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International IDEA



**National Institute for Social
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The Centre for Democratic Institutions

**‘Paying for Parties – Choices for democrats’
Ms. Karen Fogg, Secretary-General of International IDEA**

On Tuesday 12 August 2003, the Centre for Democratic Institutions in association with the National Institute of Social Sciences and Law and the Senate of the Australian Parliament House hosted a public lecture delivered by Ms. Karen Fogg, Secretary General of the International Institute for Democracy and Electoral Assistance (International IDEA). Ms. Karen Fogg’s lecture was entitled ‘Paying for Parties – Choices for democrats’. This lecture was delivered at The Theatre in Parliament House as part of the Australian Senate’s Occasional Lecture Series. The lecture transcript is outlined below.

MS. KAREN FOGG:

Democracy cannot function properly without political parties. However much they are disliked or mistrusted, parties perform an essential public service—recruiting and preparing candidates for public office, mobilizing electors, contesting and then winning or losing elections and forming governments. In an “ideal” world, they are seen to aggregate and mediate interests, develop policy alternatives and generally provide the main link between citizen and government. The effectiveness of political parties—related as much to the quality of their organization, their professionalism, membership and funding base, as to the appeal of their particular policies —impacts directly on the effectiveness of the rest of the political system.

Despite their importance, political parties have rarely attracted the same kind of public interest and concern that tends to be given either to the more formal institutions of democracy, such as the parliament and the judiciary, or to the less formal components such as civil society and the media. Indeed, in many countries, there was for a long time a

tendency to take political parties for granted, and to assume they would emerge to fill a political space, then rely on their members and well-wishers to sustain them. More recently—in the older as in the newer democracies—there has been increasing contempt for and general public disillusionment with parties and politicians, impacting in turn on attitudes to democracy as a whole. One main reason for this has, without doubt, been what is perceived as an excessive intrusion of money into politics. Whether the particular concern is business pressures or crime-related donations, with vote buying or ever-expanding media campaigns, the public image of parties is increasingly tarred with the brush of corruption. (Transparency International found, in its first *Global Corruption Barometer* on public attitudes published in July 2003, that in 33 of 44 countries surveyed, more than 30 per cent of the respondents (over 50 per cent in Argentina and Japan) picked political parties as the first actors to be addressed in the struggle to eliminate corruption.) The issue of party finance is thus now moving onto the political agenda with some urgency in several countries and regions of the world as politicians seek to demonstrate some sensitivity to public concern and rebuild greater credibility in their political party machines.

Parties need to generate income, like any other organization, to pay staff and finance running costs. But, given that they have a vocation to win elections, take over the reins of political power and distribute the spoils of office, the financial stakes involved are clearly of a special order. As the costs of campaigning escalate as in an “arms race”, with ever more expensive recourse to media advertising and market research, parties are under increasing pressure. The financing of electoral campaigns becomes an issue in itself. The regulation and monitoring of campaign finance often constitutes an important aspect of effective election management. It is in that context that the International Institute for Democracy and Electoral Assistance (IDEA), as an intergovernmental organisation specialised in supporting democracy world wide, first took an interest in the issue of party finance. IDEA has looked closely at different traditions and patterns of regulating party finance in different parts of the world and will very shortly be publishing its long awaited Handbook on the subject. That will constitute the first stage of a broader program of work looking at the problems faced by political parties and options for developing and strengthening parties to enable them to play the role expected of them, particularly in the newer democracies around the world.

I am privileged to have the opportunity here to make some reflections on the policy options available with regard to party financing, drawing on IDEA’s work to date which has been more specifically on the regulation of party finance.

Most regulation makes a distinction between private contributions on the one hand, whether from individuals or institutions, and public subsidies, direct or indirect, on the other hand. In fact, it is always the citizen who pays for democracy and finances party expenditure. The citizen may contribute as individual party member or supporter, or as member of an interest group or shareholder of a company that explicitly or otherwise makes political contributions. The citizen will most likely be a taxpayer to a national budget used for party subsidies. He or she may also be a consumer of goods and services the prices of which may need to cover the hidden costs of political favours. The citizen may ponder what mixture of financing is desirable for the purpose of sustaining a healthy democracy, but even more relevant would be the question to what extent public policy, through regulation or public funding, might impact effectively on financial transfers.

IDEA has found that of the 111 countries on which data has been collected, there are as many as 71 which have introduced some system of regulation, a further 7 have some scattered rules but no actual system of regulation, and another 12 have a system based on candidate finance. (This is often the case in countries with majoritarian electoral systems where the electoral system itself focuses on candidates rather than political parties).

There are tremendous variations, in intent and in effectiveness, related to political culture and context. According to Karl-Heinz Nassmacher, IDEA's lead writer for the Handbook, there are three broad strategic options relating to the regulation of party finance: the autonomy option, which emphasizes the freedom and privacy of political parties, minimizing the need for regulation and relying largely on self-regulation and the self-correcting mechanisms of party competition; the transparency option, which highlights the disclosure of information on party finance to enable the individual voter to assume her or his responsibilities and prerogatives and make an informed choice on election day; and the advocacy option, which foresees a set of detailed regulations on party finance, monitored and enforced by an independent agency. Combinations of the three are possible and indeed desirable.

Motives for regulating political finance may vary considerably and with them also the focus of the regulations. One key reason to legislate is to prevent abuse and the buying of influence in political parties by interest groups or wealthy individuals, and so seek to restore public confidence in the political process. This is usually the main objective of the "advocacy option" mentioned above. The need for "clean politics" has indeed driven most regulatory initiatives in recent years. Hence the use of bans or limits on donations from particular groups. Anonymous, foreign, trade union and corporate donations are the types of donation most often excluded, not always effectively. Some exclusions are understandable: why should entities that do not after all have voting rights be able instead to use their money to influence political decisions! However, if many funding sources, particularly corporate finance, are eliminated, parties will need to rely on other sources of support and can become excessively dependent on public funding or on other, often more devious, means to obtain additional support. Rather than constituting a strategy on how to finance parties, the pressure for "clean politics" may tend to consist of indications on how not to finance, leaving many pieces in the jigsaw missing.

The "transparency option" offers an alternative approach, with various obligations for public disclosure as well as auditing requirements placed on parties and/or on donors. The difficulties of enforcing bans and limitations have in fact led to much greater reliance on the transparency option in many countries (Nearly half the countries surveyed by IDEA have public disclosure requirements, though Australia may be one of the only countries to have reduced rather than increased such requirements in recent years.) The notion of disclosure is linked to the empowerment of voters, aiming to ensure that they have the information they need to be able to make an informed choice on Election Day. It is often argued that adequate disclosure provisions can substitute for bans and limitations, leaving parties free to seek funding from a range of sources, since the electorate, together with civil society and the media, can provide an effective sanction to discourage disreputable funding for by parties and candidates. The argument certainly needs careful dissection. Disclosure rules can have some impact as a deterrent but are only effective in certain conditions. The challenge is to make available information that can be useful to the interested voter or the media. In practice, this means naming only the bigger donors and ensuring that information is

available in a timely fashion, before elections rather than months after the event. It is taken for granted that active independent media and civil society exist and are ready and able to exploit the information relatively objectively and bring it to the attention of voters. There is however also the question how far voters will indeed use such information, whether the party system offers the voter any real alternatives, and whether the electoral system is sufficiently responsive to shifts in voting trends.

Instead of empowering voters, disclosure of donor identity may empower those who wish to intimate donors. There is certainly evidence that disclosure of donor identity may be counterproductive, especially in some emerging or unstable democracies where there are high risks of harassment of those who are donors to opposition parties, or parties representing minority concerns. This is not to undermine transparency as an objective of political finance regulation, but to contextualize it and point out the importance of broader issues such as the party system and the independence of the media.

Continuing on the theme of “how not to finance” political parties, whether through prohibitions or by public disclosure, insofar as the aim is to prevent abuse and reestablish public confidence in political parties, effective and visible enforcement is crucial. Lack of enforcement is probably more dangerous than lack of rules, since it leads to disenchantment and cynicism towards democracy. Indeed, many countries already have a broad set of rules on political finance but show little satisfaction with the impact they have. Many legislators have aimed for the “advocacy option” of a fully regulated system, but enforcement agencies frequently fall short of being able to monitor implementation and are often quite unequipped to fulfill the immense ambitions of legislators.

The capacity to enforce legislation – or “enforceability” - has two different connotations in this context. It refers to institutional capacity and the practical feasibility of enforcing political finance regulations without excessive bureaucracy and expense. It also refers to political capacity and willingness to allow the relevant public authorities to proceed with enforcement - by monitoring, investigating, judging and if necessary sanctioning irregularities - without any political interference. In certain cases, this may mean a direct challenge to the political establishment and prove to be a most difficult test of the separation of powers between executive and judiciary. Any kind of regulatory framework for political activity presupposes a minimum degree of respect for and capacity to implement the rule of law. The relative solidity of political and judicial institutions in a country must therefore weigh heavily in the design of appropriate political finance rules. The “advocacy option” model of a powerful independent authority to be responsible for monitoring and enforcement may indeed be unrealistic in many societies and a more collaborative approach can be more effective. Just as in the design of rules, so in their enforcement, it may be appropriate to engage the parties or politicians themselves to operate collegially as the enforcement authority (just as they sometimes operate a bipartisan election management authority). Civil society and the media have of course an essential role to play in exposing and condemning cases of abuse, but they can help to enforce regulations, not substitute for them.

In some countries, the prime aim of regulation may be simply to legitimize private political finance, to bring it within the realm of law, and therefore to insist initially on disclosure and only later build up a consensus among the parties themselves about what might constitute

undesirable funding. Hasty, top-down legislation, with an eye for instance to impressing the international community rather than changing patterns of political influence at home, is unlikely to have much effect and can also rebound with the electorate. Legislation so directly affecting political life can usually only consolidate an existing basic political consensus; it cannot create one. Hence the notion that it is best to engage in cross-party dialogue to encourage the emergence of a broad coalition in favour of cleaner politics. The risk of course is that rent-seekers from different parties will join forces in order to legislate to facilitate clientelist linkages rather than limit or expose them. Civil society and the judicial authorities should therefore also be actively involved in the debate on political reform in this area.

It also has to be recognized that the regulation of party finance is only the tip of the iceberg of the problem of combating corruption in political life. Measures to ban corporate contributions to campaign finance and thus indirectly limit the influence of business on government, for instance, should normally go hand in hand with other measures on political corruption, for instance, requiring regular disclosure of assets and registration of the interests of sitting members of Parliament (MPs) (and their families) and party officials. Rules on parliamentary immunity should also be reviewed. This is even more relevant in those countries where the problem of money buying influence with politicians is less than the problem of politicians using their position to extort money from those requiring protection or seeking favours. Broader measures are also required to secure transparent management of state resources, to regulate public procurement and generally limit discretionary powers of decision with major financial or commercial implications, to establish clearer rules on financial control and audit and enhance accountability. The aim has to be to reduce some of the obvious “spoils of office” which are at the source of most of the problems of buying political influence.

So much for the use of regulations for preventing abuse in party financing. Another motive for legislation is to contribute to the establishment of a level playing field of competition between the parties. Fair competition is a fundamental if implicit principle of multiparty democracy. Legislating on political finance can help equalize the conditions of competition, it may ease the entry of new parties on the political scene, and it can also reduce the pressure on parties to align their policies to those of corporate or other wealthy interest groups. Tools similar to those used against corruption may be applied — for example, bans and limits on certain types or sources of funding—but the purpose is less to eliminate undesirable funding and more to limit the total volume of expenditure by any one party or candidate so as to reduce the disadvantages faced by less wealthy candidates, including specifically women candidates. It then becomes equally important to fix expenditure limits for primary election or equivalent campaigning.

Sometimes, political parties can themselves be willing partners in the search for ways of limiting the “arms race” of political finance, particularly as regards the burden of funding electoral campaigns. One obvious tool to limit the total costs of electoral campaigns, used increasingly in Latin America, is to limit strictly the length of the electoral campaign itself. Another way is to ban the purchasing of television time for political advertising on commercial stations, as is done in a wide range of countries including Brazil, the UK and India. (Australia seems to be bucking the trend with the 1992 High Court judgment, which declared such a ban unconstitutional). Regulating access to the media will of course be

more relevant in those countries where commercial broadcasting dominates, and also where the campaign is entirely personalized, as in presidential systems.

The tool most frequently used to equalize competition is that of public funding for political parties, whether direct or indirect. Such funding is more widespread than commonly realized. IDEA's surveys identify 65 countries as having provisions for direct public funding and 79 as having indirect funding. 71 countries give free access to public media, usually based on the principle of equal time for all parties. Other forms of indirect funding may be given through special taxation rules for parties or donors (32 countries) free or subsidized franking of letters and use of telephones, free transport, free use of public buildings for meetings and offices. It seems that public funding, if available at an adequate level and combined with bans and ceilings, can indeed make a significant impact on the sustainability of non-business parties. Moreover, there is some evidence from Latin America—Mexico and Costa Rica in particular—that public funding has contributed to modifying entrenched party systems, facilitated the development of new political forces and generally enhanced political competition. There is now a vivid debate on new legislation—in Chile, for example, on how best to use public funding and how to determine amounts, eligibility, timing and other conditions.

Levels and methods of public financing vary considerably. Of interest are those systems of tax credits as in Canada and Australia or matching grants as in the US designed to act as an incentive to expand the range of “grass roots” contributions and reduce reliance on a few major sources of funding. However, this use of public funding reflects an “ideal” model of a party, thriving on the voluntary efforts and financial support of committed followers. This may still have some basis in reality in some older parties in Europe and in the “anglo-saxon orbit”, but it is certainly not a feasible model for parties in newer democracies which have not had long years to build up a mass membership tradition before the advent of personality politics. Indeed, in those countries, where parties are prohibited from receiving corporate donations and yet have little tradition of membership fees or individual donations, the model – implicit or explicit – seems to be one of party dependence on state funding. That is the case of many new democracies in Central and Eastern Europe as well as in Latin America.

Though public funding is widespread, it would seem that it is rarely used very creatively, in the sense that there are seldom any conditions of “good behaviour” attached, which might seek to strengthen and develop political parties, to help them become responsible actors in support of sustainable and effective democracy. This would be to set the regulation of political finance in the broader context of constitutional and legislative provision on political parties, and indeed the general philosophy on the role of political parties within the political system, including the relationship between party leadership, candidate, party member and citizen. To qualify for funds, parties could for instance be required to live up to certain standards of internal party democracy, transparency or practices of inclusiveness, for instance by ensuring a given gender balance among candidates and officials. (It is remarkable that only one country—France—seems to have made the link between public funding and gender targets. It is equally interesting that the linkage established in law has until now been rejected by the French parties themselves.) Funds could be targeted for use in capacity building, for instance in training or policy development. Only the UK does this, a very recent development in a country traditionally very reticent about public funding for political parties. Capacity building is an area where foreign actors, such as sister parties in

other countries, development agencies or NGOs often take an interest. Many external initiatives bring positive effects, though they may arouse sensitivities about foreign interference. The ideal could therefore be to harness the efforts of external well-wishers behind an official national strategy for the development of political parties, through both funding and regulation.

The “autonomy option”, at the other extreme, which minimizes the need for regulation and plays up the self regulating nature of an open political system, would tend to support a radically different hypothesis about the propensity of political parties to change and develop. Although it may be tempting to dismiss this option as the refuge of those dependent on corporate funding, it may be the case that in certain situations individual political parties can indeed be provoked into setting their own standards of clean politics and can successfully exploit electoral disillusionment with establishment parties, setting in train a competitive process of party reform. Quoting the Korean example in this context, the Council of Asian Liberals and Democrats together with NDI have made an interesting analysis of trends in internal party reform in several Asian countries, showing a range of initiatives by committed reformers. Most striking is the combination of specific in-party anti-corruption measures (transparency, codes of conduct, disclosure rules, internal monitoring, asset management) and reforms to enhance internal party democracy, notably in the nomination, election and accountability of party leaders. Such a trend is feasible only in a relatively open and responsive political system, backed up by a lively civil society and pluralist media. It can be the start of consensus building towards a more regulatory approach. It can also wither and die as rent seekers from political elites work on a cross party basis to neutralise the reformers.

IDEA’s studies have shown very different trends in political financing in different regions of the world, reflecting different political systems as well as the different degrees of maturity of democracy as such. The level of gross domestic product (GDP) per capita, the depth of socio-economic inequality and the distribution of economic power are also of fundamental importance in considering political finance and the opportunities for reform. The field is also changing swiftly with many recent initiatives, several in the first half of 2003, which are of quite some significance.

Within the Anglo-Saxon orbit, there are marked differences. Even between countries which have candidate- rather than party-based approaches, there are very different philosophies about regulation. Having long opposed the notion of public funding for parties, the UK has moved very cautiously and recently introduced a very modest facility for supporting policy development. While Australia seems minimalist in its approach to regulation, Canada might have been seen as the country with the most comprehensive, balanced and apparently successful system of regulation and public funding, allowing for a mixture of sources of finance. Yet it is precisely in Canada that there have recently been strong pressures to curb more severely the influence of corporate financing. These culminated in a new law that passed through the Federal Parliament on 19 June 2003 which now basically prohibits corporations, trade unions and lobby groups from making donations to political parties, allowing them to contribute amounts up to only CAD 1.000 per year to individual candidates or local party associations. To compensate, direct public funding for parties is to be introduced at the rate of CAD 1.75 per vote received in the previous election, adding to the already generous reimbursement of candidates’ electoral expenses.

In continental Western Europe, the differing traditions between north and south are also very marked, with patterns of regulation reflecting degrees of the perceived danger of “plutocratic funding”. Germany would appear to offer the most comprehensive party law and public funding system, but, like Canada, it is set in and designed for a mature political culture where the rule of law exists, where grass-roots membership is traditional and can still be mobilized, and where generous public funding is accepted by taxpayers as a price for democracy. Despite the radical differences in tradition within Europe, however, it is particularly interesting to note the impact of European integration in the area of political regulation. Under the influence of those countries with a tradition of public funding, the European Union’s Treaty of Nice of 2000 provided for regulations to be established governing political parties at the European level and in particular the rules regarding their funding. In the words of the President of the European Commission, Romano Prodi, “strong and independent European parties are essential for improving democracy in the European Union”. Prompted by the demand for transparency in party financing emanating from the European Court of Audit, as well as the imminence of EU enlargement, there has been a recent flurry of activity, with a draft regulation from the Commission in February 2003 followed by a European Parliament position in June. Key elements of the Commission’s proposal, backed largely by the European Parliament in its position voted on 19 June, foresee public funding being made conditional on evidence that party statutes and activities respect the principles of democracy, human rights and rule of law as laid down in the EU Treaty and the Charter of Fundamental Rights of the European Union. Parties must demonstrate a reasonable degree of representativeness across the EU. They must generate at least 25 per cent of their funding through their own efforts (donations, subscriptions etc.). Parties must disclose their accounts to the Court of Auditors, specifying donors and donations (exceeding EUR 500 in the latest version). Ceilings on donations (exceeding EUR 12.000 per year according to the Parliament) are to be fixed.

The significance of these developments at EU level, yet to be confirmed by the Council, is that they may gradually influence the contrasting national political traditions across the enlarged EU and beyond. Reinforcing the trend towards regulation and convergence is the initiative by the 45-member Council of Europe, whose Committee of Ministers agreed on a recommendation on 8 April 2003 asking all countries to abide by a number of principles on party finance, ranging from transparency in party accounts through restrictions on or prohibitions of sources of funds to public funding of political parties. Good practice in political party financing is also being promoted by influential transnational NGOs such as the Association of Central and Eastern European Election Officials (ACEEEO).

There has also been a burst of interest in political party finance in the Americas. In March 2003, the Council of Presidents and Prime Ministers of the Americas agreed on a far-reaching declaration on political financing (Carter Center 19 March 2003). Worth quoting at some length, these refer to the following six principles:

- *Fostering stronger representative and accountable political parties.* In their representation and participation functions, political parties need access to adequate resources to function effectively and ethically.
- *Ensuring effective electoral competition.* Parties and candidates must have a fair chance to campaign for their ideas; access to the media and adequate resources are crucial. Unfair incumbency advantages should be addressed and the use of state resources that

are not made available for all candidates in the electoral campaign should be prohibited.

- *Promoting political equality and citizen participation.* Citizens, rich or poor, must have equal opportunity to participate in the political process and to support candidates or parties of their choice. Financial contributions are a legitimate form of support. Inequalities related to gender, race, ethnicity or marginalized populations should be compensated. The principle of one-person, one-vote must be preserved.
- *Preserving the integrity of the electoral process through transparency.* Voters need to be empowered to choose as autonomous and informed citizens, free from pressures, intimidation or seduction through economic benefits, and informed about the resources and support for candidates and parties.
- *Enhancing accountability and eliminating corruption.* Elected officeholders should represent their constituents as a whole and be free from financial dependence on a few. Donations should not be used to buy access to politicians or civil servants, personal favors (contracts, tax breaks and so on), or policy favors.
- *Strengthening the rule of law and enforcement capacity.* There must be assurances of timely justice and an end to impunity in abuses of political financing. The enforcement of political finance laws and regulations requires the existence of independent oversight authorities and an effective system of sanctions to end impunity.

Deriving from these principles, the Council of Presidents and Prime Ministers of the Americas go on to set as objectives and tools that their members states should:

- *Invest in the democratic character of parties rather than long or negative campaigns.* The pressures of fundraising should be reduced by controlling the factors that escalate campaign costs. Measures could include limiting spending; shortening campaigns; providing equitable access to the media, including free media time to the candidates during prime time; banning or capping paid political advertising; promoting public financing, eliminating inflammatory ads; adopting and enforcing prohibitions against vote-buying.
- *Improve transparency and reduce the influence of money by requiring disclosure of donations and expenditures.* Parties and candidates should be required to publicly disclose itemized donations above certain amounts and their sources, including in-kind contributions, before and after the elections so that future undue influence by the donor could be assessed. Parties and candidates should make public audited reports of itemized expenditures on a regular basis, including in-kind expenses, with all funds flowing through identified bank accounts managed by specified individuals who can be held accountable. Media should be required to disclose standard advertising rates, to report discounts as political donations, and maintain advertising rates that do not exceed the commercial rates used between campaigns. Campaign contributions from foreign sources should be prohibited, with the exception of citizens living abroad if allowed by national law. Campaigns and candidates should refuse donations from organized crime or drug trafficking.
- *Promote equity, participation and competition.* Mixed funding systems with a substantial public component are recommended. Public funds should be provided as a substitute for or a complement to private donations at all phases of the political and electoral process. Public funding for ongoing party activities and campaigns should be allocated by a mix of proportional rules and flat subsidies to all parties that meet reasonable thresholds. Large individual donations should be limited; small donations that the average citizen can afford should be encouraged, perhaps by offering tax

credits; and voluntary media standards for balanced media coverage should be developed.

- *The institutions responsible for enforcement should provide both incentives and sanctions.* Oversight entities, whether electoral management bodies or judicial organs, should be independent, non-partisan, and equipped with sufficient human and financial resources and authority to enforce the country's laws. Without this, none of the other measures suggested here will be effective. Enforcement capacity should be developed for effective monitoring, investigating, and prosecuting, and include subpoena powers, whistleblowers protection and access to bank accounts. Sanctions should include remedial actions, fines, criminal prosecution, and denial of office and/or future access to public funding.

This declaration complements and supports the study being undertaken under the auspices of the Organization of American States (OAS) Inter American Forum on Political Parties, with International IDEA, focusing on enforcement, disclosure, access to the media and public and private regimes of financing. A broader discussion on the strengthening of political parties is also developing in Latin America. The 19 heads of state attending the 17th Rio Group Summit, held in Peru in May 2003, endorsed a report on greater financial transparency, internal democracy and equal opportunities. A few days later, a special study on Central American political parties was launched by the International Development Bank (IDB), the OAS and IDEA. At the national level, debates are also intense as new legislation takes shape—on political finance in Chile and on party law in Peru, to mention a few examples. Latin America may offer some cause for optimism about its capacity for political reform, since multiparty democracy is largely stabilized, the private sector is more independent of the state and civil society is more mobilized to demand change than used to be the case.

A very different picture emerges from parts of Africa, not dissimilar from parts of Eastern Europe, where multiparty politics is a recent development and where entrenched parties in government often have few scruples about using state resources for political ends, rarely accepting the need to allow the opposition to compete on equal terms. In differing degrees, business interests dominate and party structures and membership remain very weak. Regulation of party finance is fragmentary and difficult to enforce, and public funding is low or non-existent. Very serious reflection is needed to trace a strategy for the development of political parties in these emerging democracies. However, things are moving at continental level, at least. The African Union has been working on an African Convention on Preventing and Combating Corruption. The draft convention was adopted by the Assembly of Heads of State and Government in July 2003, and member states were encouraged to sign and apply it. It contains provisions for transparency in political party finance, and prohibits the use of funds from illegal or corrupt practices. It also provides for an active role for civil society and the media in the monitoring process. Many individual countries are also considering reforms of a wide variety of political finance laws. Public funding is one of the most heavily debated issues in the region, and in countries like Ghana, South Africa and Uganda political parties and movements are raising their voices to ask for funds from the public purse.

There are few formal political finance initiatives on a regional basis in Asia. Party finance laws are diverse and it is difficult to find common trends and developments. Of particular interest is the recent case in India of action by the Supreme Court to enforce accountability

of politicians. The key public concern which has given rise to organized advocacy by some leading civil society groups is that politicians are controlled by private “money bags” or criminal elements who also find their way into politics. After a long and intense debate between politicians and civil society, Parliament and the president on the disclosure obligations of politicians, the Supreme Court on 13 March 2003 struck down a major portion of the new Electoral Reforms Act, saying it could not undermine an earlier court judgment in 2002 which had given a direction that the voters had the right to know the criminal antecedents as well as the liabilities and assets of the candidates so as to equip them to vote wisely on election day. The implications of the court’s ruling were succinctly captured by LOK SATTA (People Power), one of the NGOs which helped take the case up to the Supreme Court. Referring to the court verdict, it stated:

This should not be seen as a struggle between the people and the political parties. The parties have a vital and often thankless task to perform in a democracy. Very often they are captive in the hands of political fiefdoms which dominate the electoral scene in a first-past-the-post system. Our parties are striving hard to sustain our democracy against great odds. They need our full support in this endeavour. Equally, the parties must take this as an opportunity, not a threat. This is a priceless opportunity for our political system to break itself loose from criminal elements, unaccounted and excessive money power, and increasing perception of illegitimacy of the power game (Narayan 13 March 2003).

The link made by LOK SATTA between transparency and clean politics on the one hand and broader political and electoral reform on the other echoes the idea that the problems of regulating political finance cannot be tackled adequately without a broader consideration of other structural issues affecting the role of political parties.

Several broad issues emerge from this overview.

First, can regulation succeed anywhere if the leading political parties are not themselves committed to establishing higher standards of political behaviour? Individually, political parties may perceive electoral advantage in professing and demonstrating clean politics, but for regulation to succeed it is usually necessary for political elites to acknowledge that concerted action is required, for instance, in order to revive public support for multiparty politics. Their commitment must go beyond a willingness to legislate and include also a willingness to make legislation work, not least by setting up independent and properly resourced enforcement mechanisms. Legislation may consolidate a political consensus, formalize standards and legitimize expectations but it cannot alone provide a deterrent to misdoing or an end to impunity.

Second, can the prevention of abuse and the buying of influence be dissociated from questions of internal party management? Insofar as political parties manage power and influence, as well as finance, in the name of democracy, it can be argued that high standards of transparency and accountability need to be applicable to decision making and appointments, as well as to fund-raising and financial management. In the fight against political corruption, the trail leads almost inevitably from the specific problem of finance to the much broader problem of developing more responsible political parties that enshrine the principles of democracy and the rule of law in their party statutes, and apply them in practice in their internal management as in their political platform and campaigning activities. Regulations need to cover other issues of party management, in addition to matters of finance. This means that the party funding and party law needs to be considered in a holistic way. It would certainly be logical to use public funding in a developmental way

and tie it to respect for high standards of management and internal democracy (including affirmative action aimed at underrepresented groups).

Without undermining the case for a regulatory approach to political finance and parties in general, it is clear that there are several other underlying factors which can determine the success of legislative reform. Continuing public pressure is a key element. Hence the challenge to maintain the hot wind of electoral expectation and discontent that is blowing parties towards greater transparency and reform. As mentioned above in the discussion of the empowerment of voters, if the parties and the electoral system are unresponsive to shifts in public opinion there will be few incentives for parties to establish new standards. In addition, both the media and civil society need to maintain pressure on political parties to reform, rather than being tempted to dismiss them as incorrigible. NGOs in particular may see themselves as the more reliable voice of public opinion, being able to pressure the executive directly and thereby short-circuiting the elected representatives of the people, but they are neither representative nor accountable. If parties are condemned as an irrelevance, democracy will be all the weaker, and politicians that much less honoured and honourable.

More fundamentally, a high degree of political competition nurtured by the responsive and open nature of the political system, is probably a necessary (though not sufficient) condition for developing a culture of clean party politics. Yet genuine competition is one of the hardest features for new democracies to attain. Government parties tend to dominate, cling to power and abuse directly or indirectly the opportunities incumbency brings. The power of incumbency is indeed one of the main forces to be reckoned with in seeking to regulate political finance. There are myriad ways in which governments can circumvent rules, use public resources to buy influence, control the media, harass opposition forces and so on. The risk of this happening is high in democracies that are still weak and where government has little respect for the prerogatives of opposition forces. In such cases, it can be argued that effective regulation of political finance is simply not feasible. This does not, however, necessarily diminish the utility of advocacy campaigns for clean politics, which can highlight the different ways in which public finance can either undermine or strengthen pluralist democracy. Some abuses are nowadays picked up and documented by the international community, before elections or in the course of election observation exercises, so that “pretend democrats” who fail to respect the legitimate rights of opposition parties can be discredited. The larger problem of incumbency will, of course, remain in cases where the spoils of office—regular or irregular—are spread efficiently across diverse elites and constituencies, thus weakening any opposition case for greater transparency, integrity, equity or liberalization. In such situations, calls for legislation on party finance or party transparency need to be set within a more general movement in favour of the rule of law and systems of regulation which protect against abuse and inefficiency.

Political parties cannot be isolated from the political systems in which they operate, and any reform of their finance or organization should be seen in the broader context of conditions for competition and governance. A holistic approach is all the more important given the tendency for the problems of political corruption and the scandals of political parties in developed democracies to overshadow the major challenges for political parties in emerging democracies. Returning to my initial theme, parties are a vital though often neglected institution of democracy which needs to be nurtured and developed with quite as much care as other institutions such as the parliament, the judiciary and the public administration.

Whether considered as part of civil society or in different intermediate positions between citizen and government, parties play a more crucial role than NGOs in the actual functioning of political processes and merit as much concern from the international community. Parties are nevertheless particularly sensitive and vulnerable as objects of concern, because—unlike NGOs—they compete directly for political power. Like NGOs, they have financing needs—for training and start-up, for campaigning and membership drives, but also for basic running costs. Unlike NGOs, which can look for project finance from donors or public authorities, or engage in various income-generating activities, political parties have running costs which - all things considered - cannot reasonably be covered without a major contribution from public funds.

Public funding of political parties may be a significant and well supervised area of public finance in many established democracies, but it is still relatively unsophisticated as a tool of party support in many newer democracies. There would seem to be scope to develop more efficient frameworks and conditions for public funding which are conducive to strengthening parties as effective actors in a modern democracy. Leading political parties in newer democracies should themselves be the first to appreciate the need for more conditionality, requiring transparency and internal democracy of the political parties in return for greater public support and hence a more level playing field. Given the austerity budgets of many a new democracy, the major question for the international community will then be how far it will be willing to consider channeling its grant aid or budgetary support through national mechanisms in order to develop political parties. Various models for financing can be designed, drawing on the experience of co-financing “umbrella” funds for NGOs in several developing countries.

These are issues on which there will need to be further public debate, not least with political parties themselves in both established and newer democracies. Civil society organizations, especially those that have benefited considerably from international support to date, should also reflect seriously on the dilemmas of party financing and then on priorities in the use of public funds for democracy. Public funding of parties will not be acceptable to the public at large if parties are considered irretrievably corrupt. The responsibility will probably therefore be on existing parties to demonstrate concern about their ethical standards and the general public’s view of them and to engage in debate with opinion makers in the media, in civil society and in the international community about a new style of politics in which parties can play a more honourable role.

In the title of this lecture, it is implied that democrats as citizens, have choices about how to arrange for the funding of political parties. In open and responsive political systems, that is probably largely true. In Australia you can debate the issues openly. You can regulate to combine different types of funding, your Election Commission can - if equipped - police compliance, your media is free enough to investigate and shout when shocked. If public indignation is sufficiently aroused, presumably one or the party will be tempted, if only for electoral purposes, to move away from its fellows to proclaim that some reform is required and then accept to initiate some spring cleaning measures itself.

In many parts of the developing world, however, where democracy is still being built and competitive politics are not yet well grounded, the future of political parties is an urgent concern. It is clear that no one model of reform or regulation can fit all circumstances. Every country will need to develop its system according to its political values and culture, its

political and electoral system, the stage of development of its democracy, its institutional capacity and so on. I hope nevertheless that the work of IDEA and occasions like this can contribute to concentrating minds and assisting in the search for new approaches and solutions to the ever-present problem of paying for democracy.