

# Political Parties and Political Corruption

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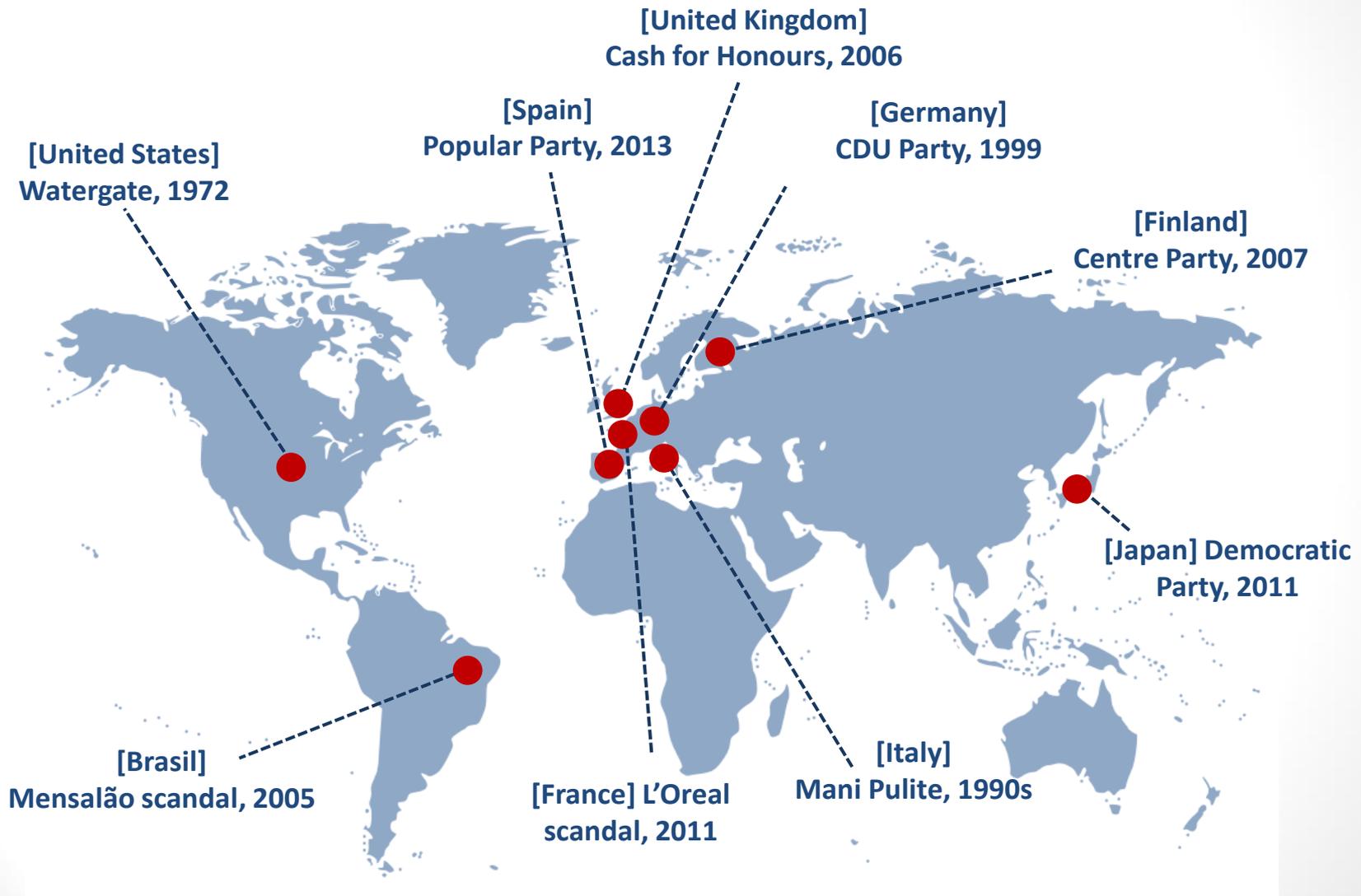
*OSCE ODIHR Democratic Governance and  
Participation in Public Affairs*



**”What needs to be said, and which in any case everyone knows, is that the greater part of political funding is irregular or illegal”**

Bettino Craxi, Former Italian Prime Minister

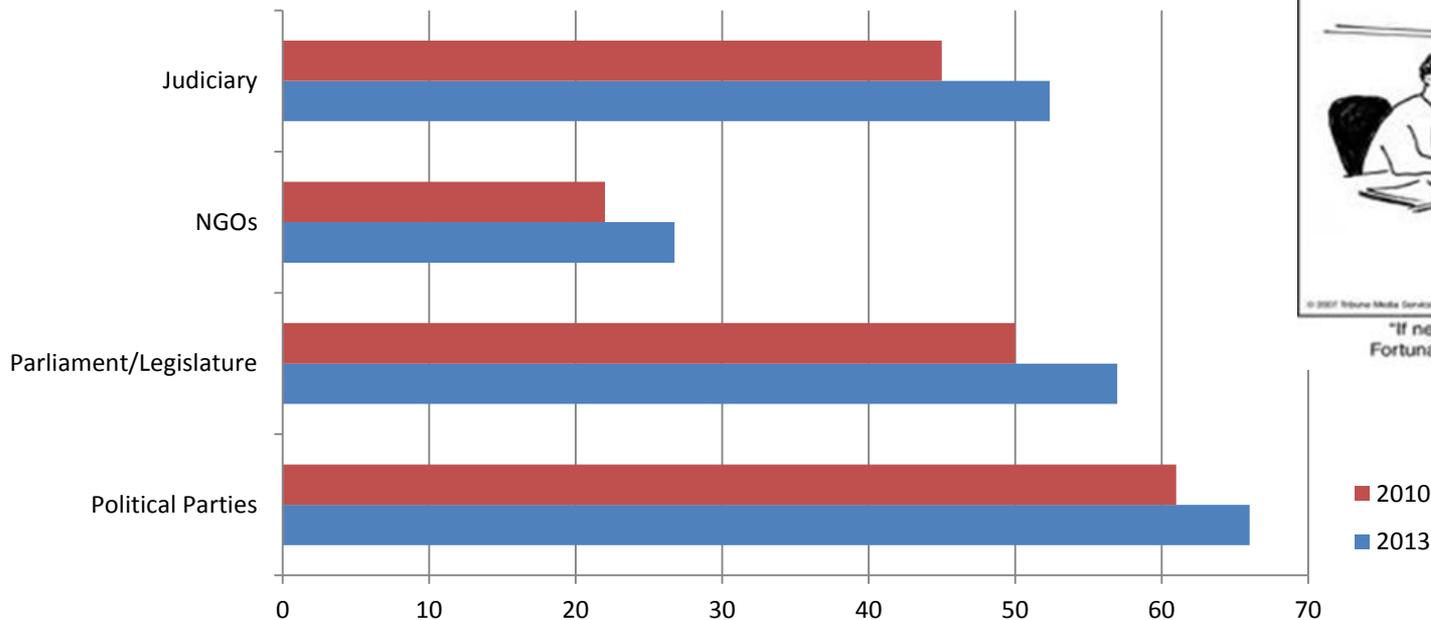
# Scandals involving political party finance



# Social credit is running out ...

“Raising public awareness on the issues of prevention and fight against corruption in the field of funding of political parties is essential to the good functioning of democratic institutions” Council of Europe Rec. 2003(4)

Yet political parties and parliaments are perceived as the most corrupt institutions in a majority of OSCE participating States.



"If necessary, I can be ethical.  
Fortunately, it hasn't come to that."

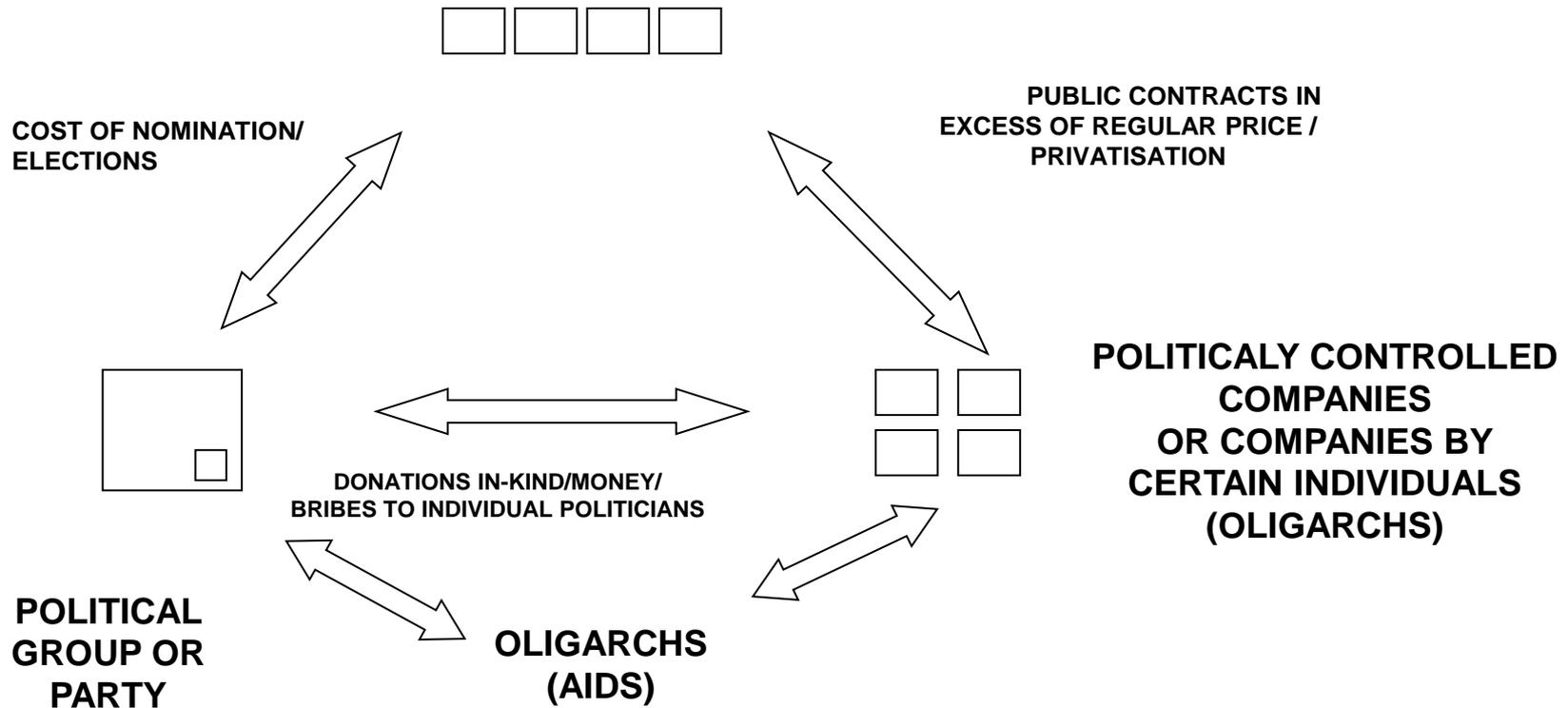
The graph represents an average from 40 out of 57 OSCE participating States. % of people reporting the sector/institution being corrupt or extremely corrupt (source: 2013 Transparency International Global Corruption Index)

# Major types of corrupt party funding

Type	Actor Group	Description
<b><u>Funding from infamous sources</u></b>	Candidates and parties	A political party or candidate may accept money from organised crime (such as drugs traffickers), terrorist groups or foreign governments. These groups might even form their own political parties.
<b><u>Demanding contributions from public servants</u></b>	Public servants and public sector	A political party or candidate in need of money often imposes excises upon office holders, both public and elected. In some regimes a political party may also force public servants to become party members and then extort kickbacks for some of its expenditure from their salaries.
<b><u>Political contributions for favours, contracts or policy change</u></b>	Private sector	One of the motives for political contributions to a political party or candidate is the possibility of payoffs in the shape of licenses and government public contracts. Donations may also be given for a governmental policy change or legislation favourable to a specific interest group.
<b><u>Forcing private sector to pay 'protection money'</u></b>	Private sector	Extortion, for instance through blackmail, raiding taxes and customs inspections may be used to force entrepreneurs to hand over part of their profits to a political party.
<b><u>Limiting access to funding for opposition parties</u></b>	Opposition parties and candidates	Authoritarian regimes with a patrimonial economic system and political repression may seriously constrain financial resources available to opposition parties.
<b><u>Abuse of state resources</u></b>	Public sector	Certain state resources, such as money and infrastructure, which are available to office holders may be extensively used for electioneering. In addition, through the unauthorised channelling of public funding into controlled companies, organisations or individuals, the political party or candidate may capture state resources.

# Politics as a Business

## STATE AGENCIES / STATE-OWNED ENTERPRISES



# Key Understandings

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- A strong democracy requires healthy political life. Political parties need healthy funding to fulfil their core functions, both during and between election periods.
- The regulation of political finance is essential to guarantee politicians independence from undue influence and to ensure the principle of equal opportunity.
- It is misleading to assume that there is one ideal model of political finance – different regulatory frameworks are used.



# Enforcement & Monitoring

# Effective Control of Political Finance

**Civil Society/Media**

*Investigative journalism*

*Campaign finance monitoring*

*Effective regulations*

*Trusted professional regulators*

**Independent Political  
Finance Regulator**

**Voters**

*Small donations*

*Elections (negative voting)*

*Internal Party Democracy  
(by-law, statutes)*

*Ethical board/Committees*

**Party's Internal  
Control**

# Enforcement – good practice

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- Non-partisan enforcement agency supported by good appointments and adequate budget,
- Full post-election disclosure of key financial information,
- Conduct AUDITS, including random audits during the election
- Receives external complaints, has investigative powers, goes to court, assesses penalties
- Independence and Operational Integrity: professionalism, efficiency, good services to candidate and public.
- Website, searchable database, training for parties and candidates,



# Is strong control an optimal formula?

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- Political domination by a single party
- Selective enforcement and targeted anti-corruption campaigns
- Harassment of donors – e.g. tax and customs inspections
- Political repression may seriously constrain resources available to an opposition





**Should politics be funded by public money?**

# International and Regional Standards

Organization	Recommendation
<b>The Carter Center/OAS</b>	Mixed funding systems with a substantial public component are recommended. Public funds should be provided <u>as a substitute for or a complement to private donations</u> 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.
<b>Council of Europe Committee of Ministers</b>	The state should provide support to political parties. State support should be limited to reasonable contributions. State support may be financial. <u>Objective, fair and reasonable criteria</u> should be applied regarding the distribution of state support. States should ensure that any support from the state and/or citizens does not interfere with the independence of political parties
<b>Council of Europe (Venice Commission)</b>	<u>All parties represented in parliament must qualify for public funding</u> . Public funding might be extended to political formations representing a large section of the electorate and put up candidates for election. The funding of political parties from public funds <u>must be accompanied by supervision of the parties' accounts</u> by specific public bodies (e.g. the Auditor General's Department)
<b>World Bank</b>	Consider public funding. Public <u>funding reduces the scope for private interests to "buy influence"</u> and can also help reinforce limits on spending because the electorate is resistant to excessive public expenditure

# OSCE/ODIHR-Venice Commission Guidelines on Political Party Regulation

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## a) Importance of Public Funding

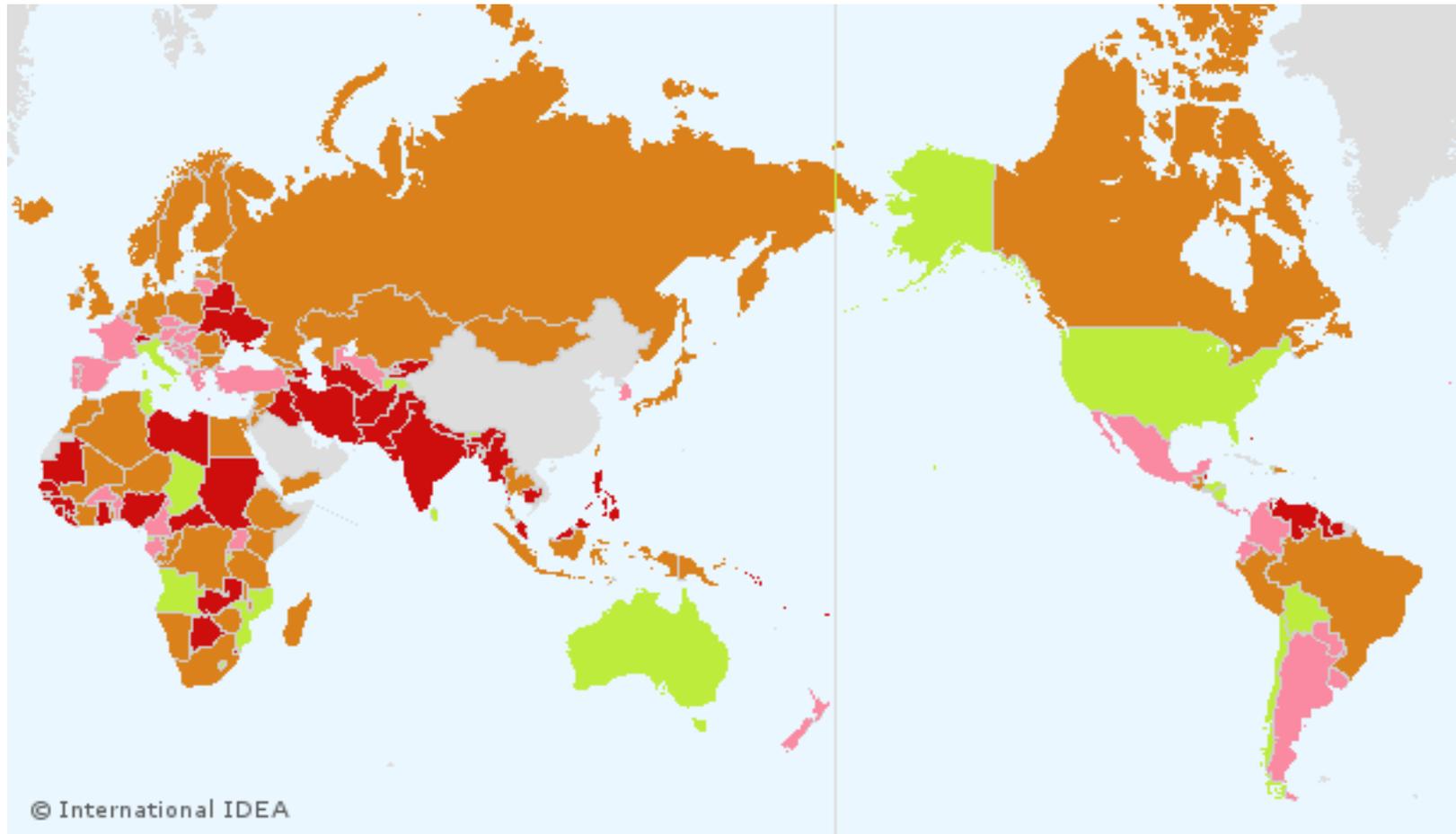
- 176. Public funding and its requisite regulations (including spending limits, disclosure, and impartial enforcement) has been designed and adopted throughout the globe as a potential means of preventing corruption, to support the important role played by political parties and to remove undue reliance on private donors.
- 177. The amount of public funding awarded to parties must be carefully designed to ensure the utility of such funding while not eradicating the need for private contributions or nullifying the impact of individual donations.

(...) subsidies should be set at a meaningful level to fulfill the objective of support, but should not be the only source of income and should not create conditions for over-dependency on state support.

## c) Other Forms of Public Support

- 179. In addition to direct funding, the state may offer support to parties in a variety of other ways, including tax exemptions for party activities, the allocation of free media time, or the free use of public meeting halls for the purposes of campaign activities.

# Are there provisions for direct public funding to political parties?



# Public Funding Systems

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- 116 countries have provisions for direct public funding to political parties. 86 out of 151 countries classified as free and partly free countries (the 2011 FH coding), used public funding (57%). The share of “not free” countries that use public funding is actually *higher* (64%).
- Public funding is predominant in Europe (86%) but also in Africa (71%). The existence of direct public funding must not be confused with the level of dependency on public funds.
- Public funding is by no means foolproof, risk-free or the only kind of revenue with no strings attached.

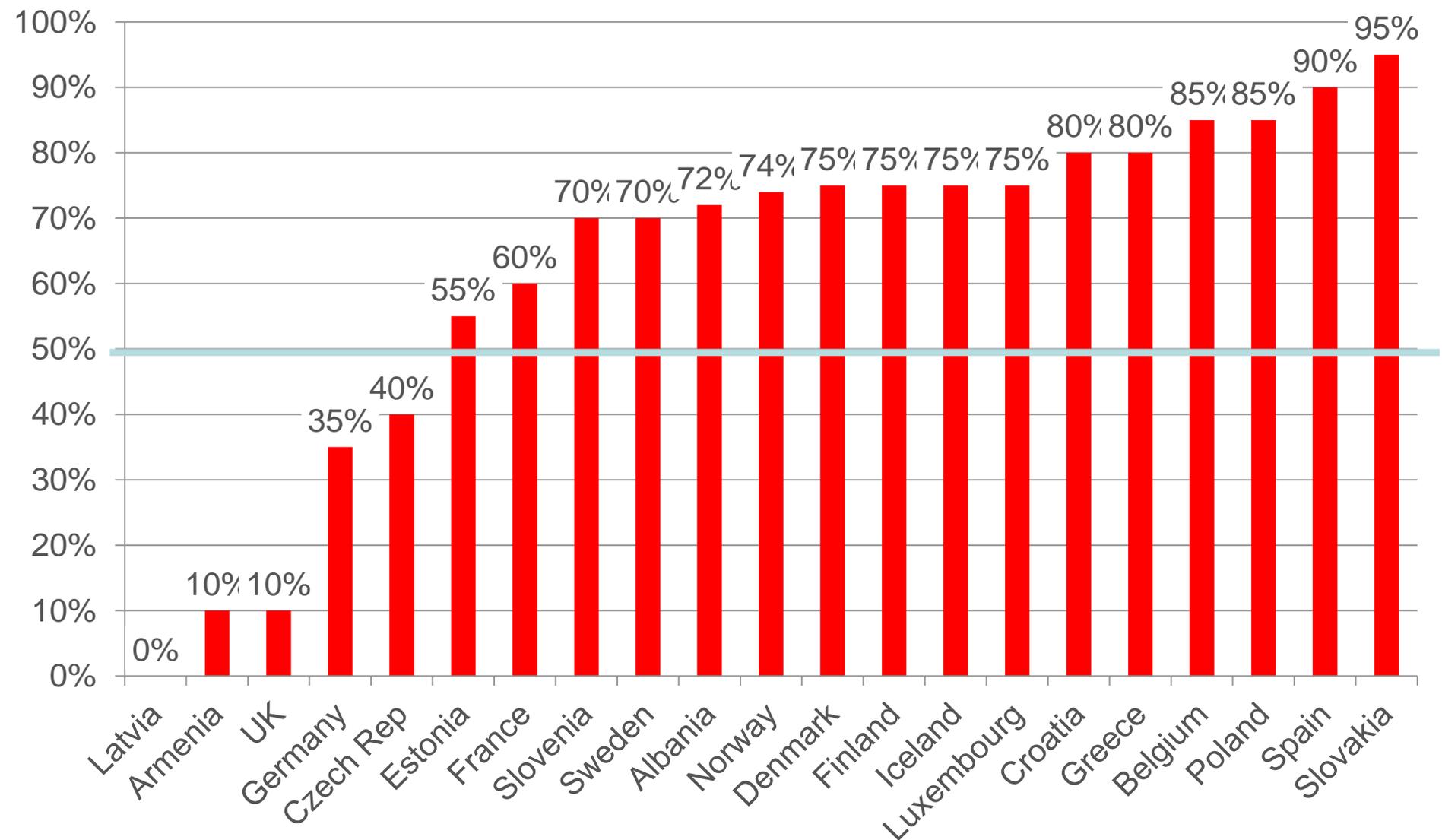
# Public Funding Principles

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- Objective, fair and reasonable criteria should be applied regarding the distribution of state support – allocation, amounts, timing, conditionality
- States should ensure that any support from the state is clearly regulated, transparent and conditional
- Virtually all countries with direct state funding have enacted a threshold of eligibility for the subsidy



# Public funding dependency of European parties



*Data: GRECO country reports*

# Self-service operation and the legitimacy of public subsidies

- In Sweden the Liberal Party and the Green Party depended on public money for about 84 % (the Conservative Moderate Party – 76%)
- Between 1987 and 1992 the major parties in Spain reported 74% - 96% of their HQs income to come from public funds
- In 2007 in Poland public funds constituted from 54 to 90% of revenues of those political parties which are entitled to such funds
- In 2009 in Hungary among those parties that receive public funding such funding provided in average 58% of their total annual income (the figure varied between 38 and 93%).
- **Council of Europe Recommendation Rec (2003)4**

*States should ensure that any support from the state and/or citizens does not interfere with the independence of political parties.*

# State Subsidies per capita in Europe

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Country	Total Subsidy per capita in EUR
Austria	19.00
Denmark	0.60
France	4.20
Germany	5.50
Ireland	3.80
Italy	1.20
Netherlands	0.40
Norway	4.40
Poland	0.75
Sweden	11.00



# Abuse of State Resources

# OSCE/ODIHR-Venice Commission Guidelines on Political Party Regulation

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- 207. Incumbent candidates and parties must not use state funds or resources (i.e. materials, work contracts, transportation, employees) to their own advantage.
- 208. legislation should clearly define what is considered abuse. For instance, while incumbents are often given free use of postal systems (seen as necessary to communicate their acts of governance with the public), mailings including party propaganda or candidate platforms are a misuse of this free resource.
- 209. The abuse of state resources may include the manipulation or intimidation of public employees. It is not unheard of for a government to require its workers to attend a pro-government rally. Such practices should be expressly and universally banned by law.
- 210. Public employees (civil servants) should not be required by a political party to make payments to the party. This is a practice the law should prohibit as an abuse of state resources.

# Different Ways to Abuse State Resources

**Institutional resources** - material and personal resources pertaining to public office; used by incumbent political forces to provide themselves with advantages *vis-à-vis* non-incumbents

- Engagement of state employees in campaign activities during office hours
- Use of public premises for campaign purposes where other candidates do not have equal access to them
- Engagement of state companies, institutes, state enterprises or state-supported non-profit organizations in campaign activities
- Organization of campaign events with the compulsory attendance of employees of state institutions, companies, state enterprises or other publicly funded entities
- Use of public vehicles free of charge or at discount rates



# Financial resources

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Abuse of public funds is among the most important category of administrative resources used to promote the electoral prospects of parties/candidates

- Direct distribution of public funds to voters
- Direct distribution to voters of goods and services paid for from public funds
- Sudden payments of public funds in the course of the election campaign that were not included in any relevant budget item or other plan and without a clear explanation
- Direct allocation of public funds to incumbent parties/candidates from nonspecific budget items
- Campaign related introduction of publicly funded projects that were not announced in advance and were not included in the state or municipal development plan





# Vote Buying

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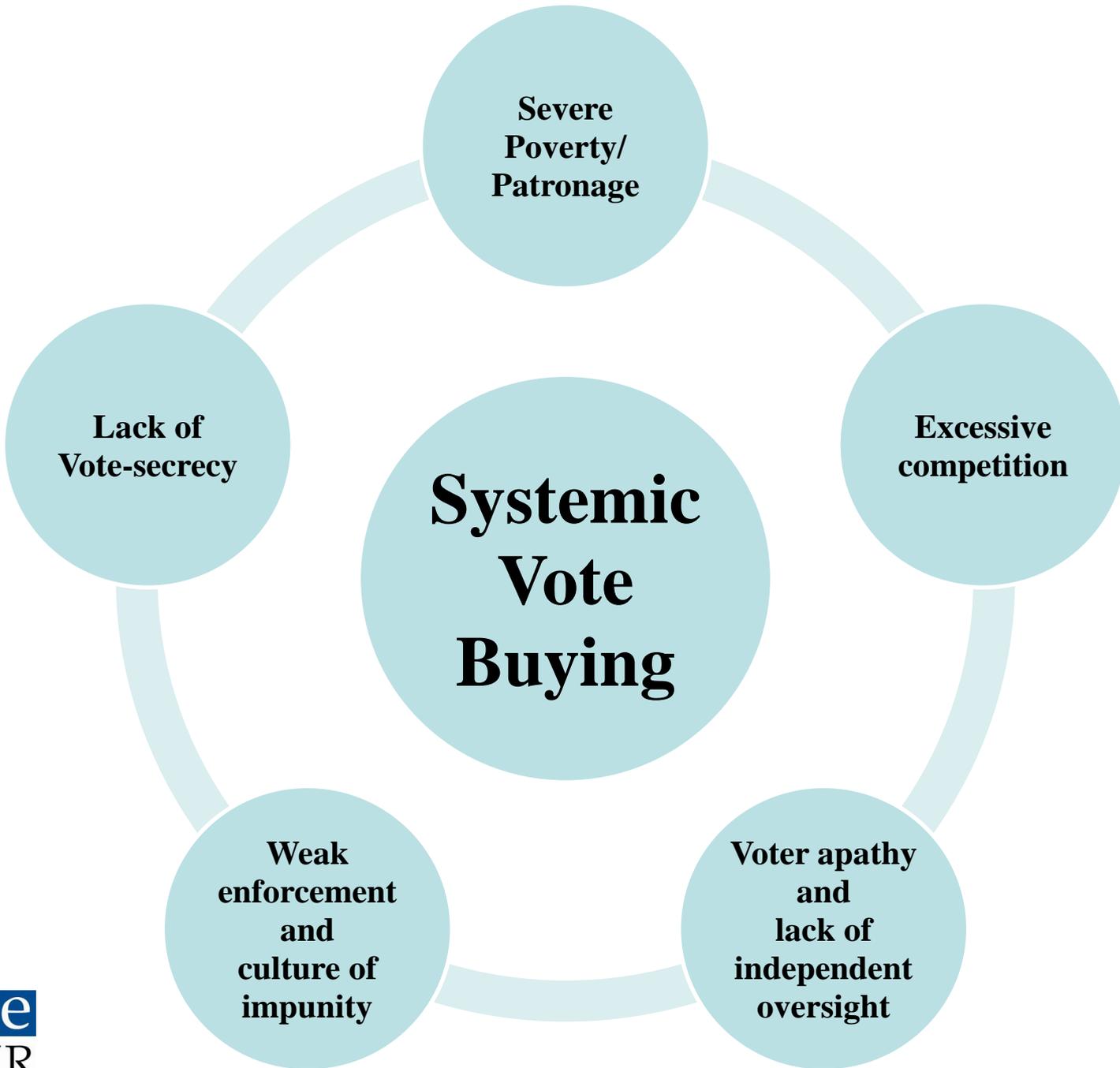
- Offering money or providing other incentives to voters for them to vote (or not to vote) for a candidate/party
- Vote buying is often accompanied by the misuse of public funds to finance vote purchase and has strong links with organized crime groups
- The degree to which vote buying prevails in a society reflects the capacity to reinforce and monitor the pact established between agents and voters – focus on the vote-secrecy safeguards provided under the electoral system



# Vote-Buying as a global issue

<b>Antigua &amp; Barbuda</b>	The “mass distribution of imported hams, turkeys and other giveaways” in the 1999 elections in Antigua and Barbuda meant that the cost-per-vote amounted to at least US\$60 (estimate offered by the ruling Antigua Labour Party) and may have been as high as US\$300 (the oppositions' preferred figure).
<b>Italy</b>	In the late 1970's, electioneering in Southern Italy was described as “cynical buying and selling of votes in return for a kilo of past, bills of 5,000 or 10,000 lire (\$5-10), or coupons for gasoline, for the cinema, and in one classic case, even for prostitutes.”
<b>Philippines</b>	During the 2002 local elections, about 7% of all voting-aged adults nationwide received some form of payment.
<b>Thailand</b>	Over 64 percent of total respondents in the survey say they would accept cash from the candidates in the coming general election in Thailand. And a whopping 83 percent said they'd look the other way if they saw vote-buying going on in their communities.





## Final thoughts...

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- Money is never an unproblematic part of the political system but is necessary for democratic politics
- Regulation is desirable but it must not curb healthy competition
- Right sequencing is the key Public Control First –Public Funding Second
- Too many rules, too little enforcement – focus on disclosure and effective control



THANK YOU VERY MUCH!

