Money in Politics

Political Party and Election Campaign Financing

Patricia Peña
Canadian International Development Agency (CIDA)
Definitions:

- **Income** – cash or non-cash (in-kind) amounts received by political parties, candidates and others for their regular activities and/or election campaigns

- **Expenditure** – the spending by political parties, candidates and others as part of their regular operations and during election campaigns
Why does political financing matter?
(discussion)
Why does political financing matter?

- Impact on all elements of the electoral cycle, eg:
  - Cost of elections
  - Voter information
  - Campaign practices
  - Regulations and legal provisions (where they exist)
  - Internal party structures and functions

- Impact on wider political processes, including:
  - Corruption – influence on Government priorities, contracts/procurement, proceeds from crime
  - Diminished political competition and debate, including in parliament
Money in Politics

Key issues

- Transparency
- Monitoring
- Sanctions and Enforcement
Money in Politics

Transparency – why?

- Demand from voters, media and civil society organizations to know how political parties, candidates and others are funded (income) and how they spend money received (expenditure).

- Reaction to real/perceived influence of private interests in public life.
Money in Politics

Transparency: sources of income

- Public funding
  - Direct: day-to-day operations; campaigns (qualifying thresholds, e.g. X% of vote or # of elected members)
  - Indirect: e.g. use of public offices, free broadcasting time

- Private donations
  - From individuals and organizations/businesses
  - Cash and non-cash (e.g. free legal advice, broadcasting/advertising space, interest-free loans)

- Trend towards greater public funding – why?
  - Pluralism – allow smaller parties to compete effectively
  - Diminish influence of private interests (limits/caps)
  - Less regulation required
Money in Politics

Transparency: Expenditure

- Expenditure varies greatly between parties/candidates
  - Trend towards increasing cost of elections – competition and increased in public funding contribute to more expensive campaigns
  - Campaigns – advertising is usually most significant area of expenditure
  - Spending limits – in some countries, law specify campaign spending limits for political parties, candidates and/or third parties
Money in Politics

Transparency

- Disclosure requirements:
  - Regular reporting of donations
  - Annual accounts
  - Campaign reporting

- Who must disclose?
  - Political parties, candidates, third parties/interest groups, organizations related to parties

- Disclosure to whom?
  - Public, Monitoring body

- Freedom of Information laws – role of media and civil society
Money in Politics

Monitoring

- Variety of monitoring mechanisms exist:
  - Government agency, parliamentary body, electoral commission, public auditors, anti-corruption body
  - Reflects different political cultures and traditions
  - Auditing of accounts - scope and depth varies greatly

- Challenges
  - Often loopholes in legislation: eg. statute of limitations, immunities, weak definitions of income/spending
  - Monitoring bodies have limited resources and limited powers to investigate
  - Information overload – need to identify risk areas
Sanctions and enforcement

- Sanctions usually specified in legislation
- Wide range: administrative fines, civil/criminal sanctions (prison, large fines), dissolve party, barred from public office
- Proportionality: sanctions should reflect nature of breach
- Cross-over with other legislation and involvement of several bodies - police, electoral management body, anti-corruption body, public auditor, prosecution authorities etc.
- Loopholes in legislation: eg. statute of limitations, immunities, weak definitions of income/spending, sanctions not specified for all legal requirements
- Case history is limited: few prosecutions and convictions
Challenges

- Regulation is still relatively new phenomenon
- Multi-faceted nature of political financing
  - public vs private financing (+ mixed systems)
- Weaknesses/gaps in legislation
- Implementation failures vs danger of over-regulation
- Linkages to broader corruption issues
- Importance of dialogue between monitoring body, political parties, media and civil society
Money in Politics

Questions?

Patricia Peña
Email: patricia.pena@cida.acdi.gc.ca