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Political finance: introduction to the workshop

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1 Introduction

Political parties are vital political institutions for contemporary democracy since they are crucial for the expression and manifestation of political pluralism. They integrate individuals and groups in society into the political system, they mobilise and socialise the general public, they are core mechanisms for the articulation and aggregation of social interests. Political participation and competition through and between parties is essential for sustainable democracy and, in order to carry out their activities political parties need appropriate funding. And this is, where problems begin: citizens in Europe are showing a growing concern with respect to the influence of financial means on political decisions and to corrupt practises linked to political parties.

In a large number of European countries, political parties are considered to be the most corrupt institutions and they enjoy the very minimum of trust in their integrity and honesty – all because of their financial dependence to providers of their financial means. Even some organised criminal groups have recognised the burning need of political parties for money and therefore, they have started to invest into them in order to influence their decisions and to adjust such decisions to their own, mostly criminal aims. As a consequence, political parties have started to lose their independence and, due to this fact, citizens have started to lose interest in the political life of their countries causing in such a way an enormous damage to their own democratic development.

Everybody agrees that political parties need funding and everybody is afraid that this funding will bring along the loss of independence of these parties but a very simple fact has to be underlined: political activities involve expenses, which are necessary and unavoidable costs of democracy. In other words: money is playing a critical role in democratic processes – political parties need to maintain their organisation, to employ party personnel, to conduct election campaigns and to communicate with the voters. What could be done is a proper public regulation of the role of money in politics and this can be done only by legislation at a proper level.

2 Basic questions of financing of political parties and electoral campaigns

Through decades political parties were financed through membership fees only since they were considered as purely private associations in which the state could not intervene. Only when it became clear that increasing political parties' expenses could not be covered by their members' fees, countries started to adopt legislation on political

parties' financing. They tend to make this legislation unambiguous, comprehensible and transparent, addressing all components of the system of party and candidate financing, which are necessary to ensure democratic participation and competition between parties. Once the state started to intervene in this area different systems of political parties' financing were developed but most of them share common features including disclosure, reporting and monitoring of their financing and enforcement of the legal rules in place in a given country.

While developing the system, states were required to substantially and legally cope with some elementary questions of political parties' financing:

- should there be different rules on financing regular activities of political parties and on electoral campaigns?
- what are possible sources of finances – membership fees, other private sources (i.e. profits of party-owned businesses, private donations, bank loans,...), public finances,..?
- should there be any limitations concerning amounts of donations and qualities of donors ?
- could private donations be anonymous and coming from abroad ?
- should there be any limits concerning the expenditure of political parties?
- what are the possible criteria for public financing of political parties?
- how to regulate indirect public funding of political parties?
- how to ensure real transparency and publicity of political parties' finances?
- how should reporting requirements for political parties on their finances look like?
- how to ensure independent monitoring of political parties' finances?
- how to ensure effective, proportionate and dissuasive sanctions for possible breaches of legal regulations concerning political parties' financing?
- how to ensure at least a minimum level of independency of political parties towards their donors?

In some countries these questions were combined with several others, based on their specific situation, but gradually the need for international regulation concerning financing of political parties and electoral campaigns emerged. Since political parties' funding is the core element of any democracy it was difficult to get representatives of the very many different countries together and to make them discuss on something, which was and is so crucial for the future of their countries and for their own future, too. Several standards on the political parties' financing were adopted, but none of them in the form of mandatory legal obligations. The last attempt was organised by the Council

of Europe in 2003 when "Recommendation Rec (2003)⁴ of the Committee of Ministers on common rules against corruption in the funding of political parties and electoral campaigns" was adopted as a set of recommended measures in the area. But even if those are just recommended measures of a non-mandatory nature, in the preamble, a system for monitoring compliance with such measures was established using the Council of Europe's Group of States against Corruption – GRECO. For the first time in the history of political parties' financing an international monitoring mechanism will assess the compliance of national solutions with the internationally set standards. GRECO has already included the topic in its third round evaluation starting in 2007. There was a lot of effort needed to achieve the agreement of the 43 GRECO member states for the inclusion of the topic into the scope of its evaluation, moreover, the setting up of a specially appointed working party was required to prepare everything needed¹ for the launching of evaluation.

3 Conclusion

It is clear that even best ideas from the international arena might not always find fertile ground in the national systems, especially in the area of political parties' financing. Those who are deciding upon these questions are namely the politicians, who live a little bit better or a little bit worse because of the implementation of these ideas. And they would do everything to live a little bit better – if they would not be put under the pressure from international organisations and – what is even more important – from their voters. Only if they are confronted with serious political consequences for not following some basic standards in this area, they will slowly start admitting the usefulness of the new and old standards in the area. But: are the standards really clear?

Sources:

1. Van Biezen, Ingrid: Financing political parties and election campaigns – guidelines, Council of Europe, 2003,
2. Van Biezen, Ingrid: Transparency of Party Funding, Council of Europe, 2006
3. Working Party on Transparency of Party Funding, Final Activity Report, GRECO, 2006

¹ Priority issues to be addressed, questionnaire, proposals on composition of GRECO delegations, proposition on the profiles of future evaluators, proposals concerning on-site visits,.