

Promoting effective  
anti-corruption  
framework  
in the CEE countries.

# POLITICAL PARTY FINANCING



# EU SUMMARY RESEARCH OF POLITICAL PARTY FINANCING ENFORCEMENT MECHANISM

Transparency International Estonia

[Authors](#)

Jan Sommer

[Graphical design](#)

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# 1. INTRODUCTION

From GRECO (Group of States against Corruption) reports it appears that legislation-wise, most of the European countries have sufficient provisions regarding regulating (controlling and sanctioning) party finance (both public and private). However, enforcement mechanisms are in most cases not effective: the enforcement authorities suffer from lack of independence, resources, and lack legal leverage. This document describes what are generally considered to be good practices for enforcing party financing rules.

For enforcement the underlying principle is that the most efficient and effective approach is to adopt one single law which regulates money in politics. This law should lay down disclosure and reporting rules and should authorise one single agency to enforce the law. (van Biezen, 2003: 54) If there is one law regulating party financing there should also be one body responsible for the enforcement of party financing rules.

## THE ENFORCEMENT BODY

All better rated countries (Germany, Ireland and the UK) according to GRECO reports have one single body regulating party registration, party funding and election campaign funding. Furthermore, for the enforcement body it is also important that its members are politically independent. This is so in all the three mentioned countries (Germany, the UK and Ireland) where party representatives are not in the enforcement body. This is to ensure independence and credibility of the enforcement authority. (GRECO UK Report, 2008: 19)

**Conditions to avoid bias should be put in place. Safeguards against partisan influence, especially from governing parties, are:**

- Public expectations or a long tradition of independence of similar bodies;
- The status of a judge of the supreme court, auditor or ombudsman;
- Bipartisan or multiparty membership of the commission, where members have to include the minority or the opposition (when the authority is political);
- No reappointment of commissioners (lifetime or one-term appointments only);
- Absence of budgetary strings (on an agency which has become awkward for the government); and
- Absence of political pressure or government or party intervention on staff appointments.

(Austin & Tjernström 2003: 145)

**Full disclosure, regular reporting, independent monitoring and effective enforcement are essential** for a transparent system of political finance. Disclosure requires systematic reporting, auditing, public access to records and publicity. **Monitoring requires an enforcing agency backed by legal sanctions, and enforcement demands a strong authority endowed with sufficient legal powers to supervise, verify, investigate and if necessary institute legal proceedings.** (ibid.) All these elements are needed to encourage a proper process of party finance.

The effectiveness of any system will also depend on the cooperation of the various stakeholders, and relies on the monitoring mechanisms provided by parties' financial agents, auditors, banking institutions, government bodies, anti-corruption watch-dog organizations, and the media. (Walecki 2007: 84) Therefore cooperation among these organisations should be encouraged.

Generally, it is **considered favourable that political parties are publicly financed**, and that allocations consider the size of the party, representation in the parliament, and/ or share of votes. The system should also support smaller parties not present in the parliament to ensure equality and representation of various

interests of the society. However, private financing is a part of democratic culture but to ensure that no party can buy the elections or that no one group can buy policies, regulations should be in place for private financing. Consequently, **both public and private funding spending should be reported, and declarations should follow concrete rules.**

**Therefore the general best practices are:**

- Public party financing
- Regulated private financing
- One law regulating political party funding, spending limits
- One enforcement body with rights to monitor, analyse, investigate and sanction
- The members of the enforcement body should be independent (non-political)
- The enforcement body should have clear responsibilities and a legal right to monitor, investigate and refer cases to the police or the courts
- Cooperation between various stakeholders

## 2. AUDITING

Before discussing existing effective enforcement mechanisms to control party financing, some principles of reporting finances are listed. Disclosure rules vary greatly in what is required to be revealed, by whom and to whom. Generally, it is thought that enforcement bodies have been rather efficient in controlling the transactions done with public funds (Smilov, 2007: 7). Therefore, the focus is on how to more effectively regulate and enforce auditing of finances of private origin.

**It is suggested that public legislation on disclosure should adopt the following guidelines:**

- Disclosure provisions should distinguish between income and expenditure.
- Donations exceeding a certain minimum threshold should be disclosed.
- Donations should be itemised into standardised categories.
- Disclosure provisions should distinguish between the financing of political parties and the financing of candidates.
- Disclosure provisions should distinguish between routine party finances and electoral finances.
- Disclosure rules should include both national and local party finances (and political foundations).
- Disclosure should be a responsibility of both donors and of parties (and candidates) receiving donations.
- Party reports should be disclosed to an official auditing body and to members of the public.

Disclosure of political donations makes it easier to detect (and thus potentially to avoid) political corruption. (van Biezen, 2003: 56)

Since 1984 Germany has provided a good example of how to shape parties' financial reports. They must include income and expenditure, debts and assets of the entire party organisation at all levels (including local branches, as well as state and federal headquarters). The practice of funnelling money through political foundations or affiliated associations where transparency rules do not apply have been found to pose risks, such as in Hungary, Italy and Slovenia, thus it is important that the reports cover both state, local and party foundations accounts (TI, 2012: 2). In Germany, reports are organised according to a standard format prescribed by law. Both the elements of comprehensive reporting and a standardised format for financial reports provide additional devices for effective monitoring over time and between parties. (van Biezen, 2003: 57) Therefore, it is suggested that the rules of reporting are clear and the reports follow the same structure for each party report. This makes it easier for the enforcement body to control the audits because they know what is expected of them and what constitutes a breach in reporting.

There should also be reasonable thresholds for which donation amounts are published listing the personal details. If the threshold is too low, it means a lot of data processing for the enforcement body, and if the threshold is too high, it means more possibility for acquiring money from inappropriate sources. It is also possible that wealthy donors make several smaller donations that do not need to be registered thus **thresholds need to be reasonable**. Furthermore, for the enforcement body it is easy to control bank transactions, therefore **cash contributions should be limited as they cannot be controlled very effectively** but to a certain extent should be allowed, otherwise the private funders might refrain from contributions and the main principle of supporting political parties in a democracy is undermined. For the enforcement body it is also important to check the identities of who make private donations and whether there are persons from specific companies that make contributions and thus indirectly use corporate money for influence (van Biezen, 2003: 58-59). Only 10<sup>1</sup> countries have opted in favour of making the identity of donors and amounts donated publicly available but this should be enforced in all the countries to avoid anonymous donations. (TI, 2012: 2)

<sup>1</sup> Bulgaria, Czech Republic, Estonia, France, Lithuania, Latvia, Poland, Portugal, Slovakia and Spain (TI, 2012: 4)

Membership fee is another issue that needs addressing. It is very often difficult to find out how much a certain party member has personally allocated to their party as fees ranging from 1 euro to hundreds of euros can be accounted as a membership fee and often there is no limit (Estonia is an example). This could be therefore improved. Distinction between membership fee and donation should be made and setting a limit to the fee would simplify the system. This should be clarified in all the countries (the limit of membership fees and information on how much each party member has allocated)<sup>2</sup>.

Walecki adds that it is crucial to have **internal political party controls** in place (internal auditing and presenting the results at party conventions). (Walecki 2007: 79-80) This practice is in use in Germany where internal audits are presented to party members for their review.

The enforcement mechanism for auditing is according to GRECO mostly effective in the UK and Germany. However, in Germany, campaigning costs are not audited which is a flaw in the system. In the UK especially election campaign funding is monitored. In Germany the Political Parties Act contains detailed provisions on the information to be provided in the income/expenditure statement and the assets and liability statement. (GRECO report on Germany, 2009: 12) In the UK the Political Parties, Elections and Referendums Act 2000 (PPERA) sets rules about where political parties and other groups or individuals can receive funds from, how much they can spend on campaigning at certain elections, and transparency in the political system. Both bodies **analyse and publish information on donations** but publishing will be discussed later. In both cases the independent monitoring bodies also check how well these rules are followed, and deal with possible breaches of the rules (referring cases to courts- in Germany, and the UK). **The bodies can impose sanctions when rules are breached (sanctioning is discussed later).**

In terms of auditing political parties and candidates they **must to report on donations, loans and accounts**, so that the Commission can publish that information. The Commission then makes sure that the donations have been received from permissible sources such as individuals on the electoral register and the Commission also makes sure that the parties and candidates stay within spending limits during election and referendum campaigns. (Electoral Commission 2010: 1)

In Ireland there is an additional requirement. Each party appoints a **'national agent' who must account for and control all of the party's election expenses**. Every candidate must also have such an agent (they can act as their own agent). These agents are responsible for the proper management of the election campaign and they ensure that declarations and returns of election expenses are properly completed and delivered to the appropriate authority (the Standards Commission). (GRECO Report on Ireland, 2009: 6) This makes it easier for the enforcement body to control the declarations and know who is responsible and who to contact in case of problems. It can also impede shady donations when one specific person has all the responsibility in making sure the accounts add up.

**The accounts should be audited by independent bodies** (audit agencies) to ensure credibility and transparency. Another suggestion is that the enforcement body could write down regulations on what requirements there are for auditing authorities. This is more difficult to impose on candidates as audits can be costly (GRECO UK Report, 2008: 18). Another idea is for the enforcement body to have funds allocated to appoint independent auditors to control parties, electoral campaigns and candidates.

In order to ensure that the work of the enforcement body is effective, there need to be clear rules or instructions on which accounts and how are declared. The procedural rules of auditing, monitoring; and how the reports should be published (Internal procedures should be in place in the enforcement body). This can be seen in the UK where the Electoral Commission has published the rules of supervision, investigation and sanctioning online. These rules guide the body in making decisions about possible infringements thus the procedure is more transparent.

<sup>2</sup> <http://www.erjk.ee/et/aruanded/erakondade-tulud-ja-laekumised>

## SUPERVISORY ROLE

The Electoral Commission in the UK may

- Need to obtain information (documents) from, and visit premises used by, those it regulates.
- Where the Commission is refused access to documents on premises following a request, it may ask a Justice of the Peace or (in Scotland) a Sheriff to issue an inspection warrant to allow entry to the particular premises where the documents are held (only when significant grounds exist).
- Issue a disclosure notice requiring a supervised organisation or individual to provide it with specific documentation or information (to ascertain compliance within time critical or other public interest issues; or when the organisation has not complied with the rules, or where there has not been voluntary cooperation).
- For failure of compliance the Commission may elect to issue a civil sanction or seek prosecution.

The Commission has also written a disclosure policy to set the rules how assets are to be declared<sup>3</sup>.

## INVESTIGATORY ROLE

Investigatory activity may be instigated for a number of reasons, for example where a statutory report is not submitted, or where a submitted report indicates a potential breach of the law. Other circumstances which may lead to an investigation include where an allegation is made to the Commission that the law has been broken or where the Commission becomes aware of a potential problem through another route, such as a press report. (EC 2010: 7)

**In that case the Commission may:**

- Seek documentation, information or an explanation from an individual or organisation on a voluntary basis within a certain timeframe
- The Commission may use its statutory powers and issue an investigatory notice requiring the production for inspection of documentation and/or may require an interview
- In some cases (a threat that information may have been destroyed or removed) the Commission may require cooperation without prior notice (there are rules for how to conduct the interview)
- It is a criminal offence to fail to comply with an investigatory notice without reasonable excuse therefore, in the absence of a reasonable excuse the Commission will usually seek to enforce the notice with a court order
- May seek prosecution (when information is held back) but is more likely to seek to have the disclosure order enforced as contempt of court. (EC 2010: 9)

According to the GRECO report on the UK, the Electoral **Commission should be more pro-active when investigating and referring cases to police** (GRECO UK Report, 2008: 10). There should also be an option for natural persons to draw the attention of the Commission to possible breaches of the law.

## SANCTIONING ROLE

**Sanctions can be applied to either legal or natural persons.** In the UK sanctions that may be imposed upon a person who commits an offence under the Political Parties, Elections and Referendums Act 2000 (PPERA) or contravenes one of the specified statutory provisions are:

- No sanction but advice on good practice for trivial breaches
- Fixed monetary penalty (200£) for first instance breach (e.g. late delivery of report)

<sup>3</sup> [http://www.electoralcommission.org.uk/data/assets/pdf\\_file/0010/79705/Disclosure-Policy-Final.pdf](http://www.electoralcommission.org.uk/data/assets/pdf_file/0010/79705/Disclosure-Policy-Final.pdf)



- Variable monetary penalty (from 250£ to 20,000£) for more serious breaches and these cases are tried in courts
- Compliance notice to set out an action so that breaches do not recur (training staff or changing the reporting system)
- Restoration notice to set out an action to restore the position without the breach (giving up benefits that it has received through the breach)
- Stop notice to prohibit a person or an organisation to continue or begin a specified activity until steps in the notice are met
- Enforcement undertaking actions to bring the individual or the organisation into compliance as far as possible to what it had been without the breach
- Forfeiture (court ordered) of money accepted from an impermissible source (the size of that donation) or when this has been concealed
- Criminal sanctions for summary and indictable offences are fines of up to £5000, unlimited fines or imprisonment (max 12 months). This is decided by the Courts and the Commission needs to refer the case and usually when large amounts of money are involved.

(EC 2010: 10-14)

In the UK the Electoral Commission has enforcement powers to investigate allegations of potential breaches of the rules, as well as breaches it identifies proactively. The Commission has no sanctioning powers in respect of breaches of the rules on candidate expenses and donations, but may refer a suspected breach for criminal investigation or seek prosecution, in the same way that any other interested organisation or individual may do. (EC 2010: 2) They publish summaries of the outcomes of their casework<sup>4</sup>.

The Commission decides whether a breach has occurred. It is itself responsible for its decisions. If the breach is confirmed it ensues with sanctioning. The Commission takes into account aggravating and mitigating features of the breach to determine sanctions. (EC 2010: 15-16) **To enforce the sanctions there are also good practices and steps – grounds for calculating fines, time limits, size of fines, responsible personnel, descriptions for making the payment of the fine, explaining the grounds for the fine** - that need to be followed by the Commission and also the individual or organisation that is sanctioned. Therefore it is necessary that there are sanctions for different types of breaches and that no loopholes exist. **The sanctions should be proportional and parties should be well-informed what is classified as a breach.** Therefore parties and candidates should be informed about good practices. In the UK there are trainings, phone lines and information online what constitutes a breach and what the sanctions foresee. The **sanctions should also be timely** to have an effect.

Experience from many countries has shown that **effective enforcement more often results from financial penalties** (including denial of public funding) **than from severe criminal sanctions.** (IFES TIDE Manual or the International IDEA Handbook on Funding of Political Parties in Walecki 2007: 87)

**Therefore in relation to auditing the best practices that ease enforcement body's work are:**

- The right to audit both regular party funding and election campaign funding
- To have donations, loans, and accounts both internally and externally independently audited
- To have prohibitions in the legislation for corporate money, cash contributions, anonymous contributions and to limit the contribution amounts
- Foreign donations should either be limited or banned
- To have one single person responsible for declaring, reporting of finances in a party and for a candidate
- Have clear rules distinguishing between membership fees and donations (limits, and clear reporting)
- To regulate what types of in-kind contributions are allowed and to what extent they should be reported

<sup>4</sup> <http://www.electoralcommission.org.uk/our-work/roles-and-responsibilities/our-role-as-regulator-of-political-party-finances>

- Publishing audits
- Making the identity of donors and amounts donated publicly available (there should be reasonable thresholds for which donation amounts are published listing the personal details of the contributors)
- Summaries of casework written by the enforcement body (to analyse funding schemes not only to check if numbers add up)
- The reports should include income and expenditure, debts and assets of the entire party organisation at all levels (state and local headquarters)
- Proportional and flexible sanctions
- The enforcement body having the independence, resources and rights to supervise, investigate and sanction

### 3. GUIDANCE AND TRAINING

Special efforts (education, training, support services like help by phone and guidelines, moral and material incentives) to encourage compliance with legal requirements are helpful to parties and candidates. Allegedly, this has been promoted in the US, however, in Europe based on GRECO reports such efforts seem to be lacking in most countries. (Austin & Tjernström 2003: 147) OSCE Guidelines on Political Party Financing (2011) aim to provide some guidance to help political parties tackle party financing issues. Also, GRECO writes and publishes country reports on the situation and developments in party financing in different EU countries and provides suggestions for improvement. Such guidelines and training activities are in place in the UK and Ireland. They're discussed below.

In the UK the Electoral Commission has provided **guidelines and factsheets for political parties, candidates, agents and campaigners** when it comes to private donations and declaring them. Also, the Commission provides **a phone line, web page and webinars to train candidates to better declare their finances**, donations, expenses, and loans. For the Electoral Commission there is also an **enforcement policy document that they follow**. It sets the supervisory, investigatory and sanctioning aspects of the regulatory role on reviewing reports (this was discussed previously). (Electoral Commission 2010: 2) These include a simple introduction to the role of registered party and accounting unit treasurers, and guidance on how to manage donations and loans. The Commission has also published explanatory notes about particular aspects of its regulatory role, including how it deals with allegations and how it makes public information about its work. (EC 2010: 2) It aims **to take action only when necessary and in a proportionate way. Monitoring is routine** to ensure compliance. The Commission may use its **investigatory powers** (to require documents, information or to attend an interview) in respect of any person or organisation when it has reasonable grounds to consider that there has been a breach of the law on party and election finance. (EC 2010: 4)

Also, in Ireland the enforcement body (the Standards Commission) has a set of guidelines for parties, candidates, public officials, election campaigns, state financing and donations<sup>5</sup>. It has published several documents for different officials to help them report on finances, and inform them of what constitutes as an illegal contribution. These practices could be followed in other countries to avoid mistakes in reporting and as a result simplify the work of the enforcement body. The enforcement bodies should also follow clear rules (guidelines) and for further transparency those should be published online.

#### **The best practices in relation to guidance and training are:**

- Guidelines and factsheets for political parties, candidates, agents and campaigners to help them properly declare income and expenditure
- Trainings organized by the enforcement body to clarify how income, expenditure should be reported
- Publishing helpful material online, having help lines
- Comparative analyses of best practices (for example GRECO reports) circulated among officials

<sup>5</sup> <http://www.sipo.gov.ie/en/>

## 4. TRANSPARENCY & PUBLISHING INFORMATION

The basic philosophy behind the reporting of party income and expenditure is to make party accounts a subject of public debate. Public debate is expected to produce a more careful selection of donors and a more responsible use of funds. Effective publicity requires that reports be readily available to the public and the media. For the agency this offers an opportunity to monitor financial activities and to challenge any part of a report. (Austin & Tjernström 2003: 148)

Most of the European countries do not offer sufficient information for public debate, nor is there monitoring by the agencies to support critical use of the information. Nevertheless, Germany, the UK, Lithuania and Estonia have established online systems where finance activities of political parties are published (both quarterly in the UK and Estonian case, annually in Germany and Lithuania; and election campaigns wise - not in Germany though). The online system itself is the most rudimentary in Germany as finances are published as a pdf file for each year and the document includes all parties and different types of income and spending. It is difficult to search for any specific information, however the documents themselves are logically structured and detailed enough in its division of income and spending<sup>6</sup>. The Lithuanian online database resembles the German one, as it publishes pdf files and thus specific items cannot be looked up. The UK system allows to search for information online but is not user-friendly: it takes up a long time to look up a certain party's finances during a certain period or election<sup>7</sup>.

The Estonian online database lists both election campaign costs and regular quarterly account statements. It is quite easy to search for a certain party's financial data, and also the names of the donors. However, often the expenses are difficult to understand as the categories allow for 'other smaller expenses'; and it is difficult to distinguish between amounts as membership fees and donations.

Another feature that simplifies looking up information in the UK is that also loans are separately published. Names and addresses of lenders and the details of the terms are published.

However, what the Estonian Electoral Commission lack online, are the procedural rules and guidelines they use for checking the accounts. **Procedural rules are however published** on the UK page, and they are very clear setting clear rights of the commission members. This could serve as an example for publishing procedural rules and rights and obligations of the commission members. In Ireland's case the responsibilities and rights of the enforcement body are also listed but the structure of the web page of the Commission is difficult to follow. The same is true for the President of the German Bundestag office that checks the reports. The web-page is difficult to follow. Therefore the UK with its general set-up of the web page is a good example because it publishes rules for the parties, procedural rules, information about the Commission and its rights, and the financial reports. The Estonian system provides a good way of looking at the reports by categories while in the UK case this is a bit too complicated though it allows searching within certain keywords. In Ireland, the reports and annual analyses are published online, however, they are published as text files and thus searching for specific data is complicated. However, the web page gives a rather detailed overview of the funds relating to parties, candidates and election campaigns.

In Ireland the enforcement body (the Standards Commission) publishes an annual report on the development of party financing regulations, its activities, and complaints that have been investigated within a year. This is a very good practice because it summarises the most relevant cases and gives an overview about party financing during one year. There's a similar analysis done in Lithuania.

<sup>6</sup> <http://www.bundestag.de/bundestag/parteienfinanzierung/rechenschaftsberichte/index.html>

<sup>7</sup> <https://pefonline.electoralcommission.org.uk/search/searchintro.aspx>

Besides online reporting, financial reports are published in a parliamentary paper. Some examples are Germany, Austria, France, Italy and Portugal. (Austin & Tjernström 2003: 148)

**Best practices concerning transparency and publishing:**

- Publishing reports online and in Parliamentary Papers
- Online databases should be logical and easy to follow, they should include an option to search with keywords
- The enforcement agency should also publish their procedural rules
- Publishing both regular (quarterly or annual) party finances and election campaign finances
- The enforcement body should write and publish comparative analyses of party financing (problems that have occurred or desired developments)
- Cooperation between different stakeholders (NGOs, media) to have public debate on party financing issues

## 5. INDIRECT FUNDING

In addition to direct subventions to support operational activities, electoral campaigns and parliamentary group work, parties may also receive various forms of in-kind subsidies and indirect funding, such as free radio and television broadcasting, a reduced postal rate, or various types of tax exemptions, and sometimes free use of public meeting rooms. Even though not direct, this type of public support assists parties in carrying out their general activities and supports their core functions in a democratic state. (van Biezen, 2003: 39)

### FREE BROADCASTING AND MEDIA ACCESS

Free broadcasting and media access is one of the most widespread features of modern electioneering. It is the allocation of time to political parties to allow them, free of charge, to deliver their messages on television and radio. Given the overwhelming importance of television as a medium of political communications, this “free time” is a vital benefit-in-kind, though it is hard to calculate its commercial value. The method and principles of allocation of free broadcasting time are usually similar to those of direct funding: parties are either given an equal amount of time or the time for party political broadcasts is allocated proportionally according to party performance in the previous general election. In order to meet the requirements for such state aid, a party must obtain a minimum of votes and/or must compete in a fixed number of constituencies. (van Biezen, 2003: 40)

### TAX PRIVILEGES

A common device used to encourage private donations to parties is to make them tax free or tax deductible. Tax privileges for donations and membership fees constitute a mixed type of funding because they encourage private funding through public means. The public element of this type of funding consists of the public treasury’s subsidising such gifts (in total or in part) by foregoing the tax that it would otherwise receive on that amount of money. **In order to ensure that the system does not favour rich donors, tax concessions should be limited to only small or medium-sized donations.** (van Biezen, 2003: 41)

A system of tax concessions by which donations are tax deductible reduces the liability for tax depending on the donor’s marginal tax rate. The relative tax benefit is therefore higher for higher income donors. This may pose problems with regard to equality of opportunity for political parties. In this light, in 1958 the German Bundesverfassungsgericht (Constitutional Court) ruled that a tax privilege equally accorded to all parties and donors was unconstitutional since it disproportionately benefited the higher income donors. (van Biezen, 2003: 41)

### PARTY TAXES

A more controversial form of indirect financing would be contributions from members of parliament, which are sometimes called party taxes. This is a form of financing by which members of parliament pay a certain amount of their remuneration as a parliamentarian to the party which they represent. Party taxes, and especially contributions from elected representatives, are a widespread practice across European states. They may involve substantial amounts of money and constitute an important source of income for some parties (in Romania and Poland for example). (van Biezen, 2003: 42) While this type of source is sometimes treated as a private donation, it is perhaps best understood as an indirect – or some would argue disguised form of public funding. This is especially true if contributions from parliamentary deputies to their party are mandatory. (van Biezen, 2003: 43)

It may be asked if it violates legal stipulations in some countries, such as those set forth in the Basic Law in Germany, which states that the independence of parliamentary deputies shall be secured through

the payment of an adequate remuneration. If parliamentarians are paying significant amounts of money to their party, this might imply that their independence is endangered. Alternatively, it may indicate that their remuneration is significantly higher than absolutely necessary. (van Biezen, 2003: 43) Therefore **setting a limit for membership fees and contributions would be effective to avoid elected politicians being influenced.**

**In short, the best practices of regulating indirect party funding are:**

- To allow for free but limited media (television, radio) time and billboard space (to all parties) (done in Czech Republic)
- To ensure that the system does not favour rich donors, tax concessions should be limited to only small or medium-sized donations
- There should be a limit for membership fees and contributions to avoid politicians to be influenced

## 6. POLITICAL CULTURE

It is interesting to note that in the Nordic countries, there is very little regulation and enforcement of party financing rules. For example, in Sweden, public funding is somewhat regulated: funds can be allocated after the party issues an annual financial report. Private funding (donations, membership fees, loans, publications, lotteries, income from property or other business activities) is not regulated, nor is election campaign spending limited. The parties are not required to publish any information on their accounts. (OSCE report on Sweden, 2010: 8) Nordic countries are often considered as having experienced less party-related corruption than Italy, France or Portugal during the last two decades. (Sousa, 2005: 6) This can be explained by a strong liberal tradition where parties should set standards of probity to its members and their behaviour in political society is constrained by commonly accepted rules of the game. Financial matters are also determined by these common rules. (OSCE report on Sweden, 2010: 8-9)

In Sweden the party financing is non-formally regulated meaning that all seven parliamentary parties have subscribed to a voluntary Joint Agreement to make the accounting of parties' income as open as possible. Particularly, the parties agreed that (i) contributions from legal entities should be specified in the accounts by providing the name of the donor and the amount, (ii) the number of private contributions and the total amount should be disclosed (iii) parties' final reports should be publicly available, and (iv) parties' treasurers are to develop common forms of accounting. The Joint Agreement does not envision any sanctions for breaching its provisions. (OSCE report on Sweden, 2010: 8) Therefore **Sweden is a good example how parties regulate themselves and aim for transparency and thus for further public confidence.** Enforcing this type of political culture takes time and is difficult to implement with laws but stems from long-term value education and the general culture of the country. Even in Finland which is generally considered to be un-corrupt suffered a party financing scandal in 2007. During 2007 parliamentary elections, corporate financing was used and not fully reported. (Helsingin Sanomat, 18.05.08) Therefore, even in seemingly well-established party systems, there can be problems with transparency of finances. Self-regulation only works when all parties adhere to same ethical norms. It means that more regulation and enforcement is generally needed and that self-regulation is not always the best option.



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