

Summary

Transparency in the funding of campaigns, political parties and democratic politics is at the heart of the international anti-corruption agenda. The adoption of commitments on political finance transparency as part of the Open Government Partnership (OGP) is an important step in that direction.

This Policy Brief discusses the importance of increasing political finance transparency in order to:

- (a) prevent an ‘arms race’ in election spending;
- (b) level the political and electoral playing field;
- (c) keep illicit and criminal money out of politics and elections;
- (d) promote the political participation of women and other marginalized groups; and
- (e) incentivize compliance with political finance regulations.

Political Finance Transparency

Introduction

Money is a necessary component of political competition. Yet it can also pose a serious challenge to democratic politics if donors channel their resources to a small number of politicians, decreasing ordinary citizens’ ability to influence policies and policymakers through their vote.

A lack of information on how much money circulates in and around elections, where resources are coming from and how they are spent makes it harder for the electorate to make informed decisions. It also facilitates corruption and erodes citizen trust in political institutions.

This Policy Brief discusses the importance of increasing political finance transparency in order to: (a) prevent an ‘arms race’ in election spending; (b) level the political and electoral playing field; (c) keep illicit and criminal money out of politics and elections; (d) promote the political participation of women and other marginalized groups; and (e) incentivize compliance with political finance regulations.

Examples from various countries and organizations are used to illustrate these issues, and the role of the International Institute for Democracy and Electoral Assistance (International IDEA) and the Open Government Partnership (OGP) in advancing these efforts is described. The Policy Brief concludes by highlighting steps to consider when embarking on this process, as well as resources available to assist reformers.

The case for political finance transparency

Reining in campaign spending

The costs of running a political campaign are very high. In a wide range of countries, from Ghana to Macedonia, Senegal and Ukraine, becoming a candidate and winning an election requires astronomical sums of money. For example, the estimated cost of the 2016 elections in the United States was more than USD 6 billion (Open Secrets 2016).

Controlling campaign spending is usually restricted to establishing caps. Almost 32 per cent of countries impose limits

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on the amount of money a party can spend, and almost 47 per cent restrict individual candidate spending (International IDEA 2018). However, inadequate definitions of what is considered electoral spending, derisory ceilings and weak oversight are just a few examples of obstacles that impede effective enforcement of spending limits. Spending limits must be coupled with diligent reporting and enhanced transparency, as information is a key deterrent against excessive campaign spending.

Reducing the space for policy capture

When politicians are overly dependent on funding from a small number of donors, their policy agendas can be co-opted. Parties and candidates may be indebted to funders for contributions made during election campaigns as well as a host of political activities throughout the electoral cycle that can be labelled as gifts, bribes or simply lobbying.

Donors' expectations of reciprocity can also involve abuse of state resources, including money allocated to government advertising in the public and private media, which can be derailed to benefit personal interests. Importantly, policy capture not only erodes the fabric of democracy and citizen–representative relations; it has a domino effect that jeopardizes the economy, hinders growth and undermines effective public service delivery (OECD 2017: 9–10).

Direct public funding to political parties—available in more than one-third of countries (International IDEA 2018)—plays an important role in mitigating and balancing the influence of large private donors. Public subsidies are no panacea: parties that become overly dependent on public funding may be less encouraged to seek membership contributions, and if public resources are only channelled to established parties, it may thwart the political chances of small parties and newcomers. But when properly calibrated and targeted, this type of financial support can serve as a counterbalance to large private contributions. Reducing the amount of money private donors can contribute to parties, as is done in more than 55 per cent of countries, can also decrease the risk of policy capture.

Keeping organized criminals out of politics

Transnational crime is profitable, and a considerable portion of global crime profits is used to finance corruption across the criminal market chain (UNODC 2017: 30–34). While Latin America has been in the spotlight for scandals related to organized criminal influence over politics, this phenomenon affects all regions of the world.

Corruption related to organized crime erodes the fundamental institutions, processes and outcomes of democratic governance. These institutions include political parties, elections, public service delivery and local democracy. In an attempt to curb these trends, 66 per cent of countries have adopted bans or limits on anonymous donations to parties, and more than 50 per cent have done so for candidates.

Female candidates suffer a great disadvantage when running for political office due to a lack of access to campaign finance

Partnership opportunities to maximize results

Organizations working on money in politics share experiences and collaborate regularly to support transparent and democratic financing of politics around the world. In addition to International IDEA and the OGP, these include the International Foundation for Electoral Systems, the Organization for Security and Co-operation in Europe's Office for Democratic Institutions and Human Rights, the Group of States Against Corruption, the Venice Commission, Global Integrity, the Sunlight Foundation, the Electoral Integrity Project, the Oslo Center, the Organisation for Economic Co-operation and Development (OECD), the Westminster Foundation for Democracy, Represent.US, and the Netherlands Institute for Multiparty Democracy (NIMD).

Levelling the political playing field and ensuring the inclusion of women, youth and other marginalized groups

Female candidates suffer a great disadvantage when running for political office due to a lack of access to campaign finance. They face obstacles to both receiving funding from their own parties and from external fundraising networks. Therefore, the political gender gap remains wide (Skaaning and Jiménez 2017: 21) and is not expected to close for another 99 years (WEF 2017: vii). Minority and indigenous groups experience similar barriers (IPU and UNDP 2010: 16–17).

Targeted political finance measures can be introduced to promote the participation and representation of women and marginalized groups. For example, 33 countries earmark public funding to promote the nomination and election of women into decision-making bodies (Ohman 2018). Political parties can also adopt gender-equality policies and action plans to support their female candidates, even during the nomination stage (Kalandadze 2016), while civil society organizations can exert pressure to ensure compliance with the law.

Incentivizing transparency, enforcement and oversight

Compliance, enforcement and oversight of political finance systems is often complicated by poor capacity, unclear mandates, and a lack of independence of state enforcement and oversight agencies. For example, Guatemala has insufficient human and technical auditing resources, while Nigerian courts lack the capacity to impose sanctions to punish violations (Uribe Burcher and Perdomo 2017: 139).

The most common challenge is a lack of access to information. Political parties that routinely report on their finances, through user-friendly and digital formats, make it easier for enforcement and oversight agencies to do their job (Jones 2017). Reporting is also important for other actors, especially watchdog organizations dedicated to monitoring money in politics and regional peer networks, such as the Group of States against Corruption, which offer cross-country oversight.

It is therefore encouraging that countries like Moldova have recently adopted new technologies for reporting and disclosing political finance information, and that others like Peru and Bolivia are discussing their implementation.

Box 1. What can International IDEA provide?

Access to expertise and technical support

International IDEA is a leader in the field of money in politics. For more than 15 years, it has been engaged in convening national dialogues and generating consensus on reforms to regulatory frameworks, developing the capacity of key political finance actors such as parliaments, oversight agencies and political parties, and producing global comparative knowledge to inspire those with influence to advance reforms designed to make money serve a positive role in politics.

Global comparative knowledge

International IDEA is well known for its wealth of comparative knowledge on political finance with a global perspective, anchored in the Political Finance Database, which

maintains updated information on laws and regulations from 180 countries, as well as the *Handbook on the Funding of Political Parties and Election Campaigns* (Falguera, Jones and Ohman 2014). Regularly assessing political finance frameworks around the world is also a core business of the Institute.

Support to reform and implementation processes

International IDEA has supported several reform processes to improve existing approaches to political finance. Through the project 'Level Up: Political Finance with Integrity' in Mongolia, Moldova and Paraguay (co-financed by the European Union), the institute has partnered with local institutions to facilitate inter- and multi-stakeholder dialogues to improve political financing frameworks that empower women and young politicians, and that protect the integrity of public policymaking from the influence of money in politics. International IDEA has also conducted extensive work to increase the capacity of oversight agencies and political parties on digital reporting and disclosure of political finance data, based on the guide, *Digital Solutions for Political Finance Reporting and Disclosure* (Jones 2017).

Unique approach to political finance

International IDEA's unique approach to political finance not only takes corruption, governance and elections into account; it views the issue as an opportunity to improve the quality of representative democracy as a whole. The institute has therefore created knowledge, facilitated dialogue and provided advice on how political finance regulations can benefit the political participation of women, based on its report *Gender-Targeted Public Funding for Political Parties* (Ohman 2018), and previously through efforts in Colombia, Ecuador, Kenya and Tunisia (International IDEA and NIMD 2017).

Box 2. What can the Open Government Partnership provide?

Access to cross-country coalition of reformers and implementers

The OGP brings together senior government officials from implementing agencies with their peers in other countries, alongside other practitioners from civil society, academia and the private sector under a single platform. It offers inspiration and lessons learned for reformers looking to adopt and implement political financing reforms, as well as access to experts across sectors and initiatives.

Links to expertise and resources to support implementation

The OGP works with several civil society, multilateral and other technical expert partners that support countries to develop and implement targeted commitments. It also facilitates access to financial and technical implementation assistance through its bilateral and multilateral partners. For example, the World Bank, a multilateral partner of the OGP, is helping Nigeria implement the anti-corruption commitments listed in its OGP action plan as part of the World Bank-hosted OGP Multi-Donor Trust Fund launched in July 2018.

Global recognition and leadership opportunity

With over 79 national and 20 local governments as members, the OGP offers a high-visibility platform for dialogue with peers, providing a space for recognition and leadership. OGP global and regional events are typically attended by heads of state, ministers, senior government officials and the senior leadership of multilateral institutions, together with media, civil society and other key policy practitioners.

The OGP Steering Committee—with 11 governments represented at the ministerial level and 11 civil society organizations (CSOs)—also provides a space for showcasing leadership in reform areas. Additionally, OGP ministerial representatives in member countries are frequently invited to discuss their transformative policy reform efforts at international forums such as the International Anti-Corruption Conference, the G20, and the OECD Global Anti-Corruption and Integrity Forum.

Coordinated action to turn international pledges into concrete policy actions

Recognizing the importance of promoting transparency and integrity in political finance, international conventions such as United Nation Convention against Corruption and the Council of Europe 2003 Recommendation on Common Rules Against Corruption in the Funding of Political Parties and Electoral Campaigns have introduced high-level principles to tackle the lack of transparency of money in politics. Several political leaders endorse these principles at high-level international forums, but do not necessarily translate them into concrete policy actions at home.

The OGP has developed a track record of providing accountability to implemented pledges made at international fora such as the G20 or the 2030 Sustainable Development Agenda. For example, over 20 OGP countries embedded their commitments from the 2016 London Anti-Corruption Summit into their OGP action plans. Recent analysis by Transparency International shows that over 74 per cent of the commitments made by OGP countries are being implemented, including those detailed in their OGP action plans (Transparency International 2018).

OGP countries taking action

- **One-quarter of OGP members that have submitted commitments have addressed political finance issues.** Since 2011, 21 OGP members have made a total of 31 commitments related to political finance, that is, those that received either ‘campaign finance’ or ‘lobbying’ tags from the OGP Support Unit. The OGP’s Independent Reporting Mechanism (IRM) has assessed 27 of these commitments.
- **Political finance commitments have considerable potential to make politics more transparent and open.** The IRM assessed one-third of commitments in National Action Plans related to political finance are as potentially transformative. By comparison, an average of 14 per cent of total OGP commitments are considered potentially transformative.
- **OGP members follow through on commitments related to political finance, indicating strong momentum.** Nearly half (44 per cent) of political finance commitments have been partially or fully implemented, vs. an average of 36 per cent of overall OGP commitments.
- **Political finance commitments stand out as ‘stars’ among other commitments.** The IRM ‘starred’ 9 of 31 political finance commitments—much higher than almost any other category. This shows that independent review has found these commitments to be of high consequence, and is encouraging to governments that would make this commitment. This designation is awarded to commitments that are highly specific, have strong potential impact, are on track to be completed and are relevant to OGP goals.
- **Political finance commitments are highly effective and show strong early results.** Almost one-quarter (22 per cent) of OGP political finance commitments had major or outstanding early results—nearly triple the global average of 8 per cent.

Case study: Georgia

In 2014, Georgia committed to publishing relevant reports and statistics about political parties on the website of the State Audit Office (SAO). The Georgian Government fulfilled its commitment more than a year early; the SAO publishes regular reports detailing party incomes and expenditures and the names and ID numbers of individual contributors in user-friendly formats. Based on the new data, Transparency International Georgia launched its own portal to provide information on all donations made to Georgian political parties since 2012. Additionally, CSOs such as Transparency International and the Institute for Development of Freedom of Information report using the SAO data regularly to monitor political party financing for any violation of legislation, and to advocate reforms.

Case study: Chile

After Chile's Law on Lobbying came into force in 2014, the government adopted measures to implement it effectively. The government held public consultations at which citizens could offer recommendations on how the law should be carried out and trained government officials nationwide about technical aspects of the law. Additionally, a new computer system was put in place to record lobbying activity and provide support and information to government officials. These measures allow the Law on Lobbying to serve as an effective deterrent to conflicts of interest in public-private partnerships.

Recommendations

Every country has a unique pathway to improve its political finance system. Some countries already have very sophisticated transparency systems, while others are just considering them. Yet there is typically room for improvement. Discussing, establishing and implementing commitments on political finance transparency would therefore benefit from the following considerations, based on the experience of many countries and actors in advancing these efforts in the past.

Consider international standards

Global standards related to political financing are emerging to regulate private spending, provide access to public funding, and make information on political financing transparent and accessible. For example, more than 50 per cent of OECD member countries have banned anonymous donations to political parties.

The United Nations Convention against Corruption outlines the basic concept of political finance transparency in article 7.3, which calls for states to 'consider taking appropriate legislative and administrative measures . . . to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties'. The Venice Commission also offers useful guidelines on financing political parties and election campaigns, including how to allocate public funding and who should be banned from providing private donations. Most importantly, the guidelines recommend how to enhance the transparency of private financing, including requirements on public annual accounts (Venice Commission 2001).

The Council of Europe's 2003 recommendation on 'common rules against corruption in the funding of political parties and election campaigns' also provides useful transparency considerations, such as the need to keep accounts with appropriate records of donations that, in turn, should be made public (CoE 2003). Crucially, the OGP has a track record of providing a platform to advance these emerging global norms through concrete commitments at the country level.

Establish clear and realistic goals

Identifying clear targets from the outset makes it easier to move the process in the right direction. The targets should be robust and actionable enough that all actors involved understand what is required of them. Moreover, pursuing these types of reforms often requires a progressive approach, as improving political finance transparency may involve long-lasting efforts to develop the capacity of state oversight agencies, political parties and candidates, and civil society. Overly demanding initial requirements may alienate the users and partners that should be involved. Therefore, priority should be given to ensuring proper implementation and enforcement of the commitments under discussion, rather than creating unrealistically ambitious ones.

Engage all stakeholders

Making sure all actors with a stake in the political finance process are included in the discussions is not only a basic component of the OGP process, but also a key element to ensure its future successful

Case study: Madrid

Setting an example for local governments, the city of Madrid launched a mandatory registry in 2017 that requires lobbyists to disclose any meetings with public officials of the Madrid City Council. The registry is publicly available online: citizens can subscribe to receive alerts on topics of interest, view officials' calendars, and request meetings with their representatives. Within its first six months, more than 200 lobbyists had registered on the site.

implementation. Political parties will often be required to improve reporting systems, and state oversight agencies will typically need to audit information and make it available to the public in a user-friendly format. Parliaments will frequently need to improve existing legal political finance frameworks, and civil society actors and journalists will often use the information to monitor compliance and hold politicians to account. Increasing political finance transparency will therefore hinge on the inclusion of, and dialogue among, all these sectors of society.

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About International IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with a mission to support sustainable democracy worldwide.

<http://www.idea.int>

About the Open Government Partnership

The Open Government Partnership brings together government reformers and civil society leaders to create action plans that make governments more inclusive, responsive and accountable. In the spirit of multi-stakeholder collaboration, OGP is overseen by a Steering Committee including representatives of governments and civil society organizations.

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Colophon

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