”The Financing of Political Parties in International Perspective”

Sam van der Staak
International IDEA
• The International Institute for Democracy and Electoral Assistance is the only global intergovernmental organization with a direct mandate to support democracy worldwide

• 28 Member States on 6 continents, including Spain; Member States are the owners of the Institute and provide strategic directions with regards to its budget, workplans.
Political finance database

Political finance laws and regulations
From 180 countries

www.idea.int/political-finance
Regional & global overviews

- Latin America
- Africa
- MENA region
- Global handbook 2003: revised 2014
Direct assistance

In-country law reform advice in

- Kenya,
- Mongolia,
- Sweden,
- Myanmar etc
International IDEA 2014 Handbook

Funding of Political Parties and Election Campaigns
A Handbook on Political Finance

Policy Brief

Money in Politics

Overview

Decisions on the model, scale and regulatory framework for political party funding are crucial elements of a democratic system. The model and scale of political party funding can have a significant impact on parties’ role and the way in which democracy is practiced.

Recent years have seen an increase in interest in the role of money in politics, especially in the wake of political scandals and revelations about the influence of money in the political process. This has led to a growing concern about the potential for money to corrupt the political process and distort the democratic process.

The relationship between money and politics is complex and multifaceted. Money in politics is not only about the role of financial contributions in political campaigns, but also about the ways in which money influences decision-making and policy outcomes. It can also refer to the role of money in the political process, including the influence of interest groups and lobbying firms.

Policy recommendations

1. Reform the system of public funding of political parties and candidates.
2. Establish clear rules and regulations for political party funding.
3. Ensure transparency and accountability in political party funding.
4. Encourage citizen participation in the political process.
5. Strengthen the role of independent watchdogs and regulatory agencies.

About International IDEA

International IDEA is an independent, international institute that promotes democratic election assistance and good governance in democratic environments. It provides support to democracies around the world to strengthen the role of elections in democratic societies.

www.idea-international.org
Political finance challenges

SUPER PAC SPENDING TO DATE

$17,815,883
RESTORE OUR FUTURE (PRO-ROMNEY)

$12,357,288
WINNING OUR FUTURE (PRO-GINGRICH)

$3,959,824
MAKE US GREAT AGAIN (PRO-FERRY)

$3,200,000
ENDO (PRO-T)

LOSS TO THE NATION

¥17,60,000,000,000,000
A Raja deprived govt of this much money in 2G spectrum allocation: CAG report
Why Political Finance Matters

Possible positives

• Money is an essential part of elections
• Helps candidates get their message out
• Facilitates dialogue with voters
• Assists voters to make informed choices

Possible negatives

• Money can undermine free and fair elections
• Can give undue advantages to some
• Politicians may become co-opted to a cause
• Political parties can be perceived as corrupt
Main challenges identified in Int. IDEA’s handbook on political finance

- High costs of campaigns
- Lack of grass-roots support
- Illicit funding and criminal sources
- Nexus between business and politics
- Unequal access to funds
- Abuse of state resources
- Lack of enforcement
- Self-regulation of parties and politicians
High cost of campaigns
<table>
<thead>
<tr>
<th>Country</th>
<th>Election Year</th>
<th>Campaign spending by parties and candidates (USD)</th>
<th>Campaign spending by parties and candidates (costs per vote cast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>2010</td>
<td>145 m USD</td>
<td>11 USD</td>
</tr>
<tr>
<td>Brazil</td>
<td>2014</td>
<td>3 bn USD</td>
<td>26.6 USD</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>2 bn USD</td>
<td>18.7 USD</td>
</tr>
<tr>
<td>India</td>
<td>2014</td>
<td>5 bn USD</td>
<td>9 USD</td>
</tr>
<tr>
<td></td>
<td>2009</td>
<td>3 bn USD</td>
<td>7.2 USD</td>
</tr>
<tr>
<td>Kenya</td>
<td>2007</td>
<td>62 m USD</td>
<td>6.3 USD</td>
</tr>
<tr>
<td>Sweden</td>
<td>2014</td>
<td>40.9 m USD</td>
<td>6.5 USD</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>32.4 m USD</td>
<td>5.4 USD</td>
</tr>
<tr>
<td>UK</td>
<td>2015</td>
<td>154 m USD</td>
<td>5 USD</td>
</tr>
<tr>
<td></td>
<td>2010</td>
<td>50 m USD</td>
<td>3 USD</td>
</tr>
<tr>
<td>US</td>
<td>2012</td>
<td>6.8 bn USD</td>
<td>51.7 USD</td>
</tr>
<tr>
<td></td>
<td>2008</td>
<td>4.8 bn USD</td>
<td>35.3 USD</td>
</tr>
<tr>
<td>Germany</td>
<td>2013</td>
<td>93 m USD</td>
<td>2 USD</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2014</td>
<td>920 m USD</td>
<td>6.8 USD</td>
</tr>
</tbody>
</table>
Recommendation 1: End the arms race in fundraising and spending.

• In an effort to level the political playing field in countries with high campaign spending; reduce the influence of large donors; and show voters that money is not driving political agendas, policymakers must find ways to end the arms race in fundraising and spending.

• In terms of regulatory measures, this includes limiting campaign donations and spending, encouraging smaller donations, and providing public funding to political parties, including non-monetary support.
Spending limitations

**Pros:**
- Levels the playing field;
- Reduces the cost of democracy.

**Cons:**
- Protects incumbency/difficult for new parties without fundraising capacity;
- Forces more spending to go illegal;
- Only works when limits are reasonable.
<table>
<thead>
<tr>
<th>Region</th>
<th>No</th>
<th>Yes</th>
<th>Total</th>
<th>No data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>38</td>
<td>11</td>
<td>49</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>(74.5%)</td>
<td>(21.6%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td>25</td>
<td>8</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(73.5%)</td>
<td>(23.5%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>26</td>
<td>11</td>
<td>37</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(70.3%)</td>
<td>(29.7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>23</td>
<td>21</td>
<td>44</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>(52.3%)</td>
<td>(47.7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oceania</td>
<td>12</td>
<td>1</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(85.7%)</td>
<td>(7.1%)</td>
<td></td>
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# Lack of enforcement

<table>
<thead>
<tr>
<th></th>
<th>Reported income</th>
<th>Real expenditure</th>
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</thead>
<tbody>
<tr>
<td>Indonesia (2014)</td>
<td>$ 39 million</td>
<td>$ 920 million (University of Indonesia’s Institute for Economic and Social Research)</td>
<td>24x</td>
</tr>
<tr>
<td>India (2014)</td>
<td>$ 205 million</td>
<td>€ 5 billion (Center for Media Studies)</td>
<td>25x</td>
</tr>
</tbody>
</table>
Gap between laws and compliance:

Although strong regulations are essential, formal rules alone cannot have a significant impact.
Ban on abuse of state resources?
Ban on vote buying?
Ban on donations from corporations with govt contracts?
Ban on anonymous donations?
Weak enforcement

1. It is a global problem.
2. Lack of merit-based and independent leadership of oversight agencies.
3. Sanctions in law but not in practice breeds a culture of impunity.
4. Specific Europe related challenges
Is it specified that a particular institution(s) is responsible for examining financial reports and/or investigating violations?

Source: International IDEA Political Finance database
Sanctions around the world

<table>
<thead>
<tr>
<th>Value</th>
<th>Count</th>
<th>Percentage*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fines</td>
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<tr>
<td>Prison</td>
<td>97</td>
<td>53.9%</td>
</tr>
<tr>
<td>Loss of public funding</td>
<td>53</td>
<td>29.4%</td>
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<td>Forfeiture</td>
<td>52</td>
<td>28.9%</td>
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<tr>
<td>Deregistration of party</td>
<td>38</td>
<td>21.1%</td>
</tr>
<tr>
<td>Loss of political rights</td>
<td>28</td>
<td>15.6%</td>
</tr>
<tr>
<td>Loss of nomination of candidate</td>
<td>25</td>
<td>13.9%</td>
</tr>
<tr>
<td>Suspension of political party</td>
<td>18</td>
<td>10.0%</td>
</tr>
<tr>
<td>Loss of elected office</td>
<td>16</td>
<td>8.9%</td>
</tr>
<tr>
<td>None</td>
<td>6</td>
<td>3.3%</td>
</tr>
<tr>
<td>Not applicable</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Other</td>
<td>45</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

Total (valid data): 514**

Source: International IDEA Political Finance database
Decreasing trust in Parliament and Government
• In Europe, party membership has halved since 1980s
• Tories UK from 3m (1980) to 150,000 (2015)
While high reliance on state funding
Recommendation 5: Focus more on compliance and enforcement.

• The weakest link in money in politics is poor compliance and weak enforcement of regulations.

• Enforcement agencies need a strong legal mandate, including independence from the political actors they are monitoring, as well as the capacity to carry out their functions.

• This is especially true for tackling illicit funding and abuse of state resources.
Nexus between business and politics
Limit the influence of business over politics?

1. Donation limits (often non-existing, too high or too low).

2. Few alternative sources of funding.

3. Complete ban.
Ban on corporations donating to parties.
Other issues to pick up on?

- In Spain, candidates are completely unregulated.
- Primaries vs election campaigns
- Women’s access to campaign funding
What now?
Implications from research

- Political finance is deeply political
- Enforcement is the weakest link
- Gender funding gap
- Broader involvement in development of regulations needed
- Need for greater disclosure
- Need for greater geographical and thematic coordination to tackle illicit finance
Recommendation 8: Base regulations on the desired role parties play in society.

- Political finance regulations have a bearing on the way political parties function in a society, ranging from volunteer-led organizations to bodies resembling state utilities.
- Designing regulations should therefore be part of a broader discussion on how political life in general should be organized.
Considerations for political goals

- Political parties and candidates as private entities
- Political parties as campaign organizers
- State involvement in politics inherently damaging
- Candidates exclusively represent their political party

- Political parties and candidates as public entities
- Political parties as integral part of non-electoral democratic process
- State involvement in politics necessary and desired
- Candidates are more important than their political party
Building blocks for pol finance reform
Table 1.1. Levels of political finance regulation per country, by region

<table>
<thead>
<tr>
<th>Level of regulation in each country</th>
<th>Africa</th>
<th>Americas</th>
<th>Asia</th>
<th>Eastern, Central &amp; South-eastern Europe and Central Asia</th>
<th>Western Europe</th>
<th>Anglophone</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>22%</td>
<td>11%</td>
<td>55%</td>
<td>0%</td>
<td>38%</td>
<td>17%</td>
<td>22%</td>
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<tr>
<td>Medium</td>
<td>53%</td>
<td>28%</td>
<td>5%</td>
<td>28%</td>
<td>33%</td>
<td>33%</td>
<td>38%</td>
</tr>
<tr>
<td>High</td>
<td>24%</td>
<td>61%</td>
<td>40%</td>
<td>72%</td>
<td>29%</td>
<td>50%</td>
<td>40%</td>
</tr>
</tbody>
</table>

*Note:* The percentages refer to the proportion of positive answers in a region to the 26 yes/no questions in the International IDEA Political Finance Database.
Recommendation 9: Show good practice even where formal regulations may not exist

• In an environment of plummeting global trust in political parties, showcasing integrity helps parties themselves to gain voter confidence.

• Parties are urged to institutionalize self-regulatory mechanisms and adopt transparent internal financial procedures, paying particular attention to accounting.

• Parties would also benefit from communicating such voluntary good practice to the public, especially by demonstrating measures to prevent illicit funding.
The Aam Aadmi party will operate with 100% transparency in its financial procedures and practices. Every single rupee donated to the party will be published on the website immediately along with the details of the donor. Every expense done by the party will also be published on the website.

We will accept donations from individuals, businesses and groups with absolutely clean professional records. If any donor is accused of wrongdoing and is found guilty either by our internal Lokpal or by the courts of the country, we shall return the donation made by the person or group and blacklist them from ever associating with our party in future.
<table>
<thead>
<tr>
<th>DONOR NAME</th>
<th>COUNTRY OF PRESENT RESIDENCE</th>
<th>STATE</th>
<th>TRANSACTION ID/RECEIPT NUMBER</th>
<th>AMOUNT IN RUPEES</th>
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</table>
Further info...

www.idea.int/political-finance

Global conference
Money in Politics
Mexico City, 3 - 5 September 2015
www.moneyinpolitics.info
Thank you

@IDEApolparties