key legal terms need interpretation. What constitutes a political contribution? How are loans without interest, services provided free of charge or volunteer labour to be treated? Who is entitled to make or to collect a contribution?

In France public-law corporations are prohibited from making donations of money. The legality of benefits in kind is a matter of interpretation: everything hinges on individual circumstances. Special requirements for contributions of goods and services may lead to evasion and can only be safeguarded by special restrictions. In the USA corporations and unions are banned from contributing cash to political parties or candidates, but corporations and unions are free to communicate with people on any topic. It is very difficult to establish a difference between political activities and other communications.

What is a campaign expense? What is the demarcation between an expense on current operations, spending before the writ for an election is issued, election-day expenses, government advertising or independent expenditures, and third-party advertising?

Canada has tried to define campaign finance in the law as directly promoting or opposing, during the election, a particular registered party or the election of a particular candidate. An Accounting Profession Working Group has proposed a more comprehensive

definition, including all expenses for goods or services during the campaign. Neither clarification works satisfactorily. Volunteer labour is traditionally excluded from the calculation of campaign expenses. However, this can be an avenue for undue influence.

What does the legal term “political party” cover? What does the unregulated party “penumbra” include?

Whatever definition a regulation itself provides, sooner or later the need will arise for an **interpretation**. At some time the interpretation may fall within the jurisdiction of the enforcing agency and its decision, like any other decision by a public agency, may be challenged in court and the court will determine the binding definition.

3.2. The Involvement of the Courts

The enforcement capacity of specific bodies, such as election agencies and administrative tribunals, depends on the potential role of the courts. The involvement of the courts may be a nuisance, but it is a necessary element of the rule of law. Germany (see chapter 7), the USA and Canada (see chapter 3) and Israel (see above) provide a variety of examples of the ways in which constitutional courts, ordinary courts, civil as well as criminal, and administrative courts can influence the development and application of political finance regulations. The major conclusion to be drawn from this involvement is that the enforcement of rules is not only dependent on the drafting of the laws, the willingness of those regulated to comply and the determination of an agency to enforce them. It also depends on the whim of accident. Who is to sue, what are the issues to be deliberated, and which principles will a specific court prefer in its ruling? The German Supreme Court has emphasized equality of opportunity among parties and citizens; the US Supreme Court and the Canadian courts have favoured freedom of expression as a core value in dealing with political finance issues.

One dire consequence of various decisions has been that **more and more election-related financing is deemed to fall outside the purview of the regulation** as it is interpreted by agencies, amended by legislators or restricted by court rulings. As a result large amounts of money are entering the electoral process without being controlled. An example is the “soft money” for party-building activities and “independent expenditures” under the FECA in the USA, political spending by *comités de soutien* in France or *kôenkai* in Japan, or the

proliferation of local lists for municipal elections in Israel.

Whether an Election Commission (as in South Africa) can recover public funds which have been spent irregularly by instituting a civil claim against the offending party depends on the efficiency of the court system.

Some useful routines and provisions have evolved over a period of time. Nevertheless, even where much has been achieved, as in **Canada, Germany, Australia** and the **UK**, problems still remain to be resolved.

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Gender Equality in Political Party Funding

JULIE BALLINGTON

1. Introduction

The role of money in politics, especially the funding of political parties and election campaigns, has recently become a topic of increased interest and concern. In particular, debates about regulating the financial conduct of political parties, from setting campaign limits to introducing disclosure laws, have assumed increasing significance. However, these debates rarely focus on the gender implications of party funding. The extent to which party funding regulations affect women and men differently is not well researched, and is often overlooked. This chapter looks through a “gendered” lens at the topic of political party funding.

It is apparent that modern political systems often do not afford equal opportunity for all citizens to participate and share in the decision-making process. Although the right of women to vote and stand for public office is guaranteed in all democracies today, women remain largely under-represented in national legislatures and local decision-making bodies. **In 2002, the representation of women in national parliaments worldwide stood at 14.4 per cent.**¹

There are a number of factors and conditions that favour or hinder the involvement of women in political life, including socio-economic development, patriarchy and cultural stereotyping. This chapter focuses on the issues of financing, that is, whether the observable fact that there are fewer women than men in the political process is due to women’s economic background and the financial resources available to them. Does financing constitute an obstacle for women seeking to hold public office? It will also provide some suggestions for overcoming the problems women may encounter accessing political finance.

The chapter reveals that the investigation of a gender perspective in party financing is a considerable challenge, largely breaking “new ground” in the area. There has been limited research focused on the issue at the global level, although the problem of funding in the United States is well documented. Beyond contributing to a gender perspective of the issues dealt with in this volume, this chapter is an attempt to stimulate further research into and interest in the issue, especially beyond the existing examples, drawn

essentially from richer and established democracies. Key questions are:

- Are insufficient resources a reason for the apparently small pool of women candidates?
- Can public money be used as an incentive to increase the representation of women?
- What strategies have been employed to assist women candidates at various stages of the electoral process?

2. Gender and Representative Democracy

Democracy today is the most direct means by which citizens are able to make key decisions about their lives, by electing political representatives in free and fair elections. Political parties are central to modern representative democracies, promoting essential competition on ideological and policy alternatives. They also provide the central link between the institutions of government and various elements of civil society. Whether ideologically they are placed Left, Right or Centre, parties are the main vehicles by which citizens elect or dismiss governments, and they maintain firm control over the nomination of candidates for elected office. Parties are key to ensuring that the social demands of different groups of society are supported and represented in parliament, including acting as gatekeepers of those candidates nominated and supported for election.

Contemporary notions of democracy provide that every citizen has the right to seek public office and participate in the process of decision making. However, in practice many social interests are not represented, as only a small proportion of the population seeks elective office and even fewer are elected. This oftentimes includes women, who quantitatively are the most under-represented social group in the world. Inequality of opportunity to participate in the decision-making process has been identified as a major problem in many modern political systems.

Various economic, political, social and systemic practices narrow the field of potential female

representatives. Systemic factors such as the type of electoral system employed by a country and the nature of the party system can also affect women's access to political life. The number of women candidates whose names are put forward for election therefore depends to a large extent on the attitude and support provided by political parties.

There is a strong argument that is articulated, especially in developing democracies, that **electoral finance** is an increasing obstacle to women's election to parliament and other representative institutions. This is partly because women have traditionally been relegated to the private, domestic sphere, and thus have neither the personal financial resources nor the moneyed networks to allow them to compete effectively in increasingly expensive electoral politics. This is particularly so in candidate-centred systems, as in the United States, where many women candidates have indicated that the most formidable obstacle they encountered in their pursuit for office was winning their party's nomination and financing their campaign (see Brodie 1991; Carroll 1994).

3. Funding the Electoral Process

In order for political parties to fulfil their democratic functions effectively, financial and other resources must support them. These include operational and infrastructural support as well as sufficient resources to communicate with their support bases. Party funding plays an important role in fostering competition among political parties and ensuring the representation and participation of all sectors of society. The different forms of party financing during election campaigns are discussed in chapter 1, and fall into two broad categories – public and private funding.

It is argued in this *Handbook* that an adequate system of rules for the funding of political parties, if properly enforced, should improve the equality of opportunity for all parties competing in an election. However, unequal access to recruitment and funding tends to favour the representation of socially advantaged sectors of society, reinforcing social and political inequalities. This is apparent when we examine the representation and participation of women in the electoral process, as well as that of other distinct groups in society.

The emerging evidence suggest that there are two key stages in the electoral process where money in politics has a direct bearing on women as potential

representatives: (a) the party nomination and recruitment stage, and (b) campaign financing.

3.1. The Party Nomination and Recruitment Stage

Typically, access to political office rests on being selected as a candidate by a party contesting an election. In some political systems elections are centred on individual candidates, in others they are centred on political parties, and in some there is a mix of the two. Legislation regulating the financing of political parties varies from country to country and with the political system in effect.

The initial recruitment of candidates to run for political office and the challenge at the nomination stage of being “taken on” by the party are major obstacles for many women seeking elected office. Funding and other forms of support are usually more forthcoming for women after they have won a party's nomination. Therefore, so long as few women are nominated or recruited by political parties, and provided with financial resources, the political representation of women will remain low.

In the United States, the decision to become a candidate and seek a party's nomination through a primary or party convention can be an individual one or it can involve a number of actors attempting to support or dissuade a potential candidate. It is a strongly candidate-centred system, in which parties nominate candidates only in the weakest sense, as winning a primary election usually determines candidature. Women with sufficient resources and credibility to mount a campaign can win direct primary contests and have proved to be as successful candidates as men. However, in the past several obstacles to women's representation have been identified – most notably **insufficient resources to campaign successfully for nomination**, resulting in a small pool of women candidates (Carroll 1994:24–25).

Women also face problems campaigning for election in other countries. Research conducted in Canada for the Royal Commission on Electoral Reform and Party Financing in the early 1990s demonstrated that the process of local candidate selection can prove a financial obstacle for women. The research found that the cost of contesting a party nomination was disadvantageous to women, who on average had less access to financial resources than men (Brodie 1991:7). However, even in strong party systems where elections

are ultimately contests between political parties rather than individual candidates, women encounter obstacles in seeking elected office. There is a small but growing literature highlighting the problems fund-raising can pose for women candidates.

The challenge of funding also applies to men, but there are several reasons why obtaining financial resources is especially problematic for women. These gender differences in funding include the following.

3.1.1. Psychological Barriers

Early studies on the effect of campaign funding on women argued that women potentially face greater psychological barriers than men in asking for money for their personal use (Carroll 1994:50). Men have traditionally been positioned as “breadwinners” in the domestic sphere and accustomed to raising money for their own use. By contrast, women were traditionally relegated to the private sphere, and as homemakers their history has not been one of raising funds on their own behalf. Today this is disputed in many countries, as socialization patterns have changed markedly in the past two decades where the economic status of women has improved (see Box 9). However, **sex-role socialization** remains a barrier for some women, particularly in traditional, patriarchal societies. It is also apparent that many women, like men, may be hesitant to run for election because of the “perceived” high cost of campaigning and difficulties of fund-raising, as shown in the United States. Burrell argues that party leaders and other politically influential persons need to encourage women to overcome this reluctance by convincing them that they can raise enough money to win (Burrell 1998:37).

3.1.2. Networks

It is often argued that men are able to campaign more effectively outside the party structure because they are more likely to be linked to business and professional networks which can provide the financial resources and expertise necessary to mount successful campaigns. Several researchers in the USA have argued that the undeveloped nature of the networks available to many women affects their fund-raising capabilities, as Carroll claims: “Most women are not well integrated into occupational and social networks that often serve as a major source of campaign funds. As a result, they may have difficulty obtaining money from sources commonly available to male candidates, who are more

likely to be part of such networks” (Carroll 1994:50).

This proposition was reiterated by the Canadian Royal Commission on Electoral Reform and Party Financing: Because of women’s segregation in the private sphere they have neither the personal financial resources nor the moneyed networks to allow them to compete effectively in expensive electoral politics (Brodie 1991:39). The network argument reaches further into what is traditionally understood as the “all-boys network” within the party – most party leaderships today remain male-dominated, and women are often excluded from these networks. Research by the Center for Asia-Pacific Women in Politics (CAPWIP) has found that the male-dominated leadership structure develops a culture that excludes women and described the all-boys network as an informal clique of men in positions of power and those close to them. The absence of women from network occasions works against their effective participation in decision making (CAPWIP 1999:8). Furthermore, Lesley Abdela finds that in Central and Eastern Europe some candidates seek contracts with private companies in order to receive financial backing for campaigning. In some instances women are not thought to be a “safe bet”, and often a man may receive financial backing in preference to a woman (Abdela 2001).

3.1.3. The High Costs of Nomination Contests

A further obstacle is that, where they are able to raise the funds, women find it difficult to attract sufficiently **large amounts**. Brodie’s research in Canada found that the control of local nominations was slipping out of the hands of the local parties because those who are able to spend large amounts of money usually win the nomination contest. Her research led her to conclude that the high cost “severely disadvantages many groups that have traditionally been under-represented in Canadian politics, particularly women, who . . . have fewer links to financial backers” (Brodie 1991:40). The study reported that women saw financial factors as the biggest obstacle to their electoral success and suggested that the government should set limits on the amount of money spent during nomination contests (there is a limit on spending during the election campaign). While political parties assist women candidates with funding in the election campaign that follows nomination, there is little or no assistance at the nomination stage of the process (Erickson 1991:111).

MONEY IN UNITED STATES ELECTIONS

In the United States, being elected to national office is a two-stage process: A candidate must first win a party nomination, and then go on to contest and win the national election. The importance of money in winning an election in the USA has become a subject of great debate and interest. The money involved in waging a modern campaign, including costs of electronic media, direct mail and voter analysis, among other things, can now reach millions of dollars per candidate.

The effects of money on representation are enormous, as the amount of money that groups and individuals have to spend on politics influences who gets heard and what issues are debated (Burrell 1998:26). This has been a particular area of concern among gender activists and women's groups, as conventional wisdom held that women were disadvantaged in campaigns for election by their perceived lack of fund-raising skills.

However, recent research has demonstrated that, while there used to be differences, in the 1990s women candidates raised and spent as much as or more than their male counterparts. Examining the results of women and men during primary contests, Burrell finds that between 1988 and 1995 women did as well as or better than their male counterparts in raising money. She finds the same to be true for women running for the congressional elections; where women run, they do as well as or better than male candidates (Burrell 1998:27–28). These findings are supported by others in the USA, where investigations into campaign finance (in particular net receipts of the candidates in different stages of campaigning) confirm that women raise as much money as men for elections.

However, examining the processes by which women and men raise money provides some interesting observations. One of the main reasons for the increase in funding for women candidates was the emergence of fund-raising bodies that were dedicated to supporting women financially through pragmatic fund-raising principles. In 1992 (the Year of the Woman in the USA), record numbers of women were elected to the House of Representatives. It is not coincidental that in the same year record levels of contributions were received by

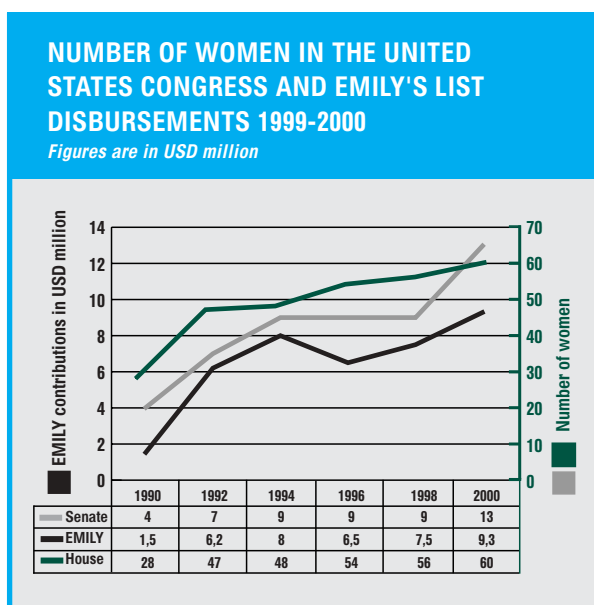
women's funding groups: Six national organizations gave a total of over USD 7 million (Int'l \$ 8,6 m.) to women candidates for national office.

In 1985 the best known of these women's groups, EMILY's List, was founded to channel "early money" to pro-choice Democratic women. Its strategy is to give women candidates access to early money, because Early Money Is Like Yeast (EMILY)—it makes the dough rise (Sullivan 1996:63). In 2000, EMILY's List members provided USD 9,3 million (Int'l \$ 9,3 m.) in funds to candidates. Other women's fund-raising groups include the Women's Campaign Fund, which is the oldest bipartisan women's fund-raising group, founded in 1974. The WISH List (Women in the Senate and House) is the Republican counterpart to EMILY and was founded in 1991. Figure 5 shows the increase in the number of women in the Senate and House along with the increase in money raised by EMILY's List.

Kate Sullivan explains that EMILY's List utilizes a loophole in the federal election campaign law known as "bundling" to help collect such large sums. Normally a funding group (often known as a Political Action Committee, or PAC) is limited to one USD 5.000 contribution to a candidate in an election. However, bundling allows groups such as EMILY to serve as the conduit for much larger donations. Individual members of the List write their cheque directly to the candidate, but send it to the List. The List then bundles all the contributions together and passes them on.

Sullivan continues that such methods have been able to provide a counterbalance to the traditional structure of campaign funding. Normally donors would give money to PACs, who themselves choose the recipients. EMILY's List, however, recommends candidates to members, who then make their own funding decisions. The success of this method among women (and the concept of the List has been copied by both Republicans and anti-choice groups) suggests that women have not yet fully acclimatized to the traditional approach of campaign contributors and have had to create their own sources of financial support (Sullivan 1996).

FIGURE 5.



Source: Table compiled by Kate Sullivan from EMILY's List, "History of EMILY's List", www.emilyslist.org/el-about/history.asp, and Center for American Women and Politics (CAWP), *Fact Sheet: Women in the US Congress 2001*, June 2001.

3.1.4. Early Money

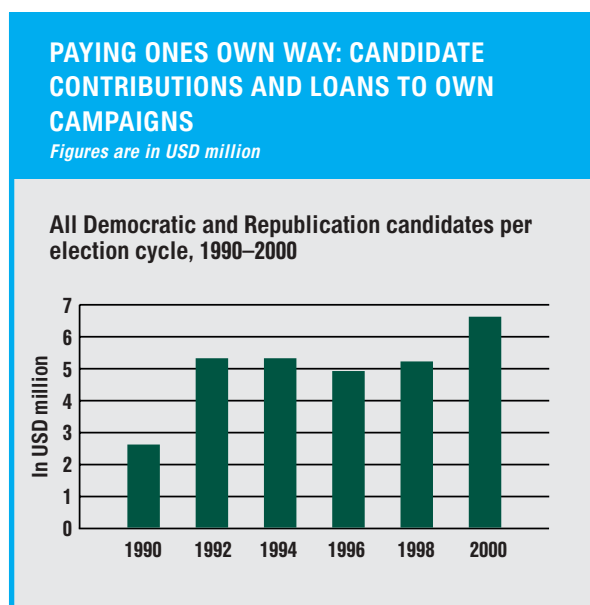
Early money is the initial financing a candidate requires in order to launch a campaign. It is often argued that the difficulties women face in primary elections and in receiving party nomination are the result of a shortage of early money. This early money is identified by some as crucial to have because it enables the candidate to establish name recognition, gain exposure and organize a campaign team – hire staff, arrange for headquarters and set up a telephone service, among other things. The acknowledgement that women needed early money in the campaign process was the inspiration behind the founding of EMILY's List. The efforts of organizations like EMILY's List have largely been responsible for the increase in the funding of women candidates.

However, it is important to note that in order to receive the backing of funding organizations during the primary election candidates often have to "self-finance" parts of the initial campaign. In the United States, obtaining this seed money is often problematic for many candidates. In many instances women candidates have resorted to taking out personal loans. Figure 6 demonstrates the vast sums of personal money invested by candidates in the election cycle in the United States.

3.1.5. Hidden Costs and Personal Financing

While the financial obstacles facing congressional candidates in the United States are arguably unrivalled elsewhere, other political systems provide examples of

FIGURE 6.



Source: US Federal Election Commission 2001.

obstacles in the realm of party funding. This is particularly so with regard to hidden personal costs, as demonstrated in the United Kingdom and elsewhere. These include:

1. *Interview Costs.* Norris and Lovenduski explain that applicants seeking to run for a parliamentary seat in the UK are initially faced with a number of interview costs. These include travel to successive meetings in different constituencies, clothes for interviews, overnight or weekend accommodation, and attending training sessions and party conferences, which are usually paid for personally. Although meagre compensation may come from the parties, the initial interview costs have proved sufficient to deter some women from continuing in the process (Norris and Lovenduski 1995:145).

2. *"Nursing" the Constituency.* If a candidate is adopted by the party, there are further personal costs in "nursing the constituency" for one or two years prior to the election. These include telephone, postage, transport and possibly secretarial costs, some of which may be taken up by well-resourced local parties (Norris and Lovenduski 1995:146). EMILY's List in the Labour Party (inspired by EMILY's List in the USA) may meet some of this expenditure for Labour women, yet a large amount of nursing the constituency is done by the candidate. Many women may feel they cannot

MORE, SOONER: SEED MONEY *

Since the emergence of groups like EMILY's List which focus on the power of early money in congressional campaigns, increasing attention has been paid to "seed" money and its role in attracting early money. As the competition for campaign financing heated up in the 1980s, more and more candidates started fund-raising earlier in the electoral cycle. As there was less competition for funds early in the cycle, many candidates perceived this early money to be, relatively speaking, easy money. Attention must be given, however, to what must be spent before early money can be accessed. This seed money can be considered the start-up funds of election campaigns, and was traditionally used for nomination costs and perhaps some preliminary advertising.

However, as elections have become more expensive and candidates' reliance on funding groups has grown, seed funding has increased in importance. Funders have become increasingly choosy about who gets money, especially early in a campaign cycle. This change has been accompanied by shifts in the perception of early money. Early money used to be for spending; now it is a calling card ("Look who supported me") as well as a preventive measure ("Look how much I've got").

This competition for early funds has allowed both PACs and donor networks like EMILY's List to be more demanding as to what is required before a candidate can

be considered for a contribution. EMILY's List has drawn fire for an insistence on polling data, and other like-minded groups require information on campaign staff and consultants, a registered campaign committee, fund-raising strategies and so on. While such organizations are obviously free to make their own rules, such requirements can also form a barrier to those seeking access to the political process.

Much seed money will often come from the candidate herself or himself. This self-financing is often a major obstacle for women. Women still earn less than their male counterparts, and the situation most women candidates find themselves in is not conducive to putting large sums of personal money into a campaign. As Paget and Matthews explain: "Self financing raises some complicated feelings for women who must commit family resources. If her husband has been the wage earner, will she feel entitled to commit these resources? (...) Widowed, divorced or single women have had to mortgage their homes, take out terrifyingly large loans and otherwise gamble their savings on winning their races. Male candidates must take (and have taken) these risks as well. For most women however, such financial risk-taking is a new experience, requiring a departure from deeply embedded tradition that puts the needs of others before personal ambition" (cited in Sullivan 1995:62–63).

* The material for this box was written by Kate Sullivan.

afford the financial investment required to nurse a seat.

3. *Family Responsibilities.* Certain structural barriers also pose obstacles for women at this stage. In particular, active campaigning demands time and flexibility which few people, particularly women, can afford. In many families women assume primary parenting responsibilities which are often extremely difficult to combine with long hours of campaigning (Herrnson 1995:3). Family commitments often mean that potential female candidates are deterred from running for office because they lack time for effective campaigning.

Abdela reiterates the points above by noting that the personal expenses of building a reputation and contesting a parliamentary seat are discouraging to some women. She notes that in the United Kingdom

there are a host of costs not funded by the party, including travel and hotel costs for attending party annual conferences, attending social and fund-raising events, childcare and clothing, that can cost between GBP 250 (Int'l \$ 340) and GBP 400 (Int'l \$ 550) per week. In addition, personal costs in an election year can amount to GBP 5,000 (Int'l \$ 6,900) (Abdela 2001).

Research undertaken by Joni Lovenduski and the Fawcett Society after the UK election in 2001 confirmed that some women encountered these obstacles in the selection process. The experiences of some Liberal Democrat and Labour Party women point to the fact that financial issues and childcare considerations are more likely to affect women than men. One Labour Party woman, for example, noted that the high cost of producing leaflets and literature for distribution "automatically preclude[s] those

mothers who are at home who just don't have the money to pay the child care, the petrol, the £500 stamps that you have to do to leaflet" (Fawcett Society and Lovenduski 2001).

There have been proposals in the UK to have childcare costs included in the campaign financing covered by the parties. The Fawcett Society recommends that systemic barriers to selection need to be removed, suggesting that: "Financial capability and lack of childcare commitments should not give a candidate a head start in the selection process. Assistance for candidates in financial difficulty and an understanding for candidates with caring responsibilities are essential if genuine equality of opportunity is to be achieved" (Fawcett Society and Lovenduski 2001).

The Canada Elections Act 1974, section 409(1)(b), makes provision for childcare expenses to be included in the personal expenses of a candidate for election, but not for the expenses incurred in the initial campaigning to receive nomination by the party. One of the recommendations in the Royal Commission in Canada noted that the cost of childcare imposes an unequal burden on many women seeking elected office and proposed that childcare is a necessary expense in seeking nomination as a candidate which should be considered a legitimate tax deduction.

These funding obstacles are not restricted to countries with candidate-centred electoral systems. Many women in strong party systems also encounter obstacles in campaigning for the party's nomination. Theoretically, proportional representation (PR)-based electoral systems place the onus of candidate selection on the political party, which acts as a gatekeeper to elected office. Yet women still need to build name recognition, canvass and be elected onto the party ticket. It may also be the case that candidates with money may be able to buy themselves a place high up on a party's list. However, once elected onto a party list, women in list-PR systems have a significant advantage over women contesting in constituency systems. Where political parties are responsible for campaigning, rather than the individual candidate in the constituency, women stand a greater chance of election provided they are placed in "electable" positions on the party list. Whatever may be the other effects of PR versus constituency electoral systems, PR systems take the financial pressure off individual candidates.

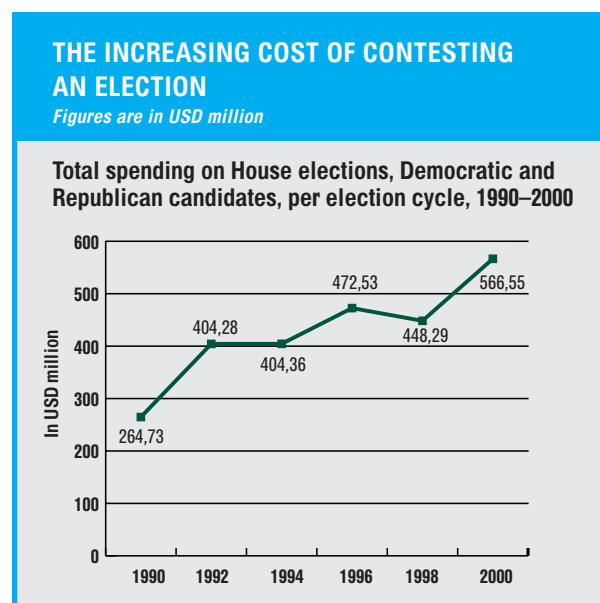
3.2. Campaign Financing

Where women succeed in winning a primary nomination and being recruited by a political party, they usually receive the financial backing of the party. In **PR-based systems**, campaigning proceeds on a party basis. Women may or may not be visible in the party election campaign, yet relying on the party ticket means that they usually do not need to raise their own funds for campaigning. However, in **candidate-centred systems**, where candidates rely on private funding to campaign (as in the USA), women again face obstacles in the party financing stakes.

3.2.1. The High Costs of Seeking Private Funding

With no public funding for congressional candidates, individual candidates and their campaigns are responsible for all fund-raising in the United States. The need to run two very expensive campaigns in one election cycle makes fund-raising a daunting task, especially for challengers and open-seat candidates. The expense involved in running an election campaign for congressional elections in the United States is well known. Money in congressional elections is primarily regulated by the Federal Elections Campaign Act of 1971 and subsequent amendments. The sections of the act that proposed a limit on the total expenditures allowable in a congressional election were ruled

FIGURE 7.



Source: Table compiled by Kate Sullivan from US Federal Election Commission, "FEC Reports on Congressional Financial Activity for 2000", New Release, 15 May 2001, www.fec.gov/press/051501congrfinanact/051501congrfinanact.html; and attached table, "Financial Activity of All House of Representatives Candidates 1988–2000".

unconstitutional by the Supreme Court in 1976 as a denial of the First Amendment right of freedom of speech. As Sullivan notes, this equation of money with speech has remained prevalent in campaign funding (Sullivan 1996).

Winning an open seat (where no incumbent runs) is often associated with raising more money than one's opponent. In the 1992 US election, women made major gains in representation in the House of Representatives: Their numbers increased from 28 to 47. Carroll notes that the fact that more money was available to women candidates than previously and that many women were able to raise more money than their opponents was a contributing factor to the increase (Carroll 1994:165). In the 1980s, women candidates had faced several barriers in the campaign fund-raising regime, including the difficulties of self-financing, the reluctance to go into debt to make such a contribution, and the need to raise huge sums of money early on in the election cycle. As noted above, the important catalyst of change was the advent of women's networks providing early money and campaign support to women.

In many other countries, the high cost of running an election campaign with limited or no public funding can be disadvantageous to candidates. In Bangladesh the rapid growth of campaign costs (despite a limit on campaign spending) in elections has meant that candidates seek to raise large sums of money from various sources, including private companies, relatives and local business houses. Women are often affected during campaigning as they are seldom able to raise the large sums required to win an election, particularly if running against a male candidate. In the 2001 election, of the 36 women candidates, just five were elected in constituency seats (Khan 2001). The difficulties women face in winning a constituency election, including the large sums of money required, have prompted calls for a quota system ensuring a minimum representation of women in parliament on the basis of direct election.

3.2.2. Cost and Incumbency

Perhaps one of the most pervasive obstacles to women obtaining parity in the US House of Representatives is the **power of incumbency**. The incumbency advantage is powerful, and because the vast majority of incumbents are men, women's chances of succeeding in the House are limited (Burrell 1998:36). The US

political system is biased in favour of incumbents, and in 1972 nearly all incumbents were men. In the 1992 election only 7 per cent of sitting US representatives and 11,5 per cent of incumbent senators were defeated. Of the 41 women candidates who challenged incumbent members of the House, only two (4,8 per cent) won (Carroll 1994:162–163).

Women have been the challengers to a disproportionate extent and have therefore had difficulty in attracting contributors. Proposals for campaign finance reform, in particular for spending limits for individual candidates and time limits for term in office, are largely attributable to the tremendous advantages enjoyed by incumbents. In 1992, EMILY's List spent USD 6,2 million (Int'l \$ rate n/a) to increase the representation of women in the Senate from 2 to 6 per cent and raise the number of women representatives from 6 to 11 per cent – still huge under-representation (Burrell 1996:128). Women's PACs give an important boost to women candidates but have a limited affect on candidates who are running against well-entrenched incumbents. Half of the male candidates who run for the US House are incumbents, and have the large war chests of campaign funds of incumbents. This suggests that women do not enjoy equality of opportunity in running for the House.

3.2.3. Lack of Resources

In many developing democracies the lack of money to pay even modest candidate deposits can exclude women from the election process. In Tanzania, the Tanzania Gender Networking Programme (TGNP) finds that women candidates are affected by a relative lack of resources for campaigning compared with their male counterparts. Pottie finds that one result of this inequality is that few women run in the country's constituency seats, relying instead on the system of intra-party elections for access to reserved seats: Under the election law 20 per cent of seats in parliament are reserved for women. In the 2000 parliamentary elections only 71 out of the 862 candidates (8,2 per cent) were women, and a mere 12 were elected to the 232 constituency seats (Pottie 2002). This is in stark contrast to the 37 women elected to the reserved seats.

The scarcity of resources is often felt hardest among new parties or those not represented in parliament, as only represented political parties receive public funds in Tanzania. Parties are also able to raise their own private funding, and the incumbent party is usually

advantaged in this regard. Several women from opposition parties interviewed prior to the 2000 parliamentary elections in Tanzania expressed a similar view: The biggest problem they faced was a lack of financial resources for effective campaigning. Women candidates often had to finance the costs of transport and campaigning materials themselves, expenses which they could barely afford. This was particularly problematic in rural areas where the cost of transport to reach rural voters is very high. Because of the expense involved, some candidates resorted to door-to-door campaigning, often with a limited impact (Ballington, da Silva and Pottie 2001:24).

4. Options for Ensuring Gender Equality in Party Financing

Equality is a central component of democracy, where equality of opportunity and access to decision-making positions for both genders are fundamental. Yet it is apparent that in all parts of the world today certain conditions hinder women's active participation in political life. An analysis of the available information examining the effects of party funding on women has shown that various national realities mean that women face obstacles in the realm of party financing.

The Plan of Action to Correct Present Imbalances in the Participation of Men and Women in Political Life adopted by the Inter-Parliamentary Council of the Inter-Parliamentary Union in 1994 notes that support for candidates in elections is important, where political parties, NGOs and other organizations "should ensure that candidates for election are given the support indispensable for the success of their campaign. In the case of parties, equal support – including financial support – should be given to men and women for election" (Inter-Parliamentary Union 1994). The analysis provided above suggests several proposals for reform. These options for reform include the following:

4.1. Limits on Campaign Spending

In order to ensure equality of opportunity for all candidates, one option is to limit electoral campaign expenses. In the United States, many women activists call for political reform to limit campaign expenses. Women are often unable to raise the same levels of funding as men. Setting a ceiling on campaign expenditure and limiting the campaign period, it has been suggested, would promote the ability of all

individuals to participate in political life on an equitable basis.

The financial obstacles to party recruitment prevent many from seeking nomination, compromising the principle of equality of opportunity and fairness. It has been demonstrated that the considerable sums required to win a party nomination pose a financial barrier to women. A further option is therefore to regulate the expenses of the nomination contest.

4.2. Fund-Raising Networks

Women's fund-raising organizations have a huge effect on the flow of money to women candidates. As has been demonstrated, fund-raising groups in the USA have been very influential in raising and mobilizing funds for women. These fund-raising networks are particularly important where there is no public funding and candidates have to raise private funds to contest an election. "Private financing can be an advantage for women, but only if there are highly organised women's interest and campaign groups" (Matland 2001).

4.3. Public Funding: Levelling the Playing Field

The provision of public funding to political parties is commonly proposed and sometimes implemented in the electoral period. It is usually premised on providing a level playing field for candidates, particularly in countries where democratic participation has been denied under colonialism or other forms of political exclusion (Pottie 2002). While public funding is aimed at parties represented in parliament, it could also be extended to political bodies representing a significant section of the electorate. As political parties are deemed to represent the interests of those who vote for them, another option is to use public funding as an avenue to ensure the representation of women in the party system.

Public funding can be regulated in such a way as to ensure that parties nominate a certain percentage of women candidates for election. After all, the parties' decision on "who competes" is a key variable in "who governs". In France a modification of article 3 in the constitution was approved in June 1999 whereby the law now "favours the equal access of women and men to electoral mandates and elected offices and positions". The parity principle requires that 50 per cent of candidates on lists forwarded for election must be women, or political parties face financial sanctions. The reform is designed to ensure parity between men

and women in access to political office in all list elections in France – for the European Parliament, provincial and municipal assemblies as well as elections for the National Assembly. The reform will also apply to list elections in the Territorial Assembly of French Polynesia and for Wallis and Futuna, and in elections for the Provincial Assembly and Congress of New Caledonia (communes with less than 3.500 inhabitants are exempt).

For local elections in constituencies with over 3.500 inhabitants, the lists must be made up of an equal number of candidates of both sexes; the lists that do not respect these rules are not registered. As a direct result of this sanction, in 2001 47,5 per cent of the councillors elected in towns with more than 3.500 inhabitants were women (Doublet 2002). For the election of candidates to the lower house, political parties face financial sanctions if they do not put forward 50 per cent candidates of both sexes. As is noted elsewhere in this *Handbook*, enforcement is a major problem in this field, and the French regulation has an important feature of promoting enforcement. Parties will lose part of the public funding based on the number of votes during the first ballot of election to the lower house (Doublet 2002). They are penalized when the difference between the number of candidates of each sex goes beyond 2 per cent of the total number of candidates on the list. For example, if a party presents 55 per cent of candidates from one sex and 45 per cent from the other, the 10 per cent gap between the sexes results in a 5 per cent reduction in the public funding it receives. At the extreme, a party presenting 100 per cent candidates from the same sex will have its public funding reduced by half.²

This type of “incentive” tied to public funding has been proposed by a number of women’s organizations as one way to address the low recruitment of women worldwide.

4.4. Specific Financial Barriers

Childcare costs are a legitimate and necessary expense for many candidates seeking nomination. The Canadian Royal Commission into Electoral Reform and Party Financing recommended that childcare costs should be included as legitimate expenses for both nomination contests and general elections. Childcare is currently considered a personal expense in the campaign period but not in the nomination process.

BOX 11.

SUMMARY OF OPTIONS FOR FUNDING REFORM

1. Limit campaign spending in primary or nomination contests.
2. Provide early money to women contestants.
3. Limit campaign spending and impose campaigning time limits.
4. Establish networks for the financing of women's electoral and nomination campaigns. This is particularly important for women in systems where there is no access to public funding.
5. Provide incentives through public funding: The amount of funding a party receives could be linked to or dependent on the number of women candidates it puts forward for election.
6. Include childcare costs in nomination and election expenses.
7. Conduct more research into the effects of campaign financing on women and explore more avenues for reform.

Endnotes

¹ The finding is according to the Inter-Parliamentary Union and includes parliaments which have not been elected through credibly free electoral processes.
See <http://www.ipu.org/wmn-e/world.htm>

² Two laws have been adopted to affect the changes: Law no. 2000-463 of 6 June 2000, and Law no. 2000-612 of 4 July 2000. On the debate in the Assemblée Nationale on the bill promoting equal access of women and men to electoral mandates and elected offices, see Assemblée Nationale, Rapport d'information fait au nom de la Délégation aux Droits des Femmes et à l'égalité des chances entre les hommes et les femmes [on bills no. 2013 and 2012], document no. 2074, 18 January 2000 on the Assemblée Nationale Internet site: www.assemblee-nationale.fr/rap-info/i2074.asp.

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Conclusion

KAREN FOGG, PATRICK MOLUTSI & MAJA TJERNSTRÖM

1. The Changing Agenda

Although this is frequently not acknowledged, it is almost a truism to say that democracy cannot function properly without political parties. As reiterated throughout this *Handbook*, they perform an essential public service – recruiting and training candidates for public office, mobilizing electors, contesting and then winning or losing elections, and forming governments. In the ideal model, parties aggregate interests, develop policy alternatives and generally provide the main link between citizen and government. The functioning of parties – their organization and professionalism, their funding base and sustainability – impacts directly on the effectiveness of the rest of the political system. They are, in turn, a reflection of the particular political culture. Despite their importance, however, political parties have rarely attracted the same kind of public attention and support as the more formal institutions of governance, such as the parliament and the judiciary, or even the less formal components such as civil society and the media.

If in the past there has been a tendency to take political parties for granted, to treat them like NGOs which should rely on their members and well-wishers to support them, more recently – in the older as in the newer democracies – there has been increasing contempt for and general public disillusionment with parties and politicians, impacting in turn on attitudes toward democracy as a whole. One main reason for this has, without doubt, been what is perceived as an excessive intrusion of money into politics. Whether the particular concern is business pressures or crime-related donations, with vote-buying or ever-expanding media campaigns, the public image of parties is increasingly marred by the tarnish of corruption. The issue of party finance is thus now moving onto the political agenda with some urgency in several countries and regions of the world as politicians seek to demonstrate some sensitivity to public concern.

Parties need to generate income, like any other organization, to pay staff and finance running costs. But, given that they have a vocation to win elections and take over the reins of political power, the financial

stakes involved are clearly of a special order. The financing of electoral campaigns becomes an issue in itself. Most countries seek to regulate the income-generating activity of parties, but as this *Handbook* has shown there are tremendous variations, in intent and in effectiveness, related to political culture and context. The various chapters covering different continental trends and political traditions show some commonalities within each group but also quite wide diversity.

According to Karl-Heinz Nassmacher, there are three broad strategic options relating to the regulation of party finance: the **autonomy option**, which emphasizes the freedom and privacy of political parties, minimizing the need for regulation and relying largely on self-regulation and the self-correcting mechanisms of party competition; the **transparency option**, which highlights the disclosure of information on party finance to enable the individual voter to assume her or his responsibilities and prerogatives and make an informed choice on election day; and the **advocacy option**, which foresees a set of detailed regulations on party finance, monitored and enforced by an independent agency. Combinations of the three are possible and indeed desirable. Nassmacher puts forward the **diversified regulation option** which combines “benign neglect, precise regulation, public incentives and occasional sanctions”.

It is clear that no one model of regulation can fit all circumstances. Every country will need to develop its system according to its political values and culture, its political and electoral system, the stage of development of its democracy, its institutional capacity and so on. There will undoubtedly be a mixture of motives and tools. We hope that this *Handbook* can help to shed light on some of these. However, the issue of political finance can scarcely be treated in isolation, since it reflects more broadly on the role and regulation of political parties in general and on the potential for reform and development of the party system as an essential component of sustainable democracy. This conclusion seeks to highlight some of these wider issues.

2. Why Regulate?

Motives for regulating political finance may vary considerably and with them also the focus of the regulations. At least four quite distinct motivations can be identified: preventing abuse; enhancing fair political competition; empowering voters; and strengthening parties as effective democratic actors.

One key reason to legislate is to **prevent abuse and the buying of influence in political parties** by interest groups or wealthy individuals, and so seek to restore public confidence in the political process. This is usually the main objective of the “advocacy option” mentioned above. Indeed, the need for “clean politics” has driven most regulatory initiatives in recent years. Hence the use of bans or limits on donations from particular groups and of various obligations for disclosure and auditing requirements placed on parties and/or donors. Before discussing specific tools, it is worth emphasizing that since probity in politics and public confidence in that probity are the aim, effective and visible enforcement is crucial; lack of enforcement can be profoundly counter-productive. Enforceability – or the capacity to enforce – has two different connotations in this context. The first refers to institutional capacity and the practical feasibility of enforcing political finance regulations without excessive bureaucracy and expense. The second meaning refers to political capacity and the willingness to allow the relevant public authorities to proceed with enforcement, without interference, by monitoring, investigating, judging and if necessary sanctioning irregularities. In certain cases, this may entail a direct challenge to the political establishment and prove to be a most difficult test of the separation of powers between the executive and judiciary.

Similarly, it has to be recognized that the regulation of party finance is only the tip of the iceberg of the problem of combating corruption in political life. Measures to ban corporate contributions to campaign finance and thus indirectly limit the influence of business on government, for instance, should normally go hand in hand with other measures on political corruption, for instance, requiring regular disclosure of assets and registration of the interests of sitting members of Parliament (MPs) (and their families) and party officials. This is especially relevant in those countries where the problem of politicians using their position to extort money from those requiring

protection or seeking favours is greater than the problem of money buying influence with politicians. Rules on parliamentary immunity should be reviewed in this context. Broader measures to secure the transparent management of state resources, limiting the individual official's powers to take important decisions, especially on public procurement, along with clearer rules on financial control and audit would be relevant and help to reduce some of the obvious “spoils of office” which are at the source of the problem of buying influence.

Another motive for legislation is to contribute to the establishment of a **level playing field of competition between the parties**. Fair competition is a fundamental if implicit principle of multiparty democracy. Legislating on political finance to help equalize the conditions of competition may help to ease the entry of new parties on the political scene or to reduce the pressure on parties to align their policies to those of corporate or other wealthy interest groups. Tools similar to those used against corruption may be applied – for example, bans and limits on certain types or sources of funding – but the purpose is less to eliminate undesirable funding and more to limit the total volume of expenditure by any one party or candidate so as to reduce the disadvantages faced by less wealthy candidates, including specifically women candidates. It then becomes equally important to fix expenditure limits for primary election or equivalent campaigning. The tool more frequently used to equalize competition is direct or indirect public funding, which, if available at an adequate level and combined with bans and ceilings, can make a significant impact on the sustainability of non-business parties. The provision of equal access to the public media is another obvious tool for promoting equality. To make it more effective, it can be combined with a ban on purchasing television time on commercial stations.

A third reason for regulating political finance, usually associated with the “autonomy” and “transparency” options mentioned above, is the **empowerment of voters**, ensuring, usually by means of disclosure rules, that they have the information they need to be able to make an informed choice on election day and relying on the electorate, together with civil society and the media, to provide an effective sanction to encourage good behaviour by parties and candidates. The empowerment argument may be used rhetorically by those who contest the feasibility or desirability of other

forms of party finance regulation. The argument certainly needs careful dissection. Quite apart from the effectiveness of disclosure rules (which are considered below), there is the question of the extent to which voters will indeed use such information, whether the party system offers the voter any real alternatives, and whether the electoral system is sufficiently responsive to shifts in voting trends. Civil society organizations and the media, usually acting in the name of the general public, may well play an important role in the enforcement of party finance laws but are not in themselves accountable to the electorate. They tend to establish their own political agendas and preferences, which do not necessarily give top priority to combating political corruption. This is not to undermine transparency as an objective of political finance regulation, but to contextualize it and point out the importance of broader issues such as the party system and the independence of the media.

A fourth motive for regulation can be to help **strengthen and develop political parties**, to help them become responsible actors in support of sustainable and effective democracy. This would set the regulation of political finance in the broader context of constitutional and legislative provision on political parties, and indeed the general philosophy on the role of political parties within the political system, including the relationship among party leadership, candidate, party member and citizen. Few countries appear to have developed a coherent strategy of controls and incentives to help shape parties according to prevailing expectations and assumptions. There would nevertheless appear to be considerable scope in this field. Public funding for parties, sometimes justified in the name of equalizing competition (see above), may equally well serve as a tool to promote good practice. To qualify for funds, parties could for instance be required to live up to certain standards of internal party democracy, transparency or practices of inclusiveness (notably gender balance among candidates and officials). It is remarkable that only one country – France – seems to have made the link between public funding and gender targets. It is equally interesting that the linkage established in law has so far been rejected by the French parties themselves. Funds can also take the form of incentives (tax credits or matching grants) to stimulate grass-roots participation and membership, although such measures are feasible only in a limited number of cases. Alternatively, funds

can be targeted exclusively for use in capacity building, for instance in training or policy development. Capacity building is an area where foreign actors such as sister parties in other countries, development agencies or NGOs often take an interest. Many external initiatives bring positive effects, though they may arouse sensitivities about foreign interference. The ideal could therefore be to harness the efforts of external well-wishers behind an official national strategy for the development of political parties, through both funding and regulation (see section 5 below).

3. Tools and Measures: Key Issues

The Matrix on Political Finance Laws and Regulations summarizes the characteristics of the relevant laws in 111 countries around the world. Together with the regional chapters of the *Handbook*, each of the tables gives a good deal of detail on individual provisions, ranging from bans and limits on certain kinds of donations or expenditure through transparency rules to direct and indirect public funding. From an overview, it is notable how many countries have a broad set of rules on political finance but how little satisfaction there appears to be with the impact they have. Many legislators have aimed for the “advocacy option” of a fully regulated system, but enforcement agencies often fall short of being able to monitor implementation and are often quite unequipped to fulfil the immense ambitions of legislators.

Looking at specific measures, many **bans and limits** are rather theoretical in the sense that they are not necessarily conceived with a view to effective application. Anonymous, foreign, trade union and corporate donations are the types of donation most often excluded, not always effectively. Some exclusions are understandable: it is not clear why entities that do not have voting rights in a particular country should be able to influence its politics in other ways. Nevertheless, if such funding sources are eliminated, parties can become excessively dependent on public funding or on other, often more devious, means to obtain additional support. The “ideal” of parties thriving on the energies and financial support of their committed followers may still figure in the aspirations of some parties, and may still have a basis in reality in some older parties in Europe and in Canada, but this scarcely represents a feasible model for parties in newer

democracies which have not had long years to build up a mass membership tradition before the advent of personality politics. A mixture of public funding and limits on the size of donations is in many cases considered more effective and pragmatic than outright bans, even if it is less equitable than a system based only on public funding.

In some countries, indeed, the initial aim could be simply to legitimize private political finance, to bring it within the realm of law, and to insist first on disclosure and only later build up a consensus among the parties themselves about what might constitute undesirable funding. Hasty, top-down legislation, with an eye to impressing the international community, for instance, rather than changing patterns of political influence at home, is unlikely to have much effect and can also rebound with the electorate. Legislation so directly affecting political life can usually only consolidate an existing **basic political consensus**; it cannot create one. Hence the notion that it is best to engage in cross-party dialogue to encourage the emergence of a broad coalition in favour of cleaner politics. The risk, of course, is that rent-seekers from different parties will join forces in order to legislate to facilitate clientelist linkages rather than limit or expose them. Civil society and the judicial authorities should therefore also be actively involved in the debate on political reform in this area.

Enforcement, as mentioned earlier, is critical. Lack of enforcement is probably more dangerous than lack of rules, since it leads to disenchantment and cynicism toward democracy. Any kind of regulatory framework for political activity presupposes a minimum degree of respect for and capacity to implement the rule of law. The relative solidity of political and judicial institutions in a country must therefore weigh heavily in the design of appropriate political finance rules. The “advocacy option” model of a powerful independent authority to be responsible for monitoring and enforcement may indeed be unrealistic in many societies and a more collaborative approach can be more effective. Just as in the design of rules, so in their enforcement, it may be appropriate to engage the parties or politicians themselves to operate collegially as the enforcement authority (just as they sometimes operate a bipartisan election management authority).

Sometimes political parties can themselves be willing partners in the search for ways of **limiting the “arms race”** of political finance, particularly as regards the

burden of funding electoral campaigns. An obvious tool, and one that is used increasingly in Latin America, is to strictly limit the length of the campaign. Another, as mentioned above, is to limit access to the broadcast media, prohibiting for instance the purchase of television time for political advertising. Regulating media access in this way may be particularly relevant in those countries where party structures are weak and do little local campaigning or where the campaign is entirely personalized, as in presidential systems.

It seems that transparency rather than control is increasingly seen as a key priority in both older and newer democracies. **Disclosure rules** can have some impact as a deterrent but are only effective in certain conditions. In addition to the structural issues raised above, the challenge is to make available information that can be useful to the interested voter or the media, and therefore to focus on naming the bigger donors, and to ensure that information is available in a timely fashion, before elections rather than months after the event. It is taken for granted that active independent media and civil society exist and are ready and able to exploit the information and bring it to the attention of voters. Even when all such conditions are satisfied, there is evidence in more than one chapter in this *Handbook* that in some emerging or unstable democracies the risks of harassment and intimidation of donors to opposition parties, or parties representing minority concerns, are great enough to discourage donations if public disclosure is the price to be paid.

Public funding for political parties is more widespread than commonly realized. The *Matrix* identifies 65 countries as having provisions for direct public funding and 79 as having indirect funding. With a few notable exceptions, the objective is usually to assist in creating a level playing field during election campaigns, rather than to influence the effectiveness or transparency of the parties, although there is some evidence from Latin America – Mexico and Costa Rica in particular – that public funding has indeed contributed to modifying entrenched party systems, facilitated the development of new political forces and generally enhanced political competition. There is now a vivid debate on new legislation – in Chile, for example – on how best to use public funding and how to determine amounts, eligibility, timing and other conditions. Currently, public funding is sometimes, but surprisingly not always, distributed under the condition that the expenditures made with public

funds must be accounted for. It would seem that the debate has yet to move on to a more ambitious level, using public funds to lever other types of good practice by political parties.

The **power of incumbency** is one of the main forces to be reckoned with in seeking to regulate political finance. There are myriad ways in which governments can circumvent rules, use public resources to buy influence, control the media, harass opposition forces and so on. The risk of this happening is high in democracies that are still weak and where government has little respect for the prerogatives of opposition forces. In such cases, it can be argued that effective regulation of political finance is simply not feasible. This does not, however, necessarily diminish the utility of advocacy campaigns for clean politics, which can highlight the different ways in which public finance can either undermine or strengthen pluralist democracy.

4. Regional Trends and Recent Developments

The *Handbook* has shown widely divergent trends in political financing in various regions of the world, reflecting different political systems as well as the varying degrees of maturity of democracy as such. The level of gross domestic product (GDP) per capita, the depth of socio-economic inequality and the distribution of economic power are also of fundamental importance in considering political finance and the opportunities for reform. Within regions, there is diversity but also a trend toward regional-level initiatives which are not insignificant.

Within the Anglo-Saxon orbit, there are marked differences. Even between countries which have candidate- rather than party-based approaches, there are very different philosophies about regulation. The Canadian example emerges as the most balanced and possibly exportable system. Yet it is precisely in Canada that there have been strong pressures to curb the influence of corporate financing. These culminated in a new law that passed the Federal Parliament on 19 June 2003 which now basically prohibits corporations, trade unions and lobby groups from making donations to political parties, allowing them to contribute amounts up to only CAD 1.000 per year to individual candidates or local party associations. To compensate, direct public funding for parties is to be introduced at

the rate of CAD 1,75 per vote received in the previous election, adding to the already generous reimbursement of candidates' electoral expenses (www.parl.gc.ca). Disclosure provisions are also enhanced. Expenditure may rise to CAD 40 million per election year and CAD 23 million in non-election years (Brown 7 June 2003).

In continental Western Europe, the differing traditions between north and south are also very marked, with patterns of regulation reflecting degrees of the perceived danger of "plutocratic funding". Germany would appear to offer the most comprehensive party law and public funding system, but, like Canada, it is set in and designed for a mature political culture where the rule of law exists, where grass-roots membership is traditional and can still be mobilized, and where generous public funding is accepted by taxpayers as a price for democracy.

Despite the radical differences in tradition within Europe, however, it is particularly interesting to note the impact of European integration in the area of political regulation. Under the influence of those countries with a tradition of public funding, the **European Union (EU)'s Treaty of Nice** of 2000 provided for regulations to be established governing political parties at the European level and in particular the rules regarding their funding. In the words of the President of the European Commission, Romano Prodi, "strong and independent European parties are essential for improving democracy in the European Union". Prompted by the demand for transparency in party financing emanating from the European Court of Audit, as well as the imminence of EU enlargement, there has been a recent flurry of activity, with a draft regulation from the Commission in February 2003 (COM(2003)77: European Commission 19 February 2003) followed by a European Parliament position in June (European Parliament 19 June 2003). Key elements of the Commission's proposal, backed largely by the European Parliament in its position voted on 19 June, foresee public funding being made conditional on evidence that party statutes and activities respect the principles of democracy, human rights and rule of law as laid down in the EU Treaty and the Charter of Fundamental Rights of the European Union. Parties must demonstrate a reasonable degree of representativeness across the EU. They must generate at least 25 per cent of their funding through their own efforts (donations, subscriptions etc.). EU public funding, projected at EUR 8,4 million per year, is to be

divided between a flat-rate basic grant and a second component: 15 per cent of the total is to be distributed equally between the qualifying parties, while 85 per cent will be divided on the basis of the number of seats each party has in the European Parliament (European Commission 19 February 2003). Parties must disclose their accounts to the Court of Auditors, specifying donors and donations (exceeding EUR 500 in the latest version). Ceilings on donations (exceeding EUR 12.000 per year according to the Parliament) are to be fixed.

The significance of these developments at the EU level, yet to be confirmed by the Council, is that they may gradually influence the contrasting national political traditions across the enlarged EU and beyond. Reinforcing the trend toward regulation and convergence is the initiative by the **Council of Europe**, whose Committee of Ministers agreed on a recommendation on 8 April 2003 asking all countries to abide by a number of principles on party finance, ranging from transparency in party accounts through restrictions on or prohibitions of sources of funds to public funding of political parties. The document also contains recommendations on enforcement and sanctions (Council of Europe Rec(2003)4). In addition to these recommendations, a manual for national legislators is being developed for the Council of Europe's 45 member states. Good practice in political party financing is also being promoted by influential transnational NGOs such as the Association of Central and Eastern European Election Officials (ACEEEO) (www.aceeeo.org). It will be interesting to monitor the impact of such normative activity at the European level on the less structured democracies of Eastern Europe. The chapter on developments in the region in this *Handbook* gives few grounds for complacency.

There has also been a burst of interest in political party finance in the Americas. In March 2003, the **Council of Presidents and Prime Ministers of the Americas** agreed on a far-reaching declaration on political financing (Carter Center 19 March 2003). Worth quoting at some length, these refer to the following six principles:

- “*Fostering stronger representative and accountable political parties.* In their representation and participation functions, political parties need access to adequate resources to function effectively and ethically.

- *Ensuring effective electoral competition.* Parties and candidates must have a fair chance to campaign for their ideas; access to the media and adequate resources is crucial. Unfair incumbency advantages should be addressed and the use of state resources that are not made available to all candidates in the electoral campaign should be prohibited.
- *Promoting political equality and citizen participation.* Citizens, rich or poor, must have equal opportunity to participate in the political process and to support candidates or parties of their choice. Financial contributions are a legitimate form of support. Inequalities related to gender, race, ethnicity or marginalized populations should be compensated. The principle of one-person, one-vote must be preserved.
- *Preserving the integrity of the electoral process through transparency.* Voters need to be empowered to choose as autonomous and informed citizens, free from pressures, intimidation or seduction through economic benefits, and informed about the resources and support for candidates and parties.
- *Enhancing accountability and eliminating corruption.* Elected officeholders should represent their constituents as a whole and be free from financial dependence on a few. Donations should not be used to buy access to politicians or civil servants, personal favors (contracts, tax breaks, etc), or policy favors.
- *Strengthening rule of law and enforcement capacity.* There must be assurances of timely justice and an end to impunity in abuses of political financing. The enforcement of political finance laws and regulations requires the existence of independent oversight authorities and an effective system of sanctions to end impunity”.

Deriving from these principles, the Council of Presidents and Prime Ministers of the Americas go on to set as objectives and tools that their members states should:

- “*Invest in the democratic character of parties rather than long or negative campaigns.* The pressures of fundraising should be reduced by controlling the factors that escalate campaign costs. Measures

could include limiting spending; shortening campaigns; providing equitable access to the media including free media time to the candidates during prime time; banning or capping paid political advertising; promoting public financing, eliminating inflammatory ads; adopting and enforcing prohibitions against vote-buying.

- *Improve transparency and reduce the influence of money by requiring disclosure of donations and expenditures.* Parties and candidates should be required to publicly disclose itemized donations above certain amounts and their sources, including in-kind contributions, before and after the elections so that future undue influence by the donor could be assessed. Parties and candidates should make public audited reports of itemized expenditures on a regular basis, including in-kind expenses, with all funds flowing through identified bank accounts managed by specified individuals who can be held accountable. Media should be required to disclose standard advertising rates and to report discounts as political donations, and maintain advertising rates that do not exceed the commercial rates used between campaigns. Campaign contributions from foreign sources should be prohibited, with the exception of citizens living abroad, if allowed by national law. Campaigns and candidates should refuse donations from organized crime or drug trafficking.
- *Promote equity, participation and competition.* Mixed funding systems with a substantial public component are recommended. Public funds should be provided as a substitute for or a complement to private donations at all phases of the political and electoral process. Public funding for ongoing party activities and campaigns should be allocated by a mix of proportional rules and flat subsidies to all parties that meet reasonable thresholds. Large individual donations should be limited; small donations that the average citizen can afford should be encouraged, perhaps by offering tax credits; and voluntary media standards for balanced media coverage should be developed.
- *The institutions responsible for enforcement should provide both incentives and sanctions.* Oversight entities, whether electoral management bodies or judicial organs, should be independent, non-

partisan, and equipped with sufficient human and financial resources and authority to enforce the country's laws. Without this, none of the other measures suggested here will be effective.

Enforcement capacity should be developed for effective monitoring, investigating, and prosecuting, and include subpoena powers, whistleblower protection, and access to bank accounts. Sanctions should include remedial actions, fines, criminal prosecution, and denial of office and/or future access to public funding”.

This declaration complements and supports the study being undertaken under the auspices of the Organization of American States (OAS) Inter-American Forum on Political Parties, with International IDEA, focusing on enforcement, disclosure, access to the media and public and private regimes of financing. A broader discussion on the strengthening of political parties is also developing in Latin America. The 19 heads of state attending the 17th Rio Group Summit, held in Peru in May 2003, endorsed a report on greater financial transparency, internal democracy and equal opportunities. A few days later, a special study on Central American political parties was launched by the International Development Bank (IDB), the OAS and IDEA. At the national level, debates are also intense as new legislation takes shape – on political finance in Chile and on party law in Peru, to mention a few examples.

Latin America may offer some cause for optimism about its capacity for political reform, since multiparty democracy is largely stabilized, the private sector is more independent of the state, and civil society is more mobilized to demand change than used to be the case. A very different picture emerges from parts of **Africa**, not dissimilar from parts of Eastern Europe, where multiparty politics is a recent development and where entrenched parties in government often have few scruples about using state resources for political ends, rarely accepting the need to allow the opposition to compete on equal terms. In differing degrees, business interests dominate and party structures and membership remain very weak. Regulation of party finance is fragmentary and difficult to enforce, and public funding is low or non-existent. Very serious reflection is needed to trace a strategy for the development of political parties in these emerging democracies. However, things are moving at the

continental level, at least. The **African Union** has been working on an African Convention on Preventing and Combating Corruption. The draft convention was adopted by the Assembly of Heads of State and Government in July 2003, and member states were encouraged to sign and apply it. It contains provisions for transparency in political party finance, and prohibits the use of funds from illegal or corrupt practices. It also provides for an active role for civil society and the media in the monitoring process (www.africa-union.org). Many individual countries are also considering reforms of a wide variety of political finance laws. Public funding is one of the most heavily debated issues in the region, and in countries like **Ghana, South Africa** and **Uganda** political parties and movements are raising their voices to ask for funds from the public purse (Yeboah 6 June 2003; Kaiza 26 June 2003).

There are few formal political finance initiatives on a regional basis in **Asia**. Party finance laws are diverse and it is difficult to find common trends and developments. Of particular interest is the recent case in **India** of action by the Supreme Court to enforce accountability of politicians. The key public concern which has given rise to organized advocacy by some leading civil society groups is that politicians are controlled by private “money bags” or criminal elements who also find their way into politics. After a long and intense debate between politicians and civil society, Parliament and the president on the disclosure obligations of politicians, on 13 March 2003 the Supreme Court struck down a major portion of the new Electoral Reforms Act, saying it could not undermine an earlier court judgement in 2002 which had given a direction that the voters had the right to know the criminal antecedents as well as the liabilities and assets of the candidates so as to equip them to vote wisely on election day. The implications of the court’s ruling were succinctly captured by LOK SATTA (People Power), one of the NGOs which helped take the case up to the Supreme Court. Referring to the court verdict, it stated:

This should not be seen as a struggle between the people and the political parties. The parties have a vital and often thankless task to perform in a democracy. Very often they are captive in the hands of political fiefdoms which dominate the electoral scene in a first-past-the-post system. Our parties are

striving hard to sustain our democracy against great odds. They need our full support in this endeavour. Equally, the parties must take this as an opportunity, not a threat. This is a priceless opportunity for our political system to break itself loose from criminal elements, unaccounted and excessive money power, and increasing perception of illegitimacy of the power game (Narayan 13 March 2003).

The link made by LOK SATTA between transparency and clean politics on the one hand and broader political and electoral reform on the other echoes a theme that runs through this Handbook and these conclusions – that the problems of regulating political finance cannot be tackled adequately without a broader consideration of other structural issues affecting the role of political parties. The fight against corruption, and political corruption in particular, can be a useful rallying call for action. Transparency International (TI) maintains pressure at the international level on the issue of political corruption: its first Global Corruption Barometer on public attitudes was published in July 2003. In 33 of 44 countries surveyed, more than 30 per cent of the respondents (over 50 per cent in Argentina and Japan) picked political parties as the first actors to be addressed in the struggle to eliminate corruption. At the national level, however, where TI is also active, the strategies for dealing with the problems in each of the countries surveyed will need to vary considerably, according to the particular characteristics and weaknesses of their political systems (www.transparency.org).

5. Toward a Holistic Approach

There is much scope for further analysis of “what works” in the field of regulating political finance. This *Handbook* has focused on financing for political parties rather than for individual candidates or the activities of sitting MPs. It has looked at national rather than regional or local elections, let alone transnational elections (such as those for the European Parliament). It has also concentrated on the role of public regulation and funding, and has not sought in any way to analyse trends in self-regulation by the parties themselves. Although it may be tempting to dismiss the “autonomy option” as the refuge of those dependent on corporate funding, it may be the case that individual political

parties can set their own standards of clean politics and successfully exploit electoral disillusionment with establishment parties, setting in train a competitive process of party reform. Quoting the Korean example in this context, the National Democratic Institute for International Affairs and the Council of Asian Liberals and Democrats have made an interesting analysis of trends in internal party reform in several Asian countries, showing a range of initiatives by committed reformers (National Democratic Institute, 2001). Most striking is the combination of specific anti-corruption measures (transparency, codes of conduct, disclosure rules, internal monitoring, asset management) and reforms to enhance internal party democracy, notably in the nomination, election and accountability of party leaders. If such a trend is feasible only in a relatively “open” political system, backed up by a lively civil society and pluralist media, it is still an important facet of any strategy for the development of political parties and needs further investigation in other parts of the world.

This experience from Asia serves to highlight some basic questions on strategies for regulating political finance anywhere in the world.

First, **can regulation succeed anywhere if the leading political parties are not themselves committed to establishing higher standards of political behaviour?** Individually, political parties may perceive electoral advantage in professing and demonstrating clean politics, but for regulation to succeed it is usually necessary for political elites to acknowledge that concerted action is required, for instance, in order to revive public support for multiparty politics. Their commitment must go beyond a willingness to legislate and include also a willingness to make legislation work, not least by setting up independent and properly resourced enforcement mechanisms. Legislation may consolidate a political consensus, formalize standards and legitimize expectations but it alone cannot provide a deterrent to misdoing or an end to impunity.

Second, **can the prevention of abuse and the buying of influence be dissociated from questions of internal party management?** Insofar as political parties manage power and influence, as well as finance, in the name of democracy, it can be argued that high standards of transparency and accountability need to be applicable to decision-making and appointments, as well as to fund-raising and financial management. In the fight against political corruption, the trail leads almost

inevitably from the specific problem of finance to the much broader problem of developing more responsible political parties that enshrine the principles of democracy and the rule of law in their party statutes, and apply them in practice in their internal management as in their political platform and campaigning activities. Regulation needs to cover other issues of party management, in addition to matters of finance. This means that the party law needs to be considered in a holistic way, as well as public funding. It would certainly be logical to use public funding in a developmental way and tie it to respect for high standards of management and internal democracy (including affirmative action aimed at underrepresented groups).

Without undermining the case for a regulatory approach to political finance and parties in general, it is clear that there are several other underlying factors which can determine the success of legislative reform. **Continuing public pressure** is a key element. Hence the challenge to maintain the hot wind of electoral expectation and discontent that is blowing parties toward greater transparency and reform. As mentioned above in the discussion of the empowerment of voters, if the parties and the electoral system are unresponsive to shifts in public opinion there will be few incentives for parties to establish new standards. In addition, both the media and civil society need to maintain pressure on political parties to reform, rather than being tempted to dismiss them as incorrigible. NGOs in particular may see themselves as the more reliable voice of public opinion, being able to pressure the executive directly and thereby short-circuiting the elected representatives of the people, but they are neither representative nor accountable. If parties are condemned as irrelevant, democracy will be all the weaker, and politicians that much less honoured and honourable.

A **high degree of political competition**, nurtured by the responsive and open nature of the political system, is thus probably a necessary (though not sufficient) condition for developing a culture of clean party politics. Yet genuine competition is one of the hardest features for new democracies to attain. Government parties tend to dominate, cling to power and abuse directly or indirectly the opportunities incumbency brings, as already mentioned. Some abuses are nowadays picked up and documented by the international community, before elections or in the

course of election observation exercises, so that “pretend democrats” who fail to respect the legitimate rights of opposition parties can be discredited. The larger problem of incumbency will, of course, remain in cases where the spoils of office – regular or irregular – are spread efficiently across diverse elites and constituencies, thus weakening any opposition case for greater transparency, integrity, equity or liberalization. In such situations, calls for legislation on party finance or party transparency need to be set within a more general movement in favour of the rule of law and systems of regulation which protect against abuse and inefficiency.

Political parties cannot be isolated from the political systems in which they operate, and any reform of their finance or organization should be seen in the broader context of the conditions for competition and governance. A holistic approach is all the more important given the tendency for the problems of political corruption and the scandals of political parties in developed democracies to overshadow the major **challenges for political parties in emerging democracies**. Parties are a vital though often neglected institution of democracy which needs to be nurtured and developed with quite as much care as other institutions such as the parliament, the judiciary and the public administration. Whether considered as part of civil society or in different intermediate positions between citizen and government, parties play a more crucial role than NGOs in the actual functioning of political processes and merit as much concern from the international community. Parties are nevertheless particularly sensitive and vulnerable as objects of concern, because – unlike NGOs – they compete directly for political power. Like NGOs, they have financing needs – for training and start-up, for campaigning and membership drives, but also for basic running costs. Unlike NGOs, which can look for project finance from donors or public authorities, or engage in various income-generating activities, political parties have running costs which cannot reasonably be covered without a major contribution from public funds.

Public funding of political parties, as this *Handbook* has shown, may be a significant and well supervised area of public finance in many established democracies, but it is still relatively unsophisticated as a tool of party support in many newer democracies. There would seem to be scope to develop more **efficient frameworks**

and conditions for public funding which are conducive to strengthening parties as effective actors in a modern democracy. Leading political parties in newer democracies should themselves be the first to appreciate the need for more conditionality, requiring transparency and internal democracy of the political parties in return for greater public support and hence a more level playing field. Given the austerity budgets of many a new democracy, the major question for the international community will then be how far it will be willing to consider channelling its grant aid or budgetary support through national mechanisms in order to develop political parties. Various models for financing can be designed, drawing on the experience of co-financing “umbrella” funds for NGOs in several developing countries.

These are issues on which there will need to be further public debate, not least with political parties themselves in both established and newer democracies. Civil society organizations, especially those that have benefited considerably from international support to date, should also reflect seriously on the dilemmas of party financing and then on priorities in the use of public funds for democracy. Public funding of parties will not be acceptable to the public at large if parties are considered irretrievably corrupt. The responsibility will probably therefore be on existing parties to demonstrate concern about their ethical standards and the general public’s view of them and to engage in debate with opinion makers in the media, in civil society and in the international community about a new style of politics in which parties can play a more honourable role. In many parts of the developing world, where democracy is still being built and competitive politics are not yet well grounded, the future of political parties is an urgent concern. It is hoped that on this crucial issue, among others, this *Handbook* will contribute to concentrating minds and assisting in the search for new approaches and solutions to the ever-present problem of paying for democracy.

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Introduction to the Matrix

MAJA TJERNSTRÖM & ANNA KATZ

About the Study

The Matrix of Political Finance Laws and Regulations is a preliminary collection of information on political party finance laws at the national level in 111 countries in the world. It will be periodically updated and available on the International IDEA website (www.idea.int). The study covers the areas of regulatory system, enforcing body, disclosure of and ceilings on income, bans on types of donations, disclosure of and ceilings on expenditure, direct public funding and indirect public funding.

The columns in the *Matrix* are numbered consecutively. The countries are listed in alphabetical order and are in bold if the country has the main provision listed in the table. An asterisk indicates a note on the particular entry. The notes can be found at the end of the table.

The countries studied are drawn from the 144 countries that were categorized as “free” or “partly free” in the 2002 Freedom House Index. The selection has been made in order to focus the study on countries where the system of political finance is likely to have an impact on relatively democratic elections. Of the 144 countries, we obtained complete responses for 111. On the issue of public funding, additional responses have been provided for the remaining 33 countries and the responses for these are listed at the top of the Table 7.

A book on political finance in the world by definition includes many figures in different currencies. This study has used a conversion rate that reflects how much local money is/was worth *within the country* during a *specific year*. Amounts in local currency have been converted to International Dollars (Int’l \$), which purchase the same amount of goods and services in all countries.

For further information about the study, see the appendix on *Methodology*.

The Tables of the Matrix

The *Matrix* is divided into the following nine tables

1. Regulations and enforcement
2. Disclosure of income
3. Ceilings on income
4. Bans on sources of income I
5. Bans on sources of income II
6. Disclosure and ceilings on expenditure
7. Direct public funding
8. Indirect public funding I: Media access
9. Indirect public funding II: Taxation status

Regulations and Enforcement

Parties need money to function and fulfil their democratic role. Many countries have decided that the flow of money into politics needs to be regulated to avoid misuse of public assets, corruption and undue influence of financial resources on the political arena. Among the 111 countries covered by the study, as many as 71 have introduced a system of regulation of party finance, often including provisions in electoral laws, political party laws, regulations of tax authorities and so on. Of the remaining 40, 7 have an assortment of rules but no system of regulation. At least another 12 have systems of regulation but these are based on individual candidates’ financing, not that of the parties. This is often the case in countries with majoritarian electoral systems where the electoral system itself focuses on candidates rather than on political parties.

Since so many of the countries in the world have regulated political finance, the administration and enforcement of the laws and regulations is an important subject. The task can be given to different bodies. The most common approach among the countries in this study is to give the national election management body that responsibility, either alone or in cooperation with other government bodies. As many as 45 of the 71 countries with regulatory systems have chosen this approach, while 29 countries have a regulatory body specially created for this purpose or use a separate government department.

Disclosure of and Ceilings on Income

Regulatory systems often aim to control both private and public funding of parties, and include provisions for bans, ceilings and disclosure. Disclosure rules can be aimed at giving the enforcement agency information about the flow of money in politics. Moreover, if the sources of political party income are made public, voters are able to make more informed decisions about which party they want to support. Disclosure might also generate a public debate and enough public pressure to make parties abstain from raising funds from dubious sources. In this regard, disclosure can be used as an alternative to prohibitions on particular sources of funding. More than half of the countries in the study (60) have rules on disclosure of income, either by the political party (54 countries) or by the donor (14 countries). The disclosure returns are not made available to the public in all countries.

In regulating political party finance, 30 countries have drawn a line between what they see as “participating financially” and “buying access or influence” by setting a ceiling on how much a donor can contribute. This kind of ceiling can also encourage a more diversified funding and thereby limit the influence of big donors. Another kind of ceiling is that on the total amount a party can raise. There is often a difference between parties in access to funds, and ceilings on income can “level the playing field” and limit the consequences of the inequalities. Nine countries in the study have such a ceiling.

Bans on Sources of Income

Most countries allow private funding of political parties, but for different reasons 61 countries have chosen to prohibit some sources of funds. The most common ban is that on funds from anonymous sources (46 countries), although these are often allowed below a certain limit. Foreign donations are often banned with reference to the sovereignty of the country: 40 countries ban donations from foreign sources. Other common bans are those on donations from government contractors (27 countries), corporate donations (22 countries) and trade union donations (17 countries).

Disclosure of and Ceilings on Expenditure

Of the countries in this study, almost half (53 countries) have provisions for the disclosure of expenditure, and even more have regulations on how political parties must account for their expenses. As is the case with disclosure of income, the rules on disclosure of expenditure can help the enforcement agency and – where the reports are made publicly available – raise public awareness and provide voters with enough information to enable them to make an informed choice.

The ceilings on party election expenditure that exist in 27 countries are aimed at limiting the increasing cost of contesting an election, thereby also levelling the playing field for parties with different access to funds. Ceilings are often set by the electoral management body for each election or fluctuate with the minimum wage.

Public Funding

The most common type of regulation of political party finance is public funding. Almost all the countries that have rules on party finance provide public funding – 65 countries have provisions for direct public funding of political parties and 79 have provisions for indirect public funding.

The basis on which the allocation of direct public funding is decided is often mixed. In 57 of the 65 cases it is the number of votes or seats obtained in the previous or current election. In 12 countries equal funding for all parties is either the sole criterion for the allocation of funds or one of the criteria. Eight countries in the study provide public funds on the basis of the number of candidates put forward in the current election. Direct public funding is often given to the party for election campaign purposes (45 countries) and/or for general party administration (29 countries), while in 20 countries contributions are not earmarked.

Indirect public funding is even more common than direct public funding and can be given in the forms of special taxation rules for parties or donors (32 countries); free or subsidized franking of letters and use of telephones (7 countries); free transport (4 countries) or free use of government buildings for party meetings and headquarters (4 countries); or printing of party

ballot papers (3 countries). Access to the state-owned media is important for the election campaigns in many countries, and free media access is also the most common form of indirect public funding. Of the countries in this study, 71 have provisions of this kind, and the allocation of broadcast time is often mixed and based on the principle of equal time for all parties (49 countries), or on performance (20 countries), and/or on the number of candidates put forward in the current election (13 countries).

Sources and Limitations

The tables in the *Matrix* are based on primary sources (original laws and regulations) where these are available. Provisions relating to the financing of parties are sometimes found not in the electoral legislation but in other laws. This can make it difficult to find all the legal provisions regulating political finance. Some may be found in taxation laws, special political party laws or laws related to the media, private companies, trade unions or other bodies. To complicate matters further, the provisions may be found in laws, decrees or the regulations of government authorities and are not seldom contradictory. Where primary sources have not been available to us, or where interpretation has been necessary, we have relied on experts from academia and from the agencies which monitor and enforce the political finance laws in the different countries.

It is important to stress that this research concerns only the letter of the laws and regulations, and not their *enforcement*. As the chapter on *Monitoring, Control and Enforcement* points out, there are many laws that are enacted but for different reasons never enforced.

Matrix on Political Finance Laws and Regulations

Table 1: Regulations and Enforcement

Country	Column 1: Is there a system of regulation for the financing of political parties?	Column 2: What body is responsible for administration and enforcement of the regulations?
ALBANIA	Yes	Government Department *
ANDORRA	Yes	National Electoral Management Body Other *
ANTIGUA AND BARBUDA	Yes	National Electoral Management Body
ARGENTINA	Yes	Other *
ARMENIA	Yes	National Electoral Management Body
AUSTRALIA	Yes	National Electoral Management Body
AUSTRIA	Yes	Other *
AZERBAIJAN	Yes	National Electoral Management Body Government Department
BAHAMAS	No	
BANGLADESH	Yes	National Electoral Management Body
BARBADOS	No	
BELGIUM	Yes	Regulatory Body Specially Created for this Purpose *
BELIZE	No *	
BENIN	Yes	Government Department *
BOLIVIA	Yes	National Electoral Management Body
BOSNIA AND HERZEGOVINA	Yes	National Electoral Management Body
BOTSWANA	No *	
BRAZIL	Yes	National Electoral Management Body
BULGARIA	Yes	National Electoral Management Body Other *
BURKINA FASO	Yes	Other *
CANADA	Yes	National Electoral Management Body
CAPE VERDE	Yes	National Electoral Management Body Other *
CENTRAL AFRICAN REPUBLIC	No	
CHILE	Yes	National Electoral Management Body
COLOMBIA	Yes	National Electoral Management Body
COSTA RICA	Yes	National Electoral Management Body
CYPRUS (G)	No	
CZECH REPUBLIC	Yes	Government Department *
DENMARK	No	
DOMINICA	No	
DOMINICAN REPUBLIC	Yes	National Electoral Management Body Government Department *
ECUADOR	Yes	National Electoral Management Body
EL SALVADOR	No	
ESTONIA	Yes	National Electoral Management Body
FIJI	No	
FINLAND	Yes	Government Department *
FRANCE	Yes	Government Department

Country	Column 1: Is there a system of regulation for the financing of political parties?	Column 2: What body is responsible for administration and enforcement of the regulations?
GEORGIA	Yes	Regulatory Body Specially Created for this Purpose Other *
GERMANY	Yes	Other *
GHANA	Yes	National Electoral Management Body
GRENADA	No	
GUATEMALA	Yes	National Electoral Management Body
GUYANA	Yes *	National Electoral Management Body
HONDURAS	Yes	National Electoral Management Body
HUNGARY	Yes	Other *
ICELAND	No	
INDIA	No *	
IRELAND	Yes	Regulatory Body Specially Created for this Purpose
ISRAEL	Yes	Other *
ITALY	Yes	Regulatory Body Specially Created for this Purpose
JAMAICA	No *	
JAPAN	Yes	Government Department
KIRIBATI	No	
LATVIA	No	Government Department *
LESOTHO	Yes	National Electoral Management Body
LITHUANIA	Yes	National Electoral Management Body Government Department Other *
MADAGASCAR	No	
MALAWI	Yes	National Electoral Management Body
MALAYSIA	No *	
MALI	Yes	Government Department *
MALTA	No	
MARSHALL ISLANDS	No *	
MAURITIUS	No *	
MEXICO	Yes	National Electoral Management Body
MICRONESIA, FEDERATED STATES OF	No	
MOLDOVA	Yes	National Electoral Management Body Government Department *
MOROCCO	Yes	Government Department *
MOZAMBIQUE	Yes	National Electoral Management Body
NAMIBIA	Yes	Government Department Other *
NETHERLANDS	Yes	Government Department *
NEW ZEALAND	Yes	National Electoral Management Body Regulatory Body Specially Created for this Purpose *
NICARAGUA	Yes	National Electoral Management Body
NIGER	Yes	Government Department Other *
NORWAY	No	Government Department *
PALAU	No *	
PANAMA	Yes	National Electoral Management Body
PAPUA NEW GUINEA	Yes	Other *
PARAGUAY	Yes	National Electoral Management Body

Country	Column 1: Is there a system of regulation for the financing of political parties?	Column 2: What body is responsible for administration and enforcement of the regulations?
PERU	Yes	National Electoral Management Body
POLAND	Yes	National Electoral Management Body
PORTUGAL	Yes	National Electoral Management Body Other *
ROMANIA	Yes	Regulatory Body Specially Created for this Purpose Government Department *
RUSSIAN FEDERATION	Yes	National Electoral Management Body Regulatory Body Specially Created for this Purpose *
SAINT KITTS AND NEVIS	No	
SAINT LUCIA	No	
SAINT VINCENT AND THE GRENADINES	No	
SAMOA	No	
SAN MARINO	Yes	Other *
SAO TOME AND PRINCIPE	Yes	Government Department Other *
SENEGAL	No	National Electoral Management Body
SEYCHELLES	Yes	Regulatory Body Specially Created for this Purpose *
SIERRA LEONE	Yes *	National Electoral Management Body
SINGAPORE	No *	Other *
SLOVAKIA	No	
SOLOMON ISLANDS	No *	
SOUTH AFRICA	Yes	National Electoral Management Body
SPAIN	Yes	Regulatory Body Specially Created for this Purpose
SWEDEN	No *	
SWITZERLAND	No *	
TANZANIA	Yes	National Electoral Management Body
THAILAND	Yes	National Electoral Management Body
TRINIDAD AND TOBAGO	No *	
TUVALU	No	
UGANDA	No *	
UKRAINE	Yes	National Electoral Management Body Government Department * Other *
UNITED KINGDOM	Yes	National Electoral Management Body
UNITED STATES	Yes	National Electoral Management Body
URUGUAY	No *	
VANUATU	No	
VENEZUELA	Yes *	National Electoral Management Body
ZAMBIA	No *	
Total:	Yes: 71 countries (64%) No: 40 countries (36%)	National Electoral Management Body: 45 countries (63%) Regulatory Body Specially Created for this Purpose: 9 countries (13%) Government Department: 20 countries (28%) Other: 19 countries (27%)
	Sample: 111 countries (100%)	Sample: 71 countries (100%), all countries with a system of regulation for the financing of political parties.

Notes:

Column 1: *Is there a system of regulation for the financing of political parties?*

BELIZE: Regulations focus on candidates rather than on political parties.
BOTSWANA: Regulations focus on candidates rather than on political parties.
GUYANA: Most regulations focus on candidates rather than on political parties.
INDIA: Regulations focus on candidates rather than on political parties. Only disclosure in tax returns relates to political parties.
JAMAICA: Regulations focus on candidates rather than on political parties.
MALAYSIA: Regulations focus on candidates rather than on political parties.
MARSHALL ISLANDS: There are only two political parties and they are informal in structure. There is no requirement for them to be registered.
MAURITIUS: Regulations focus on candidates rather than on political parties.
PALAU: Regulations focus on candidates rather than on political parties.
SIERRA LEONE: Due to the conflict situation in recent years, the regulatory regime is at best fragmentary.
SINGAPORE: Most regulations focus on candidates rather than on political parties.
SOLOMON ISLANDS: Regulations focus on candidates rather than on political parties.
SWEDEN: There is no system of regulation, but there is one law (1972:625) that contains rules and moral guidelines for political parties.
SWITZERLAND: There is no system of regulation on the national level, but each Canton develops its own rules.
TRINIDAD AND TOBAGO: Regulations focus on candidates rather than on political parties.
UGANDA: Regulations focus on candidates rather than on political parties. Political parties are not permitted to exist.
URUGUAY: For each electoral process the Congress passes a State funding law for the electoral expenses of the parties. This law states the criteria and procedures for its distribution by means of the national bank. However, there is no system to regulate the funding of parties.
VENEZUELA: The new Constitution enacted in 1999 modified the regulations for the funding for parties and candidates. It states that the law shall regulate all issues concerning private funding, but no regulatory legislation has been enacted so far. The regulation system only refers to private funding, since the Constitution prohibits any kind of public financing. The old laws and the new Constitution differ on a number of issues.
ZAMBIA: There is no system of regulations, only scattered rules.

Column 2: *What body is responsible for administration and enforcement of the regulations?*

ALBANIA: The State Audit Department. **ANDORRA:** The Tribunal de Comptes. **ARGENTINA:** The Federal Justice with electoral competence and a group of auditors created for this purpose within the Cámara Nacional Electoral (National Electoral Chamber). **AUSTRIA:** Federal Chancellery and the Prime Minister's office. **BELGIUM:** Commission of Control, composed of the same number of members of both Houses of Parliament. **BENIN:** The Minister for Internal Affairs. **BULGARIA:** The Audit Chamber. **BURKINA FASO:** Revenue Court. **CAPE VERDE:** The Parliament. **CZECH REPUBLIC:** The Ministry of Finance. **DOMINICAN REPUBLIC:** The Contraloría General de la República. **FINLAND:** The Ministry of Justice. **GEORGIA:** The Electoral Commissions. **GERMANY:** The Speaker of Parliament. **HUNGARY:** The National Court of Auditors. **ISRAEL:** The responsibility for administration and enforcement is shared between the Speaker of the Knesset and the State Comptroller. **LATVIA:** The Minister of Justice and State Revenue Office. **LITHUANIA:** The Tax Office. **MALI:** The responsibility for administration and enforcement is shared between the Ministry of Interior and the Revenue Court. **MOLDOVA:** The Court of Accounts and the Fiscal Inspector of the Ministry of Finances. **MOROCCO:** The responsibility for administration and enforcement is shared between the Minister for Internal Affairs and Information; and the Minister of Finances. **NAMIBIA:** The Auditor General. **NETHERLANDS:** The Ministry of the Interior and Kingdom Relations. **NEW ZEALAND:** The responsibility for administration and enforcement is shared between the Chief Electoral Officer and the Electoral Commission. **NIGER:** The Ministry of Interior and the Revenue Court. **NORWAY:** The Ministry of Labour and Administration. **PAPUA NEW GUINEA:** The Ombudsman Commission. **PORTUGAL:** The Constitutional Court. **ROMANIA:** The Government's General Secretariat. **RUSSIAN FEDERATION:** The responsibility for administration and enforcement is shared between national and local Electoral Management Bodies. **SAN MARINO:** The Ufficio Generale Contabile (General Accountancy Office). **SAO TOME AND PRINCIPE:** The Supremo Tribunal de Justica (Supreme Court). **SEYCHELLES:** The body responsible for registering political parties. **SINGAPORE:** The Registrar of Political Donations. **UKRAINE:** The Tax Authorities, the Local Electoral Management Bodies and Bank institutions.

Table 2: Disclosure of Income

Country	Column 3: Is there provision for disclosure of contributions to political parties?	Column 4: Do <i>donors</i> have to disclose contributions made?	Column 5: Do <i>political parties</i> have to disclose contributions received?
ALBANIA	Yes	No	Yes, all contributions received
ANDORRA	Yes	Yes, all contributions made	Yes, all contributions received
ANTIGUA AND BARBUDA	Yes	No	Yes, contributions over XCD 25.000
ARGENTINA	Yes	Yes, all contributions made	Yes, all contributions received
ARMENIA	Yes	No	Yes, all contributions received
AUSTRALIA	Yes	Yes, contributions over AUD 200 during an election; over AUD 1.500 during a financial year *	Yes, contributions over AUD 1.500 *
AUSTRIA	No	No	No
AZERBAIJAN	No	No	No
BAHAMAS	No	No	No
BANGLADESH	No	No	No
BARBADOS	No	No	No
BELGIUM	Yes	No	Yes, contributions over EUR 125 *
BELIZE	No	No	No
BENIN	Yes	No	Yes, all contributions received
BOLIVIA	Yes *	Yes, all contributions made *	Yes, all contributions received *
BOSNIA AND HERZEGOVINA	Yes	No	Yes, contributions over BAM 100
BOTSWANA	No	No	No
BRAZIL	Yes	Yes, contributions over other threshold *	Yes *
BULGARIA	Yes	Yes, all contributions made	Yes, all contributions received
BURKINA FASO	No	No	No
CANADA	Yes	No	Yes, all contributions received
CAPE VERDE	Yes	No	Yes, all contributions received
CENTRAL AFRICAN REPUBLIC	No	No	No
CHILE	Yes	No	Yes, all contributions received
COLOMBIA	Yes	No	Yes *
COSTA RICA	Yes	No	Yes, all contributions received
CYPRUS (G)	No	No	No
CZECH REPUBLIC	Yes	No	Yes, all contributions received
DENMARK	Yes	No	Yes, contributions over DKR 20.000 *
DOMINICA	No	No	No
DOMINICAN REPUBLIC	No	No	No
ECUADOR	Yes	Yes, all contributions made	Yes, all contributions received
EL SALVADOR	No	No	No
ESTONIA	Yes	No	Yes, all contributions received
FIJI	No	No	No
FINLAND	No	No	No
FRANCE	Yes	No	Yes, all contributions received
GEORGIA	Yes	No	Yes, all contributions received *
GERMANY	Yes	No	Yes, all contributions received *
GHANA	Yes	No	Yes, all contributions received
GRENADA	No	No	No
GUATEMALA	No	No	No

Country	Column 3: Is there provision for disclosure of contributions to political parties?	Column 4: Do <i>donors</i> have to disclose contributions made?	Column 5: Do <i>political parties</i> have to disclose contributions received?
GUYANA	No	No	No
HONDURAS	No	No	No *
HUNGARY	Yes	No	Yes, all contributions received
ICELAND	No	No	No
INDIA	Yes *	Yes *	No
IRELAND	Yes	Yes, contributions over EUR 5.079 *	Yes, contributions over EUR 5.079 *
ISRAEL	Yes *	No	Yes, all contributions received
ITALY	Yes	Yes, contributions over EUR 2.582,28 *	Yes, contributions over EUR 6.197,48 *
JAMAICA	No	No	No
JAPAN	Yes	No	Yes, contributions over JPY 50.000 *
KIRIBATI	No	No	No
LATVIA	Yes *	No	Yes, all contributions received
LESOTHO	Yes	No	Yes, contributions over LSL 20.000 *
LITHUANIA	Yes	No	Yes, all contributions received
MADAGASCAR	No	No	No
MALAWI	No	No	No
MALAYSIA	No	No	No
MALI	Yes	No	Yes, all contributions received
MALTA	No	No	No
MARSHALL ISLANDS	No	No	No
MAURITIUS	No	No	No
MEXICO	Yes	No	Yes, all contributions received
MICRONESIA, FEDERATED STATES OF	No	No	No
MOLDOVA	Yes	No	Yes, all contributions received
MOROCCO	No	No	No
MOZAMBIQUE	No	No	No
NAMIBIA	Yes	No	Yes *
NETHERLANDS	Yes	No	Yes, contributions over other threshold *
NEW ZEALAND	Yes	No	Yes, contributions over NZD 10.000 *
NICARAGUA	Yes	No	Yes, all contributions received
NIGER	Yes	No	Yes, all contributions received
NORWAY	Yes	No	Yes, contributions over NOK 20.000 *
PALAU	No	No	No
PANAMA	No	No	No
PAPUA NEW GUINEA	Yes	Yes, all contributions made	Yes, all contributions received
PARAGUAY	Yes	No	Yes, all contributions received
PERU	Yes	No	Yes *
POLAND	Yes	No	Yes *
PORTUGAL	Yes	No	Yes, contributions over EUR 350 *
ROMANIA	Yes	No	Yes, contributions over other threshold *
RUSSIAN FEDERATION	Yes	Yes, contributions over other threshold *	Yes, contributions over other threshold *
SAINT KITTS AND NEVIS	No	No	No

Country	Column 3: Is there provision for disclosure of contributions to political parties?	Column 4: Do <i>donors</i> have to disclose contributions made?	Column 5: Do <i>political parties</i> have to disclose contributions received?
SAINT LUCIA	No	No	No
SAINT VINCENT AND THE GRENADINES	No	No	No
SAMOA	No	No	No
SAN MARINO	No	No	No
SAO TOME AND PRINCIPE	Yes	No	Yes, all contributions received
SENEGAL	No	No	No
SEYCHELLES	Yes	No	Yes *
SIERRA LEONE	No	No	No
SINGAPORE	Yes *	Yes, contributions over SGD 10.000 *	Yes, contributions over SGD 10.000 *
SLOVAKIA	No	No	No
SOLOMON ISLANDS	No	No	No
SOUTH AFRICA	No	No	No
SPAIN	Yes	No	Yes, all contributions received *
SWEDEN	No *	No	No
SWITZERLAND	No *	No *	No
TANZANIA	No	No	No
THAILAND	Yes	Yes, all contributions made	Yes, all contributions received
TRINIDAD AND TOBAGO	No	No	No
TUVALU	No	No	No
UGANDA	No	No	No
UKRAINE	Yes	No	Yes, all contributions received
UNITED KINGDOM	Yes *	Yes, contributions over other threshold *	Yes, contributions over other threshold *
UNITED STATES	Yes	No	Yes, contributions over USD 200
URUGUAY	No	No	No
VANUATU	No	No	No
VENEZUELA	Yes	No	Yes, all contributions received
ZAMBIA	No	No	No
Totals:	Yes: 59 countries (53%) No: 52 countries (47%)	Yes: 15 countries (14%) No: 96 countries (86%)	Yes: 58 countries (52%) No: 53 countries (48%)
		Must disclose all contributions made: 7 countries Fixed sum threshold: 4 countries Other threshold: 3 countries No information on threshold: 1 country	Must disclose all contributions received: 34 countries Fixed sum threshold: 14 countries Other threshold: 4 countries No information on threshold: 6 countries
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)

Notes:

Column 3: Is there provision for disclosure of contributions to political parties?

BOLIVIA: Parties must disclose contributions received. The information is public but not published. **INDIA:** Parties must disclose contributions only when the donor is a public company. **ISRAEL:** There is provision for disclosure but the lists are not necessarily published. **LATVIA:** The reports are accessible for donors and journalists. **SINGAPORE:** Parties must disclose contributions received, but the information is not made public. **SWEDEN:** Parties must have an annual report checked by an authorized accountant. **SWITZERLAND:** There is provision for public disclosure of contributions only in some of the 26 Cantons. **UNITED KINGDOM:** There is provision for public disclosure of contributions by party in the first instance, by donors in some circumstances.

Column 4: Do donors have to disclose contributions made?

AUSTRALIA: Int'l \$ 130 during an election; Int'l \$ 1.000 during a financial year. **BOLIVIA:** Only companies, not individuals, must disclose their contributions to political parties. The information is public but not published. **BRAZIL:** Donors must disclose contributions over 1.000 UFIRs (Fiscal Indexation Units). **INDIA:** Only public companies have to disclose contributions made to political parties. The amounts have to appear in the company accounts, which are public but not practically accessible. **IRELAND:** Int'l \$ 5.400. **ITALY:** Int'l \$ 2.900. **RUSSIAN FEDERATION:** Donors must disclose contributions over 1000 times the Minimum Wage. **SINGAPORE:** The information has to be disclosed but is not made public. **SWITZERLAND:** There is provision for public disclosure of contributions only in some of the 26 Cantons. **UNITED KINGDOM:** Companies must disclose donations of more than GBP 5.000 (Int'l \$ 7.000) in their annual reports. Donors that make donations totaling more than GBP 1.000 (Int'l \$ 1.400) to regulated individuals or GBP 5.000 (Int'l \$ 7.000) to regulated organizations in sums of less than GBP 200 (Int'l \$ 270), must report to the Electoral Commission.

Column 5: Do political parties have to disclose contributions received?

AUSTRALIA: Int'l \$ 1.000. **BELGIUM:** Int'l \$ 140. **BOLIVIA:** The information is public but not published. **BRAZIL:** There is no information available on threshold. **COLOMBIA:** There is no information available on threshold. **DENMARK:** Int'l \$ 2.100. **GEORGIA:** The threshold applies only during elections. **GERMANY:** Total amounts have to be disclosed by categories (individuals, corporations). **HONDURAS:** Parties must report contributions received to the Electoral Management Body, but the reports are not made public. **IRELAND:** Int'l \$ 5.400. **ITALY:** Int'l \$ 6.970. **JAPAN:** The threshold is Int'l \$ 330 per donor and year. **LESOTHO:** Int'l \$ 14.000. **NAMIBIA:** There is no information available on the threshold beyond which parties must disclose contributions received. **NETHERLANDS:** The threshold is the equivalent of USD 4444,32 and applies only to corporations. **NEW ZEALAND:** The threshold is per year. **NORWAY:** Int'l \$ 1.810. **PERU:** There is no information available on the threshold beyond which parties must disclose contributions received. **POLAND:** There is no information available on the threshold beyond which parties must disclose contributions received. **PORTUGAL:** The threshold is Int'l \$ 510 per year. **ROMANIA:** The threshold is 10 times the Minimum Wage per donor. **RUSSIAN FEDERATION:** Parties must disclose contributions over 1000 times the Minimum Wage for legal entities and 100 times the Minimum Wage for individuals. **SEYCHELLES:** There is no information available on the threshold beyond which parties must disclose contributions received. **SINGAPORE:** Political parties are required to submit a yearly donation report to the Registrar of Political Donations. The reports are not open to public inspection. **SPAIN:** The party must disclose all contributions received except a part of the private contributions (lower than 5 per cent of the total public funding). **UNITED KINGDOM:** Parties must disclose contributions over GBP 5.000 (Int'l \$ 7.000) to a party headquarters, or more than GBP 1.000 (Int'l \$ 1.400) to a local branch of a party.

Table 3: Ceilings on Income

Country	Column 6: Is there a ceiling on contributions to political parties?	Column 7: Is there a ceiling on how much a donor can contribute?	Column 8: Is there a ceiling on how much a party can raise?
ALBANIA	No	No	No
ANDORRA	Yes	Yes, EUR 6.000 per election cycle *	No
ANTIGUA AND BARBUDA	No	No	No
ARGENTINA	Yes	Yes, other ceiling per year *	No *
ARMENIA	Yes	Yes, other ceiling per election cycle *	No
AUSTRALIA	No	No	No
AUSTRIA	No	No	No
AZERBAIJAN	Yes	Yes, AZM 672.000 *	Yes, AZM 1,1 billion per election cycle *
BAHAMAS	No	No	No
BANGLADESH	No	No	No
BARBADOS	No	No	No
BELGIUM	Yes	Yes, EUR 500 per party and year; EUR 2.000 per donor and year *	No
BELIZE	No	No	No
BENIN	Yes	Yes, other ceiling *	No *
BOLIVIA	Yes	Yes, other ceiling per year *	No
BOSNIA AND HERZEGOVINA	Yes	Yes, other ceiling per year *	No
BOTSWANA	No	No	No
BRAZIL	Yes	Yes *	Yes *
BULGARIA	Yes	Yes, BGL 10.000 per person and election cycle; BGL 30.000 per legal entity and election cycle *	Yes, BGL 1,0 million per election cycle *
BURKINA FASO	No	No	No
CANADA	No	No	No
CAPE VERDE	No	No	No
CENTRAL AFRICAN REPUBLIC	No	No	No
CHILE	No	No	No
COLOMBIA	No	No	No
COSTA RICA	Yes	Yes, other ceiling per year *	No
CYPRUS (G)	No	No	No
CZECH REPUBLIC	No	No	No
DENMARK	No	No	No
DOMINICA	No	No	No
DOMINICAN REPUBLIC	No	No	No
ECUADOR	Yes	Yes, other ceiling *	Yes, other ceiling *
EL SALVADOR	No	No	No
ESTONIA	Yes	Yes, EEK 1.000 per year *	No
FIJI	No	No	No
FINLAND	No	No	No
FRANCE	Yes	Yes, EUR 4.600 per election cycle *	No
GEORGIA	Yes	No	Yes, GEL 30.000 per person and year; GEL 100.000 per organization and year *
GERMANY	No	No	No

Country	Column 6: Is there a ceiling on contributions to political parties?	Column 7: Is there a ceiling on how much a donor can contribute?	Column 8: Is there a ceiling on how much a party can raise?
GHANA	No	No	No
GRENADA	No	No	No
GUATEMALA	No	No	No
GUYANA	No	No	No
HONDURAS	No	No	No
HUNGARY	No	No	No
ICELAND	No	No	No
INDIA	No	No	No
IRELAND	Yes	Yes, EUR 6.349 per year *	No
ISRAEL	Yes	Yes, ILS 900 per non-election year; ILS 1.700 per election year *	No *
ITALY	Yes	Yes, EUR 10.329 per election cycle *	No
JAMAICA	No	No	No
JAPAN	Yes	Yes, other ceiling per year *	No
KIRIBATI	No	No	No
LATVIA	Yes	Yes, LVL 10.000 per election cycle *	No
LESOTHO	No	No	No
LITHUANIA	Yes	Yes, other ceiling *	No
MADAGASCAR	No	No	No
MALAWI	No	No	No
MALAYSIA	No	No	No
MALI	Yes	Yes, other ceiling *	No
MALTA	No	No	No
MARSHALL ISLANDS	No	No	No
MAURITIUS	No	No	No
MEXICO	Yes	Yes, other ceiling per year *	Yes, other ceiling per year *
MICRONESIA, FEDERATED STATES OF	No	No	No
MOLDOVA	Yes	No	Yes, other ceiling per election cycle *
MOROCCO	No	No	No
MOZAMBIQUE	No	No	No
NAMIBIA	No	No	No
NETHERLANDS	No	No	No
NEW ZEALAND	No	No	No
NICARAGUA	No	No	No
NIGER	Yes	Yes, other ceiling *	No
NORWAY	No	No	No
PALAU	No	No	No
PANAMA	No	No	No
PAPUA NEW GUINEA	No	No	No *
PARAGUAY	No	No	No
PERU	No	No	No
POLAND	Yes	Yes, other ceiling per year *	No
PORTUGAL	Yes	Yes, EUR 28.000 per election cycle; EUR 10.500 per year *	Yes, EUR 3.008.600 per election cycle; EUR 525.000 per year *
ROMANIA	Yes	Yes, other ceiling per year *	Yes, other ceiling per year *

Country	Column 6: Is there a ceiling on contributions to political parties?	Column 7: Is there a ceiling on how much a donor can contribute?	Column 8: Is there a ceiling on how much a party can raise?
RUSSIAN FEDERATION	Yes	Yes, other ceiling per election cycle *	No
SAINT KITTS AND NEVIS	No	No	No
SAINT LUCIA	No	No	No
SAINT VINCENT AND THE GRENADINES	No	No	No
SAMOA	No	No	No
SAN MARINO	No	No	No
SAO TOME AND PRINCIPE	No	No	No
SENEGAL	No	No	No
SEYCHELLES	No	No	No
SIERRA LEONE	No	No	No
SINGAPORE	No	No	No
SLOVAKIA	No	No	No
SOLOMON ISLANDS	No	No	No
SOUTH AFRICA	No	No	No
SPAIN	Yes	Yes, EUR 55.000 per year	No
SWEDEN	No	No	No
SWITZERLAND	No	No	No
TANZANIA	No	No	No
THAILAND	No	No	No
TRINIDAD AND TOBAGO	No	No	No
TUVALU	No	No	No
UGANDA	No	No	No
UKRAINE	Yes	Yes, other ceiling per election cycle *	No
UNITED KINGDOM	No	No	No
UNITED STATES	Yes	Yes, USD 25.000 per year	No
URUGUAY	No	No	No
VANUATU	No	No	No
VENEZUELA	No	No	No
ZAMBIA	No	No	No
Totals:	Yes: 32 countries (29%) No: 79 countries (71%)	Yes: 30 countries (27%) No: 81 countries (73%)	Yes: 9 countries (8%) No: 102 countries (92%)
		Fixed sum ceiling: 13 countries Other ceiling: 16 countries No information on ceiling: 1 country	Fixed sum ceiling: 4 countries Other ceiling: 4 countries No information on ceiling: 1 country
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)

Notes:

Column 7: *Is there a ceiling on how much a donor can contribute?*

ANDORRA: Int'l \$ 5.230. **ARGENTINA:** There is a ceiling on how much a political party can receive from one donor. Per year, political parties can not receive contributions and donations which are greater than 1 per cent of the total of the expenditures allowed in the case of an organization, institution or company and not more than 0,5 per cent in the case of an individual. **ARMENIA:** Each person can make a voluntary contribution of up to fifty times the Minimum Salary. Each legal entity can contribute up to 150 times the Minimum Salary. **AZERBAIJAN:** Int'l \$ 610. There is no information available if the ceiling is per election cycle or per year. **BELGIUM:** The ceiling is twofold: The maximum amount per donor if he/she gives to different parties is EUR 2.000 (Int'l \$ 2.270). A donor is allowed to contribute a maximum of EUR 500 (Int'l \$ 570) per political party and year. **BENIN:** There is a ceiling on donations from foreign donors. Contributions from foreign donors cannot exceed 20 per cent of the resources of the party. **BOLIVIA:** The ceiling on how much a donor can contribute is 10 per cent of the annual budget of the party. **BOSNIA AND HERZEGOVINA:** The ceiling on how much a donor can contribute is eight average workers' salaries according to the official information of the Bosnia and Herzegovina Agency for Statistics for each calendar year. **BRAZIL:** There is a ceiling but there is no information available on whether it is per election cycle or per year, nor what the ceiling is. **BULGARIA:** Int'l \$ 15.000 per person; Int'l \$ 44.000 per legal entity. **COSTA RICA:** The ceiling is 45 times the Minimum Monthly Wage per year. **ECUADOR:** During campaigns the maximum contribution that can be given by a donor is 10 per cent of the expenses allowed. There is no limit between elections. **ESTONIA:** Int'l \$ 150. **FRANCE:** Int'l \$ 4.680. **IRELAND:** Int'l \$ 6.750. **ISRAEL:** Int'l \$ 240 per non-election year; Int'l \$ 460 per election year. **ITALY:** Int'l \$ 11.620. **JAPAN:** The ceilings on how much a donor can contribute are the following: 1. Up to JPY 20.000.000 (Int'l \$ 132.900) per person, 2. Between JPY 7.500.000-100.000.000 (Int'l \$ 49.840-664.600) according to the size of capital (corporations), membership (trade unions) and annual expenses (other organizations). **LATVIA:** Int'l \$ 32.000. **LITHUANIA:** There is no information available if the ceiling is per election cycle or per year. The ceiling is 1000 times the Average Minimum Wage (AMW) per list of candidates in the multi-member constituency. **MALI:** The total amount of gifts and donations cannot not exceed 20 per cent of the political party's own resources. There is no information available if this is per election cycle or per year. **MEXICO:** The annual ceiling for cash contributions, both for

individuals and for companies, amounts to 0,05 per cent of the total sum received annually by the parties for their permanent sustenance. **NIGER:** Donations from native nationals of Niger or those holding Niger citizenship cannot exceed 50 per cent of the total amount of the party's own resources. Donations from foreign sources cannot exceed 20 per cent of the party's own resources. There is no information available if this is per election cycle or per year. **POLAND:** Contributions made by an individual to a political party cannot exceed 15 times the Minimum Monthly Wage per year. **PORTUGAL:** Int'l \$ 41.040 per election cycle; Int'l \$ 15.390 per year. **ROMANIA:** The ceiling on donations is 100 times the Minimum Wage for persons and 500 times the Minimum Wage for legal entities.

RUSSIAN FEDERATION: The ceiling in a multi-mandate constituency is 150 times the Minimum Wage per person and 20.000 times the Minimum Wage per legal entity and election cycle. **UKRAINE:** The ceiling on how much a donor can contribute is set at 1000 times the before-tax Minimum Wage per election cycle.

Column 8: *Is there a ceiling on how much a party can raise?*

ARGENTINA: The ceiling is on how much a party can receive from each donor. **AZERBAIJAN:** Int'l \$ 1,0 million. **BENIN:** The ceiling is on how much a foreign donor can give. **BRAZIL:** There is a ceiling on how much a party can raise and the amount is periodically updated. There is no information available if it is per election cycle or per year. **BULGARIA:** Int'l \$ 1,5 million. **ECUADOR:** There is a ceiling on how much a party can raise during the election campaigns. There is no limit between elections. **GEORGIA:** Int'l \$ 65.000 per person; Int'l \$ 220.000 per organization. **ISRAEL:** In parties where primaries are held, there is a ceiling on how much each candidate may raise. **MEXICO:** The Constitution states that public funding shall prevail over private funding. A party may not receive private funding in an amount that equals or exceeds public funding. **MOLDOVA:** The ceiling on how much a party can raise is set and verified by the Electoral Management Body. **PAPUA NEW GUINEA:** There is no ceiling but the Constitution provides that a limit may be prescribed. **PORTUGAL:** Int'l \$ 4,4 million per election cycle; Int'l \$ 769.500 per year. **ROMANIA:** A party cannot raise more than 0,005 per cent of the State budget income during a non-election year. The amount is doubled for election years.

Table 4: Bans on Sources of Income I

Country	Column 9: Is there a ban on any type of donation to political parties?	Column 10: Is there a ban on foreign donations to political parties?	Column 11: Is there a ban on corporate donations to political parties?	Column 12: Is there a ban on donations from government contractors to political parties?
ALBANIA	Yes	Yes *	No	No
ANDORRA	Yes	Yes	No	Yes
ANTIGUA AND BARBUDA	Yes	No	No	No
ARGENTINA	Yes	Yes	Yes	Yes
ARMENIA	Yes	Yes	Yes	No
AUSTRALIA	Yes	No	No	No
AUSTRIA	No	No	No	No
AZERBAIJAN	Yes	Yes	No	No *
BAHAMAS	No	No	No	No
BANGLADESH	Yes	No	No	No
BARBADOS	No	No	No	No
BELGIUM	Yes	No *	Yes	Yes *
BELIZE	No	No	No	No
BENIN	Yes	No *	No	Yes
BOLIVIA	Yes	Yes	Yes	No
BOSNIA AND HERZEGOVINA	Yes	No	No	Yes
BOTSWANA	No	No	No	No
BRAZIL	Yes	Yes	Yes *	Yes
BULGARIA	Yes	Yes	No *	Yes
BURKINA FASO	Yes	No	No	Yes
CANADA	Yes	Yes	No	No
CAPE VERDE	Yes	Yes	Yes	Yes
CENTRAL AFRICAN REPUBLIC	Yes	No	Yes	No
CHILE	Yes	Yes	No	No
COLOMBIA	Yes	No	No	No
COSTA RICA	Yes	Yes	No	No
CYPRUS (G)	No	No	No	No
CZECH REPUBLIC	Yes	Yes	Yes *	Yes
DENMARK	No	No	No	No
DOMINICA	No	No	No	No
DOMINICAN REPUBLIC	Yes	Yes	Yes	Yes
ECUADOR	Yes	Yes	No	Yes
EL SALVADOR	No	No	No	No
ESTONIA	Yes	Yes	Yes	Yes
FIJI	No	No	No	No
FINLAND	No	No	No	No
FRANCE	Yes	Yes	Yes	Yes
GEORGIA	Yes	No *	No	Yes
GERMANY	Yes	No *	No *	No
GHANA	No	No *	No *	No
GRENADA	No	No	No	No
GUATEMALA	Yes	No	No	No
GUYANA	No	No	No	No

Country	Column 9: Is there a ban on any type of donation to political parties?	Column 10: Is there a ban on foreign donations to political parties?	Column 11: Is there a ban on corporate donations to political parties?	Column 12: Is there a ban on donations from government contractors to political parties?
HONDURAS	Yes	Yes	No	Yes
HUNGARY	Yes	No *	Yes	Yes
ICELAND	Yes	Yes	No	No
INDIA	No	No	No	No
IRELAND	Yes	Yes *	No	No
ISRAEL	Yes	Yes *	Yes	No
ITALY	Yes	No	No	Yes
JAMAICA	No	No	No	No
JAPAN	Yes	Yes	No	No *
KIRIBATI	No	No	No	No
LATVIA	Yes	Yes	No *	No
LESOTHO	No	No	No	No
LITHUANIA	Yes	Yes	No *	No
MADAGASCAR	No	No	No	No
MALAWI	No	No	No	No
MALAYSIA	No	No	No	No
MALI	Yes	No *	Yes	Yes
MALTA	No	No	No	No
MARSHALL ISLANDS	No	No	No	No
MAURITIUS	No	No	No	No
MEXICO	Yes	Yes	Yes	Yes
MICRONESIA, FEDERATED STATES OF	No	No	No	No
MOLDOVA	Yes	Yes	No *	No
MOROCCO	Yes	Yes	Yes	Yes
MOZAMBIQUE	No	No	No	No
NAMIBIA	Yes	No	No	No
NETHERLANDS	Yes	No	No	No
NEW ZEALAND	No	No	No	No
NICARAGUA	Yes	No *	No	Yes *
NIGER	Yes	No	No *	No
NORWAY	No	No	No	No
PALAU	No	No	No	No
PANAMA	No	No	No	No
PAPUA NEW GUINEA	Yes	Yes	No *	No
PARAGUAY	Yes	Yes	Yes	Yes
PERU	No	No	No	No
POLAND	Yes	Yes	Yes	No
PORTUGAL	Yes	Yes	Yes	Yes
ROMANIA	Yes	Yes	Yes	No
RUSSIAN FEDERATION	Yes	Yes	No *	No info
SAINT KITTS AND NEVIS	No	No	No	No
SAINT LUCIA	No	No	No	No
SAINT VINCENT AND THE GRENADINES	No	No	No	No
SAMOA	No	No	No	No

Country	Column 9: Is there a ban on any type of donation to political parties?	Column 10: Is there a ban on foreign donations to political parties?	Column 11: Is there a ban on corporate donations to political parties?	Column 12: Is there a ban on donations from government contractors to political parties?
SAN MARINO	No	No	No	No
SAO TOME AND PRINCIPE	Yes	Yes	Yes	Yes
SENEGAL	Yes	Yes	No	No
SEYCHELLES	No	No	No	No info
SIERRA LEONE	No	No	No	No
SINGAPORE	Yes	Yes	No	No
SLOVAKIA	No	No	No	No
SOLOMON ISLANDS	No	No	No	No
SOUTH AFRICA	No	No	No	No
SPAIN	Yes	No	No	Yes
SWEDEN	No	No	No	No
SWITZERLAND	No	No *	No	No
TANZANIA	No	No	No	No
THAILAND	Yes	Yes	No	No
TRINIDAD AND TOBAGO	No	No	No	No
TUVALU	No	No	No	No
UGANDA	No	No	No	No
UKRAINE	Yes	Yes	No *	No
UNITED KINGDOM	Yes	Yes	No	No
UNITED STATES	Yes	Yes	Yes	Yes
URUGUAY	No	No	No	No
VANUATU	No	No	No	No
VENEZUELA	Yes	No	No	No
ZAMBIA	No	No	No	No
Total:	Yes: 61 (55%) No: 50 (45%)	Yes: 40 countries (36%) No: 71 countries (64%)	Yes: 22 countries (20%) No: 89 countries (80%)	Yes: 27 countries (24%) No: 82 countries (74%) No information available: 2 countries (2%)
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)

Notes:

Column 10: *Is there a ban on foreign donations to political parties?*

ALBANIA: There is a ban on financial aid and materials granted by foreign states or public/private entities, but donations granted by international parties or party alliances are allowed. **BELGIUM:** There is no total ban on foreign funding, but the ban on donations from companies also applies to foreign companies. **BENIN:** There is no ban on foreign donations but they cannot exceed 20 per cent of the party's own resources. **GEORGIA:** There is no total ban on foreign donations, but all assistance apart from publications and technical assistance (in-kind donations) between elections is banned. **GERMANY:** There is no total ban on foreign donations, but foreign donations are allowed only if they come from European Union citizens or European Union corporations. **GHANA:** There is no total ban on foreign donations, but they are allowed only if they come from governments and NGO's (not individuals or corporations) and are distributed among all parties through the Electoral Commission. **HUNGARY:** There is no total ban on foreign donations, but donations above HUF 100.000 (Int'l \$ 830) from outside the country must be disclosed. **IRELAND:** There is a ban on foreign donations, but donations from Irish citizens and corporate bodies which have a place of business in Ireland are allowed. **ISRAEL:** There is a ban on foreign donations from associations or corporations, but foreign donations from persons with voting rights in Israel are allowed. **MALI:** The law does not ban foreign donations expressly, but indicates that the funding of parties whose activities are likely to affect national sovereignty and independence is banned. **NICARAGUA:** There is no ban on foreign donations but they are limited to technical assistance and capacity building. **SWITZERLAND:** There is no legal ban on foreign donations, but a political one.

Column 11: *Is there a ban on corporate donations to political parties?*

BRAZIL: There is a partial ban on corporate donations. **BULGARIA:** There is no total ban on corporate donations but a political party shall not accept funds from companies with over 50 per cent State or municipal stocks. **CZECH REPUBLIC:** There is a ban on donations from State corporations and

legal entities with more than 10 per cent State-property participation or State-management participation. **GERMANY:** There is no ban on corporate donations but corporate donors receive no tax benefits. **GHANA:** There is no ban on corporate donations provided that the corporations are at least 75 per cent Ghanaian owned. **LATVIA:** There is no ban on corporate donations except those that come from State-founded companies or registered companies/entrepreneurial societies whose shares are held by the State or municipality. **LITHUANIA:** There is no total ban on corporate donations except for those from State-owned and Foreign corporations. **MOLDOVA:** There is no total ban on corporate donations except those from joint ventures in which more than 20 per cent of the capital is foreign or owned by a foreign state or founder. **NIGER:** There is no total ban on corporate donations, but political parties cannot receive donations from Niger public enterprises. **PAPUA NEW GUINEA:** There is no total ban on corporate donations, but non-citizens' corporations and organizations are defined so that they are banned from making contributions. **RUSSIAN FEDERATION:** There is no total ban on corporate donations except donations coming from corporations where more than 30 per cent belongs to a foreign/state entity, or if it has been registered for less than one year. **UKRAINE:** There is no total ban on corporate donations except those from enterprises, organizations and institutions with government/municipal/foreign shares, or owned by them.

Column 12: *Is there a ban on donations from government contractors to political parties?*

AZERBAIJAN: There is no ban on donations from government contractors unless the contractor's property is State property. **BELGIUM:** The ban on donations from government contractors stems from the ban on all corporate donations. **JAPAN:** There is no ban on donations from government contractors for general party activities, only for electoral campaigns. **NICARAGUA:** Donations from government contractors are not banned in the electoral law, but they are considered bribes in the penal law.

Table 5: Bans on Sources of Income II

Country	Column 13: Is there a ban on trade union donations to political parties?	Column 14: Is there a ban on anonymous donations to political parties?	Column 15: Is there a ban on in kind donations to political parties?	Column 16: Is there a ban on any other type of donations to political parties?
ALBANIA	No	Yes	No	Yes *
ANDORRA	No	Yes	No	Yes *
ANTIGUA AND BARBUDA	No	Yes *	No	No
ARGENTINA	Yes	Yes	No	Yes *
ARMENIA	No	Yes	No	No
AUSTRALIA	No	Yes *	No *	No
AUSTRIA	No	No	No	No
AZERBAIJAN	Yes	Yes *	No	No
BAHAMAS	No	No	No	No
BANGLADESH	No	Yes	No *	Yes *
BARBADOS	No	No	No	No
BELGIUM	No	Yes *	No *	No
BELIZE	No	No	No	No
BENIN	No	Yes	No	No *
BOLIVIA	No	Yes	No	Yes *
BOSNIA AND HERZEGOVINA	No	Yes *	No	Yes *
BOTSWANA	No	No	No	No
BRAZIL	Yes	No info	No info	Yes *
BULGARIA	No	Yes *	No	No
BURKINA FASO	No	No	No	No
CANADA	No	Yes	No	No
CAPE VERDE	Yes	No	No	No
CENTRAL AFRICAN REPUBLIC	No	No	No	No
CHILE	No	No	No	No
COLOMBIA	No	Yes	No	Yes *
COSTA RICA	No	No	No	Yes *
CYPRUS (G)	No	No	No	No
CZECH REPUBLIC	No	Yes	No	No
DENMARK	No	No	No	No
DOMINICA	No	No	No	No
DOMINICAN REPUBLIC	No	Yes	No	No
ECUADOR	No	Yes	No	Yes *
EL SALVADOR	No	No	No	No
ESTONIA	Yes	Yes	Yes *	Yes *
FIJI	No	No	No	No
FINLAND	No	No	No	No
FRANCE	Yes	Yes *	No	No
GEORGIA	Yes	No	No	Yes *
GERMANY	No	Yes *	No	Yes *
GHANA	No	No	No	No
GRENADA	No	No	No	No
GUATEMALA	Yes *	No	No	Yes *
GUYANA	No	No	No	No

Country	Column 13: Is there a ban on trade union donations to political parties?	Column 14: Is there a ban on anonymous donations to political parties?	Column 15: Is there a ban on on in kind donations to political parties?	Column 16: Is there a ban on any other type of donations to political parties?
HONDURAS	No	Yes	No	Yes *
HUNGARY	No	Yes	No	Yes *
ICELAND	No	No	No	No
INDIA	No	No	No	No
IRELAND	No	Yes *	No	No
ISRAEL	Yes *	Yes	No	No
ITALY	No	No	No	No
JAMAICA	No	No	No	No
JAPAN	No	Yes *	No	Yes *
KIRIBATI	No	No	No	No
LATVIA	Yes	Yes *	Yes *	Yes *
LESOTHO	No	No	No	No
LITHUANIA	No	No	No	Yes *
MADAGASCAR	No	No	No	No
MALAWI	No	No	No	No
MALAYSIA	No	No	No	No
MALI	Yes	Yes	No	Yes *
MALTA	No	No	No	No
MARSHALL ISLANDS	No	No	No	No
MAURITIUS	No	No	No	No
MEXICO	No	Yes *	No	Yes *
MICRONESIA, FEDERATED STATES OF	No	No	No	No
MOLDOVA	No	Yes	No	Yes *
MOROCCO	No	No	No	Yes *
MOZAMBIQUE	No	No	No	No
NAMIBIA	No	Yes	No	No
NETHERLANDS	No	Yes *	No	No
NEW ZEALAND	No	No	No	No
NICARAGUA	No	Yes	No *	No
NIGER	No	Yes	No	Yes *
NORWAY	No	No	No	No
PALAU	No	No	No	No
PANAMA	No	No	No	No
PAPUA NEW GUINEA	No	Yes	No	No
PARAGUAY	Yes	No	No	Yes *
PERU	No	No	No	No
POLAND	Yes	Yes	No	No
PORTUGAL	Yes	Yes *	No	No
ROMANIA	No	Yes *	Yes *	Yes *
RUSSIAN FEDERATION	No	Yes	Yes *	Yes *
SAINT KITTS AND NEVIS	No	No	No	No
SAINT LUCIA	No	No	No	No
SAINT VINCENT AND THE GRENADINES	No	No	No	No
SAMOA	No	No	No	No

Country	Column 13: Is there a ban on trade union donations to political parties?	Column 14: Is there a ban on anonymous donations to political parties?	Column 15: Is there a ban on on in kind donations to political parties?	Column 16: Is there a ban on any other type of donations to political parties?
SAN MARINO	No	No	No	No
SAO TOME AND PRINCIPE	Yes	No	No	No
SENEGAL	No	No	No	No
SEYCHELLES	No	No	No	No
SIERRA LEONE	No	No	No	No
SINGAPORE	Yes	Yes *	No	No
SLOVAKIA	No	No	No	No
SOLOMON ISLANDS	No	No	No	No
SOUTH AFRICA	No	No	No	No
SPAIN	No	Yes *	No	No
SWEDEN	No	No	No	No
SWITZERLAND	No	No	No	No
TANZANIA	No	No	No	No
THAILAND	No	Yes	No	No
TRINIDAD AND TOBAGO	No	No	No	No
TUVALU	No	No	No	No
UGANDA	No	No	No	No
UKRAINE	No	Yes	No	Yes *
UNITED KINGDOM	No	Yes *	No	No
UNITED STATES	Yes	Yes *	No	Yes *
URUGUAY	No	No	No	No
VANUATU	No	No	No	No
VENEZUELA	No	Yes	No	No
ZAMBIA	No	No	No	No
Total:	Yes: 17 countries (15%) No: 94 countries (85%)	Yes: 46 countries (41%) No: 64 countries (58%) No information available: 1 country (1%)	Yes: 4 countries (4%) No: 106 countries (95%) No information available: 1 country (1%)	Yes: 29 countries (26%) No: 82 countries (74%)
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)

Notes:

Column 13: *Is there a ban on trade union donations to political parties?*

GUATEMALA: Trade unions are banned from making donations to political parties by the Work Code (Decrees 1441 and 1486 and their reforms, 1961). **ISRAEL:** There is an indirect ban on trade union donations.

Column 14: *Is there a ban on anonymous donations to political parties?*

ANTIGUA AND BARBUDA: All anonymous donations of XCD 5.000 (Int'l \$ rate not available) or more in cash or in kind are banned. **AUSTRALIA:** All anonymous donations over AUD 1.000 (Int'l \$ 670) are banned. **AZERBAIJAN:** Anonymous donations are banned if the donor is a legal entity. **BELGIUM:** All anonymous donations over EUR 125 (Int'l \$ 140) are banned. **BOSNIA AND HERZEGOVINA:** All anonymous donations over BAM 100 (Int'l \$ rate not available) are banned. **BULGARIA:** All anonymous donations over 25 per cent of the total annual government subsidy for the respective political party are banned. Donations to parties not entitled to government subsidies may not exceed 25 per cent of the minimum government subsidy. **FRANCE:** All anonymous donations over EUR 150 (Int'l \$ 150) are banned. **GERMANY:** All anonymous donations over EUR 500 (Int'l \$ 505) are banned. **IRELAND:** All anonymous donations over EUR 100 (Int'l \$ 106) must be surrendered to the Electoral Management Body. **JAPAN:** Anonymous donations over JPY 1.000 (Int'l \$ 6,65) are normally banned but are allowed on special occasions (e.g. street fund-raising and public meeting fund-raising). **LATVIA:** All anonymous donations have to be transferred to the Ministry of Justice. Property donated is turned into state property. **MEXICO:** Anonymous donations are banned, except for those that stem from collections in political meetings or on the street. **NETHERLANDS:** All anonymous donations over EUR 4.400 (Int'l \$ rate not available) from corporations are banned. **PORTUGAL:** All anonymous donations over EUR 175.000 (Int'l \$ 256.500) are banned. **ROMANIA:** All anonymous donations over 10 times the Minimum Wage are banned. Identification is necessary for all donations but may be kept confidential. Confidential donations may not exceed 20 per cent of the maximum subsidy granted from the State. **SINGAPORE:** All anonymous donations over SGD 5.000 (Int'l \$ 2.900) are banned. **SPAIN:** All anonymous donations over 5 per cent of the total public funding are banned. **UNITED KINGDOM:** All donations over GBP 200 (Int'l \$ 270) are banned. **UNITED STATES:** All anonymous donations over USD 100 in cash are banned. Donations from a national bank or in the name of another are also banned.

Column 15: *Is there a ban on in kind donations to political parties?*

AUSTRALIA: In kind donations must be disclosed as if cash. **BANGLADESH:** There is no total ban on in kind donations, but donations to any institution in a constituency or to a candidate after the announcement of the date of election is banned. **BELGIUM:** In kind donations must be disclosed as if cash. **ESTONIA:** The same bans apply to in kind donations as to cash donations. **LATVIA:** There is a ban on property donation. **NICARAGUA:** In kind donations must be disclosed as if cash. **ROMANIA:** In kind donations are banned if they are made to obtain political or economical advantage. **RUSSIAN FEDERATION:** There is a ban on in kind donations but in the course of an election campaign an individual person may work for or render services to the candidate/bloc/party voluntarily, without payment.

Column 16: *Is there a ban on any other type of donations to political parties?*

ALBANIA: Donations from domestic entities that are public or incorporated in the State bodies are banned. **ANDORRA:** The public administration and public enterprises can not give any kind of funds. **ARGENTINA:** Parties can not accept: 1. Donations or contributions from national, provincial, interstate, bilateral or multilateral, municipal, centralized or decentralized entities or from the City of Buenos Aires; 2. Donations or contributions from

gambling activities; 3. Donations or contributions from individuals who are obliged to make a contribution by their superiors or employers.

BANGLADESH: There is a ban on any promise to give a donation or subscription to an institution or candidate after the announcement of election. **BENIN:** No other type of donation is banned, but parties cannot receive more than 20 times their own resources from the same donor.

BOLIVIA: There is a ban on donations of illegal origin and from religious associations. **BOSNIA AND HERZEGOVINA:** There is a ban on donations from State bodies, public institutions, public companies, local community bodies, humanitarian organizations, businesses which by virtue of their activity are exclusively intended and directed for non-profit, religious communities, as well as economic associations in which public capital has been invested to a level of a minimum of 25 per cent. **BRAZIL:** Donations from civil organizations and state institutions are banned. **COLOMBIA:** There is a ban on donations from public servants. **COSTA RICA:** Contributions or donations, in cash or goods, from national companies or individuals, are limited to an annual amount of up to forty-five times the Minimum Monthly Wage, although they may be accrued for a presidential term (four years).

ECUADOR: There is a ban on contributions from illegal sources such as narcotics. **ESTONIA:** There is a ban on donations from Government/State agencies, local government agencies, cultural autonomies of national minorities, legal persons in public law, and non-profit associations with state members, except if the donations are offered to all political parties on an equal basis. **GEORGIA:** There is a ban on donations from national private organizations where the state owns more than 20 per cent, from foreign states/organizations, and from NGOs. **GERMANY:** There is a ban on the following donations: 1. If the donor is a parliamentary caucus or charitable organization; 2. If the donor is a corporation in public ownership (more than 25 per cent of corporate capital); 3. If the donor expects or receives any benefit in return; 4. If the fundraiser takes more than 25 per cent of the donation. **GUATEMALA:** There is a ban on receiving economic help, special treatment or special support from the State and its institutions. **HONDURAS:** There is a ban on donations from State institutions and from gambling activities. **HUNGARY:** There is a ban on donations from State organs.

JAPAN: There is a ban on donations from corporations which get subsidies from the Government. **LATVIA:** There is a ban on donations from the State and from municipalities. The establishment of any special funds to finance political parties is not allowed. **LITHUANIA:** There is a ban on donations from bodies of State power and Government, State enterprises, offices, or organizations. **MALI:** There is an indirect ban on donations that are likely to affect national sovereignty and independence. **MEXICO:** There is a ban on donations, cash or in kind, from religious groups or sects or their members. The parties may not request credit from development banking to finance their activities. **MOLDOVA:** There is a ban on donations from: 1. State organs, State enterprises, organizations and institutions, except for financing of elections; 2. Unregistered civic associations; 3. Individuals without citizenship. **MOROCCO:** There is a ban on donations from the State, town halls or any other public office or institution. **NIGER:** There is a ban on donations from public enterprises. **PARAGUAY:** There is a ban on donations that exceed 5.000 times the Minimum Wage, either from individuals or from companies. **ROMANIA:** There is a ban on: 1. Party member donations above 50 times the Minimum Wage nationwide; 2. Donations from public institutions with a majority of state capital; 3. Donations from State companies/institutions for elections. **RUSSIAN FEDERATION:** There is a ban on donations from: 1. Charity organizations; 2. Religious organizations; 3. Military organizations; 4. State institutions; 5. State bodies; 6. Self-governing bodies; and 7. International public/movements/organizations. **UKRAINE:** There is a ban on donations from: 1. Bodies of state authority or local self-government; 2. Non-profit and religious associations; 3. Political parties, except electoral bloc members. **UNITED STATES:** There is a ban on donations over USD 100 in cash; on donations from a national bank; and on donations in the name of another.

Table 6: Disclosure and Ceilings on Expenditure

Country	Column 17: Is there provision for public disclosure of expenditure by political parties?	Column 18: Is there a ceiling on party election expenditure?
ALBANIA	No	No
ANDORRA	Yes	No
ANTIGUA AND BARBUDA	Yes	No
ARGENTINA	Yes	Yes, ARS 1 per registered voter *
ARMENIA	Yes	Yes, other ceiling *
AUSTRALIA	Yes	No
AUSTRIA	No	No
AZERBAIJAN	No *	Yes, AZM 1,1 billion *
BAHAMAS	No	No
BANGLADESH	No	No
BARBADOS	No	No
BELGIUM	Yes	Yes, EUR 1 million *
BELIZE	No	No
BENIN	Yes	Yes, CFA 3 million *
BOLIVIA	Yes	No
BOSNIA AND HERZEGOVINA	Yes	No
BOTSWANA	No	No
BRAZIL	No	Yes *
BULGARIA	Yes *	Yes, BLG 1 million *
BURKINA FASO	No *	No
CANADA	Yes	Yes *
CAPE VERDE	Yes	Yes *
CENTRAL AFRICAN REPUBLIC	No	No
CHILE	Yes	No
COLOMBIA	Yes	Yes, other ceiling *
COSTA RICA	No *	No
CYPRUS (G)	No	No
CZECH REPUBLIC	Yes	No
DENMARK	Yes	No
DOMINICA	No	No
DOMINICAN REPUBLIC	No	No
ECUADOR	Yes	Yes, USD 911.905
EL SALVADOR	No	No
ESTONIA	Yes *	No
FIJI	No	No
FINLAND	Yes *	No
FRANCE	Yes	Yes *
GEORGIA	Yes	No
GERMANY	Yes	No
GHANA	Yes *	No
GRENADA	No	No
GUATEMALA	Yes *	No
GUYANA	No	No *

Country	Column 17: Is there provision for public disclosure of expenditure by political parties?	Column 18: Is there a ceiling on party election expenditure?
HONDURAS	No *	No
HUNGARY	Yes	No *
ICELAND	No	No
INDIA	Yes *	No
IRELAND	Yes *	No *
ISRAEL	Yes *	Yes *
ITALY	Yes	Yes *
JAMAICA	No	No
JAPAN	Yes	No
KIRIBATI	No	No
LATVIA	Yes	No
LESOTHO	No	No
LITHUANIA	Yes *	Yes, other ceiling *
MADAGASCAR	No	No
MALAWI	No	No
MALAYSIA	No	No
MALI	Yes *	No
MALTA	No	Yes, MTL 600 per candidate *
MARSHALL ISLANDS	No	No
MAURITIUS	Yes	Yes *
MEXICO	Yes *	Yes, other ceiling *
MICRONESIA, FEDERATED STATES OF	No	No
MOLDOVA	Yes	No
MOROCCO	Yes	Yes *
MOZAMBIQUE	No	No
NAMIBIA	No	No
NETHERLANDS	No	No
NEW ZEALAND	Yes	Yes, other ceiling *
NICARAGUA	Yes	No
NIGER	Yes	No
NORWAY	No	No
PALAU	No	No
PANAMA	No	No
PAPUA NEW GUINEA	Yes	No
PARAGUAY	No *	No
PERU	Yes *	No
POLAND	Yes	Yes, other ceiling *
PORTUGAL	Yes	Yes, EUR 3.008.600 *
ROMANIA	No	No
RUSSIAN FEDERATION	Yes	Yes, other ceiling *
SAINT KITTS AND NEVIS	No	No
SAINT LUCIA	No	No
SAINT VINCENT AND THE GRENADINES	No	No
SAMOA	No	No

Country	Column 17: Is there provision for public disclosure of expenditure by political parties?	Column 18: Is there a ceiling on party election expenditure?
SAN MARINO	No	No
SAO TOME AND PRINCIPE	Yes	No
SENEGAL	No	No
SEYCHELLES	Yes	No
SIERRA LEONE	No	No
SINGAPORE	No	No *
SLOVAKIA	No	No
SOLOMON ISLANDS	No	No
SOUTH AFRICA	No *	No
SPAIN	Yes	Yes, other ceiling *
SWEDEN	No *	No
SWITZERLAND	No	No
TANZANIA	No	No
THAILAND	Yes	Yes, THB 1 million per constituency *
TRINIDAD AND TOBAGO	No	No
TUVALU	No	No
UGANDA	No	No
UKRAINE	Yes *	Yes, other ceiling *
UNITED KINGDOM	Yes	Yes *
UNITED STATES	Yes	No *
URUGUAY	No	No
VANUATU	No	No
VENEZUELA	Yes *	No
ZAMBIA	No	No
Totals:	Yes: 53 countries (48%) No: 58 countries (52%)	Yes: 27 countries (24%) No: 84 countries (76%)
		Fixed sum ceiling: 9 countries Other ceiling: 9 countries No information on ceiling: 9 countries
Sample: 111 countries (100%)		Sample: 111 countries (100%)

Notes:

Column 17: Is there provision for public disclosure of expenditure by political parties?

AZERBAIJAN: There is no provision for public disclosure of expenditure, but parties' financial accounting has to be reported. **BULGARIA:** By 15 March each year political parties shall submit to the Audit Chamber an income and cost statement for the previous year. **BURKINA FASO:** The law does not expressly specify that parties must disclose expenditure made but each party should make a statement of its expenditure during electoral campaigns as well as an annual statement of funds received. **COSTA RICA:** After elections, all the parties have to justify their expenses before the Electoral Management Body, overseen by the General Comptrollership of the Republic. However, there are no legal provisions to make these reports available to the public. **ESTONIA:** Disclosure is required for campaign expenditure only. **FINLAND:** The financial reports must be filed with the Ministry of Justice, whereupon they should become public documents. **GHANA:** There is a requirement to submit audited accounts and election expenditure within six month after the elections. **GUATEMALA:** Those political parties that receive public funds must allow the inspection of auditors from the Supreme Electoral Court. **HONDURAS:** Parties must report their expenditure to the Electoral Management Body, but the reports are not made public. **INDIA:** Parties must disclose election expenditures. **IRELAND:** Disclosure is required for campaign expenditure only. **ISRAEL:** Parties must publish annual financial reports. **LITHUANIA:** Disclosure is required for campaign expenditure only. **MALI:** Parties must submit an annual report on their accounts to the Audit Court. The Court prepares an annual verification report elaborating the details of the political party's account, and publishes this in the official newspaper. **MEXICO:** The annual and campaign reports that the parties must submit must include all expenses that were incurred. **PARAGUAY:** The electoral authority is entitled to control income and expenses of political parties and movements, but the law does not state that accountability is subject to public scrutiny. **PERU:** Within the 60 days prior to elections, political parties must present to the Electoral Management Body an estimate of the amount to be spent during the electoral process and the sources of financing. **SOUTH AFRICA:** Disclosure is required only for money from the Represented Political Parties Fund. **SWEDEN:** Parties must generate an annual report, but it is not made public. **UKRAINE:** Disclosure is required only for presidential elections. **VENEZUELA:** The new Constitution establishes that the law must consider the control mechanisms that ensure transparency in the origin and handling of private contributions (the only ones that are allowed).

Column 18: Is there a ceiling on party election expenditure?

ARGENTINA: The ceiling (Int'l \$ 1,30 per registered voter) is per election cycle. **ARMENIA:** The ceiling (60.000 times the Minimum Wage) is per election campaign. **AZERBAIJAN:** Int'l \$ 1,0 million. **BELGIUM:** The ceiling is per election cycle. **BENIN:** The ceiling is per campaign. **BRAZIL:** There is no information available about the ceiling on party election expenditure. **BULGARIA:** The ceiling (Int'l \$ 1,5 million) is per election cycle. **CANADA:** There is no information available about the ceiling on party election expenditure. **CAPE VERDE:** There is no information available about the ceiling on party election expenditure. **COLOMBIA:** The amount is fixed by the Electoral Management Body six months before the election. **FRANCE:** There is no information available about the ceiling on party election expenditure. **GUYANA:** There is no ceiling, but the effect of the group maximum expenditure by candidates of a political party probably has a similar effect, since invariably it is the political party that meets the respective costs of candidates on the PR Lists in an election. **HUNGARY:** The ceiling is per candidate and election. **IRELAND:** A party can only spend part of a party candidate's election expenditure limit, which the candidate has to agree to. **ISRAEL:** There is no information available about the ceiling on party election expenditure. **ITALY:** There is no information available about the ceiling on party election expenditure. **LITHUANIA:** The ceiling is 1000 times the Average Minimum Wage for a list of candidates in a multi-candidate electoral area. **MALTA:** The ceiling is Int'l \$ 720 per candidate. **MAURITIUS:** There is no information available about the ceiling on party election expenditure. **MEXICO:** The Electoral Management Body is empowered to limit the expenses that the parties are allowed to carry out in each campaign for federal elections (president, members of the Upper and Lower Chamber). **MOROCCO:** There is no information available about the ceiling on party election expenditure. **NEW ZEALAND:** A party can spend up to NZD 1 million plus NZD 20.000 for each electorate it contests. The ceiling is per election period, beginning 3 months before polling day. **POLAND:** 1. The constituency limit is calculated by dividing the registered voters by 560 and multiplying the obtained result by the numbers of deputies/senators elected in a given electoral constituency. 2. The multi-constituency limit is derived as a sum of constituency limits as above. **PORTUGAL:** Int'l \$ 4,4 million. **RUSSIAN FEDERATION:** The ceiling is 250.000 times the Minimum Wage. **SINGAPORE:** During the election period any expenditure made by a political party is considered as being made by its candidates and is apportioned equally among them. **SPAIN:** The ceiling on party election expenditure is established for each electoral cycle by the General Accounting Court. **THAILAND:** The ceiling is per election cycle. **UKRAINE:** The ceiling is 150.000 times the Minimum Wage. **UNITED KINGDOM:** There is no information available about the ceiling on party election expenditure. **UNITED STATES:** There are no general ceilings, but political parties that take matching funds in a presidential election have limits on their expenditure.

Table 7: Direct Public Funding

In addition to the countries in the table, the following countries have direct public funding: **Cote d'Ivoire, Croatia, Djibouti, Ethiopia, Gabon, Greece, Indonesia, Korea (South), Liechtenstein, Luxembourg, Macedonia (FYROM), Monaco, Mongolia, Serbia and Montenegro, Slovenia, Sri Lanka, Taiwan, Turkey.**

The following countries do not provide direct public funding to political parties: **Comoros, East Timor, The Gambia, Guinea-Bissau, Jordan, Kuwait, Mauritania, Nauru, Nepal, Nigeria, Philippines, Congo (Brazzaville), Suriname, Togo, Tonga.**

See the foldout Map on Public Funding of Political Parties.

Country	Column 19: Do political parties receive direct public funding?	Column 20: When do political parties receive direct public funding?	Column 21: What is the purpose of the direct public funding?	Column 22: What is the basis for the direct public funding?
ALBANIA	Yes	• Election period and between elections	• Election campaign activities • Non-earmarked	• Performance at current election • Performance at previous election • Current representation in the legislature
ANDORRA	Yes	• Election period only	• Election campaign activities	• Performance at current election
ANTIGUA AND BARBUDA	No			
ARGENTINA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Equal funding • Performance at previous election
ARMENIA	No			
AUSTRALIA	Yes	• Election period and between elections	• Non-earmarked	• Performance at current election
AUSTRIA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Current representation in the legislature
AZERBAIJAN	Yes	• Election period only	• Election campaign	• Equal funding activities
BAHAMAS	No			
BANGLADESH	No			
BARBADOS	No			
BELGIUM	Yes	• Election period and between elections	• Non-earmarked	• Equal funding • Current representation in the legislature *
BELIZE	No			
BENIN	Yes	• Election period and between elections	• Election campaign activities	• Current representation in the legislature
BOLIVIA	Yes	• Election period and between elections	• Election campaign activities • Other *	• Performance at previous election
BOSNIA AND HERZEGOVINA	Yes *	• Election period and between elections	• Non-earmarked	• Equal funding • Current representation in the legislature
BOTSWANA	No			
BRAZIL	Yes	• Other *	• General party administration • Election campaign activities	• Performance at previous election
BULGARIA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Current representation in the legislature
BURKINA FASO	Yes	• Election period and between elections	• Election campaign activities • Non-earmarked	• Performance at previous election • Current representation in the legislature

Country	Column 19: Do political parties receive direct public funding?	Column 20: When do political parties receive direct public funding?	Column 21: What is the purpose of the direct public funding?	Column 22: What is the basis for the direct public funding?
CANADA	Yes	• Election period only	• General party administration • Election campaign activities	• Performance at current election • Number of candidates put forward in present election
CAPE VERDE	Yes	• Between elections *	• Election campaign activities	• Number of candidates put forward in present election
CENTRAL AFRICAN REPUBLIC	No			
CHILE	No			
COLOMBIA	Yes	• Election period only	• General party administration • Election campaign activities	• Equal funding • Performance at previous election • Current representation in the legislature
COSTA RICA	Yes	• Election period only	• Election campaign activities	• Performance at current election *
CYPRUS (G)	No			
CZECH REPUBLIC	Yes	• Between elections	• Election campaign activities • Non-earmarked	• Performance at current election • Current representation in the legislature
DENMARK	Yes	• Between elections	• General party administration • Election campaign activities • Non-earmarked	• Performance at previous election
DOMINICA	No			
DOMINICAN REPUBLIC	Yes	• Election period and between elections	• Non-earmarked	• Performance at current election
ECUADOR	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at previous election
EL SALVADOR	Yes	• Election period only	• Election campaign activities	• Performance at current election
ESTONIA	Yes	• Election period and between elections	• Non-earmarked	• Performance at previous election
FIJI	No			
FINLAND	Yes	• Between elections *	• General party administration • Non-earmarked	• Current representation in the legislature
FRANCE	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at current election • Number of candidates put forward in present election
GEORGIA	Yes	• No info	• Non-earmarked	• Performance at previous election *
GERMANY	Yes	• Election period and between elections	• Non-earmarked	• Performance at previous election
GHANA	No			
GRENADA	No			
GUATEMALA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at previous election
GUYANA	No			
HONDURAS	Yes	• Election period only	• Election campaign activities	• Performance at previous election *

Country	Column 19: Do political parties receive direct public funding?	Column 20: When do political parties receive direct public funding?	Column 21: What is the purpose of the direct public funding?	Column 22: What is the basis for the direct public funding?
HUNGARY	Yes	• Election period and between elections	• Non-earmarked	• Performance at previous election • Current representation in the legislature
ICELAND	Yes	• Election period and between elections	• Non-earmarked	• Performance at previous election
INDIA	No			
IRELAND	Yes	• Between elections	• General party administration	• Performance at previous election
ISRAEL	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Current representation in the legislature • Other *
ITALY	Yes	• Election period and between elections	• Election campaign activities	• Performance at current election
JAMAICA	No			
JAPAN	Yes	• Election period and between elections	• Non-earmarked	• Performance at current election • Current representation in the legislature
KIRIBATI	No			
LATVIA	No			
LESOTHO	No			
LITHUANIA	Yes	• Between elections	• General party administration • Election campaign activities	• Performance at previous election *
MADAGASCAR	No			
MALAWI	Yes *	• Election period only	• Election campaign activities	• Number of candidates put forward in present election
MALAYSIA	No			
MALI	Yes	• Election period only	• Election campaign activities	• No info
MALTA	No			
MARSHALL ISLANDS	No			
MAURITIUS	No			
MEXICO	Yes	• Election period and between elections	• General party administration • Election campaign activities • Other *	• Equal funding • Performance at previous election • Other *
MICRONESIA, FEDERATED STATES OF	No			
MOLDOVA	No *			
MOROCCO	Yes	• Election period only	• Election campaign activities	• Performance at current election • Number of candidates put forward in present election
MOZAMBIQUE	Yes	• Election period and between elections	• Election campaign activities	• Current representation in the legislature • Number of candidates put forward in present election
NAMIBIA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at previous election

Country	Column 19: Do political parties receive direct public funding?	Column 20: When do political parties receive direct public funding?	Column 21: What is the purpose of the direct public funding?	Column 22: What is the basis for the direct public funding?
NETHERLANDS	Yes	• Election period and between elections	• Other *	• Current representation in the legislature
NEW ZEALAND	No			
NICARAGUA	Yes	• Election period only	• Election campaign activities	• Performance at current election
NIGER	Yes	• Election period and between elections	• Election campaign activities	• Current representation in the legislature
NORWAY	Yes	• Election period and between elections	• General party administration • Non-earmarked	• Performance at previous election • Current representation in the legislature
PALAU	No			
PANAMA	Yes	• Election period and between elections	• General party administration • Election campaign activities • Other *	• Equal funding • Performance at previous election
PAPUA NEW GUINEA	No			
PARAGUAY	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at previous election *
PERU	No			
POLAND	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at current election • Performance at previous election
PORTUGAL	Yes	• Between elections	• General party administration • Election campaign activities	• Performance at current election • Current representation in the legislature *
ROMANIA	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at previous election • Current representation in the legislature
RUSSIAN FEDERATION	Yes	• Election period only	• Election campaign activities • Other *	• Equal funding
SAINT KITTS AND NEVIS	No			
SAINT LUCIA	No			
SAINT VINCENT AND THE GRENADINES	No			
SAMOA	Yes	• Between elections	• Non-earmarked	• Number of candidates put forward in present election
SAN MARINO	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Equal funding • Current representation in the legislature
SAO TOME AND PRINCIPE	Yes	• No info	• No info	• Other *
SENEGAL	No			
SEYCHELLES	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Current representation in the legislature • Number of candidates put forward in present election
SIERRA LEONE	No			
SINGAPORE	No			

Country	Column 19: Do political parties receive direct public funding?	Column 20: When do political parties receive direct public funding?	Column 21: What is the purpose of the direct public funding?	Column 22: What is the basis for the direct public funding?
SLOVAKIA	Yes	• Election period only	• Non-earmarked	• Performance at current election
SOLOMON ISLANDS	No			
SOUTH AFRICA	Yes	• Election period and between elections	• General party administration • Election campaign activities • Other *	• Equal funding • Current representation in the legislature *
SPAIN	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Performance at current election
SWEDEN	Yes	• Election period and between elections	• General party administration • Non-earmarked	• Performance at previous election • Current representation in the legislature *
SWITZERLAND	Yes *	• Between elections	• Other *	• Current representation in the legislature
TANZANIA	Yes *	• Election period only	• Election campaign activities	• Equal funding • Performance at current election
THAILAND	Yes	• Election period and between elections	• General party administration • Election campaign activities	• Equal funding
TRINIDAD AND TOBAGO	No			
TUVALU	No			
UGANDA	No			
UKRAINE	No			
UNITED KINGDOM	Yes	• Election period and between elections *	• General party administration • Other *	• Current representation in the legislature
UNITED STATES	No			
URUGUAY	Yes *	• Election period only	• Election campaign activities	• Performance at current election
VANUATU	No			
VENEZUELA	No *			
ZAMBIA	No			
Total:	Yes: 65 countries (59%) No: 46 countries (41%)	Election period only: 15 countries (23%) Between elections: 9 countries (14%) Election period and between elections: 38 countries (58%) Other: 1 country (1%) No information available: 2 countries (3%)	General party administration: 29 countries (45%) Election campaign activities: 45 countries (69%) Non-earmarked: 19 countries (29%) Other: 8 countries (12%) No information available: 1 country (2%)	Equal funding: 12 countries (18%) Performance at current election: 19 countries (29%) Performance at previous election: 25 countries (38%) Current representation in the legislature: 25 countries (38%) Number of candidates put forward in present election: 8 countries (12%) Other: 3 countries (5%) No information available: 1 country (2%)
	Sample: 111 countries (100%)	Sample: 65 countries (100%), all countries with direct public funding.	Sample: 65 countries (100%), all countries with direct public funding.	Sample: 65 countries (100%), all countries with direct public funding.

Notes:

Column 19: Do political parties receive direct public funding?

BOSNIA AND HERZEGOVINA: There is direct public funding of Parliamentary Groups only. **MALAWI:** Direct public funding is subject to availability of funds, which are contributed in part by donors. **MOLDOVA:** There is direct public funding only in the form of interest-free loans. **SWITZERLAND:** There is direct public funding of Parliamentary Groups only. **TANZANIA:** Direct public funding is subject to the availability of funds, usually provided by donors. **URUGUAY:** Since a law is issued for each election, the form and percentage of distribution may vary. **VENEZUELA:** Although the electoral law in effect provides for it, it has been prohibited by the new Constitution.

Column 20: When do political parties receive direct public funding?

BRAZIL: The direct public funding is distributed on an *ad hoc* basis. **CAPE VERDE:** Direct public funding is distributed within nine months after the election period. **FINLAND:** Direct public funding is distributed annually on the basis of a decision by the Council of State. **UNITED KINGDOM:** Direct public funding is distributed over each financial year.

Column 21: What is the purpose of the direct public funding?

BOLIVIA: Programs for the education of the citizenry. **MEXICO:** Political education and training, socioeconomic and political research, and publishing tasks. **NETHERLANDS:** 1. Socio-political education; 2. To provide information to political party members; 3. To keep in touch with political sister organizations in foreign countries; 4. To support socio-political education for the benefit of political sister organizations in foreign countries; 5. Research activities developed by political parties; 6. Activities promoting the political participation of youth. **PANAMA:** Training of party members. **RUSSIAN FEDERATION:** 1. Support of signature collection; 2. Payment for information and consulting services; 3. Electoral deposits. **SOUTH AFRICA:** 1. Public opinion-making; 2. Political education; 3. Promotion of active political participation; 4. Influencing political trends; 5. Providing links between the people and organs of the State. **SWITZERLAND:** Parliamentary Group administration costs only. **UNITED KINGDOM:** Policy development purposes.

Column 22: What is the basis for the direct public funding?

BELGIUM: The threshold for receiving direct public funding is representation in Parliament. **COSTA RICA:** The threshold for receiving direct public funding is 4 per cent of the total votes obtained at the current election. **GEORGIA:** The threshold for receiving direct public funding is at least 5 per cent of the total votes obtained at the previous election. **HONDURAS:** The amount of direct public funding is set at HNL 12 (Int'l \$ 1,80) per valid vote obtained at the previous election. **ISRAEL:** New lists can get a subsidy that has to be returned if the party obtains less than 1 per cent of the votes in the next election. **LITHUANIA:** The threshold for receiving direct public funding is representation in the Seimas. **MEXICO:** There is provision for direct public funding of recently created parties. **PARAGUAY:** Permanent direct public funding is given on the basis of performance at the previous parliamentary election. Direct public funding for election campaign purposes is given on the basis of seats obtained both in Parliament and provincial assemblies. **PORTUGAL:** The threshold for receiving direct public funding is representation in Parliament or at least 50.000 votes obtained in the current election. **SAO TOME AND PRINCIPE:** Direct public funding is given as a result of party registration. **SOUTH AFRICA:** Direct public funding is based on a formula combining the principle of equity, the current representation in both Parliament and provincial assemblies, and other measures. **SWEDEN:** One part of the non-earmarked party support (partistöd) is given on the basis of the current representation in the legislature, and performance at the previous election. The support given to the general party administration (kanslistöd) is based on the performance at previous election.

Table 8: Indirect Public Funding I: Media Access

Country	Column 23: Do political parties receive indirect public funding?	Column 24: Are political parties entitled to free media access?	Column 25: What are the criteria for allocating broadcast time?
ALBANIA	Yes	Yes	<ul style="list-style-type: none"> • Current representation in the legislature • Number of candidates put forward in present election
ANDORRA	Yes	Yes	<ul style="list-style-type: none"> • Equal time
ANTIGUA AND BARBUDA	No	No *	
ARGENTINA	Yes	Yes *	<ul style="list-style-type: none"> • Equal time
ARMENIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time
AUSTRALIA	No	No	
AUSTRIA	No	No	
AZERBAIJAN	Yes	Yes	<ul style="list-style-type: none"> • Equal time *
BAHAMAS	No	No	
BANGLADESH	Yes	No	
BARBADOS	No	No	
BELGIUM	Yes	Yes	<ul style="list-style-type: none"> • Current representation in the legislature *
BELIZE	No	No	
BENIN	Yes	Yes	<ul style="list-style-type: none"> • Equal time
BOLIVIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time
BOSNIA AND HERZEGOVINA	Yes	Yes	<ul style="list-style-type: none"> • Other *
BOTSWANA	No	No	
BRAZIL	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Current representation in the legislature
BULGARIA	No	No	
BURKINA FASO	Yes	Yes	<ul style="list-style-type: none"> • Equal time
CANADA	Yes	Yes	<ul style="list-style-type: none"> • Other *
CAPE VERDE	Yes	Yes	<ul style="list-style-type: none"> • Other *
CENTRAL AFRICAN REPUBLIC	Yes	Yes	<ul style="list-style-type: none"> • Equal time
CHILE	Yes	Yes	<ul style="list-style-type: none"> • Performance at previous election
COLOMBIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Current representation in the legislature *
COSTA RICA	Yes	No	
CYPRUS (G)	No	No	
CZECH REPUBLIC	Yes	Yes	<ul style="list-style-type: none"> • Number of candidates put forward in present election
DENMARK	Yes	Yes	<ul style="list-style-type: none"> • Equal time
DOMINICA	No	No	
DOMINICAN REPUBLIC	Yes	Yes	<ul style="list-style-type: none"> • Other *
ECUADOR	Yes	No	
EL SALVADOR	Yes	Yes	<ul style="list-style-type: none"> • Equal time
ESTONIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Number of candidates put forward in present election
FIJI	No	No	
FINLAND	No	No	

Country	Column 23: Do political parties receive indirect public funding?	Column 24: Are political parties entitled to free media access?	Column 25: What are the criteria for allocating broadcast time?
FRANCE	Yes	Yes	• Current representation in the legislature
GEORGIA	Yes	Yes *	• Equal time
GERMANY	Yes	Yes	• Equal time • Performance at previous election • Current representation in the legislature • Other *
GHANA	Yes	Yes	• Equal time
GRENADA	No	No	
GUATEMALA	Yes	Yes	• Equal time
GUYANA	Yes	Yes *	• Current representation in the legislature • Number of candidates put forward in present election
HONDURAS	Yes	No	
HUNGARY	Yes	Yes	• Equal time
ICELAND	Yes	No	
INDIA	Yes	Yes *	• Equal time • Other *
IRELAND	Yes	No	
ISRAEL	Yes	Yes *	• Equal time • Current representation in the legislature
ITALY	Yes	Yes	• Equal time
JAMAICA	No	No	
JAPAN	Yes	Yes *	• Number of candidates put forward in present election
KIRIBATI	No	No	
LATVIA	Yes	Yes	• Equal time
LESOTHO	No	No	
LITHUANIA	Yes	Yes	• Equal time
MADAGASCAR	Yes	Yes *	• Equal time
MALAWI	Yes	Yes	• Equal time
MALAYSIA	Yes	Yes	• Number of candidates put forward in present election
MALI	Yes	Yes	• Equal time
MALTA	Yes	Yes *	• Performance at previous election • Other *
MARSHALL ISLANDS	No	No	
MAURITIUS	Yes	Yes	• Number of candidates put forward in present election
MEXICO	Yes	Yes	• Equal time • Performance at previous election • Other *
MICRONESIA, FEDERATED STATES OF	No	No	
MOLDOVA	Yes	Yes	• Equal time
MOROCCO	Yes	Yes	• Equal time
MOZAMBIQUE	Yes	Yes	• Equal time
NAMIBIA	Yes	Yes	• Equal time • Performance at previous election

Country	Column 23: Do political parties receive indirect public funding?	Column 24: Are political parties entitled to free media access?	Column 25: What are the criteria for allocating broadcast time?
NETHERLANDS	Yes	Yes	<ul style="list-style-type: none"> • Current representation in the legislature • Other *
NEW ZEALAND	Yes	Yes *	<ul style="list-style-type: none"> • Equal time • Performance at previous election • Current representation in the legislature • Other *
NICARAGUA	Yes	No	
NIGER	Yes	Yes	<ul style="list-style-type: none"> • Equal time
NORWAY	Yes	Yes	<ul style="list-style-type: none"> • Performance at previous election • Current representation in the legislature
PALAU	No	No	
PANAMA	Yes	Yes	<ul style="list-style-type: none"> • Equal time
PAPUA NEW GUINEA	No	No	
PARAGUAY	Yes	Yes *	<ul style="list-style-type: none"> • Equal time
PERU	Yes	Yes	<ul style="list-style-type: none"> • Equal time
POLAND	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Number of candidates put forward in present election
PORTUGAL	Yes	Yes	<ul style="list-style-type: none"> • Equal time
ROMANIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Current representation on the legislature • Number of candidates put forward in present election
RUSSIAN FEDERATION	Yes	Yes	<ul style="list-style-type: none"> • Equal time
SAINT KITTS AND NEVIS	No	No	
SAINT LUCIA	No	No	
SAINT VINCENT AND THE GRENADINES	No	No	
SAMOA	Yes	Yes *	<ul style="list-style-type: none"> • Number of candidates put forward in present election
SAN MARINO	Yes	Yes	<ul style="list-style-type: none"> • Current representation in the legislature
SAO TOME AND PRINCIPE	Yes	Yes	<ul style="list-style-type: none"> • Equal time
SENEGAL	No	No	
SEYCHELLES	Yes	Yes	<ul style="list-style-type: none"> • Equal time
SIERRA LEONE	Yes	Yes *	<ul style="list-style-type: none"> • Number of candidates put forward in present election
SINGAPORE	Yes	Yes	<ul style="list-style-type: none"> • Equal time • Number of candidates put forward in present election
SLOVAKIA	Yes	Yes *	<ul style="list-style-type: none"> • Equal time
SOLOMON ISLANDS	No	No	
SOUTH AFRICA	Yes	Yes *	<ul style="list-style-type: none"> • Equal time
SPAIN	Yes	Yes	<ul style="list-style-type: none"> • Performance at previous election
SWEDEN	Yes	Yes	<ul style="list-style-type: none"> • Equal time
SWITZERLAND	Yes	No *	<ul style="list-style-type: none"> • Current representation in the legislature
TANZANIA	Yes	Yes	<ul style="list-style-type: none"> • Equal time

Country	Column 23: Do political parties receive indirect public funding?	Column 24: Are political parties entitled to free media access?	Column 25: What are the criteria for allocating broadcast time?
THAILAND	Yes	Yes	• Current representation in the legislature
TRINIDAD AND TOBAGO	No	No	
TUVALU	No	No	
UGANDA	No	No	
UKRAINE	Yes	Yes	• Equal time
UNITED KINGDOM	Yes	Yes	• Number of candidates put forward in present election • Other *
UNITED STATES	No	No	
URUGUAY	Yes	Yes *	• Equal time
VANUATU	No	No	
VENEZUELA	No *	No *	
ZAMBIA	No *	No	
Totals:	Yes: 79 countries (71%) No: 32 countries (29%)	Yes: 71 countries (64%) No: 40 countries (36%)	Equal time: 49 countries (69%) Performance at previous election: 8 countries (17%) Current representation in the legislature: 15 countries (21%) Number of candidates put forward at present election: 13 countries (18%) Other: 11 countries (15%)
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 71 countries (100%), all countries with free media access for political parties.

Notes:

Column 23: Do political parties receive indirect public funding?

VENEZUELA: Indirect public funding was totally prohibited by the 1999 Constitution. **ZAMBIA:** The ruling party of the day usually enjoys an advantage in having access to resources.

Column 24: Are political parties entitled to free media access?

ANTIGUA AND BARBUDA: Media regulations are under consideration. **ARGENTINA:** Radio time is given by the state to all official political parties. **GEORGIA:** Only during the campaigning. **GUYANA:** In the form of free access to the publicly-owned media, although that type of access is dependent on the ability of the national Electoral Management Body to broker the extent of such access. **INDIA:** In the form of free broadcasting and television time in the State-owned media. **ISRAEL:** On national radio and television. **JAPAN:** Political parties have free access to TV and radio broadcast, and newspaper advertisements during the election campaign. **MADAGASCAR:** On the public broadcaster. **MALTA:** On state television and radio. **NEW ZEALAND:** Free time is allocated by the public broadcasters, Television New Zealand and Radio New Zealand. **PARAGUAY:** Only during the ten days before the closing of the electoral campaign, that is, two days before voting day. **SAMOA:** Government-owned radio for campaign speeches. **SIERRA LEONE:** Limited access by political parties to meager state-controlled media facilities. **SLOVAKIA:** Political parties can conduct election campaigns through radio or television broadcasting only on Slovak Radio and Television. **SOUTH AFRICA:** Only the SABC radio services are required to transmit election broadcasts. **SWITZERLAND:** Access to media is not free, but is granted to all established parties and new parties presenting candidates in a minimum number of Cantons, on an equal basis. **URUGUAY:** In State-owned media. **VENEZUELA:** Although the electoral law in effect provides for free media access, it has been prohibited by the 1999 Constitution.

Column 25: What are the criteria for allocating broadcast time?

AZERBAIJAN: In practice, the law on equal access has been violated by the ruling party. **BELGIUM:** Broadcast time is based on current representation in the legislature and a sum which is equal for all parties who are represented in Parliament. **BOSNIA AND HERZEGOVINA:** The criteria are not specified. **CANADA:** Time is allocated according to a formula based on paid time and other factors. **CAPE VERDE:** Time is allocated by allotment. **COLOMBIA:** 60 per cent of broadcast spaces are allocated according to the representation in the Chamber of Deputies; the other 40 per cent are equally allocated. **DOMINICAN REPUBLIC:** The allocation is done by the Electoral Management Body according to their regulations. **GERMANY:** The allocation of free media access is also based on the duration and continuity of electoral participation, and a basic allocation (minimum of free airtime) is provided for all competing parties. **INDIA:** Time allocation is based on a special formula established by the Electoral Management Body. **MALTA:** New parties get free media time on an *ad hoc* basis. **MEXICO:** 30 per cent of the total time is distributed on an equal basis regardless of size and previous performance, and 70 per cent according to performance at the previous election. **NETHERLANDS:** There is also free media access in election periods for new political parties that have submitted a list of candidates. **NEW ZEALAND:** Free media access is also based on registration as well as other measures of support, such as opinion polls. **UNITED KINGDOM:** There is free broadcasting time for party political broadcasts for parties that are fielding candidates in more than one sixth of the seats at Westminster, Scottish Parliament, National Assembly for Wales, Northern Ireland Assembly, Greater London Assembly or local elections.

Table 9: Indirect Public Funding II: Taxation Status

Country	Column 26: Are political parties entitled to special taxation status?	Column 27: Are donors to parties entitled to any tax relief?	Column 28: Are political parties entitled to any other form of indirect public funding?
ALBANIA	No	No	Yes *
ANDORRA	No	No	No
ANTIGUA AND BARBUDA	No	No	No
ARGENTINA	Yes *	Yes, tax deductions *	Yes *
ARMENIA	No	No	No
AUSTRALIA	No	Yes, tax deductions *	No
AUSTRIA	No	No	No
AZERBAIJAN	No	Yes, tax deductions *	Yes *
BAHAMAS	No	No	No
BANGLADESH	No	No	Yes *
BARBADOS	No	No	No
BELGIUM	No	No	No
BELIZE	No	No	No
BENIN	Yes *	No	No
BOLIVIA	No	No	Yes
BOSNIA AND HERZEGOVINA	No	No	No
BOTSWANA	No	No	No
BRAZIL	Yes	No	Yes *
BULGARIA	No	No	No
BURKINA FASO	No	No	No
CANADA	No	Yes, tax credits	Yes *
CAPE VERDE	Yes	No	No
CENTRAL AFRICAN REPUBLIC	No info	No	No
CHILE	Yes *	Yes, tax credits *	No
COLOMBIA	Yes *	Yes, tax credits	Yes *
COSTA RICA	Yes *	No	No
CYPRUS (G)	No	No	No
CZECH REPUBLIC	Yes	Yes, tax deductions	No
DENMARK	No	No	No
DOMINICA	No	No	No
DOMINICAN REPUBLIC	No	No	No
ECUADOR	Yes *	No	Yes *
EL SALVADOR	No	No	No
ESTONIA	No	No	No
FIJI	No	No	No
FINLAND	No	No	No
FRANCE	No	Yes, tax deductions	No
GEORGIA	No	No	No
GERMANY	Yes *	Yes, tax credits and tax deductions *	No *
GHANA	No	No	No
GRENADA	No	No	No
GUATEMALA	Yes *	Yes, tax deductions *	Yes *
GUYANA	No	No	No

Country	Column 26: Are political parties entitled to special taxation status?	Column 27: Are donors to parties entitled to any tax relief?	Column 28: Are political parties entitled to any other form of indirect public funding?
HONDURAS	Yes *	No	Yes *
HUNGARY	Yes	No	Yes
ICELAND	Yes	Yes, tax credits	No
INDIA	No	No	Yes *
IRELAND	No	No	No
ISRAEL	Yes *	Yes, tax credits	No
ITALY	Yes	Yes, tax deductions	Yes *
JAMAICA	No	No	No
JAPAN	Yes	Yes, tax deductions *	Yes *
KIRIBATI	No	No	No
LATVIA	No	No	No
LESOTHO	No	No	No
LITHUANIA	Yes *	No	No
MADAGASCAR	No	No	No
MALAWI	No	No	No
MALAYSIA	No	No	No
MALI	Yes *	No	No
MALTA	Yes *	No	No
MARSHALL ISLANDS	No	No	No
MAURITIUS	No	No	No
MEXICO	Yes	Yes, tax deductions *	Yes *
MICRONESIA, FEDERATED STATES OF	No	No	No
MOLDOVA	No	No	Yes *
MOROCCO	No	No	No
MOZAMBIQUE	No	No	No
NAMIBIA	Yes *	No info	No
NETHERLANDS	No	Yes, tax deductions *	No
NEW ZEALAND	No	No	No
NICARAGUA	Yes *	No	Yes *
NIGER	No	No	Yes *
NORWAY	No	No	No
PALAU	No	No	No
PANAMA	Yes *	Yes, tax deductions	No
PAPUA NEW GUINEA	No	No	No
PARAGUAY	Yes *	No	No
PERU	No	No	Yes *
POLAND	No	No	No
PORTUGAL	Yes	Yes, tax deductions	No
ROMANIA	Yes	No *	Yes
RUSSIAN FEDERATION	No	No	Yes *
SAINT KITTS AND NEVIS	No	No	No
SAINT LUCIA	No	No	No
SAINT VINCENT AND THE GRENADINES	No	No	No
SAMOA	No	No	No

Country	Column 26: Are political parties entitled to special taxation status?	Column 27: Are donors to parties entitled to any tax relief?	Column 28: Are political parties entitled to any other form of indirect public funding?
SAN MARINO	No	No	Yes *
SAO TOME AND PRINCIPE	Yes	No	No
SENEGAL	No	No	No
SEYCHELLES	No	No	No
SIERRA LEONE	No	No	No
SINGAPORE	No	No	No
SLOVAKIA	No	No	No
SOLOMON ISLANDS	No	No	No
SOUTH AFRICA	No	No	No
SPAIN	Yes	No	Yes *
SWEDEN	No	No	Yes *
SWITZERLAND	No	Yes, tax deductions *	Yes *
TANZANIA	No	No	No
THAILAND	Yes	No	Yes
TRINIDAD AND TOBAGO	No	No	No
TUVALU	No	No	No
UGANDA	No	No	No
UKRAINE	No	No	No
UNITED KINGDOM	No	No	No *
UNITED STATES	No	No	No
URUGUAY	No	No	No
VANUATU	No	No	No
VENEZUELA	No	No	No
ZAMBIA	No	No	No
Totals:	Yes: 30 countries (27%) No: 80 countries (72%) Information not available: 1 country (1%)	Tax credits: 6 countries (5%) Tax deductions: 14 countries (13%) No: 91 countries (82%) Information not available: 1 country (1%)	Yes: 27 countries (24%) No: 84 countries (76%)
	Sample: 111 countries (100%)	Sample: 111 countries (100%)	Sample: 111 countries (100%)

Notes:

Column 26: Are political parties entitled to special taxation status?

ARGENTINA: The properties and activities of all official parties are exempt of taxes or national contribution. **BENIN:** Only incomes generated by the activities of the political parties are subject to taxation. **CHILE:** All donations and testamentary allowances on behalf of a party, up to an amount of 30 fiscal units per month, are duty free. **COLOMBIA:** Political parties are exempt from taxation. **COSTA RICA:** The State's allowance to political parties is done through bonds with financial yield that are fully guaranteed by the State and are duty free, as are the interests they generate. **ECUADOR:** Political parties are exempt from taxation. **GERMANY:** Political parties are exempt from income, inheritance and property taxation. **GUATEMALA:** Political parties are exempt from income taxation. **HONDURAS:** Every 4 years, political parties are authorized to import (without paying taxes) all sorts of photographic equipment, vehicles, sound equipment for propaganda, computers and any other machinery or material needed for the exclusive use of the political party. The total amount spent should not exceed HNL 1.000.000 (Int'l \$ 150.000). **ISRAEL:** Transactions in property are exempt from some of the taxes due. During election time, all persons working for the elections, including party employees, are entitled to tax exemptions. **LITHUANIA:** Parties receive tax credits. **MALI:** Only income generated by trade activities are subject to taxation. **MALTA:** Political parties are exempt from taxation. **NAMIBIA:** The money that political parties receive is not taxable. **NICARAGUA:** During electoral campaigns, political parties can import materials for propaganda free of taxes. **PANAMA:** Political party imports are free of taxation. **PARAGUAY:** The personal property, real estate, or livestock of political parties or movements are not subject to any fiscal or municipal taxation. Parties are also allowed to import machinery, equipment, and material for audiovisual production, graphic printing, offices and computers without paying taxes.

Column 27: Are donors to parties entitled to any tax relief?

ARGENTINA: Donors receive tax deductions if donations are given to the Fondo Partidario Permanente (Permanent Parties Fund) but not if donations are given to the parties themselves. **AUSTRALIA:** Donors receive tax deductions for a maximum of AUD 100 (Int'l \$ 65) in an income year. **AZERBAIJAN:** Donors receive tax deductions for donations to election campaigns only. **CHILE:** Donors receive tax credits on contributions of up to thirty fiscal units per month. **GERMANY:** Donors receive tax credits for the first EUR 1.600 (Int'l \$ 1.620) and tax deductions for an additional EUR 1.600 (Int'l \$ 1.620). **GUATEMALA:** Donors to political parties can have a reduction of 5 per cent of the net income tax as long as this does not exceed the amount of GTQ 500.000 (Int'l \$ 130.000). **JAPAN:** Individual donors can get tax exemption or deduction. Corporations can count donations as loss. **MEXICO:** Party supporters receive tax deductions on cash donations up to

25 per cent of the amount contributed. **NETHERLANDS:** Donors receive tax deductions at 1 per cent of the taxable income with a threshold value of EUR 61. **ROMANIA:** Foreign donors do not pay taxes. **SWITZERLAND:** Donors receive tax deductions in several of the Cantons.

Column 28: Are political parties entitled to any other form of indirect public funding?

ALBANIA: Parties represented in Parliament shall be provided office space for their central headquarters and regional offices. If this cannot be accommodated, the state shall pay for the rent. **ARGENTINA:** Funds are given to each party for the printing of ballots. **AZERBAIJAN:** Political parties are entitled to free transportation. **BANGLADESH:** Political parties are allowed free use of Government buildings. **BRAZIL:** Political parties are entitled to free transportation and free use of schools for meetings. **CANADA:** Political parties can issue tax credit receipts for donations. **COLOMBIA:** Political parties have the right to franking of letters during the six months before the election. **ECUADOR:** Political parties receive land and buildings for the running of their headquarters. **GERMANY:** Only caucus subsidies are granted. **GUATEMALA:** Political parties have the right to franking of letters and telegraphs. **HONDURAS:** The electoral management body trains 20.000 people per political party to participate at the polling stations on election day. In addition, political parties enjoy telephone franchise during the election period. **INDIA:** Members of Parliament get assistance in kind from the government to do their constituency work. **ITALY:** During election campaigns, parties can send electoral propaganda material by post at reduced rates. **JAPAN:** Political parties may place free advertisements in the electoral bulletin, which is distributed to every household by the Government. Candidates in the party list for the upperhouse RP election are entitled to free postcards, handouts, posters, car rental and signboards. **MEXICO:** Political parties are entitled to free postal and telegraph services to carry out their tasks. **MOLDOVA:** Political parties are entitled to free transportation. **NICARAGUA:** The Electoral Council provides training for polling station officers from the parties, and provides them with free copies of manuals for training. **NIGER:** Free printing of ballot papers is provided. **PERU:** Political parties are granted free publication of their plans of action in the official newspaper of the National Office for Electoral Processes. **RUSSIAN FEDERATION:** Political parties are entitled to free transportation. **SAN MARINO:** Political parties pay only 50 per cent of the usual postal charges. **SPAIN:** Political parties received subsidies on mailing. **SWEDEN:** Party-affiliated press receive public support. **SWITZERLAND:** Ballot paper printing and distribution is provided for every party. In several of the 26 Cantons, parties can use public places for their publicity. In other Cantons, municipalities pay distribution taxes for a common packet of all parties' publicity. **UNITED KINGDOM:** Candidates at all elections except local elections get free mailshot to electors.

1. Regional and Thematic Chapters

The chapters of this *Handbook on Funding of Political Parties and Election Campaigns* have been written by several authors (see About the Authors) who have in turn drawn on a wide range of sources, including scholarly books and articles, financial reports of political parties and candidates, reflections by in-country experts, and the work of other organizations. In the interest of ease of reading, the text is not extensively footnoted as an academic work would be. Rather, the assembled information about political finance has been synthesized in easy-to-read language and presented in figures and tables. The aim is to make academic materials accessible to busy policy makers, parliamentary committees, political parties and the broader public. The *References and Further Reading* sections at the end of each chapter highlight some of the original sources.

2. The Selection of Countries for the Matrix

The countries included in the *Matrix* are selected from those that were categorized as “free” or “partly free” in Adrian Karatnycky and Aili Piano (eds). *Freedom in the World: The Annual Survey of Political Rights and Civil Liberties, 2001–2002*. New York: Freedom House, 2002. The selection has been made to focus the study on countries where political finance is likely to have an impact on relatively democratic elections. Questionnaires were sent out with the aim to cover as many as possible of the 144 countries. Independent researchers, regional and national organizations, and electoral management bodies were mobilized and a complete mapping of the political party finance laws and regulations was carried out in 111 countries. Additional research was done into the public finance laws of the countries not covered by the first round of research.

Political finance laws and regulations are frequently changed and new laws are enacted, and this leads to difficulties in carrying out studies of this kind. For this *Matrix* we have chosen not to include, for example,

Indonesia and Côte d'Ivoire, where the current laws are before the Parliament for large-scale amendment at the time of writing, or East Timor, where UN regulations will be completely replaced by the new Parliament.

3. Areas of Research and Limitations

The *Matrix* includes research into the areas of regulatory system, enforcing body, disclosure of and ceilings on income, bans on particular types of donations, disclosure of and ceilings on expenditure, direct public funding and indirect public funding. It is important to stress that this research concerns only the letter of the laws and regulations. As the chapter on *Monitoring, Control and Enforcement* points out, there are many laws that are enacted but for different reasons never enforced.

The questionnaire used for the study was mainly inspired by the political finance section of EPIC (the Election Process Information Collection project), available on www.epicproject.org, and on the research conducted for Pilar del Castillo and Daniel Zovatto (eds). *La Financiación de la Política en Iberoamérica*, San José: Iberoamerican Institute of Human Rights, 1998.

To limit the scope of the research, International IDEA has decided to restrict the current project to political party finance, even if many countries have legislation that is focused on candidates rather than parties. This means that a “No” in answer to the question of public funding of political parties in a country does not necessarily mean that *candidates* cannot receive public funding. The research is also limited to legislation at a national/federal level, and does not take into account the different provisions that might exist on other levels of government.

4. Sources of the Matrix

The tables in the *Matrix* are based on primary sources (original laws and regulations) where these were available to the research team. Provisions relating to the financing of parties are sometimes found not in the electoral legislation but in other laws. This can make it

difficult to find all the legal provisions regulating political finance. Some may be found in tax laws, special laws governing the operation of political parties, or laws related to the media, private companies, trade unions or other bodies. To complicate matters further, the provisions may be found in laws, decrees, subsidiary legislation or regulations and it is not seldom for them to be contradictory.

Where primary sources were not available to us, or where interpretation has been necessary, we have relied on experts from academia and from the agencies which monitor and enforce the political finance laws in the different countries. The shortcomings of this method are related to the problem of the variety of laws that regulate the operations of political parties. One enforcement agency may not be aware of all parts of the legislation that relate to political finance. As an example, the electoral management body may not be aware of the tax relief that donors to political parties may get through the tax authorities.

In a few cases – mainly for the International IDEA Map on Public Funding in the World – secondary sources have been used.

Without the help of the many researchers, this study would never have been possible. However, there may as a result be differences in judgement. This, together with the difficulties related to sources mentioned above, means that the information in the *Matrix* is subject to error and should be treated with caution. Even with this qualification, the *Matrix* is still to our knowledge the most comprehensive attempt to date to list information related to political finance laws and regulations.

5. The Relationship between the Chapters and the Matrix

All the chapters in the book were written before the research for the *Matrix* was done. As far as possible, the updated information has been incorporated into the chapters. However, as can be seen from the discussion above, research on political finance laws is a difficult task. The authors of the chapters have often used different sources from those used by the researchers who worked on the *Matrix*, which means that where discrepancies are found it is difficult to deduce which source is the more reliable.

6. International Dollars

A book on political finance throughout the world by definition includes many figures in different currencies. In order to make the data more readily comparable internationally, conversions to international dollars have been made using purchasing power parity-based conversion rates (PPP rates) for all countries except Bosnia and Herzegovina and Andorra. Often when comparisons are made a common accounting unit is used, usually the US dollar (USD). The problem with those kinds of conversion is that they reflect neither the relative price levels in different countries nor changes in relative prices. This means that the conversions are inconsistent both over time and in their estimates of income levels. Instead, we have chosen to use a conversion rate that reflects how much local money is/was worth *within the particular country* during a *specific year*. By using purchasing power equivalence, where one International Dollar (Int'l \$) purchases the same amount of goods and services in all countries, Purchasing Power Parity (PPP) conversions allow comparisons both between countries and over time (www.worldbank.org/data/icp). **This means that the same sum in a local currency may be worth different amounts of International Dollars depending on the year discussed.** The conversion rates are based on the price levels in the United States, which means that during the year in which the conversions are done (2002 in this *Handbook*), one USD equals one International Dollar. Where this is the case, we have chosen not to insert the conversion rates.

For further reading on the use of PPP conversion rates, see the *SIPRI Yearbook 1999: Armaments, Disarmament and International Security*. Oxford: Oxford University Press, 1999, Appendix 7C:327–333. There is also an extensive discussion of the methodology of PPP conversion rates in Irving B. Kravis. *A System of International Comparison of Gross Product and Purchasing Power/Produced by the Statistical Office of the United Nations, the World Bank, and the International Comparison Unit of the University of Pennsylvania*. Baltimore, MD: Johns Hopkins University Press, 1975. The source of the PPP conversion rates is *World Development Indicators 2002*. Washington, DC: World Bank, 2002. IDEA is indebted to Petter Stålenheim for providing advice and for carrying out the conversions.

In some cases, the authors of chapters have relied

heavily on sources in which amounts of money were already expressed in USD. In these cases, the authors have provided conversions of the remaining figures (using the USD exchange rate at the time of writing for current figures) to facilitate comparisons within the chapter.

7. Sources by Country

ALBANIA:

Printed sources: Law No. 8001 of 22 September 1995 on Political Parties; Electoral Code; Law No. 8609 of 8 May 2000
Researcher: Mr Attila Vincze, Researcher, Association of Central and Eastern European Election Officials (ACEEEO)

ANDORRA:

Printed source: Law No. 2/2001 of 15 December 2000 on Electoral Finance
Expert: M. Elisenda Vives, General Council (Parliament), Principality of Andorra
Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

ANTIGUA AND BARBUDA:

Expert: Mr Carl Dundas, Senior Legal Consultant

ARGENTINA:

Printed source: Law No. 25.600 of 10 November 2002 on Financing of Political Parties
Expert: Mr Alberto Dalla-Via, Adviser, National Electoral Chamber
Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

ARMENIA:

Printed source: Law on Public–Political Organizations as amended in 1999
Electronic source: International Foundation for Election Systems (IFES) Armenia, www.ifes.am
Researcher: Mr Attila Vincze, Researcher, Association of Central and Eastern European Election Officials (ACEEEO)

AUSTRALIA:

Printed source: Commonwealth Electoral Act of 1918
Expert: Ms Kate Sullivan, Project Manager, International IDEA

AUSTRIA:

Expert: Mr Robert Stein, Deputy Head of Department, Ministry of the Interior (Bundesministerium für Inneres)
Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

AZERBAIJAN:

Expert: Prof. Dilara Mehdi, Vice-Chair, Center for Modernization of Azerbaijan

BAHAMAS:

Expert: Mr Carl Dundas, Senior Legal Consultant

BANGLADESH:

Expert: Mr Carl Dundas, Senior Legal Consultant

BARBADOS:

Expert: Mr Carl Dundas, Senior Legal Consultant

BELGIUM:

Expert: Mr Edwin Lefebvre, Deputy Adviser, Ministry of the Interior (Ministerie van Binnenlandse Zaken)

BELIZE:

Expert: Mr Carl Dundas, Senior Legal Consultant

BENIN:

Printed sources: Law No. 90-25 of 13 August 1990 on Political Parties; Electoral Code; Law No. 2000-18 of 31 October 2000
Researcher: Mr Aboubacar Dicko, Researcher, Centre for Democratic Governance (Centre pour la Gouvernance Démocratique, CDG, Burkina Faso)

BOLIVIA:

Expert: Lic. Jorge Lazarte Rojas, Former Adviser, National Electoral Court
Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

BOSNIA AND HERZEGOVINA:

Printed sources: Election Law of Bosnia and Herzegovina of 19 September 2001, as amended 2002; Law on Party Financing of 31 July 2000
Researcher: Ms Christina Simon, Researcher, Association of Central and Eastern European Election Officials (ACEEEO)

BOTSWANA:

Experts: Mr Gabriel Seeletso, Secretary, Independent Electoral Commission
Mr Patrick Molutsi, Director of Programmes, International IDEA

BRAZIL:

Expert: Mr Torquato Jardim, Former Adviser, Supreme Electoral Tribunal
Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

BULGARIA:

Expert: Ms Diana-Sylvia Nedelcheva, Association of Central and Eastern European Election Officials (ACEEEO)

BURKINA FASO:

Printed sources: Law No. 12-2000/AN of 2 May 2000; Electoral Code of 7 May 1998
Researcher: Mr Aboubacar Dicko, Researcher, Centre for Democratic Governance (Centre pour la Gouvernance Démocratique, CDG, Burkina Faso)

CANADA:

Expert: Mr Ron Gould, Former Assistant Chief Electoral Officer, Elections Canada

CAPE VERDE:

Expert: Mr F Monteiro, Member of the Electoral Commission, Cape Verde

Researcher: Ms Rita Revez, Temporary Researcher, International IDEA

CENTRAL AFRICAN REPUBLIC:

Expert: Mr Simon-Pierre Nanitelamio, Bridge Project Trainer, Independent Consultant

CHILE:

Printed sources: Act No. 18.603 of 23 March 1987, Constitutional Organic Law of Political Parties; Act No. 18.700 of 6 May 1988, Constitutional Organic Law on People's Voting and Votes Counting

Expert: Mr Carlos Navarro Fierro, Director, International Affairs Unit, Federal Electoral Institute (Instituto Federal Electoral, IFE, Mexico)

COLOMBIA:

Printed sources: Law No. 130 of 23 March 1994, Basic Statute on Parties and Political Movements; Constitution of Colombia of 1991

Expert: Mr Edgar Castellanos, Adviser, National Electoral Board

Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

COMOROS:

Printed source: Pinto-Duschinsky, Michael. "Financing Politics: A Global View." *Journal of Democracy* 13(4), October 2002

CONGO (BRAZZAVILLE):

Expert: Mr Herve Mukoko, National Democratic Institute for International Affairs (NDI), Democratic Republic of Congo (Kinshasa)

Researcher: Ms Lotta Lann, Researcher, International IDEA

COSTA RICA:

Printed sources: Electoral Code; Law No. 1536 of 10 December 1952, with reforms; Regulations on the Payment of Political Parties' Expenses, issued by the Supreme Tribunal of Elections; Regulations on the Payment of Political Parties' Expenses, issued by the General Comptroller of the Republic

Expert: Mr Carlos Navarro Fierro, Director, International Affairs Unit, Federal Electoral Institute (Instituto Federal Electoral, IFE, Mexico)

CÔTE D'IVOIRE:

Printed sources: Law No. 93-668 of 9 August 1993 on Political Parties and Groupings; Electoral Code; Law No. 2000-514 of 1 August 2000

Researcher: Mr Aboubacar Dicko, Researcher, Centre for Democratic Governance (Centre pour la Gouvernance Démocratique, CDG, Burkina Faso)

CROATIA:

Printed source: Ikstens, Janis, Daniel Smilov and Marcin Walecki. "Campaign Funding in ACEEEO Member Countries." Report presented at the tenth annual conference of the Association of Central and Eastern European Election Officials (ACEEEO), Brijuni, Croatia, 13–17 October 2001

CYPRUS (GREEK):

Expert: Mr Carl Dundas, Senior Legal Consultant

CZECH REPUBLIC:

Printed source: Act No. 424/1991 on Associating in Political Parties and Political Movements as amended

Experts: Dr Helena Sluková, Association and Elections Section, Ministry of Interior; Dr Petra Wagnerová, Election Law Expert, General Administration Department, Ministry of Interior

DENMARK:

Expert: Ms Anne Birte Pade, Election Consultant, Ministry of the Interior and Health

Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

DJIBOUTI:

Printed source: Pinto-Duschinsky, Michael. "Financing Politics: A Global View." *Journal of Democracy* 13(4), October 2002

DOMINICA:

Expert: Mr Carl Dundas, Senior Legal Consultant

DOMINICAN REPUBLIC:

Printed sources: Electoral Law No. 275-97 of 1977

Expert: Mr Luis Arias, Magistrate, Central Electoral Board

Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

EAST TIMOR:

Expert: Ms Kate Sullivan, Project Manager, International IDEA

ECUADOR:

Printed sources: Electoral Organic Law No. 59 of 12 December 1986, as amended 17 March 2000; Organic Law on Political Parties; Tax Code; Organic Law on the Control of Expenditure and Electoral Propaganda

Expert: Dr Gustavo Araujo, Adviser, Supreme Electoral Tribunal

Researcher: Ms Virginia Beramendi-Heine, Project Manager, International IDEA

EL SALVADOR:

Printed source: Electoral Code of 1992

Expert: Mr Carlos Navarro Fierro, Director, International Affairs Unit, Federal Electoral Institute (Instituto Federal Electoral, IFE, Mexico)

ESTONIA:

Printed sources: Rules for the Employment of Eesti Television and EESTI in the Election Campaign for the Republic of Estonia, Riikogu and the Republic of Estonia Presidency of 1992; Political Parties Act of 11 May 1994; Referendum Act of 1994, as amended in 1998; Riigikogu Election Act of 1999
 Researcher: Ms Christina Simon, Researcher, Association of Central and Eastern European Election Officials (ACEEEO)

ETHIOPIA:

Printed source: Pinto-Duschinsky, Michael. "Financing Politics: A Global View." *Journal of Democracy* 13(4), October 2002

FIJI:

Expert: Mr Walter Rigamoto, Supervisor of Elections, Elections Office
 Researcher: Ms Anna Fogelmarck-Wikfalk, Project Manager, International IDEA

FINLAND:

Printed sources: Law No. 200-05-14/414 on Reporting Candidates' Campaign Financing; Party Law No. 1969-01-10/10; Municipal Law No. 1995-03-17/365; Suksi, Markku. "Commentary on the Finnish Constitution", Åbo Akademi, 2002
 Expert: Prof. Markku Suksi, Åbo Akademi, University of Finland

FRANCE:

Expert: Mr Yannick Blanc, Sub-Director, Political Affairs, Ministry of the Interior

GABON:

Expert: Prof. Yaw Saffu, Head of Governance Programs, Institute of Economic Affairs, Ghana

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