

The first publication in the series
“TAKING DEMOCRACY SERIOUSLY”

Political Financing in the Commonwealth

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Commonwealth Secretariat

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Taking Democracy Seriously is a series of occasional publications by the Commonwealth Secretariat on aspects of democracy.

This is the first in the series and was originally published as a paper for the workshop on *Money and Democratic Politics* which was organised by the Commonwealth Secretariat and International IDEA, in co-operation with the Election Commission of India and the Confederation of Indian Industries, and held in New Delhi, India, in November 2001.

The views expressed in this publication are those of the author, they are offered as a contribution to debate and discussion and should not be taken to represent the views of the Commonwealth Secretariat.

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Designed by K C Gan
Printed in Britain by Newnorth Print Limited

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I. Introduction

Political financing has vital effects on the health of democracy. Competitive elections usually require considerable sums of money. Candidates and political parties need funds in order to print election literature, to organise political meetings, to produce election broadcasts and for many other purposes. The search for contributions to pay for these activities may all too easily distort competition between candidates and between parties.

Political donations frequently have led to scandals and to major cases of corruption both in Commonwealth and non-Commonwealth countries. Among the examples from 19 countries of scandal and political finance given in the Overview of the International IDEA Handbook on Funding of Parties and Election Campaigns (Pinto-Duschinsky, 2001, 5-7), three of the countries concerned are members of the Commonwealth. To cite another study, based partly on a report of the Commonwealth Secretariat, about one severely-affected country:

Most of the prominent businessmen in the country ... have been co-opted into the [ruling party] and regularly support it with funds and go out on campaigns on its behalf, in return for, among other things, government contracts and tax concessions. These businessmen have showered their fellow kinsmen with gifts, and organized lavish feasts to extract promises to vote for the party ... Equally serious are the practices of vote-buying and gross misuse of public facilities for partisan campaigns.

This publication does not attempt to cover comprehensively the vast and largely uncharted topic of political financing in Commonwealth countries; in keeping with the author's terms of reference, it does not identify examples of money-in-politics in particular states. Its objectives are, first, to provide a summary of laws and practices in Commonwealth countries concerning the financing of election campaigns and political parties and, second, to point to some specific problems and issues relevant to these countries.

Information was obtained on a total of 50 member states. For a few of them, there remain gaps in data about particular aspects of regulations and subsidies. Unless otherwise stated, information is for rules in existence on

1 January 2000. A major source for the paper was information obtained directly from officials and experts in 44 Commonwealth countries. The study owes a great debt of gratitude to them all. It is rarely possible to collect a variety of information from so many countries without errors and misunderstandings. Responsibility for such mistakes rests with the author. Opinions are also those of the author, not necessarily of the Commonwealth Secretariat.

II. Politics in the Commonwealth

Before analysing the ways in which different Commonwealth countries regulate and subsidise the funding of candidates and political parties, it is important to set out some of the main constitutional features of Commonwealth countries. For there are significant linkages between the predominant framework of politics in Commonwealth countries and the methods used in these same countries to deal with the issue of political money.

The Commonwealth consists of 54 sovereign countries. (This includes Pakistan, which was suspended from the councils of the Commonwealth in October 1999 following the overthrow of its democratically elected government. Fiji Islands also has been suspended from the councils of the Commonwealth for a similar reason.) Drawn together originally by the experience of British rule and by the sacrifices made in the two world wars of the twentieth century, its members are now linked by shared experiences, by a predominant use of English as an official language, by educational traditions and standards, and above all by ties of friendship.

There is no single pattern of government within the Commonwealth. Even the House of Commons in London - often called the Mother of Parliaments - no longer conforms completely to what has been called the 'Westminster Model.' Some Commonwealth countries have a directly elected president. Electoral systems range from 'first-past-the-post' to the alternative vote (in Australia, Fiji Islands and Nauru), the single transferable vote (in Malta) and different forms of proportional representation. Contrasting methods of regulating and subsidising the funding of election campaign and party organisations are to be found.

Not only is there a range of political structures, but political institutions are in a state of flux in much of the Commonwealth. For better or worse, we live in an age of experiment and reform. Electoral systems as well as methods of political financing are frequently altered.

Despite the absence of a uniform, enduring model of Commonwealth political institutions, there are some clear tendencies. Provided it is remembered how many exceptions there are to any generalisations about

politics within its member states, it is justified to point out that the Commonwealth is distinctive.

1. Democratic pluralism

Attempts to measure the degree of democracy in a country or to divide between democratic and undemocratic regimes are controversial and unreliable. Nevertheless, Commonwealth countries score relatively highly on a number of methods of calculation. Political freedom and democracy are the Commonwealth norm, albeit with a number of notable exceptions.

According to the 1999-2000 ratings of the New York-based Freedom House, the proportion of member states of the Commonwealth which are 'not free' is far lower than the proportion of non-Commonwealth states. Countries assessed as 'not free' constitute 13 % of Commonwealth countries and 29 % of other countries. (Karatnycky , 2000, 596-97.)

2. Parliamentary government

There are directly elected presidents in a considerably smaller proportion of Commonwealth countries than of non-Commonwealth ones. Outside Africa, parliamentary systems are the Commonwealth norm. If all states with some form of electoral politics are included in the reckoning, there are presidential elections in slightly more than one-third of Commonwealth countries (36%) compared with 60% of non-Commonwealth ones.

Within the Commonwealth, there is a strong geographical contrast between member states in Africa and in the rest of the world. Of the nineteen Commonwealth countries in Africa, fourteen (74%) have directly elected presidents; in the rest of the world, there are directly elected presidents in only 15% of Commonwealth countries in which there is some form of election. In addition to countries with presidents elected by a national ballot, there are presidents with varying degrees of power in a few other Commonwealth countries who are not directly elected.

Table 1 Commonwealth Countries with Directly Elected Presidents

Africa		Other	
Elected President	No elected President	Elected President	No elected President
Cameroon	Botswana	Bangladesh	Antigua and Barbuda
The Gambia	Lesotho	Cyprus	Australia
Ghana	Mauritius	Kiribati (*)	Bahamas
Kenya	South Africa	Singapore	Barbados
Malawi	Swaziland	Sri Lanka	Belize
Mozambique			Britain
Namibia			Canada
Nigeria			Dominica
Seychelles			Fiji Islands
Sierra Leone			Grenada
Tanzania			Guyana
Uganda			India
Zambia			Jamaica
Zimbabwe			Malaysia
			The Maldives (*)
			Malta
			Nauru
			New Zealand
			Pakistan
			Papua New Guinea
			St Kitts and Nevis
			St Lucia
			St Vincent and the Grenadines
			Samoa
			Solomon Islands
			Tonga
			Trinidad and Tobago
			Tuvalu
			Vanuatu

Notes: Brunei Darussalam is not included in the table. In Kiribati, presidential candidates are directly elected but nominations are made by the legislature. In The Maldives, the president is confirmed by a referendum but the sole nominee is chosen by the legislature.

3. Majoritarian electoral systems

Plurality systems ('first-past-the-post' and its variants) are the Commonwealth norm, though there is no shortage of exceptions. Here too there is a clear contrast between Commonwealth countries and the rest. In the Commonwealth there were 'first-past-the-post' elections in 69% of the member countries in 2000 as compared with systems of proportional representation in 17%. Outside the Commonwealth, 'first-past-the-post' was found in the late 1990s in just 20% of countries and PR in nearly a half.

Table 2 Electoral Systems of Commonwealth and Non-Commonwealth Countries Compared: First-Past-The-Post Versus Proportional Representation

	Commonwealth countries		Other countries	
First-past-the-post	69%	(36)	20%	(24)
PR	17%	(9)	48%	(57)
Other	13%	(7)	32%	(38)
All	100%	(52)	100%	(119)

Note: Table does not include Brunei Darussalam or Swaziland.

III. Political Finance Regulations and Subsidies in Commonwealth Countries

1. Regulations versus subsidies

States may affect political financing in two different ways: - by regulations and by financial subsidies. There are six common forms of regulation and four main types of subsidy.

■ Regulations generally consist of:

- (a) bans on corrupt electoral practices (such as the buying of votes);
- (b) financial deposits for candidates: these are intended to deter frivolous candidatures;
- (c) disclosure regulations (requiring parties and/or candidates to submit for official scrutiny and/or to publish financial accounts);
- (d) limits on campaign expenditure: for example, ceilings on permitted spending by each candidate for parliament, ceilings on spending by presidential candidates and by each of the national party organisations;
- (e) contribution limits (restrictions on the amounts an individual or corporation is permitted to donate to an election campaign or to a political party);
- (f) bans against certain types of contribution (for example, foreign contributions or donations by corporations or trade unions).

■ Subsidies include:

- (a) grants to party groups in the legislature or to individual legislators for research assistance or other facilities (though not officially a form of political subsidy, a proportion of such money tends to be used for partisan political purposes);
- (b) direct financial payments to parties or candidates from public funds;
- (c) tax reliefs (income tax reliefs, tax credits, matching grants and other forms of tax remission on political donations);
- (d) free or subsidised access to television and radio for candidates and parties;

(e) other subsidies-in-kind (for example, free postage for election literature, or free use of public buildings or poster sites). (Michael Pinto-Duschinsky, 1998, 2000 and 2001, discuss the above categories in some detail.)

2. Regulations concerning political financing in the Commonwealth

The prevalence in Commonwealth countries of four types of regulations concerning political financing is shown in Table 3. For purposes of simplicity, information is given in a summarised or a selective form which is explained in the notes to the table. Also shown are comparable figures for a group of non-Commonwealth countries for which similar information has been obtained. The statistics for non-Commonwealth countries are less reliable than those for Commonwealth ones because a smaller proportion of non-Commonwealth countries has been investigated; moreover, the non-Commonwealth countries for which information is available so far do not constitute a statistical sample. These non-Commonwealth countries were selected for study on the basis of a number of criteria which led to the over-representation of prosperous, large countries. When small, poor non-Commonwealth countries have been researched as fully as Commonwealth ones, the contrasts may be somewhat smaller than shown in Tables 3, 4 and 6

The statistics show that political money is subject to far fewer regulations in Commonwealth than in non-Commonwealth countries. The only type of regulation found in a higher proportion of Commonwealth than of non-Commonwealth countries is a spending limit on candidates for the legislature. This is explained by the fact that such individual spending limits are hardly logical in countries with list systems of proportional representation; for voting under these systems is for political parties and not for candidates. Since first-past-the-post voting systems are far more common in the Commonwealth (as shown in Table 2), it is hardly surprising that spending limits on individual candidates are fairly normal in Commonwealth countries.

Table 3 Political Financing Regulations in Commonwealth and Non-Commonwealth Countries

	Commonwealth countries		Other countries
	All	Population over 2 million	(All non-Commonwealth countries for which information has been collected have populations over 2 million)
Disclosure rules	51% (22/43)	67 % (14/21)	90% (38/42)
Ban on foreign donations	20% (9/44)	35 % (7/20)	63% (29/46)
Campaign spending limits for parliamentary candidates	36% (16/44)	43 % (9/21)	32.5% (13/40)
Ban on political advertising on TV/radio	15% (6/41)	22 % (4/18)	37% (15/41)

Notes: Brunei Darussalam, The Maldives, Swaziland are not included in the statistics. The figures in brackets denote, first, the number of countries where the relevant subsidy exists and, second, the number of countries for which information was obtained. Countries are listed as possessing disclosure rules even if such rules apply to only limited aspects of political money (for instance, to candidates only or to parties only) and even if accounts need only be submitted to a regulatory body without being available to the general public. Similarly, countries are listed as having bans on foreign donations even if only some categories of foreign payments are prohibited (for instance, payments from foreign governments). The statistics thus overstate for most practical purposes the degree of regulation that exists.

3. Political financing subsidies in the Commonwealth

The use of different types of financial subsidies in Commonwealth countries is shown in Table 4.

Table 4 Political Financing Subsidies in Commonwealth and Non-Commonwealth Countries

	Commonwealth countries		Other countries	
	All	Population over 2 million	All	Population over 2 million
Grants to legislators	49% (19/39)	71% (12/17)	66% (29/44)	66% (29/44)
Direct public subsidies	24% (11/46)	41% (9/22)	86% (59/69)	86% (56/65)
Tax reliefs and other indirect financial subsidies	10% (4/41)	17% (3/18)	69% (31/45)	69% (31/45)
Free broadcasting for parties/candidates	69% (27/39)	78% (14/18)	91% (42/46)	91% (42/46)
Subsidies-in-kind	25% 10/40)	35 % (6/17)	67% (31/46)	67% (31/46)

Note: Brunei Darussalam, The Maldives, and Swaziland are not included in the statistics. The figures in brackets denote, first, the number of countries where the relevant subsidy exists and, second, the number of countries for which information was obtained. Subsidies-in-kind include free postage for electoral communications by candidates, free use of public poster sites and free use of public buildings for political meetings.

The statistics indicate that all forms of subsidy to parties and candidates are used sparingly in Commonwealth countries as compared with other countries. This is only partly explained by the existence within the Commonwealth of a considerable number of very small sovereign states, in which subsidies are especially uncommon. Direct financial payments from public coffers to parties or to political candidates are distinctly less frequent in Commonwealth countries than in others. There is direct public funding

of extra-parliamentary parties and/or candidates in 59 out of 69 non-Commonwealth countries about which information has been collected and which are categorised as 'free' or 'partly free' (86%); by contrast there was similar public funding in 2000 in only 24 % of the 46 Commonwealth countries investigated. In eleven of these 46 Commonwealth members there were provisions for some form of direct, extra-parliamentary public funding at the beginning of 2000. They are: Australia, Canada, Malawi, Mozambique, Namibia, Seychelles, South Africa, Sri Lanka, Tanzania, Uganda and Zimbabwe. Limited public funding (specifically for policy research by extra-parliamentary party organisations) has been included in a measure enacted in Britain in November 2000.

4. Variations between different parts of the Commonwealth

Commonwealth countries may be categorised according to a number of criteria. These include region, size, per capita income, and historical background. Members of the Commonwealth family do not fit easily into any scheme of sub-division. Nevertheless, it is helpful to investigate whether there are patterns and problems shared by particular groups of Commonwealth countries. Therefore the political funding statistics are analysed in this part of the paper according to the following geographical categories: Africa (nineteen countries including Mauritius and the Seychelles), Caribbean (twelve countries), Oceania (nine countries, excluding Australia and New Zealand), and other (fourteen countries, including Australia and New Zealand). Member countries in the Caribbean and Oceania share the characteristic of having small – often very small – populations.

Variations between political finance regulations and subsidies in different groups of Commonwealth countries are shown in Table 5.

The statistics in Table 5 indicate that countries in Oceania have the fewest controls and subsidies; direct public subsidies are most commonly found in African member states. In view of the relatively small number of countries in each group and in view of the fact that information on a few countries is missing for all categories, these figures must be treated with caution.

Table 5 Political Financing Regulations and Subsidies Commonwealth Countries, by Region

	All	Caribbean	Oceania	Africa	Other regions
Median population (in millions)	1.5 m.	0.2 m.	0.2 m.	11.2 m.	18.3 m.
REGULATIONS					
Disclosure rules	51%	33%	17%	60%	80%
		(4/12)	(1/6)	(9/15)	(8/10)
Ban on foreign donations	20%	–	–	31%	44%
		(0/12)	(0/6)	(5/16)	(4/9)
Campaign spending limits for parliamentary candidates	36%	33%	17%	19%	80%
		(4/12)	(1/6)	(3/16)	(8/10)
Ban on paid political advertising on TV/radio	15%	8%	–	6%	57%
		(1/12)	(0/6)	(1/16)	(4/7)
SUBSIDIES					
Grants to legislators	49%	42%	17%	62%	62.5%
		(5/12)	(1/6)	(8/13)	(5/8)
Direct public subsidies	24%	–	–	47%	30%
		(0/12)	(0/7)	(8/17)	(3/10)
Tax reliefs and other indirect financial subsidies	10%	–	–	14%	22%
		(0/12)	(0/6)	(2/14)	(2/9)
Free broadcasting for parties/candidates	69%	44%	50%	81%	87.5%
		(4/9)	(3/6)	(13/16)	(7/8)
Subsidies-in-kind	25%	30%	–	27%	33%
		(3/10)	(0/6)	(4/15)	(3/9)

Note: The figures and definitions of categories are calculated on the same basis as those for Tables 3 and 4.

5. Amount of government control

Apart from the contrasts shown in Table 5 between different geographical groups of Commonwealth countries, it is also interesting to compare Commonwealth countries as a whole with other countries. The statistics in Table 3 and 4 show that Commonwealth governments generally exercise less control over political money, whether through regulations or subsidies.

One crude but useful way to summarise the amount of governmental control in any given country is by a simple scoring system. The method used in the preparation of this study was to count the scores of each country out of a maximum total of eight – four points for the amount of regulation and another four points for the extent of subsidies. A country scoring eight would have all four kinds of controls as well as all four kinds of subsidies.

Concerning political funding regulations, one point is assigned for each of the following: (a) the existence of at least some regulations regarding disclosure either of political donations or of expenditures, (b) limits on campaign spending by candidates for the legislature, (c) contribution limits, and (d) a ban on foreign political donations. Concerning subsidies, one point each is assigned for (a) grants (apart from salaries and allowances) to legislators or to party groups within the legislature, (b) direct public funding (c) free political broadcasts, (d) other subsidies-in-kind.

This scoring method has limitations. First, it is open to argument whether regulations or subsidies are desirable. Thus a high score is not an indication of merit; it is merely a descriptive device. It may reasonably be argued that governmental control is not the answer to problems of political money and, consequently, that low scores are healthier than high ones. Second, the fact that a country has a law on its statute book does not mean that it is enforced. The scores measure laws but not their effectiveness or their implementation. Third, there are important variations within each category which the scoring system does not take into account. For example, disclosure regulations vary in thoroughness between countries. In some places, they apply only to candidates, in others the rules apply to political parties as well as to candidates; in some countries but not in others, disclosure must include lists of the names and addresses of donors.

An analysis of scores (excluding countries for which complete information was unavailable) produces the following results:

- only three countries for which complete information was obtained have scores of at least six out of eight (meaning that they have a large measure both of regulation and of subsidy). They are:

Canada	(six)
New Zealand	(six)

United Kingdom (six, and following the legal reforms of 2000, the maximum possible eight forms of regulation and subsidy)

- Countries which score zero or one – lacking both regulations and subsidies – are listed below together with their populations:

Antigua and Barbuda	(66,000)
Dominica	(74,000)
Kiribati	(82,000)
St Kitts and Nevis	(41,000)
St Vincent and the Grenadines	(112,000)
Tuvalu	(10,000)
Vanuatu	(173,000)
Zambia	(9,215,000)

These results are not surprising. Most of the countries with few regulations or subsidies or with none at all are microstates. It is understandable that they have fewer laws relating to campaign and party funding than large countries. Moreover, considering the fact that laws require administration and that administration requires expenditure, it is also logical that regulations and subsidies are less elaborate in countries with a relatively low per capita income.

According to information obtained during the preparation of this study, the average score of Commonwealth countries (out of a maximum of eight per country, and excluding countries categorised as ‘not free’) is as follows: countries with a population under 100,000: 0.8 points; 100,000 to 1 million: 2.0 points; 1 to 2 million: 3.5 points; over 2 million: 4.0 points.

6. Countries concentrating on regulation versus countries concentrating on subsidies

There is a contrast between countries with a high degree of regulation and a low degree of subsidy and those with several forms of subsidies but few or no types of regulations. Countries with at least two more kinds of regulations than of subsidies are listed in the first column of the table. At the other end of the scale, countries with at least two more types of subsidies than of regulations are listed in the second column.

Table 6 Regulations Versus Subsidies

Commonwealth countries concentrating on regulations	Commonwealth countries concentrating on subsidies
Guyana	Australia
Malaysia	Bahamas
Singapore	Belize
Tonga	Malawi
Trinidad and Tobago	Mozambique
	Namibia
	St Lucia
	Samoa
	South Africa
	Sri Lanka
	Uganda

The two different approaches to the control of political financing are typified by Malaysia and South Africa. In Malaysia, there is a notable absence of public subsidy, whether direct or indirect; but there is no shortage of regulations. There is a ban on foreign donations, a ban on paid political broadcasts and a ceiling on permitted campaign spending by political candidates. By contrast, the South African system concentrates on subsidies rather than on regulatory measures. There are direct public subsidies for parties, allocations of free broadcasting time during political campaigns and payments (apart from personal salaries and allowances) to members of parliamentary groups. But South African parties are not required to disclose their finances.

IV. Some Problems and Issues

Political financing is a source of grave difficulties in many parts of the democratic world. Commonwealth countries must confront a number of problems which also affect almost all other countries with competitive elections. While the problems are obvious to most observers, there is no agreement among politicians or among experts about particular solutions. Even the principle that political donations should be transparent – seemingly the simplest and most obvious rule of all – turns out on examination not to be so simple after all. Thus, recent attempts to draw up international conventions concerning political funding have been open to criticism.

This paper deliberately avoids making pronouncements about some of the broad issues of policy which are commonly debated in the literature on political financing, though references to some relevant works are given at the end. Instead, the focus here will be on the issue of enforcement (a general difficulty inadequately addressed in most existing works) and on topics which are of particular relevance to groups of countries within the Commonwealth. Important topics which will not be discussed include:

- How can the corruption so often associated with political financing be reduced?
- How can the rising costs of political campaigning be checked (assuming that the standard assertions about these rising costs are solidly-based)?
- Is it desirable or possible to reduce the inequalities in financial resources available to rival candidates and parties? Is it possible to limit the advantages of governmental parties over opposition parties?
- What are the main arguments for and against funding of parties and candidates from public funds?
- What are the main advantages and disadvantages of financial grants to members of Parliament and to party groups within Parliament?
- Is it desirable or practical to oblige parties and candidates to disclose their finances?
- Is it desirable or possible to control foreign political donations?

Pointers to some convenient web-sites and books which address these and related questions are given in the section of the paper titled 'Guide to further information'.

1. The problem of enforcement

Laws about political funding are of little value unless they are properly and fairly enforced. Unbalanced enforcement may make some laws worse than useless. The most dangerous scenario is where laws become unrealistic and virtually all candidates and parties disobey them but where a governing party uses its authority to bring legal charges on a discriminatory basis against politicians who have lost an election. The enforcement of laws on corruption and political financing may be used as a stick to discredit and imprison political opponents. There have been allegations that this has happened in at least one troubled Commonwealth country.

Even where there is no obvious bias in the administration of justice regarding political financing laws, they may simply be overlooked by the authorities. Some of the most blatant examples of omission to implement regulations concern the disclosure of financial accounts. Countries from which failure to implement disclosure rules has been reported include Commonwealth countries in the Caribbean, East Africa, West Africa and Asia. Concerning one West African country, an academic study states:

the inadequacies and imperfections of the provisions of the ...
Constitution and other laws regulating parties have become manifest.
The provisions in the Constitution ... have been honoured only in the
breach ... the ... requirement to state all sources and assets of the
political party ... has simply not been applied.

'Honoured only in the breach' was almost precisely the report on the situation by a Caribbean electoral administrator interviewed for this study. Commenting on parties' obligations to make financial disclosure in an East African country, a senior official commented simply: 'they never do.' An academic observer gives this assessment of transparency of political finances in another part of East Africa:

... the enforcement of the Political Parties Act ... has been elusive.
[The Act] provides that every political party which has been fully

registered shall maintain proper accounts of the funds and property of the party and submit to the registrar an annual declaration of all the property owned by the party. This statutory requirement is not adhered to and some parties have never accounted for their funds for four consequent years without any measures being taken against them.

Lack of enforcement applies not only to disclosure rules. An electoral official in West Africa cited shortage of funds to administer political finance laws as the core reason for their non-enforcement. In an East African member state, the lack of authority of the electoral commission to enforce the laws against vote-buying has been given by an electoral official as the reason why the practice usually remains unpunished. Describing the administration of local elections in the late 1990s, a senior official of the country's electoral commission reported:

The local elections were marred with widespread bribery of voters by the candidates through the provision of times [sic.] such as soap, sugar, salt and alcohol. The Electoral Commission did not have powers to arrest the offenders and had to rely on the police to do this. However, in spite of some arrests made, the practice continued until the conclusion of the elections.'

Blatant failure to obey the law is perhaps less common in countries with relatively high levels of per capita income. For a demonstration of methods of implementing disclosure rules, it is useful to look at the web-sites of the Australian Election Commission and of Elections Canada. However, problems of regulatory enforcement are not restricted to poor countries. Political financing laws are regularly side-stepped in rich democracies. In many of these countries political donations are disguised as something else which does not fall under the ambit of the disclosure law. Where there are restrictions specifically on political parties, it is possible to establish a 'foundation' legally independent from the parent party but closely linked with it in practice. This device is associated with the German 'Stiftungen' such as the Konrad-Adenauer-Stiftung (Christian Democrat) and the Friedrich-Ebert-Stiftung (Social Democrat), which are active in much of the Commonwealth.

Examples of legal avoidance of disclosure rules come from two high-income member countries of the Commonwealth. In one of these countries, the main opposition party decided (in advance of a change in the law which would oblige it to do so) to declare all donations to party coffers over a certain threshold. However, donations to special trusts set up to give support to the party leader and to other shadow-cabinet ministers were not considered as donations to the party and, on this ground, remained undisclosed. In the second country, the existing rules of disclosure of political contributions were evaded in one important case when the ruling party received loans (which were not declarable) rather than outright gifts (which were subject to declaration).

Questions about appropriate penalties for contraventions of political financing regulations and about the way in which alleged contraventions should be investigated and prosecuted are as complex as they are important. For present purposes, the narrow point is that statistics about rules given in this paper should be treated with considerable caution since paper rules are one thing and actual practice is often something totally different.

2. Is there a 'Westminster Model' of political financing? And does it work?

Provided the considerable number of exceptions are not forgotten and provided the incomplete nature of the research on non-Commonwealth countries is remembered, there is - in crude terms - a definite set of characteristics which distinguish Commonwealth and non-Commonwealth countries. It is possible to talk of a 'Westminster Model' of political financing which corresponds with the Westminster Model of politics. Two striking statistics, extracted in Table 8, concern (a) electoral systems and (b) direct public funding of parties and candidates.

Table 7 The Westminster Model: Electoral Systems and Direct Public Funding of Parties and Candidates in Commonwealth and Non-Commonwealth Countries

	Commonwealth countries	Other countries
First-past-the-post electoral systems	69%	20%
Direct public funding of parties and/or candidates.	24%	86%

Note: See Tables 3 and 4.

There is no necessary connection between majoritarian electoral systems and the absence of public financing of politics. For instance, Canada and Malawi are just two countries where first-past-the-post electoral systems co-exist with direct public funding of politics. Yet, it is no coincidence that countries with proportional representation tend also to have public funding of parties. Under PR, electors vote for a political party (even though they are allowed, under certain forms of PR, to choose among candidates on a party's list). The effect of PR is to increase the role of party organisations and to diminish that of individual parliamentary candidates.

Individual candidates under first-past-the-post systems have traditionally found financing for their election campaigns from their own pockets or from local supporters. The central or regional organisation of a political party – which becomes powerful under PR – seeks money from business corporations, trade unions and other providers of 'big money' when these private sources fail to meet the perceived needs of the party machines, there arises a demand for state financial aid. (See, for example, Peter Mair, 2000.)

Apart from the general absence of public subventions in Westminster Model countries, their political financing is characterised by fewer regulations and by the relative frequency of spending limits on individual parliamentary candidates. Disclosure rules in Commonwealth countries frequently apply narrowly to campaign expenditures by candidates and not to party incomes and expenditures in general.

How well does the Westminster Model of political financing work? It has to be admitted that it has severe failings. Its defence is that the main alternative - publicly funded parties and candidates - also has some severe shortcomings, especially when it is introduced in relatively poor countries.

The problems of the Westminster Model of political financing can be simply stated. First, it is argued that there is little value in attempting to limit spending by individual candidates if expenditures by national and regional party organisations are left unrestricted. Under modern conditions, especially in countries where television has become the main medium of political communication, the central organs of parties have come to assume an increasingly important role in campaigning. Following this line of reasoning, Canada imposes spending limits on national party organisations as well as on individual candidates and Britain introduced a similar law in 2000.

Second, as already shown, rules about the disclosure of funds are often disregarded. There is thus no way for the public to know that spending limits are being disregarded.

Third, there is ample evidence that it is impossible in some countries for candidates to win if they obey the spending limits while their opponents do not. In one old-established Commonwealth country, the pressure to exceed the legal limits are at their greatest in by-elections. According to evidence from a respected investigative journalist to an independent commission in the late 1990s,

the problem of the ... main political parties exceeding the legal expenditure limits is a big problem in Parliamentary by-elections and also in many seats at the general election. The abuse in some cases is on a quite breathtaking scale.

Evidence of unchecked contravention of legal spending limits in a by-election was reported by a group of experts who visited an island state in the 1990s on behalf of the United Nations Development Programme. Likewise, an official committee reported in the 1980s in an Asian member country:

The huge expenditures incurred by candidates and political parties have no relationship to the ceiling prescribed under the law.

In the mid 1990s actual expenditures by parliamentary candidates in the same country were generally about six times the legal limitation:

Therefore, the ruling limiting campaign expenditure is observed, rather, more in its breach. Hardly any candidate can aspire to win if his purse is not bigger than the official ceiling.

The fact that there are serious defects in the regulatory model of political financing which is the Commonwealth norm does not lead to the conclusion that other systems are preferable. For these other systems, too, may have their own shortcomings. It is not necessary in this paper to review the broad arguments for and against state financing of political life (references to this literature are give in the 'Guide to further information'). The following paragraphs will concentrate on the dangers of public funding in particular groups of Commonwealth countries. Public funding presents especial problems in poor countries where democracy may have shallow roots.

First, public funding of political parties and candidates requires money from the state, frequently on a considerable scale. In poor countries, there may simply be no money in the public till with which to pay the political parties the sums to which they are legally entitled under the terms of legislation about state funding. (See Magnus Ohman, 2000, and Chris Maina Peter, 2000.) When a previously-troubled country (such as South Africa or Mozambique) is preparing for a first multi-party election after a period of civil war or undemocratic rule, international donors typically rush to donate money not only for electoral administration but also for the political parties themselves.

At this transitional stage, democracy is a lucrative source of hard currency for ravaged countries. Even at this time, delays in sending money which has been promised by international organisations or by foreign governments sometimes distorts the electoral process. Opposition parties suffer more than ruling parties from such delays since they rely on such aid more than governing parties. The problem of uncertainty of foreign political aid frequently intensifies during a second or subsequent competitive election. The international tap starts to flow less generously. Parties which have become dependent upon expectations of foreign cash have failed to prepare for the time when this source is partly or wholly removed. The story of

public funding in a number of African countries is of constant changes in laws and, if laws remain the same, uncertainties about whether state aid will actually be forthcoming. In one Commonwealth island state public funding of parties was suddenly and severely reduced.

Second, public funding is not necessarily a politically-neutral instrument. It is easy for a ruling party to enact rules about public funding which will be to its partisan advantage. In one African country, the qualifications required to obtain a share of public funds were set so high that only the governing party would benefit. In this case, the rules were altered as a result of a decision by the country's highest court that the threshold for receiving public funds be reduced.

Third, the promise of public financing may be used by a government to manipulate and divide opposition parties. This allegedly happened in at least two Commonwealth countries in Africa in the 1990s. In one of them, when the main opposition party decided to boycott the elections, the President reportedly offered a large sum to each party that fielded candidates. This was designed both to give the elections some credibility and to reward satellite parties created by the governing party.

Fourth, when the threshold for receiving money is low, public subsidies sometimes encourage the creation of a multitude of shell parties or splinter groups of parties which exist for the sole purpose of being receptacles for state aid.

Fifth, the experience of many countries shows that public financing does not satisfy the demands of party leaders for ever more funds and there is little indication that it reduces the incentive for corrupt contributions.

3. Problems of small countries

A feature of the Commonwealth family of countries is the striking differences in size and population between the different members. There are a number of island states with small, even tiny populations. These microstates face the same basic problem in many aspects of their public life: namely, how to provide the structures of law and administration appropriate

to a sovereign state while possessing the population of a small town. Clearly, there is a strong incentive for small countries to avoid the complex political financing regulations and subsidies found typically in larger states.

While there is a strong argument for simplicity, economy and for few laws and subsidies for parties and political campaigns in small states, these very countries are especially vulnerable to foreign pressures and to corruption. When it comes to safe havens for money obtained by international organised crime syndicates or safe storage points for drug traffickers, microstates are tempting targets.

There is a considerable literature on 'narcofunding' of political campaigns both in South American countries such as Colombia and in small Caribbean island states which are situated along the drug smuggling routes to the United States. Clifford E. Griffin suggests that 'corruption of public officials' is 'the greatest threat to democracy and political stability in microstates'. (Griffin, 1997, 197.) Elsewhere, the same author cites the view of an official of the US State Department that 'drug traffickers have ... penetrated the highest levels of society and government institutions' in six Caribbean states, including four members of the Commonwealth. (Griffin, 2000, 124.)

In Oceania, a former Commonwealth Secretariat official referred in the 1980s to the effective takeover of one particular member state in the Pacific by members of the Japanese Yakuza.

A further special aspect of political campaigning, and thus of campaign financing, in small states is the limited number of newspapers and broadcasting stations. Regulations and subsidies relating to broadcasting and to the press need to take particular account in these small and often isolated countries of the need to assure media access to opposition candidates and parties.

Political financing in small countries is a topic of special relevance to the Commonwealth and deserves careful consideration and research.

V. Conclusions

It is tempting to set out a series of recommendations of so-called 'best practice'. Yet it would be unwise to do so for at least two reasons. First, there is no consensus either among political scientists or among politicians about what constitutes 'best practice'. Questions about the pros and cons of public subventions to parties and candidates, spending limits, and bans of foreign sources of money are highly controversial. Second, problems and solutions vary from country to country. No single set of laws and no single method of subsidy is likely to suit every nation, especially as resources needed to apply such laws and subventions vary so greatly.

As the basis for discussion, this concluding section will set forward three propositions and four tentative recommendations.

The three limited propositions are: first, there is a chasm between the letter and the reality of laws about political funding. Just because it may be deemed desirable that contributions to candidates for public office and to political parties ought to be disclosed, this does not mean that a law about disclosure will achieve the objective. The same applies to problems of vote-buying or of foreign sources of money for political purposes. Even if laws are necessary, they are in themselves rarely sufficient. Facile answers and quick bouts of legislation often prove ineffective. Reforms should not be undertaken lightly. The would-be reformer needs to be mindful that the position in many countries is summed up by the phrase 'Too many rules. Too little enforcement.'

When it comes to formulating regulations and subsidy systems, the issues of legal penalties and of the responsibilities and financing of enforcement agencies are crucial.

Second, the solutions which are right for each country are more likely to emerge if issues of political funding are thoroughly discussed and studied. As the final sections of the paper ('Sources and methods' and 'Guide to further information') show, studies of political financing exist for only a few Commonwealth countries, in particular Britain, Canada and India. However, there seem to be some major gaps as far as present knowledge is

concerned. In particular, case studies are needed of the patterns of funding of politics in most of the Caribbean member states of the Commonwealth and in most of the members in Oceania.

Academic expertise and studies are not a matter for the ivory tower of universities and research institutes. Experience shows that without local experts in each country (including investigative journalists and electoral administrators as well as scholars), the problems of political financing are likely to be ignored to be misunderstood.

Third, the field of political financing cannot be viewed in isolation. Solutions to difficulties relating to money in politics often require a combination of actions concerning press freedom, money laundering and other anti-corruption measures as well as reforms related narrowly to campaign and party funds. Equally, anti-corruption measures, for their part, must include political funding controls and subsidies.

Four recommendations are:

1. despite the shortcomings of disclosure laws, they are arguably an important instrument with which to tackle the corruption that is often associated with political financing. Even when disclosure laws are regularly flouted, and even though their existence provides the incentive for the would-be corrupt donor to search for loopholes in the regulations and ever more devious forms of financing their chosen candidates, such laws are usually worthwhile. At the very least, the existence of disclosure rules means that donors and recipient know that they may be prosecuted if they disregard them.
2. Bans or restrictions on paid political advertising on television and radio are far less common than the provision of free time to candidates and parties. Arguably both measures are needed if rival political forces are to have the chance to put their views to the electors and, at the same time, if the costs of political campaigns are to be kept in check.
3. Even where a monopoly of radio or television is in the hands of a private company, it is possible to pass laws to oblige that company to provide free or subsidised time for political broadcasts. It is sometimes wrongly assumed that only publicly operated media are subject to regulation.

4. If the aim of public subsidy is to allow candidates and parties to reach the electors, and if it is also considered desirable that funds should be raised from ordinary party members and supporters, a method to achieve these two objectives at the same time is to make public funding conditional upon performance in private fundraising. Ways to do this include matching grants, tax credits and income tax reliefs on small and medium sized contributions.

Such incentive systems require careful administration. Thus, the system of tax credits, which operates in Canada in order to encourage small political donations, may not work everywhere. But it is a system that deserves careful examination in other countries. (See Karl-Heinz Nassmacher, 1994.)

VI. Sources and Methods

The starting point for any study of the laws within Commonwealth countries relating to electoral laws and cases is the key study by Carl Dundas, published by the Commonwealth Secretariat between 1994 and 1996. However, this work does not give information about laws and practices relating to all aspects of political financing. For instance, regulations about election broadcasts normally derive from laws relating to media and are thus not always covered by electoral laws. In some countries, laws relating to political parties, voluntary organisations, taxation, inheritance, companies, and trade unions also contain provisions which affect the financing of politics.

Given the relatively short time available to collect information for this publication, direct contact with senior officials of electoral commissions and other experts was the main method used to update and to supplement the material for Commonwealth countries cited by Dundas. Altogether, the author received assistance from officials and experts in 44 Commonwealth countries. There are a number of gaps resulting from the very occasional failure of some would-be informants to reply and from problems in communicating with officials in a handful of Commonwealth countries. Despite the gaps, this publication almost certainly represents the most detailed attempt so far to gather this material.

VII. Guide to Further Information

(References and addresses of web-sites are given in a Bibliography which is to be found in the Democracy section of the Commonwealth Secretariat's website: www.thecommonwealth.org).

1. Internet sites

- (a) **Compendium.** Concerning issues and problems about political financing in general, a convenient set of files, most of them written by the author, are those on 'Parties and Candidates' in the Administration and Cost of Elections (ACE) Project. (www.aceproject.org) This work has the advantage of being published both as a CD-ROM and on the Internet in English, French and Spanish. The disadvantage of the project is that some parts of it (including the sections on political financing) were never finalised and appear in an uncorrected, preliminary version.
- (b) **Electoral Commissions.** For an insight into the working of laws relating to the disclosure of political contributions, detailed information and donors' lists are given on web-sites of the Australian Electoral Commission (www.aec.gov.au) and Elections Canada (www.elections.ca). There is a more limited amount of information on the site of the Electoral Commission of India, relating especially to the huge scale of electoral administration in the world's largest democracy (www.eci.gov.in). For a more detailed list of the sites of electoral commissions, see the International Foundation for Election Systems (www.ifes.org) and, for Commonwealth countries, the Commonwealth Secretariat's site (www.thecommonwealth.org).
- (c) **Committee on Standards in Public Life (Britain).** Though concerned primarily about Britain, the 1998 Report of the Neill Committee (Committee on Standards in Public Life) gives an interesting summary of the arguments for and against various proposed reforms of political financing (www.open.gov.uk/cspl). These have a relevance well beyond Britain.
- (d) **Corruption and scandals involving political financing.** Keesing's Record of World Events (www.keesings.com), Transparency International

(www.transparency.org), and Financial Scandals (www.ex.ac.uk/~RDavies/arian/scandals/political.html) are three useful starting points. Whereas there is a charge for internet access to Keesing's, the volumes are available also as clearly-indexed reference volumes.

- (e) **Bibliographical guide.** One of the best single sources on books on political financing around the globe, which is constantly updated, is the catalogue of the Library of Congress in Washington, D.C. This can be searched under the advanced search programme with the listing 'campaign funds' or 'financing' as well as under 'campaign funds – Law and legislation' and 'Conflict of interests' and 'Election law' and 'Financial disclosure' (www.loc.gov).

2. Written works

- (a) **Canadian Royal Commission on Electoral Reform and Party Financing.** Several invaluable volumes emerged in the early 1990s from the Canadian Royal Commission on Electoral Reform and Party Financing. They include the Commission's four volume Report (1991), and a volume of comparative research studies edited by F. Leslie Seidle.
- (b) **Studies of political financing in particular geographical regions and in specific Commonwealth countries.** There remains a shortage of publications on political financing in specific geographical areas and countries of the Commonwealth. On Southern Africa, there is a chapter by Roger Southall and Geoffrey Wood (1998). Two pioneering studies of regions which include Commonwealth countries are to be included in the handbook on political financing due to be published in 1991 by the Stockholm-based International Institute for Democracy and Electoral Assistance. A chapter by Yaw Saffu, circulated by IDEA in May 2000, concerns political funding in Africa and another, by Randhir B. Jain, deals with political funding in Asia.

On political financing in Canada, there is the important work by W. T. Stanbury (1993) and, concerning funding at the provincial level, a volume edited by Seidle (1991) and a detailed earlier work by Patrick Boyer (1983);

Harold M. Angell wrote widely on the special system in Quebec (in particular, Angell, 1996). Canadian reforms of party and election financing have also been the subject of studies by scholars from Germany and Britain (Nassmacher, 1994, and Keith Ewing, 1992). On Britain, publications include Michael Pinto-Duschinsky (1981 and 1994), Keith Ewing (1987), and Justin Fisher (1996). On India, there have been a number of publications, including Jain (1995). On Malaysia, the volume by Edward Terence Gomez and K. S. Jomo (1997) contains a considerable amount on 'money politics.'

Chapters on political funding in certain Commonwealth countries appear in a number of edited works. For instance Herbert E. Alexander and Rei Shiratori's edited volume of 1994 contains chapters on Australia (Ernest Chaples), Britain (Pinto-Duschinsky), Canada (Nassmacher) and India (Jain). These chapters are available also online. Kofi Kumado's 1996 edition has information on Cameroon, India, Nigeria, South Africa and Zimbabwe; Ruth Levush (1997) includes contributions on Australia (Robert L. Nay), Britain (Kersi B. Shroff), Canada (Stephen Clarke), India (Krishan Nehra), and Malaysia (Mya Saw Shin).

Concerning papers and chapters on individual countries, a critical history of political financing and elections in Antigua and Barbuda is Douglas W. Payne (1999); a useful study of problems of disclosure regulations in Australia is that of Teresa Somes (1998); on Malaysia, see Edward Terence Gomez (1996 and 1998); on Papua New Guinea and other parts of the Pacific, see Bill Standish (1999); on Sri Lanka, Kingsley Rodrigo (2001); mainly concerning Uganda, there is a study commissioned by the World Bank by M. A. Thomas and Joel Barkan (1988); there are further comments on Uganda in Flora Nkurukenda (1998); valuable, though dated, work on Zambia is that of Ian Scott (1982).

Drafts of studies by Emanuel Gyimah-Boadi (Ghana), Mungo Soggot (South Africa) and Chris Maina Peter (Tanzania), were all distributed in May 2000 by International IDEA at a large conference in Botswana. The Commonwealth Parliamentary Association's journal, *The Parliamentarian*, has published a number of relevant articles.

There is also information in chapters which are not devoted exclusively to political financing: for instance, on Antigua and Barbuda and on St Kitts and Nevis in studies of narcofunding by Clifford E. Griffin (1997 and 2000); on Cameroon, in a study of political corruption by Charles M Fombad (2000); on Mauritius in a United Nations Development Programme report by Horacio Boneo et. al. (1998); on Mozambique in Marc de Tollenaere (2000).

- (c) **Discussions of policy issues related to the regulation and subsidy of political financing.** On the issue of public funding of parties and elections, see Pinto-Duschinsky (1998, section on 'Parties and candidates' and 2000), Committee on Standards in Public Life (1998), Peter Mair (2000), Jane Jensen in Seidle (1991b). The first two of these sources deal also with arguments about spending limits, disclosure, bans on foreign contributions, and enforcement.

DEEPENING DEMOCRACY

The reports of the Observer Groups which are present at elections in Commonwealth countries and the reports of the workshops in the *Deepening Democracy* series are also available from the Political Affairs Division of the Commonwealth Secretariat (see address at the front of this pamphlet).

Deepening Democracy Workshops

Reports of these workshops which were available at the time of publication:

- *The Role of the Opposition, June 1998*
- *Domestic Election Observers, May 1999*
- *Gender and Democracy, February 2000*
- *Democracy and Small States, May 2000*
- *Decentralisation and Devolution, June 2000*
- *Broadcasting and Democracy, April 2001*
- *Accountability, Scrutiny and Oversight, May 2001*
- *Money and Democratic Politics, November 2001*

Observer Group Reports

At the time of publication the most recent Observer Groups reports are:

- *The Gambia Presidential Election, October 2001*
- *Fiji Islands General Election, August/September 2001*
- *Guyana General and Regional Elections, March 2001*
- *The Trinidad and Tobago General Election, December 2000*
- *The Elections in Zanzibar, United Republic of Tanzania, October 2000*
- *The Parliamentary Elections in Zimbabwe, June 2000*

Other publications include:

- *Voting for Democracy, the Report of the Conference of Commonwealth Chief Election Officers, March 1998*
- *Good Commonwealth Electoral Practice, June 1997*

In this first publication in the Commonwealth Secretariat's *Taking Democracy Seriously* series, academic Michael Pinto-Duschinsky:

- surveys the laws and practices of Commonwealth countries concerning the financing of election campaign and political parties;
- highlights some problems and issues; and
- puts forward conclusions and recommendations for consideration by those who are working to improve the quality of Commonwealth democracy.

