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Funding of Political Parties and Election Campaigns

A Handbook on Political Finance

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Political Parties, Participation and Representation

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CHAPTER 10

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Conclusions

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The introductory chapters discussed the importance of money in politics and gave an overview of political finance regulations and their enforcement, as well as some guidelines for how to design and implement such regulations. It was argued that any efforts to control money in politics must be based on an understanding of the particular context and challenges in each country. The regional chapters then assessed the similarities and differences in the challenges faced and solutions sought in different parts of the world. Chapter 9, 'Women in Politics: Financing for Gender Equality', examined the challenges faced by women trying to raise enough funds to run for office effectively, and how women around the world have addressed these challenges.

This chapter draws together the conclusions from the preceding chapters and analyses the overall experiences, similarities and differences from around the world. In particular, it addresses the challenges of the role of money in politics and international trends in political finance regulations. Recommendations for different stakeholders are also provided, as well as overall lessons learned.

Money and politics: a contextual overview

Money and politics are closely intertwined; the way that parties and candidates access their funding greatly affects how the political system functions and how democratic politics is conducted. As reiterated throughout this volume, money is necessary for a democracy to function well, and helps strengthen the core components of democracy, establish sustainable party organizations and provide the opportunity to compete on (more) equal terms. Yet it also poses serious challenges and threats to the political process—for example, the pernicious influence of drug money in Latin America, the huge corporate influence over politics in Asia, the clientelistic networks in Africa or the abuse of state resources in Europe. Therefore money in politics must be monitored and controlled. The challenge for policy makers and politicians is to strike the right balance: limiting negative effects while encouraging democratic consolidation through pluralistic competition. In this effort, it is important to view both the use and control of money in politics as the means to an end, rather than the end itself.

Today there is a growing perception of corruption in political life, which besmirches the public image of parties and politicians. Findings from Transparency International's 2013 Global Barometer reveal that political parties are perceived to be the most corrupt institution of those surveyed, ahead, for example, of the police, public officials, parliament and the judiciary.[1] Regional surveys such as the Latino- and Afrobarometers reveal a similarly bleak picture, with low levels of trust in political parties.[2] Such distrust can be explained at least in part by the exposure of financial misconduct of parties and politicians in a wide range of countries.

For parties to win voters' trust and support, they need to be transparent and accountable in relation to their finances. If parties fail to meet citizen demands for clean politics, voters will continually question their integrity and become apathetic and disillusioned with the democratic process; they may create protest movements and circumvent the traditional bodies of political representation. Although each country examined in this volume has its own unique challenges related to money and politics, there are a number of challenges that span virtually all the regions.

Global challenges

High costs

The involvement of vast amounts of 'big money' in politics is an increasing concern among voters around the world. The high costs of campaigning in different regions are usually attributed to the increased professionalization of politics, in which parties and candidates spend more money on opinion polls, political advisors and media advertisement. In Western Europe, campaign spending rivals the traditional primary expense of running large and bureaucratic party structures, while in the United States, 5.8 billion US dollars (USD) was spent in the 2012 presidential and parliamentary elections.

The high costs of campaigning lead parties and candidates to seek funds from a wide variety of sources. In many cases, parties become dependent on either large private contributions or state funding, which raises the risk that individuals who donate large amounts have more influence over the political process than others.

Lack of grass-roots support

Despite the high costs of politics, political parties receive little financial support from their members, even in the European countries where this type of funding was once a relevant source of income.[3] Elsewhere, donations from members have never been a significant source of income. This lack of support means that parties rely on corporate donations or other organized interests, public funds or illicit finances (or, in some countries, money from individual party leaders or candidates).

In some parts of Africa, Latin America and Asia, the financial contributions between politicians and grass-roots supporters actually run in the opposite direction, with clientelistic or patronage relationships between the parties and their supporters, in which voters expect gifts or perks in exchange for their support or votes.

Illicit funding and criminal sources

The illicit funding of parties and candidates presents a particularly challenging problem in many of the regions discussed in this volume. Even though it is difficult to know exactly how influential illicit donations are, given their obscure nature, various cases that have been uncovered suggest that illicit funding represents a significant source of income for political actors.[4]

The issue becomes particularly serious when funding comes from organized crime, which involves an agenda to influence politicians and their policy decisions to advance the interests of criminal networks.

As shown in the regional chapters, there are different types of relationships between politics and organized crime. In its most basic form, the criminal actors remain outside the political process but try to influence it, for example via campaign donations or bribes. There are also more systematic relationships between politics and criminal networks in which the latter penetrate much deeper into the political sphere; criminal elements infiltrate and take over (or 'capture') the political institutions, including the political parties.

Countries located in drug-trafficking corridors are especially vulnerable to this type of influence. Drug trading routes can be found in virtually every region. In Latin America they stretch from the Andean region to Mexico,[5] while in Africa countries such as Guinea-Bissau and Mali[6] have been exposed to the destabilizing effect of the drugs that are making their way from Latin America to Europe via the western shores of Africa.

Politicians and legislators are sometimes unwilling or unable, at times out of fear, to put in place measures such as strong enforcement agencies that can prevent this type of money flowing into politics. The financial benefits for politicians, or the threat posed by the donor, may be seen to exceed the potential consequences of exposure and punishment.

As pointed out in Chapter 5 on Latin America, illegal money channelled into the political process cannot be addressed in isolation from the broader problem of organized crime.[7] It is therefore crucial that the organizations that are tasked with overseeing party and candidate finances cooperate closely with other law enforcement and judicial institutions working on this issue. To be able to do so, oversight bodies need the mandate, tools and protection (as well as sufficient flexibility) to carry out their monitoring role and cooperate with other relevant actors.

Business and politics

The influence of money over politics opens the political arena to private companies to realize their interests through politics by providing financial support to politicians. Although some businesses support political parties out of ideological conviction, many others want or expect something in return that will benefit their enterprise. Donations that are seen as an investment by corporate interests have been reported from virtually all of the regions. In some cases, large donations are sometimes given to parties across the political spectrum, which can be a way to ensure government favours regardless of who ends up in power.[8]

A more intricate and direct relationship between business interests and the state has also become apparent. Although not exclusive to Asia, the phenomenon of very wealthy businesspeople starting their own parties or taking seats in parliament (and even running for president) is widespread across that continent, from Thailand to the Republic of Korea. The danger in such situations is that the political party revolves around the interests of the individual businessman or corporation and is entirely dependent on its finances for organizational survival.

Unequal access to funds

Another problem related to political finance is when parties or candidates have unequal opportunities to access funds. Although the popularity of a party or politician will always produce varying levels of financial support, there should not be structural obstacles to equal opportunities for fundraising. If individuals or corporations can (through large donations) pay to get politicians to listen to them, this may severely undermine the core principles of democracy, in which each person has one vote. Likewise, if there are no (or very high) limits on the amount that can be raised and spent by parties and candidates, this can lead to unequal competition.

This issue is also connected to the relationship between business and politics discussed in the previous section. Government parties are often more likely to attract business donations than opposition parties. This is hardly surprising, given the governing parties' ability to influence public contracts and set policies on issues that may affect the commercial success of the business donors.

The gender imbalance in access to funds should be a central part of any discussion of the unequal distribution of money in politics. Chapter 9, 'Women in Politics: Financing for Gender Equality', includes numerous examples of the fundraising difficulties that female candidates face, which is a main cause of the continued gender inequality in political representation.

Abuse of state resources

A different aspect of unequal access to funds is when government parties use public resources for their own partisan purposes. Abuse of state resources is a problem across the globe, and almost all countries have legal bans against it. As discussed in Chapter 8 on the established anglophone democracies, it is almost unavoidable that office holders have access to a certain number of privileges and powers that other contestants do not—such as more media exposure for their party leader and more focus on their policies—but there are limits on what should be considered unavoidable. Using public resources for political purposes weakens democracy and can damage political plurality.

Abuse is even harder to control where the government does not spend money in favour of a political party but instead abuses other resources at its disposal, such as biased media coverage in the ruling party's favour, or engaging civil servants in campaign activities during working hours. In several regions (e.g. Africa, Asia, and Eastern Europe and Central Asia), especially where one party has long dominated the political scene, there is a distinct blurring of the line between the state and the government party's resources. State premises, state vehicles and public servants are used in electoral campaigns and other party activities.

The government party may also set and use the country's legal framework to its own advantage or to persecute the opposition. Where the ruling party dominates the state institutions as well as the legislature, it may design the rules in order to entrench its hold on power. Thresholds for accessing public funding, for example, may be set so high as to deprive new actors of the chance to enter the political arena. In Latin America, the temptation to use state resources to enhance the chances of re-wining elections is greater in those countries that used to have one-term limits but which now permit immediate presidential re-election.

Lack of enforcement

All regions have a large gap between the established political finance regulations and their implementation. One of the reasons why regulations are so poorly implemented is that the agencies tasked with overseeing the parties' and candidates' finances lack the mandates and capacities they would need to effectively carry out their role. Many such agencies only have procedural roles (e.g. receiving financial reports from parties) but lack the investigative powers needed to follow up inaccuracies or to dig deeper into sources of income or levels of expenditure. The responsibility of controlling party and candidate finance is often spread across several different institutions, making holistic oversight difficult.[9]

Part of this incapability can be attributed to a lack of resources or staff. Underlying these weaknesses is politicians' reluctance to strengthen regulation of their behaviour. This lack of political will often translates into weak enforcement agencies.

Closely related to this is the fact that in many countries the enforcement agencies are not sufficiently independent of the government to exercise the necessary control. In Western Europe, control of political finance is often exercised by parliamentary commissions or by the executive branch, either directly or through institutions or special commissions that are accountable to them. The result is that few countries in the region have fully independent institutions responsible for the enforcement of the political finance legislation—which for the most part is not cause for public concern, as there is sufficient trust in the enforcement body's integrity. Many Asian countries also lack independent enforcement agencies: in Malaysia, for example, the Election Commission is government controlled and thus less willing to check closely the finances of parties and candidates.[10]

Another problem is that few violators are punished. This culture of impunity seems to be widespread in all the regions surveyed in this volume. The number of sanctions issued does not necessarily indicate a system's effectiveness. As pointed out in the introductory chapter, prevention is better than penalties; in many cases, the goal of the enforcement institution should be more focused on enhancing compliance than on implementing sanctions. However, compliance is unlikely if there is no credible threat of sanctions against even blatant violations. Sanctions also need to be proportional to the offence in order to be effective.[11] In France, fines have been imposed that were lower than the amount of unpermitted funding accepted; such sanctions are unlikely to have a deterrent effect.

Selective enforcement of the rules is another area of concern, especially in several of the highly regulated countries of Eastern Europe and Central Asia, where this tactic has been used to suppress the opposition. In Georgia, for example, political finance regulations were allegedly used to target the main opposition candidate in the 2012 elections.[12] In Latin America, the application of political finance sanctions in Argentina has been accused of being rooted in political bias; the electoral judges who issue sanctions are seen as political players.[13]

In some countries, a conflicting mandate renders the enforcement body ineffective. Where an agency is mandated both to organize elections and to monitor political finance, its tasks may become too convoluted. For example, electoral management bodies often consider the administrative tasks of organizing elections as their main purpose, and shy away from more politically sensitive issues such as how election campaigns are funded. Where the agency is in charge of both distributing public funding and punishing parties, it might sometimes choose to ignore one task in order to be effective in the other.

Another common explanation of why politicians and parties continue to break the law is that the violations simply never enter the monitoring system. Compared to the number of violations that are revealed continuously by the media or civil society groups, relatively few cases are officially reported to the monitoring authorities, and even fewer are sanctioned. In the African context, there are very few reports of sanctions being imposed in relation to political finance violations.[14]

In order for enforcement to be effective, the enforcing agencies cannot work alone. They need to form broad coalitions with other state institutions, as well as with civil society initiatives that are working to combat the negative influence of money in politics. This may be especially relevant in countries where criminal elements exercise a significant influence over politics.[15]

More focus should also be given to the underlying reasons why agencies cannot fulfil their roles. In some cases, the enforcement agencies may be unwilling to risk taking on powerful politicians or criminal networks that have infiltrated politics.

Self-regulation of parties and politicians

As previously mentioned, there is a potential conflict of interest when elected representatives of political parties are in control of designing the rules that will govern their own behaviour. Politicians have the responsibility to create long-term sustainable policies that are appropriate for the country's context and to shape the playing field for future generations of politicians.

To be successful, reform work should also address the potential weaknesses of the self-regulatory role of parties. Although political parties are ultimately responsible for adopting political finance laws, the creation of rules governing money in politics should be agreed upon through wide consultation involving a broad section of stakeholders. This includes not only the government, parliament and political parties, but also the enforcement agencies, the judiciary and civil society.

Although the main focus of this volume has not been on political parties' internal accountability measures, this is an important element of regulating political finance. There will be little chance of meaningful change on political finance issues unless parties themselves also display the commitment, internal capacity and organization to adhere to their legal responsibilities. Based on the view that party matters should be left alone, internal party conduct is seldom included in national party laws, and several countries do not require parties to create the necessary institutional arrangements to be able to meet the regulatory demands. There are exceptions. Some countries in Latin America formally require political parties to set up specialized internal bodies or treasurers to manage party funds.[16] This measure puts the onus on the parties to demonstrate their commitment to transparency by institutionalizing the necessary mechanisms. Yet many parties around the world are weak, and need to strengthen their internal capacity before such financial mechanisms can be institutionalized.

Global regulatory trends

This publication has shown that political finance and its associated challenges are dealt with in a wide variety of ways around the world. A country's political system, level of economic development and degree of democratic consolidation are important factors to help determine the most suitable political finance regulations (as discussed in Chapter 2, 'Getting the Political Finance System Right'). However, a number of developments can be identified in most regions, which form the basis for identifying some global trends.

Growing (and more specific) legislation

Since the early 1990s, there has been a movement toward increasing levels of regulation (but not necessarily increased enforcement) in most of the regions examined in this publication. This development has gone hand in hand with increased levels of overall democratization and legislation to shape and regulate new democratic systems. As will be discussed further below, this might also relate to the changing public perception of political parties, which are increasingly seen as being closer to bodies of government[17] than the older style mass-membership citizen groups that aim to mobilize scores of citizens on a voluntary basis in political decision-making processes.

It is important that this view does not lead to regulations on political parties and their financial transactions that restrict their crucial role in the democratic process. Political finance policies have been said to:

> … often reflect a reform ideology that is reflexively anti-political—a 'civic vision' of politics as the pursuit of the public interest and of government as existing to provide technically sound administration … Parties, in many instances, come to be seen as something akin to public utilities rather than as ways in which people and groups seek to influence politics and government—a view that drains the vitality out of democratic politics.[18]

Even so, as recipients of public subsidies, financial transparency among political parties is a legitimate demand; the public requires increased accountability in the usage of funds. In addition to more regulations overall, additional areas of political finance (such as who is entitled to public funding and on what basis) have become subject to legal regulation. In Africa the appearance, or reappearance, of multiparty democratic systems in the early 1990s induced countries to issue regulations on political finance. In Latin America—with the exception of a few countries, such as Uruguay and Costa Rica, which had already introduced state subsidies for parties—it was not until the 1980s (when widespread democratic changes, including the consolidation of political institutions, swept across the continent) that the issue of regulating money in politics gained prominence.

In Eastern and Central Europe, the anti-corruption agenda and its demands for 'clean politics' have been a driving force behind the increased focus on political finance regulations since the fall of communism in the 1990s. In this region, where accusations of corruption have been used to discredit political opponents, political finance regulations have on occasion been used to suppress political opponents by making it more difficult for them to receive funding or by using transparency requirements to find out who their supporters are.

There also seems to be a global trend toward the creation of more specific legislation on political party and campaign finance. Whereas in some countries political finance regulation was previously spread across several legal instruments—such as the electoral act, the constitution or even criminal codes—there is now a movement to establish comprehensive legislative acts governing political finance. Newer democracies that had little legislation in place at the beginning are, partly due to influence from the international community, jumping straight to creating such political finance acts. South Sudan is a case in point.

Public funding

There is a global increase in the funding of political parties through public subsidies. Today, around two-thirds of the world's countries provide direct public funding. Public funding can make up for the shortage of income from the grass roots and help to level the political playing field. Such support also corresponds to the perception of parties as essential pillars of democracy that need to be invested in to allow the system to function.

However, the legal provision of public funding says nothing of its levels or the extent of its implementation. Although the state provides monetary support to political parties in 69 per cent of African countries, levels are often far from sufficient to cover parties' basic needs, which means they still need to raise almost all of their funds from private sources; this negates the purpose of introducing public funding to level the playing field. This is especially the case in countries where the party funding constitutes a percentage of the state budget if the overall state budget is low. There are also cases, for example in Peru, where the executive can cite budgetary reasons for not paying any public funding.[19]

As the regional chapters show, public funding for political parties is less widespread in Asia overall than in other regions. There are a number of countries in South Asia, such as Afghanistan, Nepal and Pakistan, which do not provide public funding at all. These countries' rationale for choosing not to do so requires further analysis. The most generous public financing schemes in Asia are found in North-east Asia. In a number of Latin American countries, state funds account for around 35 per cent of the parties' reported income.

A combination of public and private funding is preferable, as recommended for example by the Council of Europe.[20] However, many European countries display a worrying trend related to public funding. Political parties in this region have become extremely dependent on this revenue—up to an average of two-thirds of their total income, and in some countries above 80 per cent. The gradual increase in the amounts of public subsidies that parties have effectively granted themselves through legislation could be interpreted by some as self-interest. To counteract this high dependence, innovative mechanisms to find a better balance should be encouraged. In this regard, Germany provides an interesting case. It has worked to encourage party fundraising through a 'matching grants' mechanism in which public subsidies can never be higher than the amount raised by the party itself.[21] Where state dependency is high, innovative efforts should be promoted. There is no formulaic ratio for ideal levels of public and private political funding; the suitable balance should be determined by context. If used, public funding should, however, provide for at least the basic needs of any party that has passed a certain threshold of public support so that it can perform its core functions of citizen participation and representation.

Another aspect related to the provision of public finance is the conditions that countries across all regions place on receiving these funds.[22] For example, parties have to use the money for particular activities (normally related to campaigning or ongoing party activities, and sometimes related to internal party democracy such as gender balance) or abide by certain reporting rules. Yet in most countries the parties can decide how to use the funds. The very few attempts to influence internal party affairs using public funding are especially notable in Western Europe, where levels of state support are very high.[23]

Gender and public funding

Today there is a small but growing group of countries that link the provision of public funding to increased gender equality within parties and among candidates either by earmarking public funding for activities relating to gender equality or by increasing (or decreasing) public funding to parties that fulfil (or do not fulfil) legislated quotas of female candidates. Such initiatives are important, as they aim to address the shortage of funds for women, which is often seen as one of the main obstacles for women entering politics. However, most countries have not linked public funding of political parties to gender equality.

Since these reforms are quite recent, it is hard to establish their impact thus far. Yet it is fair to assume that, in order for these measures to be effective, the party should incur a substantial financial penalty for non-compliance. Linking public funding to nominating the under-represented sex is, however, often not substantive enough to have this effect. As long as parties feel that it may be more worthwhile to field a male candidate despite the financial sanctions, this type of reform initiative is likely to serve only as window dressing. It also follows that regulations of this kind will be more effective in countries where parties are highly dependent on public funding.

Recommendations

As stated in Chapter 2, 'Getting the Political Finance System Right', political finance regulations must be based on an understanding of each country's overall political context and challenges. The regional chapters in this publication have confirmed this assertion and shown that simply increasing the scope of regulation does not solve any problems by itself. Neither unduly strict nor overly lax regulatory frameworks are desirable. On the one hand, creating a very dense and detailed legal framework may well be counterproductive, especially if there is no institution capable of monitoring and enforcing it. Yet, on the other hand, the legal framework must be comprehensive enough to articulate the boundaries of acceptable political finance.

The challenge of finding the right solution is that recommendations often target political institutions and actors, yet this focus is too narrow. Simply changing the rules related to political finance will not, for example, tackle a large informal illicit sector or alter an authoritarian rule. Such outcomes require much broader and deeper reforms that include changing the power balance in a country or addressing issues that affect entire societies. For example, vote buying is difficult to eradicate in an impoverished society, and as long as organized crime plays a powerful role in a country, efforts to insulate the political sector from its influence will face significant challenges.

The political sector cannot be separated from other sectors in society, and cooperation—across institutions and between various societal actors—is required if the challenges of political finance are to be successfully addressed. This could, for example, take the form of information sharing between political finance enforcement agencies and law enforcement agencies to tackle illicit finance.

Although the recommendations in each chapter were developed to meet the challenges of that particular region, there are commonalities. This section brings together the main messages for various political stakeholders on how they could improve their work and approach political finance reforms, and forms the basis for a number of global recommendations in the final section.

Policy makers[24]

Recommendations to policy makers are clearly defined by their responsibility to put in place the rules and institutions that govern political finance. In this capacity they have the important task of providing the best possible foundations for a healthy relationship between money and politics.

The starting point is to create an effective legal framework to achieve the identified political goals. Recommendations from the regions in this regard urge policy makers to design coherent, country-specific rules that cover both parties and candidates—as stipulated in the United Nations Convention against Corruption (UNCAC)[25]—and third parties, where applicable. Even more importantly, they need to be implementable; overly ambitious rules are of no use without an institution with the capacity to make sure they are enforced. Policy makers are also urged to prioritize the most important rules to address contextual needs, and not to try to move too quickly from an unregulated to a highly regulated system.

Low levels of financial support from party members and dependency on private donations can be mitigated by introducing a public funding system. When administered and distributed appropriately, public funding can act as a good counterbalance to private donations and give a variety of political actors access to funds, and hence help level the playing field. Public funding can also increase transparency and give parties incentives to invest in female candidates. Yet there is a danger that political parties will become overly dependent on public funding; this reliance should be monitored carefully.

Recognizing the importance of the media, and the financial pressure on parties and candidates to purchase media advertising, policy makers are advised to prioritize free or subsidized media access as part of their public funding programmes and place controls on privately funded media access. In countries that are struggling with their state budgets, indirect funding can be used as a cheaper and more easily controlled complement to direct public funding.

In an effort to further level the playing field, policy makers are also encouraged to consider regulations to limit the amount of money spent during election campaigns. Unrestricted spending (and, consequently, expensive campaigns) elevates the importance and impact of money in politics, and increases the likelihood that large donors will have a disproportionate influence over the political process, which endangers democratic equality.

Regulations that can facilitate a healthy relationship between political parties and the business sector should also be considered. Contacts between political parties and the business sector can help inform policy decisions and provide much-needed funding, but the risk of undue influence must be carefully weighed. Some countries ban corporate donations outright. In some countries such a ban might leave political parties without sufficient funding to carry out their activities, while in others it would simply be ignored. Increased transparency may in some cases be a better approach—ensuring that financial connections between business interests and political parties (and individual candidates) are made public. Bans on donations from corporations with public contracts can also help reduce the risk of quid pro quo contributions.

Policy makers are encouraged to find innovative ways to help parties diversify their sources of income so they are less tempted to turn to illicit money or violate political finance regulations; this especially so in contexts where parties generally are underfunded. For example, in countries with a broad enough tax base, tax reduction for donations may encourage more people to contribute to parties; this practice is mainly found in Europe. Another approach could be the provision of public funds to match, and thereby encourage, small donations. Lowering costs can be another way forward, for example through indirect public funding such as access to the media, free or subsidized access to public venues for campaign events, or party offices.

In line with the UNCAC, policy makers are recommended to ensure that regulations cover both parties and candidates. This has to do with the fluid relationship between the two whereby only controlling one actor may result in funds being channelled through the other.

In Western Europe, parties have long been granted state support with few demands on their internal behaviour. While it is important to protect the independence of political parties from the state, the provision of taxpayer money means that certain demands on parties are reasonable. It is therefore recommended that public funding should be contingent upon compliance with requirements such as filing reports by appropriate deadlines, disclosing finances and (where suitable) having institutionalized financial management. Connecting the provision of public funding to responsiveness to gender equality should also be considered.

Since policy makers have the power to institutionalize the organizations that exercise control over politicians and political parties, they also have a great responsibility to ensure that there are adequate control mechanisms in place to help monitor compliance and take action when the rules are not followed. Since financial control must not stifle political competition, policy makers should establish a strong institution that is independent from any political powers, as recommended in the UNCAC.[26]

Monitoring and enforcement agencies

Each regional chapter has noted that monitoring and enforcement agencies have a key task in controlling the flow of money in and out of politics. Yet these agencies are often criticized for not performing their job well. Our recommendations reflect the dire need for these agencies to improve their effectiveness. The regional chapters have emphasized their responsibility to apply and enforce the rules impartially. Otherwise they may be accused of political bias and selectively enforcing the rules, as in Cambodia and Georgia.

The starting point for any agency embarking on an improvement agenda is to identify and understand its core structural problems: is it unenforceable rules, a flawed institutional design, lack of resources or technical capacity, an inadequate mandate, compromised neutrality or lack of powers that prevents it from effectively carrying out its role?

A single independent monitoring and enforcement agency is recommended, which has overall control of the parties' and candidates' financial management. Inter-institutional coordination with other control authorities (or in some cases the private sector, such as the banking system) can help track funds and expenditures and tackle illicit funding. Creating networks with civil society groups will also help improve monitoring agencies' effectiveness.

Agencies are also encouraged to focus more on preventive measures, for example by working with parties and politicians to help them comply with the rules. The development of longer-term plans, starting with building capacity and awareness within parties and gradually increasing their focus on sanctioning violations, could be one aspect of this.

Virtually all the regional chapters in this volume stressed that transparency—making information available and accessible for public scrutiny, including parties' financial statements—is among the core tasks of these agencies. A prerequisite for the latter is that information is presented in a standardized format so the public can easily make comparisons. Chapter 5 on Latin America showed that only a handful of agencies had established electronic portals where the public could easily access and analyse financial reports in a standardized format. Working toward more transparent procedures, agencies are also urged to communicate openly about their own work and keep parties up to date about changes in regulations and reporting requirements. Where appropriate, it is recommended that monitoring agencies report sex-disaggregated data and compliance with gender-targeted legislation, in order to clearly compare men and women's fundraising and spending. The privacy of small donors can be protected by setting a threshold for reporting or publication (so that only the identity of those donating more than a given amount over a specific time period is made known), which balances the protection of privacy and the public right to know who funds the political system.

Monitoring and enforcement agencies' control and analysis of information could also be improved. Too often, infringements of the rules are simply never detected. Agencies therefore need to focus on developing investigative methods, including random monitoring of candidates and parties, and conduct risk mapping to help target their efforts.

Agencies are also recommended to issue proportional sanctions when infringements have been detected. In some instances, this might involve issuing only minor sanctions. As discussed above, there is a general sense that impunity prevails, which gradually undermines the credibility of the monitoring institutions and the underpinning rules.

To improve their work procedures and advocate better regulations or stronger mandates, it is advised that agencies join (or help form) international networks that help them share experiences and learn from each other. One such network is the Association of World Election Bodies, an initiative of the South Korean election management body, which brought together monitoring agencies from around the world for its inaugural assembly in 2013. Such collaboration can be useful, since many monitoring and enforcement agencies around the world are struggling with the same kinds of challenges.

Political parties and politicians

As noted at the beginning of this chapter, political parties in many parts of the world suffer from low levels of public confidence. They are often seen as elitist institutions that do not necessarily act in the interest of average citizens. Addressing this lack of popular support is a complicated issue that requires action in many areas. In many cases, an important step is increased transparency in how parties raise and spend money.

Political parties are encouraged to include political finance policy stances in their manifestos. This would make parties more accountable to citizens and demonstrate the political will that is crucial to help level the playing field for parties and candidates, tackle illicit funding and ensure that citizens are at the centre of politics. Political will is the starting point for meaningful reform and change: it affects every aspect, including law-making and the creation of institutions to control implementation.

Political parties are called upon to take responsibility for their finances and show good practice by institutionalizing self-regulatory mechanisms even where formal regulations may not exist. Parties are urged to set up transparency in intra-party procedures and pay particular attention to accounting and communicating to the public that they are actively responsible for these matters. A very important part of this is demonstrating how they are preventing illicit funding.

It is also recommended that parties be subject to independent external auditing and make their financial reports available to the public in a user-friendly way, as suggested by the UNCAC, which calls for effective public access to information.[27] This would go some way to rebuilding public trust in political parties.

Female candidates can be given financial support through measures such as reduced nomination fees and subsidized media coverage. Parties are also encouraged to consider having an internal party fund earmarked for female candidates. Attracting women to a political party will increase the pool of talented people available to it.

All political parties can act as watchdogs of other parties, doing their best to ensure that all adhere to political finance regulations. To maintain integrity and avoid mud-slinging, however, it is good practice that any exposure of wrongdoing by others is evidence-based. Opposition parties can distinguish themselves from the government by showing how they can 'do it better', for example by complying with political finance regulations.

Media actors

The media (especially investigative journalists) have an important role in monitoring money in politics and exposing violations of political finance regulations, where there is sufficient evidence to do so (e.g., corruption, abuse of state resources, the undue influence of business on politics); they may often do more to uncover violations than formal enforcement institutions. The regional chapters all urge the media to safeguard their independence and to stay independent of undue political influence.

The regional chapters also show that the media can play an important role in educating the public. In this regard, the media are encouraged not only to report on individual scandals, but to go further and make issues relating to money in politics an editorial priority and focus on in-depth journalism. This could include, for example, mapping the finances of parties and politicians, including who are the main donors, and explaining the damaging effects of the abuse of state resources.

Civil society

Civil society groups working in the area of democracy should note that money is often essential to the functioning of the democratic process, including the quality of elections. These groups are recommended to direct their energies primarily within two areas: awareness raising and monitoring. To raise awareness, they can educate citizens about how money matters within politics, the negative effects that violations of rules may have on their everyday lives, and how the abuse of state resources wastes money that belongs to the people. They could also try to discourage citizen participation in vote-buying practices. This may admittedly be a difficult task where the exchange of gifts or perks for political support may be the only (or most reliable) method of distributing welfare.

Civil society organizations also have a crucial role in monitoring the conduct and finances of parties and candidates. It is recommended that ways be found to systematically document and analyse parties' and candidates' finances and present the information to the public in a way that is understandable to the average citizen. If possible, civil society organizations are encouraged to develop and share monitoring methodologies so that comparisons can be made over time and between countries or sub-national regions. Financial monitoring of parties and candidates is also recommended to be an integral part of domestic election observation.

Having a monitoring role does not, however, mean that such organizations automatically need to place themselves in 'opposition' to the political parties. They are also recommended to find ways to help the parties become more accountable and transparent.

International actors

Although local stakeholders should be the key drivers of any reform, international actors can play a supporting role. Weak and poorly institutionalized political parties are more prone to corrupt practices. The international community would therefore benefit from combining efforts to prevent corruption with the strengthening and capacity building of political parties. Exchanging best practices between political parties in different countries can be an important part of such activities.

While there have been improvements in recent years, regional intergovernmental organizations such as the European Union and the Organization of American States that carry out election observation can do more to include political finance matters in their long-term election observation missions, and define and coordinate a common, comparative methodology for monitoring party and candidate financing. Financial information should be made available to observers as soon as possible so that it can be included in election observation reports. Such a methodology would mean that observers need to analyse how money is distributed between political actors, the shape of the legal framework and issues related to its implementation. In doing this, increased cooperation with domestic civil society organizations and observers will often prove helpful.

International and regional organizations are also urged to help monitoring and enforcement agencies improve their work on political finance. As discussed above, these agencies are challenged in the way they carry out their work in this field. International and regional organizations could help them gather and present information, for example, by developing, better procedures and standards for systematizing information.[28] Any assistance should be equally focused on advancing the agencies' preventive measures, which in the long run is more sustainable than only focusing on detecting and sanctioning existing problems.

International actors, especially aid donors, must also increase their efforts to prevent the abuse of state resources as a consequence of their aid programmes. Experiences from Africa have shown that government parties have sometimes used aid money to stay in power.[29] Initiatives to counteract the abuse of state resources are important not only to improve the democratic process in the partner country, but also to protect against the misuse of tax money given as international assistance.

Main recommendations

A few lessons learned can summarize the current state of affairs in the area of political finance. These lessons are drawn from this publication and from International IDEA's activities relating to political finance around the world. While not exhaustive, it is hoped that these main findings will help inform the debate on political finance and prompt reform.

1. *Context is key*. Political finance regulations that are tailor-made to a given country's context stand a better chance of successful implementation and compliance. A country's political system and culture—in particular how its people view politics and the role of political parties—should shape its political finance regulatory framework and how it addresses its challenges. This is not to say that no general lessons can be drawn about the advantages and disadvantages of various elements of political finance regulation, or that countries cannot learn from each other's experiences, but context should always be taken into consideration.
2. *Laws matter, but accomplish little on their own*. The legal framework is the starting point for the role that money ought to have in political life. However, formal rules alone cannot have a significant impact. Far too often, rules are circumvented or even used as a tool for political oppression. Factors such as a reasonably democratic environment with overall respect for the rule of law greatly affect the possibility of controlling finance, more so than the legal provisions themselves. Developing or reforming finance rules can therefore not be delinked from the overall political settings in which they are supposed to function, which is discussed in more detail in Chapter 2, 'Getting the Political Finance System Right'.
3. *Enforcement is the weakest link*. During the last decade, the lack of enforcement has repeatedly been identified as the weakest link in the control of political finance; this trend continues to date. Although there is much knowledge today about the various problems related to money in politics, and a large majority of countries have legal frameworks in place, the system of ensuring compliance is often weak. The starting point for improvement should be a thorough analysis of the specific needs per agency—identifying whether there is a lack of political will expressed as a lack of force and mandate for the agency, a lack of technical know-how, or a lack of independence from the parties and candidates they are supposed to monitor. Policy makers must give agencies the political power they need to enforce effectively in order to demonstrate a serious commitment to create political finance transparency and increase public trust in the political sector.

4. *The gender funding gap needs to be addressed*. Women face more obstacles to raising or accessing funds than men. Since there are many reasons for these structural obstacles, any solution should be multifaceted. Political finance legislation needs to address these inequalities, and public funding can provide incentives and support for female candidates. Political parties have a key role to play in addressing this gender funding gap; in addition to adhering to political finance regulations, they can (and should) show initiative by introducing voluntary internal reforms to promote women's participation and raise funds on their behalf.
5. *Peer networks are an effective way to encourage reform*. There is a general dearth of regional initiatives through which countries develop joint standards for political finance and monitor overall compliance.[30] Establishing such regional initiatives would help countries identify weaknesses in national political finance policies and pressure each other to undergo necessary legislative and institutional reforms. Creating regional peer networks would hopefully have a positive effect on the quality as well as the enforcement of the laws.
6. *Broader involvement in the development of political finance regulations is needed*. Better laws, stronger enforcement and improved financial management within the parties are all measures that have been promoted to improve control over money in politics. Yet politicians themselves design the rules they are supposed to obey. Thus regulation continues to include loopholes, enforcement agencies are not sufficiently empowered and parties do not adequately account for their finances. In a democratic system, decisions are to be taken by elected politicians; this situation is partly an inescapable dilemma of democracy. However, one way to ensure that political finance regulations do not exclusively serve the short-term interests of politicians is to involve a wide range of stakeholders in their development. In doing so, care should be taken to avoid regulatory frameworks that are so restrictive that they weaken the vitality and dynamism of party politics.
7. *Party and candidate finance information needs to be clear and accessible*. For the last decade there have been lively discussions on how and from where parties and candidates should get their money, and what they should be allowed to spend it on. As the result of the media uncovering political finance scandals, including corruption and bribes, laws and regulations have been instigated or revised over and over again. In spite of this, there is surprisingly little systematic documentation about the income and expenditures of political parties and candidates (not to mention third parties) around the world. Very few monitoring agencies can provide comprehensive records, few civil society organizations have a well-developed monitoring methodology and perhaps even fewer political parties have thorough bookkeeping available to the public. Until very basic information about party and candidate finances is provided in a systematic and easily accessible way, true transparency regarding money in politics will be difficult to achieve.

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Notes

1 Respondents reported that political parties were the most corrupt institutions in 51 of 107 surveyed countries. See Transparency International 2013.

2 Afrobarometer (2008) found that an average of 58 per cent of respondents had little or no trust in opposition parties and 42 per cent had little or no trust in the ruling party. In Latin America, trust in political parties is 23 per cent (Latinobarometro 2010), which (while low) represents an increase from its nadir in 2003 (11 per cent) but a decrease from its highest point of 28 per cent (in 1997) since the surveys began in 1996.

3 See the section 'Private funding of political parties' in Chapter 7, 'Political Finance in Northern, Western and Southern Europe', in this volume.

4 A distinction needs to be made between different types of illegal funding. All donations that fall outside legal limits are per se illegal, including those that are slightly over the limit and those that are from legitimate businesses in a country where such donations are forbidden. Such donations are not necessarily morally questionable, and the money may not have been made through illegal activity.

5 See the section on 'Infiltration of illicit financing' in Chapter 5, 'Latin America', in this volume.

[6] See the section on 'Illicit funding' in Chapter 3, 'Africa', in this volume.

[7] See the section on 'Private sources of income' in Chapter 5, 'Latin America', in this volume.

[8] See Chapter 5, 'Latin America', in this volume.

[9] See the section on 'Enforcing political finance regulations' in Chapter 2, 'Getting the Political Finance System Right', in this volume.

[10] See the section on 'Ineffective implementation and unintended consequences' in Chapter 4, 'Asia', in this volume.

[11] See the section on 'Enforcement' in Chapter 1, 'Introduction to Political Finance', in this volume.

[12] See the section on 'Enforcement of political finance regulations' in Chapter 6, 'Eastern, Central and South-east Europe and Central Asia', in this volume.

[13] See the section on 'Sanctions' in Chapter 5, 'Latin America', in this volume.

[14] See the section on 'Sanctions' in Chapter 3, 'Africa', in this volume.

[15] See the section on 'Problems of political finance' in Chapter 5, 'Latin America', in this volume.

[16] See the section on 'Oversight and compliance' in Chapter 5, 'Latin America', in this volume.

[17] It is worth emphasizing that, although political parties are increasingly perceived as bodies of government, they differ from state institutions. They are political entities, and still, for example, shape state policy and in many countries have the power to remove governments.

[18] Johnston 2005, p. 3.

[19] See the section on 'Direct public financing' in Chapter 5, 'Latin America', in this volume.

[20] Council of Europe (2003, Article 1) recommends that state support must be limited to 'reasonable contributions' and must not 'interfere with the independence of political parties'.

[21] See the 'Public funding of political parties' section in the 'Political Finance in Northern, Western and Southern Europe' chapter in this volume.

[22] For detailed information about the regulation of public funding in different countries, see the International IDEA Political Finance Database.

[23] A possible counter-trend has also appeared in which a small number of countries that used to have public funding have abolished it. Venezuela did so after 26 years, and countries that have recently done the same are Bolivia (2008), Azerbaijan and Nigeria (2010) (Ohman 2011). Given that public funding is assumed to help prevent undue influence and create a more equal playing field, this trend requires close attention.

[24] Policy makers here include those involved in drafting, amending and adopting political finance policies, either from the executive or from the legislative branch of government. The focus is on their role rather than a particular institution.

[25] United Nations Convention against Corruption (2004) Article 30(7) and Article 26(1).

[26] Ibid., Article 5(1).

[27] United Nations Convention against Corruption, 2004, Article 13(1).

[28] One example is the Inter-regional Dialogue on Democracy, a platform for regional organizations working on democracy issues.

[29] See the section on 'Abuse of state resources' in Chapter 3, 'Africa', in this volume.

[30] The main exception to this is the Group of States against Corruption (GRECO), which has 49 member states (48 European and the United States).