

## **12th IACC Report**

### **Workshop 4.3. Building transparent political finance regimes: the role of state modernization and oversight by civil society**

Thursday, November 16 2006, 15:00 – 17:30

**Moderator:** Bruno Speck, Transparency International

**Rapporteur:** Ana Bellver, World Bank

#### **Panelists:**

Marcin Walecki, Senior Advisor, International Foundation for Electoral Systems  
Inge Amundsen, Senior Researcher, Christian Michelsen Institute, Norway  
Antonio Jose Lizarazo Ocampo, exmagistrado Consejo Nacional Electoral, Colombia  
Silke Pfeiffer, Regional Director Americas, Transparency International Secretariat

**Challenger:** Daniel Kaufmann, World Bank Institute

#### **Session Summary:**

Political finance, defined as the use of resources for funding of party organizations and electoral campaigns, is both a blessing and a curse for democracy. Resources including cash, goods and services used by parties and candidates allow them to build solid political organizations, recruiting new leaders, members and sympathizers and organize professional campaigns in the electoral competition for votes. In this sense, political finance is a necessary pillar of modern democracies involving parties and elections. However, resources can also undermine democratic values. Large donations may undermine elected officeholders independence and tie them closely to special economic interests of donors. Resources may also create an uneven playing field between parties, depending on their support from powerful economic interests. From the perspective of a citizen democracy, unregulated political finance undermines the principle of ‘one man, one vote’, since unequal distribution of resources in society is ensued by an unequal capacity to influence the political process of representation by means of donations.

This is why regulation of political finance has been a concern of reformists since the earliest times of representative democracy. Today, there is a large number of tools available, including caps on donations, spending limits, bans on donations from sources considered dubious (crime) or representing vested interests, public subsidies to parties and candidates, rules concerning reporting and disclosure of political financing to the public, stronger and more independent electoral management bodies.

The importance of party financing for democracy, the risks that money poses for political competition and political representation has brought attention to the role donors can play in supporting countries to build transparent political funding regimes. Different models of donor support for democracy and party funding were discussed and a methodology to assess transparency and accountability of political funding was presented by TI.

The speakers agreed on the need for transparency in political funding to hold politicians accountable and reduce the influence of powerful interest groups in policy-making and given the low level of transparency in this area, this should be an absolute priority. Indeed, disclosure remains the cornerstone on which all attempts to control money in politics rest. Political finance transparency, achieved through the availability (and accessibility) of political account information, can help illuminate and mitigate the effects of corrupt and illegal practices, while it simultaneously rewards those who “play by the rules”. As such, the disclosure of political accounts is a necessary –albeit insufficient– condition for holding political actors accountable and reducing political corruption. It is therefore positive that regulations concerning transparency of political finance are with the wind in the back and recent reforms have strengthened parties and candidates obligations to keep books, report to an oversight body and disclose this information to the public.

However, transparency is a necessary condition but not a sufficient one for building sound political funding regimes. While disclosure is an important element of a fair democratic process, its significance is reduced in the absence of effective audit and enforcement mechanisms. There is therefore a need to ensure effective oversight and enforcement of the legal framework and ensure electoral bodies receive sufficient funds, have adequate technical capacity and are independent.

Another point raised during the discussion is the need to ensure political parties are part of the reform and the need to adopt a holistic approach where civil society, democratic institutions, political parties and donors work together in promoting transparency and accountability of political finance. Critical is also looking outside the political system itself, as the problem of undue influence through political funding may not lie only on the system but also on other aspects such as freedom of the media, and looking at incentives for both sides: private sector and political parties.

Although we have made a lot of progress in understanding the role money plays in politics, we still need more data and more research on this topic. The project developed by TI and the Carter Center represents a step forward in this area. It aims to go beyond existing assessments that focus on identifying the risks of political finance, mapping the legal framework and assessing the notoriously very different practices, by focusing on but one aspect of political finance: transparency. The TI Political Transparency Index analyzes legal frameworks, explores extensively the knowledge of experts in the field of political finance and ventures into the field of empirical assessments of rendering accounts and disclosing political finance to the public. It tries to complement qualitative assessments by developing quantitative indicators for different dimensions of political finance.

## **Recommendations, Follow-up Actions**

Reforms in political finance need a comprehensive understanding of the issues and actors involved. Sound political finance regimes need well designed laws and regulations; efficient and independent state oversight; parties and candidates prepared to comply with the law; press, civil society and voters overseeing the role of money in politics.

Transparency in political finance is key for state oversight to sanction illegal practices and for civil society, voters and the press to censor undue influence of money on the electoral process and on officeholders. When reformists take action, they should consider complete, timely and accurate information on political finance a priority, a first step to solve when tackling a much broader question.

Apart from tailoring reforms to local needs, activists have to develop strategies of implementation. Politicians, parties and donors have to buy into reforms. Scandal driven reforms still prevail, while there is a need for successive steps to reach transparent political finance regimes.

Although the issue of political finance at first sight is highly politicized, the example of bilateral cooperation shows how aid can help societies build sound and transparent political finance regimes. It is important to strengthen parties as well as state institutions, train the press as well as educate voters to take into account the information on money in politics, strengthen civil society organizations in their role of pressing for reform.