

Political Party Finance

Chair:

Robert Fremr, Judge, High Court in Prague, the Czech Republic

Panellists:

Keith Ewing, King's College London, United Kingdom

- The Challenge and Problem of Globalization

Kiraitu Marungi, Member of Parliament, Kenya

- The Challenge and Problem of Globalization

Lisa Klein, London, UK

Christian Greunberg, Poder Ciudadano, Transparency International Argentina

- Increasing Transparency on Campaign Expenditure by Changing Politicians' Incentives

Juraj Marusiak, Slovakia

Arnaut Miguet, France

- Political Corruption in France Yves-Marie Doublet, Transparency International France

- Money and Politics: An International Comparison of Methods of Funding

The first question posed is why political party funding has become a problem. Several panellists coincided to define two major reasons: social equality is being restricted because of the cost of electoral campaigns whilst corrupting the democratic principle on the equal chances to be elected to office; secondly, the capture of the policy by particular interests.

Kenya's electoral process is characterized by systematic illegality and criminality, large scale corruption, fraud, smuggling and plunder of public resources. Corruption, affirmed **Kiraitu Murungi**, is the glue which holds Kenya's national politics together, in absence of a unifying ideology. Politics revolves around a wealthy individual whose power is founded on endless rewards to supporters or bribery to opponents whose loyalty and devotion to the leader have to be bought. There is no statutory framework for political party finance in Kenya. In theory, political parties are autonomous, freely formed voluntary associations which should be financed by members who support them. Indeed, Kenyans do not have a culture of financing. Over the years, Kenyans joined political parties to receive material gains. The real source of party funding is corruption.

The comparative policy shows three generic responses dealing with this problem. One is the recourse to larger transparency in the parties funding, by the mean of disclosing the amounts and source of private economic contributions. A second strategy has been the establishment of limits and specific regulations on private contributions. A third practice has been state funding in order to reduce the need for private funding. Although all these institutional safeguards have a role to play, the effective outcome has been quite modest. In fact, they do not guarantee fair competition for elected office; they do not prevent the corruption of the political mandate; and the state funding does not substitute the private contributions, but it simply pumps even more money into the electoral system.

That is why it seems as well that there exists some consensus on the need to introduce limits on the electoral spending. Mr. **Keith Erwing** affirmed: "Alternative strategies focused on the need to control spending in order to control the demand for money needs to be installed." The United Kingdom and Canada have initiated this course, through the adoption of a number of limitations on spending: limits on candidates spending, political parties spending, third parties spending, and broadcasting advertising.

On the contrary, United States law imposes no limits on spending to congressional candidates. This is due to the Supreme Court's determination that such spending limits violate the constitutional right of free speech. Indeed, only Presidential candidates who accept political funds are subject to spending limits. There are no national spending limits imposed on party committees and the statutory limits on the amount a party committee may spend on behalf a particular nominee has been challenged and is currently under review by the United States Supreme Court.

Mr. **Yves-Marie Doublet** affirmed that the regulation of political funding is a political, legal and economic necessity. No state can do without such regulation today because, in spite of its deficiencies and weaknesses, legislation, at least, imposes upon candidates and parties a minimum of financial discipline and stringency. Regulation is also an economic necessity, since that if the definition of parties and candidates authorized revenue is not subject to precise rules, if there is no ceiling on expenditure, then that spending will be constantly inflated, because of the nature of the relevant market.

Mr. **Arnaud Miguet** affirmed that corruption in France has become a routine theme in the French public agenda. It affects - from the right to the left - all political parties. Democracy has a financial cost and it

took some time for politicians to confront this dilemma. In fact, before 1988, France did not have a specific law regarding political parties and electoral campaign funding. Political parties did not have a clear legal status. All political parties made use of state-owned companies for employing their staff and profit from company facilities and franchises. It is possible to distinguish four basic channels for political corruption in France: public works contracts; delegation of public services delivery; fictitious employee contracts; and commercial exploitation of public buildings at the local level.

Strategies in order to curb political corruption

Mr. Murungi thinks that the law should provide for a regulatory framework which promotes transparency, disclosure and accountability in the funding and expenditure of political parties. Such law should provide for state funding of political parties, reimbursement of election costs, publication and scrutiny and audit of statements of account and election expenses. The law should also provide sanctions for the punishment of corrupt or illicit funding of political parties; withdrawal or reduction of subsidies from parties and disqualification of candidates. Notwithstanding, continues Mr. Murungi, such a legislative framework is not sufficient for rooting out political corruption. Use of the law must be accompanied by a fundamental change in our social psychology and political culture.

Ives Marie Doublet believes that despite the merits of the legal regulations for political funding, they have quite serious constraints. The rules have been written by those to whom they are to apply. One of the major weaknesses of all these rules is unquestionably the very formal checks made on parties' and candidates' accounts. The lack of legitimacy of the enforcement agency, its exercise of limited investigatory powers, the requirement that it come to a quick decision, the extreme difficulty of making an effective check at a national level given the variety and dispersal of the sources of funding and expenditure, the constitutional status of political parties all go towards explaining why results have been so disappointing.

Christian Greunberg explained the Citizens Power Foundation's strategy for dealing with corruption. It aims to control spending by changing politicians' incentives. Political parties in most of the Latin America countries act in a context characterized by high levels corruption; a low level of the rule of law; low level of government effectiveness and a low level of voice and accountability. In fact, informal economy and low commitment among political and economic actors to compliance with the law, will mean that any formal limit on campaign spending will simply encourage unreported illicit transfers. Therefore, their methodology seeks to create new incentives among politicians for compliance and improvement of law enforcement as well as state oversight. Secondly, it seeks to monitor the electoral campaign machinery's off-the-book transfers.

The Citizen's Power solution consists of pressing the different candidates to establish a Transparency Pact which should show their real spending amounts. This pact is monitored by an external electoral agency, and the information obtained through it is widely disseminated among voters. As a practical consequence, this strategy has enabled NGOs to settle and operate in a new scenario, where political parties and donors are not the only players anymore. It appears a new set of rules induces larger and deeper accountability among all political actors