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PUBLIC GOVERNANCE COMMITTEE**

**ENHANCING TRANSPARENCY AND INTEGRITY IN POLITICAL FINANCING:**

**SCOPING PAPER**

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*This Scoping paper highlights key policy instruments implemented by countries to provide a background for the discussions on enhancing integrity and transparency in political financing.*

*The Network is invited to share their experiences and lessons learned to support non-member countries in reforming their political financing system.*

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## INTRODUCTION

1. In context of the current economic crisis, citizens are demanding for more governance in the public life. They are, amongst other issues, voicing their concerns on risks to independence of political actors and key public officials as well as risks of conflicts of interest, undue influence and corruption, related to money in the political sphere.

2. Democracies cannot function without political parties and elections. The election process, in modern democracies, is a formal process by which citizens choose their representatives on the national, regional or local level. Clean and transparent elections ensure the credibility and legitimacy of the democratic process. Recent conflict of interest and corruption scandals, which are too often linked to the important amounts of funds mobilised in elections, emphasise the need to adopt mechanisms to increase the transparency and integrity of political financing.

3. Political party and election financing regulations are at the crossroads of political and governance issues. In continuity with OECD efforts to promote integrity in the public sector by mapping governance and corruption risks (e.g. public procurement, conflict of interest, lobbying and revolving door), this scoping paper offers a snapshot of key challenges facing political financing and of key policy instruments used to enhance transparency and integrity in political financing while bearing in mind the different political and administrative countries' contexts. The paper will not however examine the various electoral systems.

4. Most countries confirmed their commitment to regulating political finance by adopting international recommendations such as the Council of Europe 2003 Recommendation on Common Rules Against Corruption in the Funding of Political Parties and Electoral Campaigns [Rec(2003)], The Venice Commission 2001 Guidelines on the Financing of Political Parties and the 2004 United Nations Convention Against Corruption (UNCAC).<sup>1</sup> When considering political financing, international standards have focused on the following main aspects:

- How to promote a level playing field for political parties in order to guarantee fair and equal competition?
- How to control the overall cost of elections to avoid corruption and undue influence while, at the same time, ensuring the liberty of political parties /candidates?
- How to ensure transparency and integrity in political financing?

5. This scoping paper has been prepared through a review of international databases and comparative studies conducted by relevant organisations. Although it was not extensively discussed, this paper also builds on work conducted by the OECD for non-members countries in the framework of the

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1 UNCAC, Chapter II. Preventive measures. Article 7. Public Sector, Para. 3. "Each State Party shall also consider taking appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties".

Anti-Corruption Network for Eastern Europe and Central Asia<sup>2</sup> and the Public Integrity assessment of SIGMA.<sup>3</sup>

6. This paper was requested by non-members countries, in particular by Middle East and North African countries - which are undergoing a democratic transition – in order to support them in making informed decisions when redesigning their political finance system based on OECD good practices and standards. This scoping paper provides a background for the discussions of the OECD Public Sector Integrity Network to be held on 7 November 2011. While non-exhaustive, this paper outlines international standards and practices of OECD and non-OECD countries in regulating political financing. It:

1. Examines the key policy instruments adopted to regulate private funding and increase public funding;
2. Provides an overview of enforcement and monitoring mechanisms needed to ensure the effective implementation of these policy instruments;
3. Presents options for the way forward.

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2 Istanbul Anti-Corruption Action Plan, Second Round of Monitoring 2010

3 Support for Improvement in Governance and Management (SIGMA) is a joint initiative of the OECD and the EU, principally financed by the EU.

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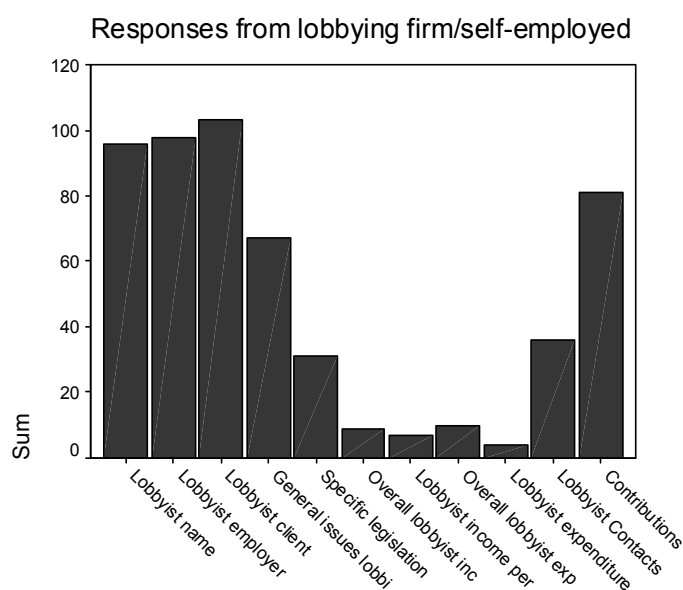
**I. Why is political finance a vulnerable area to undue influence and corruption?**

7. Within the past decade, political finance has emerged as a vulnerable area to, conflict of interest, undue influence and corruption,. Given the important amounts at stake in party and election financing, many countries implemented measures to ensure that these funds are used in a transparent and fair manner.

8. Considerable funds are mobilised during elections. For example, in the United States 2008 presidential campaign, the total cost for the two final candidates reached USD 747 850 658 for Mr. Obama and USD 269 398 087 for Mr. McCain. In France, significant amounts were also disbursed in the 2007 presidential campaign, reaching EUR 21 175 141 for Mr. Sarkozy and EUR 20 815 003 for Ms. Royal.

9. An OECD survey of European lobbyists demonstrated that surveyed lobbyists themselves believe that a lobbyist transparency programme should disclose the source of campaign contributions made to political parties.

**Figure 1. Which lobbying activities, if, any, should be subject to transparency and made public record?**



Source: OECD, Lobbyist, Government and Public Trust, Volume 2

10. Enhancing integrity and transparency in politics requires, among other measures, regulating the finances of political parties and candidates. Recognising that a comprehensive approach needs to be adopted, many governments have defined measures to balance private and public funding of political parties and electoral campaigns.

## II. Key policy instruments

### *A. Regulating private funding: contribution and spending limits to prevent risks of corruption and undue influence.*

11. Political parties rely on private funding to finance their activities. These funds can have various sources: membership fees, intra-party contributions, private contributions or candidate personal resources. Private funding demonstrates a minimum support from the society at large to the political party and is recognised as a fundamental right of parties by most countries. Candidates are also allowed to mobilise their own resources to support their party campaign activities. However regulations on these contributions have been imposed by governments to avoid risks of corruption and undue influence. From this perspective, the Council of Europe Committee of ministers<sup>4</sup> adopted a common set of principles on private contributions: a) avoid conflicts of interest, b) ensure transparency of donations and avoid secret donations, c) avoid prejudice to the activities of political parties, d) ensure the independence of political parties.

12. Furthermore, most countries banned certain types of private contributions (i.e. donations from foreign states or companies, public authorities including state-owned enterprises and anonymous persons) as well as limiting their amounts to ensure the independence and integrity of political parties.

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<sup>4</sup> Council of Europe, Committee of Ministers 2003 Recommendation on Common Rules Against Corruption in the Funding of Political Parties and Electoral Campaigns [Rec(2003)]

**Table 1. Types of private funding: examples from selected OECD countries**

Canada	Yes	Individuals who are Canadian citizens or permanent residents, corporations that carry on business in Canada, trade unions that hold bargaining rights for employees in Canada and unincorporated associations may contribute up to a certain annual ceiling. Any individual who is a Canadian citizen or permanent resident of Canada may contribute up to \$5,000 in total in a calendar year to a particular registered party  <i>Financing of Registered Political Parties – New Rules on January 1, 2004 (<a href="http://www.elections.ca/content.asp?section=gen&amp;document=ec90532&amp;dir=bkg&amp;lang=e&amp;textonly=false">http://www.elections.ca/content.asp?section=gen&amp;document=ec90532&amp;dir=bkg&amp;lang=e&amp;textonly=false</a>)</i>
Czech Republic	Yes	Paragraph 17: (4) Political parties and movements may have revenues from the following resources: a) contributions to election expenses from the state budget of the Czech Republic, b) allowance for operational expenses from the state budget of the Czech Republic, c) membership fees, d) donations and inheritance, e) rentals and sales of tangible and intangible assets, f) interest on deposits, g) participation in business transactions of other legal entities pursuant to Section 3, h) organization of raffles and cultural, social, sport, leisure, educational and political events, i) loans and credits.  <i>Act of Law No. 424/1991 Coll., of October 2nd, 1991, on association in political parties and political movements, as amended by 342/2006 Coll, para. 17.</i>
Estonia	Yes	§ 121: (1) Only membership fees established by the articles of association of a political party, allocations from the state budget received pursuant to this Act, donations of natural persons and income earned on the assets of the political party are the source of the assets and funds of the political party.  <i>Political Parties Act as amended 18 December 2003, sec. 121(1).</i>
France	Yes	Political parties are not allowed to receive funds from moral persons (companies, except other political parties) or foreign sources. <i>Elections office, Ministry of Interior, France, <a href="mailto:elections@interieur.gouv.fr">elections@interieur.gouv.fr</a></i>
Germany	Yes	Parties are entitled to accept donations. Donations can be given in cash up to the amount of EUR 1,000.  <i>Party Law, Ch.5, § 25</i>
Hungary	Yes	Political parties are entitled to other funds and financial supports besides state subsidies.  <i>Electoral Law: Act C of 1997 on Electoral Procedure, last modified on 6 May 2010, art. § 92(2)</i>
Italy	Yes	Parties are entitled to private funding related to the electoral campaign and not related to its routine activities. During the electoral campaign, a special "Tax Regime" on private funding to parties allows them not to pay any tax on these funds.  <i>Electoral Law: "Legge 10 Dicembre 1993, n.515". Electoral Law: "Legge 2 maggio 1974, n. 195".</i>
Turkey	Yes	There are no provisions in the legislature banning private funding. The Constitution only states that the revenues and expenditures of political parties must be in conformity with their objectives. However, political parties may not engage in

Source: ACE, Electoral Knowledge Network, <http://aceproject.org/epic-en>.

*Spending limits*

13. Over the past decade, governments have increasingly been establishing spending limits for elections. The goals of these spending limits have been to reduce the overall cost of elections and the risk of dependency of candidates or parties on contributors, which can sometimes lead to undue influence. Many OECD countries have introduced spending limits, both at national and local levels.

14. The case of the United States is an exception in this matter. The U.S. Supreme Court has ruled that spending limits are unconstitutional because they challenge freedom of speech (First Amendment of the U.S. Constitution). This ruling has raised many debates on how to reconcile political equality and political liberty. International standards, such as the Council of Europe recommendations, have recognised the necessity of establishing spending limits to provide a political level playing field.

**Table 2. Spending limits in selected OECD countries**

Country	Parties Spending limits	Type of limit
Belgium	Yes, per election cycle	EUR 1 million
Canada	Yes	Registered political parties and candidates must not exceed the election expense limits calculated by the Chief Electoral Officer under the formulas provided in the Canada Elections Act.
France	Yes	In presidential elections, a party and its candidate may not spend more than EUR 16 million in the first round and more than EUR 20 million in the second round. For parliamentary elections, both parties and candidates need to comply with a spending ceiling of EUR 40 000.
Hungary	Yes	The ceiling is per candidate and per election.
Ireland	Yes	The ceiling is per candidate and per election.
Italy	Yes	The ceiling is per candidate and per election. There are additional limits for parties that present candidates in all constituencies.
Poland	Yes	Less than EUR 3 500 000 (presidential elections)
Portugal	Yes	EUR 3 008 600
Spain	Yes	Per election cycle. Established for each electoral cycle by the general accounting court
United Kingdom	Yes	GBP 18 840 000 (This figure is for political parties only and excludes candidate spending)
United States	No/Yes	Generally no limits but there are limits for certain local elections and voluntary limits for the presidential election.

Source: International Institute for Democracy and Electoral Assistance, *Funding of Political Parties and Election Campaigns*, Stockholm 2003



*Third Party Financing*

15. Controlling private contributions has shown to be an effective measure to reduce undue influence and conflict of interest in the electoral process. However, countries' experiences have shown that contributors are finding different ways to distribute their donations, such as submitting donations through third parties (goods or services paid for or expenditure incurred on behalf of a political party to a candidate under different aliases, such as a different entity, any person or group).<sup>5</sup> In response, some countries have also enlarged spending limits to third parties. For example, the UK has introduced spending limits for candidates/parties as well as for interest groups. Many other countries have also established spending limits for interest groups in order to reduce breaches to the fairness of the electoral process. For instance, the Third Evaluation Round of Group of States against Corruption (GRECO)<sup>6</sup> has considered spending limits for parties or candidates, as well as spending limits for third parties, as an important measure to increase transparency in party funding.

16. Although considered as an effective measure to enhance the integrity of the electoral process, spending limits still face many challenges, such as the time period during which the party/candidate should refrain from spending above a certain threshold and issues concerning the type of spending on which there should be limitations.

***B. Increasing public funding to promote a level playing field***

17. Public funding has been increasingly used by some countries in order to prevent corruption linked to money in politics.

18. In theory, increased public funding can achieve two main goals:

- I. Level the playing field between political parties and candidates by ensuring equality in access and use of financial resources, as well as enhancing competition by providing funding opportunities to small or new parties; and
- II. Reduce the dependence of political parties on private funding and limit risks of corruption linked to this type of donation.

19. However, in order to actualise these goals, international practices have shown that many considerations should be taken into account when providing public funds to political parties and electoral campaigns, as explain below.

*Who is the provider of the funds?*

20. Different models have been adopted by OECD countries. While some countries (such as the US, France) assigned this task to independent electoral commissions, other countries such as Germany have decided to give this responsibility to the President of the Parliament. Irrespective of the model chosen, the literature and experiences of many countries have shown that fund providers should not have any ties to the

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5 International Institute for Democracy and Electoral Assistance, *Funding of Political Parties and Election Campaigns*, Stockholm 2003

6 The Third evaluation Round of GRECO focuses on Transparency of party funding in line with Articles 8, 11 12, 13b, 14 and 16 of the Council of Europe Recommendation (Rec(2003)4) on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns, and - more generally - Guiding Principle 15 (financing of political parties and election campaigns).

political sphere and have the necessary information to ensure an equal distribution of funds (e.g. disclosures of income and expenditures of parties or candidates).

*What are the criteria to be met in order to receive public funds?*

21. In order to avoid an excessive growth of small political parties seeking public funding, most OECD countries have decided to establish clear criteria for receiving public funding. This criteria is based on either the percentage of votes received (Turkey, Germany, Sweden), the seats won in an elected body (UK, Finland, Netherlands) or performance in past elections.

**Figure 2. Threshold for Public Funding (Selected OECD countries)**

Country	Votes/seats needed for qualify
Denmark	1,000 votes
Germany	0.5% of votes
Finland, Netherlands	One seat (minimum 0.67% of votes)
Slovenia, Estonia, Hungary	1% of votes
Canada	2% of votes
Spain, Poland, Slovak Republic, Czech Republic	3% of votes
Italy	4% of votes
Turkey	7% of votes

Source: International Foundation for Electoral Systems, , Political Finance Regulation: the Global Experience., 2009

*Who are the recipients of public funds?*

22. Depending on the electoral model of each country, candidates or political parties can receive public funds. . Countries such as the US allocate public funds to candidates, which allows for their equal participation in an election. However, in most countries, funds are only allocated to political parties, thus ensuring an institutionalisation of their role. Public funding of candidates is usually limited to parliamentary and presidential elections.

*What activities are funded?*

23. There are two types of activities which need funding: electoral campaigns and daily/routine activities outside of the election period). These different types of activities serve different purposes, during election campaigns, they create a level playing field for candidates, while for non-election periods, they period in support the institutionalisation of parties

*What are the types of funding?*

24. There are two main types of funding available to political parties and candidates: direct and indirect. Direct funding is a transfer of money without any restrictions as to the use of the funds. Indirect funding, often limited to election periods, gives free access to specific services such as the use of state resources (transport offices, media). In some countries, it may also refer to tax deductions on contributions made to political parties.

**Table 3. Types of indirect funding**

Type of indirect funding	Country
Tax exemption/benefits	Australia
Free/subsidised access to media	New Zealand, India
Free/subsidised transport	Moldova
Printing/distribution of materials	Spain
Free use of government property	Hungary
Free or subsidised party offices	Italy
Support to Parliamentarians or groups within Parliament	UK

*Source:* International Institute for Democracy and Electoral Assistance, Funding of Political Parties and Election Campaigns, Stockholm 2003

25. Irrespective of the different types and modalities, one of the main purposes of public funding is to increase transparency and control over income and expenditures of political parties. In addition, it serves to incite a wider participation of minorities and women in elections. Combined with other measures to control private funding (i.e. disclosure requirements or spending limits), public funding can achieve greater transparency in political financing.

**Table 4. Direct/ and indirect public funding of political parties: examples from selected OECD countries**

Australia	Direct funding	Registered political parties receive direct public funding at each election, which is unspecified and may be used for whatever the party wishes. This funding is based on the number of votes received in the election. Parties will receive payment only where their candidates win at least 4 % of the formal first preference votes in each electorate contested. They receive a fixed amount per vote, currently AUD 1.84.
Canada	Direct and Indirect funding	Political parties registered under the Canada Elections Act become entitled to various sources of direct and indirect public funding. Registered political parties that receive at least 2% of the valid votes cast nationally in a general election, or 5% in the ridings where they endorsed a candidate, become entitled to a reimbursement of 50% of their allowable election expenses, and to an annual allowance of CAN 1.75 per valid vote obtained in that general election. Candidates that receive at least 10% of the valid votes cast in their riding become entitled to a reimbursement of 60% of their allowable election expenses. In terms of indirect public funding, registered political parties can give receipts for tax credits on political contributions. All political parties receive a certain amount of broadcasting time at no cost (television and radio broadcast) for conveying their message to

		the electorate.
Czech Republic	Direct and Indirect funding	Act of Law No. 424/1991: Paragraph 17: (4) Political parties and movements may have revenues from the following resources: a) contributions to election expenses from the state budget of the Czech Republic, b) allowance for operational expenses from the state budget of the Czech Republic, c) membership fees, d) donations and inheritance, e) rentals and sales of tangible and intangible assets, f) interest on deposits, g) participation in business transactions of other legal entities pursuant to Section 3, h) organization of raffles and cultural, social, sport, leisure, educational and political events, i) loans and credits. Electoral Law: Article 85: Contributions to election expenses are only provided in connection with the elections to the Chamber of Deputies. After verifying the results of the elections, the Chamber of Deputies shall inform the Ministry of Finance of the amount of valid votes obtained by individual political parties, movements and coalitions. Each political party, movement or coalition acquiring at least 1.5% of the overall amount of valid votes shall receive CZK 100.00 from the State Budget for every obtained vote.
Germany	Direct and Indirect funding	The parties shall receive funds as a contribution towards the funding of the duties generally incumbent upon them under the Basic Law. The allocation of state funds shall depend on the success a party achieves with the voters in European, Bundestag and Landtag elections, on the sum of its membership and deputy fees and on the amount of money it obtains from donations. The maximum total volume of state funds which may be paid to all parties each year shall be EUR 133 million (absolute upper limit). Under the state partial funding program, the parties shall each year receive: 1. 0.70 euro for each valid vote cast for its list or 2. 0.70 euro for each valid vote cast for a party in a constituency or polling district whose list was not approved in a Land, and 3. 0.38 euro for each euro which it has obtained as bestowals (membership fee, deputy fee or rightfully obtained donation); in this context, only bestowals up to EUR 3 300 per natural person shall be taken into account. Notwithstanding Numbers 1 and 2 above, the parties shall receive 0.85 euro for every vote they obtain up to four million valid votes.
Italy	Direct and Indirect funding	Political parties receive direct funding on an annual base. On this amount of money, they do not pay taxes. Parties also receive indirect funding during the electoral campaign: city councils and provincial councils must let them use public infrastructure and buildings for their campaigns.

Poland	b. Direct c. Indirect	Article 128: 1. A political party whose election committee participated in elections or a political party that is a member of a coalition election committee or an election committee of electors has the right to an allocation from the State Budget for each mandate of a deputy or senator gained. Article 181: 1. In the period of time beginning from the 15th day before polling day up to the day ending the election campaign the Polish Television Joint-stock Company and the Polish Radio Joint-stock Company as well as regional radio and television companies, hereinafter called "Polish Television" and "Polish Radio" shall broadcast, without payment, on nationwide and regional channels the election programmes prepared by election committee. Political parties might receive for its term the subsidy from the state budget for statutory activities.
Turkey	b. Direct c. Indirect	The state provides financial aid to political parties at an adequate level and on an equitable manner. The principles, to which the aid to be made to political parties and the membership dues and donation they receive are subject, are regulated by law.

Source: ACE, Electoral Knowledge Network, <http://aceproject.org/epic-en>.

***C. Monitoring an enforcing political finance regulation: ensuring the effective implementation of laws and preventing risks of corruption***

26. Monitoring and enforcing political financing regulations is crucial to ensure their successful implementation. International standards have highlighted the need for public bodies or organisations to have the necessary capacity and resources needed to manage elections. These public bodies should enforce regulations by ensuring that they are being properly applied by candidates and parties and should also use their authority to enforce regulations and punish violations.

27. Experiences from Latin America shows that significant discrepancies remain in the implementation of political finance regulations. For instance, in Colombia, Costa Rica, Nicaragua and Peru, a comprehensive legal framework has been put in place to regulate political finance as well as sanctions. However, in practice, countries still face many challenges in enforcing rules and sanction. According to the 2006 Crinis project evaluation, Columbia is the only country that is effectively implementing sanctions for political financing. In other Latin America countries, the discrepancies between the application of the practice of law remain significant (see figure below).

**Table 5. Transparency in political finance - The law and practice in eight countries studied**

Dimensions		Average	Argentina	Paraguay	Peru	Colombia	Panama	Costa Rica	Nicaragua	Guatemala
		1. Book-keeping								
2. Reporting										
3. Disclosure										
4. Comprehensiveness										
5. Depth										
6. Reliability										
7. Prevention										
8. Sanctions										
9. State control										
10. Public oversight										

Source: Transparency International and The Carter Center, The Crisis Project, Money in politics, everyone’s concern, 2006.

28. A number of public bodies may be given the responsibility of political financing monitoring and enforcement and often different institutions manage the various monitoring and enforcement processes. Electoral management bodies, anti-corruption commissions, independent bodies, judiciary bodies, and ministries may play such a role. In some countries’, other bodies such as the Parliaments (e.g. Germany) and constitutional courts (e.g. Turkey) may also ensure monitoring and enforcement of political financing regulations.

29. International standards recognised that some factors are essential to the success of political financing monitoring and enforcement including: a) independent appointments of members of the enforcement body (e.g. some countries required Parliament to confirm these appointments), b) ensure security of tenure to members of this body, c) independent budget.

**Table 6. Bodies responsible for the administration and enforcement of the Regulations**

National Electoral Management Body	Regulatory Body Specially Created for this Purpose	Government Department	Other
45 countries (48%)	9 countries (10%)	20 countries (22%)	19 countries (20%)
TOTAL = 93 countries			

Source: 2004, International Institute for Democracy and Electoral Assistance, Political finance Database, [www.idea.int/parties/finance/db/index.cfm](http://www.idea.int/parties/finance/db/index.cfm).

30. Political enforcement authorities need also to focus on preventing irregularities by using, for instance, risk assessment which would help determine risk areas and develop specific measures to address these risks early on in the process.

#### *Public scrutiny*

31. Public scrutiny is another valuable mechanism used for detecting irregularities in political financing. Experience from Argentina, Latvia and Philippines demonstrate that civil society and the media can be particularly influential in scrutinising parties' campaign finances.

32. Considering that one of the fundamental pillars of democracies is accountability of public officials to their constituent, electoral managing bodies should also provide clear information to citizens to promote public scrutiny over electoral processes and parties financing. This information should be reliable and be provided to the public in a timely, intelligible, and accessible way.

#### **Box 1. Checklist for accountability and transparency in political finance**

Information provided to party members, state agencies and the public must be:

**Comprehensive.** All relevant resources must be covered by disclosure policies. Resources include money and what it can buy. For political parties, money refers to their assets, investments, debts and other financial transactions. Non-monetary forms may also be counted as part of the resources provided to parties. Some resources fall in between these classifications, such as special benefits offered by the state (e.g. tax breaks, free airtime) or private actors (e.g. discounts for services delivered, loans).

**Detailed.** The public must be able to clearly identify all individual contributions made by donors and parties, including the names of contributors.

**Reliable.** State as well as social control heavily relies on having parties and other relevant actors provide the correct information. Given its importance, submitting false data is considered a crime in a number of countries.

**Timely.** Reporting should be done as close to when the transaction was completed as possible since time allows for manipulation. Any information provided in the run-up to elections must be made available immediately to citizens.

**Intelligible.** Information has to be presented in a user-friendly way. Background on different sources as well as searchable databases is necessary to empower individual citizens and the media to understand, interpret and use political finance data.

**Accessible.** Data should not only be available upon request, but disclosed actively through a variety of channels. Modern information technologies allow state agencies to implement automated reporting and online monitoring via searchable

Source : Transparency International, *Accountability and Transparency in Political Finance : Why, How and What For?* , TI working Paper, No 1, 2008.

*Disclosure policies*

33. Political finance disclosure has been recognised by international standards to be a key policy instrument for fostering transparency in political financing.

**Table 7. Recommendations on disclosure by international organisations**

Organisation	Recommendation
Venice Commission, Guidelines on the Financing of Political Parties, adopted 9-10 March, 2001, para 12	“The transparency of electoral expenses should be achieved through the publication of campaign accounts.”
Committee of Ministers, Recommendation Rec(2003)4, Art. 13(a)	“a. States should require political parties to present the accounts referred to in Article 11 [consolidated accounts that include those of directly or indirectly related entities] regularly, and at least annually, to the independent authority referred to in Article 14 [independent monitoring which includes supervision over the accounts of political parties and campaign expenses].”
Parliamentary Assembly of the Council of Europe, Recommendation 1516 (2001), para 8 C (i)	“...to keep strict accounts of all income and expenditure, which must be submitted, at least once a year, to an independent auditing authority and be made public”
Southern African Development Community (SADC) Norms and Standards for Elections in the SADC Region, Art. 6.	[The Electoral Commission] should be empowered to ensure that proper election expenses returns are submitted on time, to inspect party accounts, and for parties to have properly audited and verified accounts”
Transparency International, Policy Position 01/2005, pg 2	“Political parties, candidates and politicians should disclose assets, income and expenditure to an independent agency.”

Source: International Foundation for Electoral Systems, - Political Finance Regulation: The Global Experience, 2009

34. International practice has shown that in order to make the disclosure process effective, registered parties or candidates should complete political finance disclosure forms. These forms should provide details pertaining to:

- Income: amounts and nature of all contributions, whether it is money, goods, or services;
- Expenditures: amounts and dates;
- Liabilities: amounts and source of loans and advances, for example;



- Assets: i.e., real estate, vehicles.

35. Furthermore, the effectiveness of the system relies on three main conditions:

- The disclosure requirements covers the whole political finance cycle (election and non-election period);
- The government ensures the independent collection and monitoring of disclosures (i.e., through election commissions); and
- Design easily understandable and realistic disclosures which include setting thresholds and expenditures limits.

36. If these conditions are met, disclosures will then allow governments to create equal opportunities for political parties and enhance the transparency of political finance, thus helping citizens make informed choices.

## CONCLUSION AND WAY FORWARD FOR THE OECD

37. Gaps in the implementation of political financing regulations increases the risk to the independence of actors, as well as risks of conflict of interest, undue political influence and corruption. . International standards were developed to provide guidance to countries on how to safeguard transparency and integrity in political financing. However, countries still face many challenges when implementing regulations and developing specific key policy instruments, such as disclosure regulations, spending limits, increases in public funding, monitoring, and public scrutiny.

38. As grey zones are still to analysed and regulated, such as third party financing, political finance remains an important source of risk. While international efforts allow reaching consensus on a set of principles to promote transparency and accountability in political finance, countries need to strengthen their enforcements and monitoring mechanisms to ensure that these principles are met.

39. This scoping paper shows that in the political finance area, efforts in determining success factors to promote transparency and integrity were achieved between governments at the international level and that country evaluation systems were designed to monitor progress and provide policy recommendations. Non-governmental organisations provided an objective assessment of countries' efforts and played a major role in designing databases and analysis to support citizens and local NGOs in their oversight role.

40. In line with the work conducted by the Public Sector Integrity Network on supporting the establishment of governance framework to reduce risks of conflict of interest and corruption, the Secretariat could compile experiences and lessons learned of OECD countries. These experiences and lessons learned would take into account specific political and administrative contexts- in the political financing systems that would serve non-member countries in benchmarking their experiences against OECD good practices.

## REFERENCES

International standards:

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## ANNEX

### COUNCIL OF EUROPE- COMMITTEE OF MINISTERS

Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns  
(Adopted by the Committee of Ministers on 8 April 2003 at the 835th meeting of the Ministers' Deputies)

The Committee of Ministers, under the terms of Article 15.b of the Statute of the Council of Europe,  
Considering that the aim of the Council of Europe is to achieve a greater unity between its members;  
Considering that political parties are a fundamental element of the democratic systems of states and are an essential tool of expression of the political will of citizens;

Considering that political parties and electoral campaigns funding in all states should be subject to standards in order to prevent and fight against the phenomenon of corruption;

Convinced that corruption represents a serious threat to the rule of law, democracy, human rights, equity and social justice, that it hinders economic development, endangers the stability of democratic institutions and undermines the moral foundations of society;

Having regard to the recommendations adopted at the 19th and 21st Conferences of European Ministers of Justice (Valetta, 1994 and Prague, 1997 respectively);

Having regard to the Programme of Action against Corruption adopted by the Committee of Ministers in 1996;

In accordance with the Final Declaration and the Plan of Action adopted by the Heads of State and Government of the Council of Europe at their Second Summit, held in Strasbourg on 10 and 11 October 1997;

Having regard to Resolution (97) 24 on the twenty guiding principles for the fight against corruption, adopted by the Committee of Ministers on 6 November 1997 and in particular Principle 15, which promotes rules for the financing of political parties and election campaigns which deter corruption;

Having regard to Recommendation 1516 (2001) on the financing of political parties, adopted on 22 May 2001 by the Council of Europe's Parliamentary Assembly;

In the light of the conclusions of the 3rd European Conference of Specialised Services in the Fight against Corruption on the subject of Trading in Influence and Illegal Financing of Political Parties held in Madrid from 28 to 30 October 1998;

Recalling in this respect the importance of the participation of non-member states in the Council of Europe's activities against corruption and welcoming their valuable contribution to the implementation of the Programme of Action against Corruption;

Having regard to Resolution (98) 7 authorising the Partial and Enlarged Agreement establishing the Group of States against Corruption (GRECO) and Resolution (99) 5 establishing the Group of States against Corruption (GRECO), which aims at improving the capacity of its members to fight corruption by following up compliance with their undertakings in this field;

Convinced that 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,

Recommends that the governments of member states adopt, in their national legal systems, rules against corruption in the funding of political parties and electoral campaigns which are inspired by the common rules reproduced in the appendix to this recommendation, – in so far as states do not already have particular laws, procedures or systems that provide effective and well-functioning alternatives, and

instructs the "Group of States against Corruption – GRECO" to monitor the implementation of this recommendation.

## Appendix

### Common rules against corruption in the funding of political parties and electoral campaigns

#### I. External sources of funding of political parties

##### Article 1 Public and private support to political parties

The state and its citizens are both entitled to support political parties.

The state should provide support to political parties. State support should be limited to reasonable contributions. State support may be financial.

Objective, fair and reasonable criteria 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.

##### Article 2 Definition of donation to a political party

Donation means any deliberate act to bestow advantage, economic or otherwise, on a political party.

##### Article 3 General principles on donations

a. Measures taken by states governing donations to political parties should provide specific rules to:

- avoid conflicts of interests;
- ensure transparency of donations and avoid secret donations;
- avoid prejudice to the activities of political parties;
- ensure the independence of political parties.

b. States should:

- i. provide that donations to political parties are made public, in particular, donations exceeding a fixed ceiling;
- ii. Consider the possibility of introducing rules limiting the value of donations to political parties;
- iii. Adopt measures to prevent established ceilings from being circumvented.

##### Article 4 Tax deductibility of donations

Fiscal legislation may allow tax deductibility of donations to political parties. Such tax deductibility should be limited.

##### Article 5 Donations by legal entities

a. In addition to the general principles on donations, states should provide:

i. that donations from legal entities to political parties are registered in the books and accounts of the legal entities; and

ii. That shareholders or any other individual member of the legal entity be informed of donations.

b. States should take measures aimed at limiting, prohibiting or otherwise strictly regulating donations from legal entities which provide goods or services for any public administration.

c. States should prohibit legal entities under the control of the state or of other public authorities from making donations to political parties.

##### Article 6 Donations to entities connected with a political party

Rules concerning donations to political parties, with the exception of those concerning tax deductibility referred to in Article 4, should also apply, as appropriate, to all entities which are related, directly or indirectly, to a political party or are otherwise under the control of a political party.

##### Article 7 Donations from foreign donors

States should specifically limit, prohibit or otherwise regulate donations from foreign donors.

#### II. Sources of funding of candidates for elections and elected officials

##### Article 8 Application of funding rules to candidates for elections and elected representatives

The rules regarding funding of political parties should apply mutatis mutandis to:

- The funding of electoral campaigns of candidates for elections;
- The funding of political activities of elected representatives.

### III. Electoral campaign expenditure

#### Article 9 Limits on expenditure

States should consider adopting measures to prevent excessive funding needs of political parties, such as, establishing limits on expenditure on electoral campaigns.

#### Article 10 Records of expenditure

States should require particular records to be kept of all expenditure, direct and indirect, on electoral campaigns in respect of each political party, each list of candidates and each candidate.

### IV. Transparency

#### Article 11 Accounts

States should require political parties and the entities connected with political parties mentioned in Article 6 to keep proper books and accounts. The accounts of political parties should be consolidated to include, as appropriate, the accounts of the entities mentioned in Article 6.

#### Article 12 Records of donations

a. States should require the accounts of a political party to specify all donations received by the party, including the nature and value of each donation.

b. In case of donations over a certain value, donors should be identified in the records.

#### Article 13 Obligation to present and make public accounts

a. States should require political parties to present the accounts referred to in Article 11 regularly, and at least annually, to the independent authority referred to in Article 14.

b. States should require political parties regularly, and at least annually, to make public the accounts referred to in Article 11 or as a minimum a summary of those accounts, including the information required in Article 10, as appropriate, and in Article 12.

### V. Supervision

#### Article 14 Independent monitoring

a. States should provide for independent monitoring in respect of the funding of political parties and electoral campaigns.

b. The independent monitoring should include supervision over the accounts of political parties and the expenses involved in election campaigns as well as their presentation and publication.

#### Article 15 Specialised personnel

States should promote the specialisation of the judiciary, police or other personnel in the fight against illegal funding of political parties and electoral campaigns.

### VI. Sanctions

#### Article 16 Sanctions

States should require the infringement of rules concerning the funding of political parties and electoral campaigns to be subject to effective, proportionate and dissuasive sanctions.