

Checkbook Elections

Political Finance in Comparative Perspective



Executive Report

Pippa Norris, Andrea Abel van Es and Lisa Fennis



*Money, Politics
and Transparency*

A PROJECT BY



GLOBAL INTEGRITY
Independent Information on Governance & Corruption

THE ELECTORAL INTEGRITY PROJECT
WHY ELECTIONS FAIL AND WHAT WE CAN DO ABOUT IT



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Elections that work well are essential for democracy. Yet the appropriate legal frameworks and procedures regulating political finance remain a challenge in many countries, with problems arising from government scandals associated with kickbacks, undue influence, and illicit contributions, lack of a level playing field in party war-chests, or, in the worst cases, rentier states governed by kleptocracy, corruption, and the abuse of state resources. In fragile states, such as Afghanistan, Mexico, or Thailand, problems of money politics undermine feelings of trust in elected authorities and the legitimacy in the regime. Even long-established democracies such as the United States, Italy, and Japan are not immune from major scandals and controversies over the role of money in politics.

This executive report summarizes a forthcoming edited book on the role of money in politics, bringing together a wide range of scholars and practitioners with expertise in the area of political finance. The publication is part of the Electoral Integrity Project (EIP), a six-year research project generously funded by the award of the Kathleen Fitzpatrick Australian Laureate from the Australian Research Council. The Money, Politics and Transparency Project was launched in 2013 as a collaborative project linking EIP with Global Integrity and the Sunlight Foundation, and it has been generously funded by the Open Society Institute and the Hewlett Foundation. The project focuses on the challenges of regulating political finance around the world, including why it matters, why these regulations succeed or fail, and what can be done to address these problems. Draft papers, which formed the basis for the case studies summarized in this report and chapters for the book, were originally presented at a workshop held during the Australian Political Studies Association (APSA) annual meeting at the University of Sydney in September, 2014.

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Executive summary

Executive summary

Money is essential for electoral politics yet its use and abuse often raises problems of graft, corruption, and cronyism.

To throw new light on these challenges, this report addresses three related questions:

- I. What types of public policies are used around the world to regulate the role of money in politics? This includes (i) public subsidies to political parties, (ii) spending limits, (iii) donor caps, and (iv) transparency requirements.
- II. What triggers landmark legal reforms in political finance?
- III. And, ‘what works’, what fails, and why — when countries reform regulations?

This publication, drawn from a forthcoming book, provides an executive summary of these issues.

Research design, case selection, and evidence

The research draws on a multi-method design and sources of evidence. Country case-studies were selected from all regions of the world to compare public policies and trace the underlying historical processes of campaign finance reform within specific contexts. The report includes states ranging from long-established democracies such as Sweden, Britain and the United States, to newer democracies such as South Africa and Mexico, and autocracies such as Russia. Cases run the full gambit of levels of economic development from affluent societies such as Japan and the United States to emerging economies, exemplified by India and South Africa. Chapters illustrate diverse approaches to regulating political finance, the impetus for reforms, and their consequences. The comparison suggests that many factors have generated landmark political finance reform in each case, and usually a complex mix of long-

term historical conditions and short-term catalysts combine to generate pressures for new legislation.

To supplement the case studies, the report also classified and compares the structure of political finance regimes worldwide based on the degree of state intervention in public policies regulating political finance. This concept is operationalized and compared around the globe drawing upon data from International IDEA. Using this index, the evidence suggests that states are likely to regulate political finance in response to corruption scandals, as exemplified by the cases of Italy and Japan. The degree of regulation also reflects the economic power of interest groups, such as corporations, as well as the legal tradition, the type of electoral system, and the level of democratization.

Summary of major findings

Turning to the challenging question of ‘what works’, the study suggests several core findings providing potentially important lessons for policy makers both domestically and internationally wishing to support countries in their reform trajectories.

1

The limited effects of legal regulations

Evidence suggests that legal regulations usually improve the perceived quality of political finance. Nevertheless the comparative analysis was unable to establish that the degree of state regulation alone has any significant impact, positive or negative, on long-term societal and political outcomes, including the goals of strengthening political party competition, voter turnout, and anti-corruption. Regulating the flow of money into politics should develop a more equitable, transparent and inclusive political system. Yet reaching any one of these goals is a long-term process. Proponents often

claim that reforms of money in politics will greatly strengthen democratic governance.

The available empirical evidence in this study led to more skeptical conclusions. Future research needs to examine these issues using alternative datasets and techniques, including time series analysis and experiments. But in this regard, while certainly hoping and wishing that the best-designed reforms will work, we must remain cautiously agnostic about the impact of campaign finance reforms on the overall quality of democratic governance.

2

The most common reforms in recent years have sought to strengthen disclosure and public funding

The cases under comparison suggest that among all the available policy instruments, the most popular reforms in these countries have been to strengthen disclosure requirements (and thus seek to boost transparency, to counter the risks of corruption) and to establish and/or expand

public funding and subsidies to parliamentary parties (providing resources allowing parties to deal with rising campaign costs and to compensate for falling membership dues and voluntary fundraising by local activists, without relying solely on private sector donors).

“ The comparison suggest that many factors have catalyzed landmark political finance reforms in each case.

3 **The effects of formal legal reforms are contingent upon enforcement, which in turn depends on regime type, state capacity, and societal cultures**

When it comes to the question of ‘what works’, the theory, cases, and empirics all lead to one logical conclusion: legal regulations can only prove effective in states with enforcement capability. Because not all states are equal in terms of their capacity to enforce laws and sanction transgressions, a fine balance must be struck. There needs to be sufficient legislation, to regulate the flow of money; South Africa exemplifies a case of insufficient regulation. But there can also be ‘too much’ regulation, if laws cannot be enforced, leading political actors to claim that rules are too burdensome to follow; the case of India exemplifies this problem. Even in countries that do have the capacity to enforce regulations, the political will to do so must also be present. Countries that have oversight

authorities that are not politically independent or that have no ‘real’ power to enforce measures, will not address the larger systemic problem of the corruptive influence of money in politics. Thus despite being heavily regulated, some countries continue to be plagued by endemic corruption and imbalanced party competition, as exemplified by Russia.

The cross-national evidence indicates that in general, the more that a state regulates political contributions, spending, disclosure and public subsidies, the higher the perceived quality of its political finance regime, as measured by the Perception of Electoral Integrity Political Finance Index. This finding is contingent upon a state being a democracy and having enforcement capabilities.

4 **Mixed policy strategies work best**

There is no single ‘right’ mix of policies and laws regulating political finance that fit countries with diverse institutional, cultural and economic parameters. Nevertheless overall the cases suggest that a balanced mix of regulatory policies to control political finance is probably the most effective strategy, ideally blending a combination of disclosure and transparency requirements, limits on spending and contributions, and public subsidies to political parties. The case studies support the idea that there are inherent trade-offs to be made when thinking about the design and reform of a system of political financing.

By contrast, countries which focused almost exclusively upon a single approach in their attempts to control money in politics often experienced unintended and dysfunctional consequences, for example if public funding of political parties was implemented without simultaneously introducing spending or contributor limits (thereby potentially fuelling a campaign finance arms race), or if disclosure requirements were used without any provision of equitable public funding or spending caps (thereby highlighting the role of money in politics, but also risking eroding public trust in the electoral process). No single policy instrument appears to be sufficient by itself to control the role of money in politics.

¹ Introduction to comparing political finance worldwide

By Pippa Norris and Andrea Abel van Es

Problems of money in politics are in the headlines every day somewhere around the world. The “Recruit” scandal in Japan, the misuse of “Westminster expenses” in Britain, and “Watergate” in the United States exemplify long-established democracies rocked by major problems of financial malfeasance. These well-known examples are far from isolated however, as political corruption has damaged democratic governance in many European countries, notably in Greece, Italy, Belgium, France, Spain, and Bulgaria (Pujas and Rhodes 1998; Della Porta and Vannucci 1999; Heywood et al 2002). Moreover graft, kickbacks, and cronyism commonly plague public affairs in emerging economies such as India, Indonesia, Mexico, the Philippines, and Russia, all states rated poorly by *Transparency International’s 2014 Corruption Perception Index*.¹ Problems of political finance are widely believed to have serious consequences for democracy, by undermining equitable party competition, principles of transparency and accountability, opportunities for inclusive participation, and public confidence in the integrity of the political process, as well as having broader ramifications damaging the delivery of public services and hurting prospects for economic growth. During the last two decades, the issue of the most effective regulation of political finance and the prevention of corrupt practices has risen to the top of the agenda for the international community and for domestic reformers.

To address these important challenges, this report focuses upon three related questions:

- I. What types of public policies are commonly employed to regulate the role of money in politics?
- II. What triggers political finance reforms?
- III. And, ‘what works’, what fails, and why – when countries implement reforms?

“ This study identifies four main categories of regulation, which can be employed singly or in combination—including disclosure requirements, contribution limits, spending caps, and public subsidies.

To lay the foundations, this introduction starts by outlining the main *types* of public policies which are employed to regulate political finance. This includes rules seeking to establish disclosure requirements, contribution and spending limits, and public funding. In this study, these policies are conceptualized as part of a continuum reflecting the degree of regulation, ranging respectively from laissez-faire to state management. Countries have moved across the spectrum at different periods during recent decades, often expanding legal regulation of the political marketplace, but sometimes shifting back

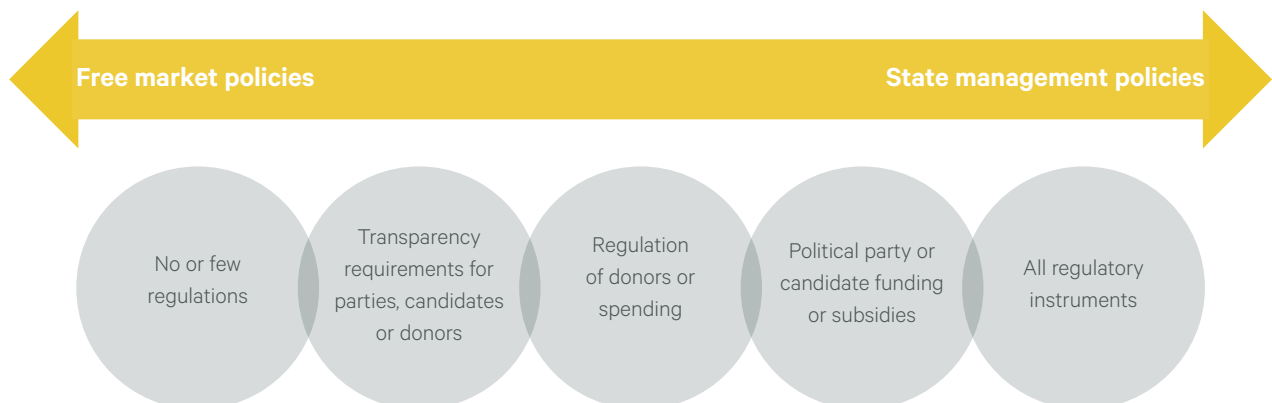
towards deregulation. This concept is operationalized empirically to generate a new regulatory index. The final sections in this report describe alternative arguments seeking to account for the degree of regulation. The conclusion examines evidence surrounding common claims about why political finance is widely thought to matter for democratic governance, including for electoral integrity, as well as for the larger battle against corruption, for equitable party competition, and for public satisfaction with democracy.

What types of public policies regulate political finance?

This report focuses upon regulations which seek to control the use of financial resources by political actors throughout the whole electoral cycle, including during the pre-campaign phase, the campaign, polling day and its aftermath. Following IDEA (2014), this study

identifies several main categories of regulation, which can be employed singly or in combination — including disclosure requirements, contribution limits, spending caps, and public subsidies — each with several subtypes. These are illustrated in Figure 1.1.

Figure 1.1 Classification of types of de jure statutory political finance regulatory policies



Disclosure requirements

The first category of regulatory policies, disclosure requirements, aims to affect the accountability of political actors through rules requiring financial reporting and transparency. These help to reduce the anonymity of ‘dark money’, and they usually stipulate requirements for the disclosure of donor identities, donation amounts, and/or spending. Article 7(3) of the United Nations *Convention against Corruption* (UNCAC) obligates signatory states to make good faith efforts to improve transparency in candidate and political party financing. Political finance disclosure through submitting a timely and regular public report to an independent supervisory body with monitoring and auditing powers, including appropriate and reasonable sanction for non-compliance, is the main policy instrument for achieving such transparency.

In India, for example, reforms since 2003 have attempted to increase transparency in politics. As the Indian case-study in this report discusses, this change is part of the Right to Information movement which has made considerable headway in India, including passage of the 2005 *Right to Information Act* (RTI). Legislation requires candidates to disclose their criminal, educational and financial details at the time of nomination, and has provided tax incentives associated with disclosure for company political donations. Moreover under the RTI Act political parties have been compelled to release their income and expenditure records, expanding information on political finance.

Contribution Limits

The second type of regulatory policy, contribution limits, aims to affect the actions of potential funders — be they individuals or organizations, through bans and limits on financial contributions. Donations can be banned outright from particular entities such as foreign donors, trade unions and corporations. Or donations may be capped — how much an individual or group can contribute, or how much can be given to a particular candidate, group, or party.

The primary goal of donor caps is to mitigate the risks of undue influence arising from campaign contributions, preventing back-door cronyism, favors for sale, and other corrupt practices which distort democratic governance.

In the United States, for example, in 1974 the *Federal Election Campaign Act* (FECA) was amended to limit individual contributions to candidates and political committees. An administrative agency, the Federal Election Commission, was created to enforce the restrictions. Watergate had highlighted the way that large contributions (‘fat cats’) had been linked to government policies, such as price supports for the dairy industry. The Justice department also revealed that large campaign donors had been rewarded with ambassador appointments. Under the new law, individual candidates and elected officials had to fund-raise from a wide range of smaller donors. To sidestep these restrictions the law sanctioned the use of political action committees by corporations, unions and professional groups, and political parties could also raise and channel support to candidates.

Spending limits

This third category of policy intervention aims to limit the expenditure of political actors. Bans often outlaw vote buying, but they can also restrict the abuse of state resources for private gain. Limits on spending by political parties, groups, or candidates for elected office generally refer to campaign periods, but they may also apply at other times throughout the electoral cycle. The core aim of spending limits is to curb the general role of money in politics and, in particular, to level the playing field and prevent an ‘arms race’ so that those with the largest bankroll do not automatically convert financial advantages into votes.

There is nothing novel about these policies. In Britain, for example, the 1883 Corrupt and Illegal Practices (Prevention) Act established election-spending ceilings for ‘long’ (12 month) and ‘short’ campaign periods for local elections. This policy is still in place today. Candidates have to declare expenditures to their local returning officer within a month after the election, which is then compiled and published by the Electoral Commission. Violators face criminal sanctions. Candidate spending includes any expenses incurred for the purposes of the candidate’s election during the regulated period, whether on goods, services, property or facilities. This includes local advertising, staff and transportation costs. The limit is set from a base amount plus a variable top up calculated from the number of registered electors in a constituency. For the average sized constituency, the ceiling allows each parliamentary candidate to spend around US\$1.61 per elector in a general election. Since no paid broadcasting advertising can be purchased by candidates, the costs are largely used for local leaflets and posters. In practice, candidates spend far less than the ceiling. In the 2010 general election, for example, on average across all parties, candidates spent only 15% of the total regulated expenditure. The Electoral Commission reported widespread compliance with the spending limits.

Direct or indirect public subsidies

The final category of regulation concerns public funding, through direct financial assistance from the public purse, or indirectly through mechanisms such as free or subsidized access to media or tax breaks (Casas-Zamora 2005, Biezen 2008, Nassmacher 2009, Ross 2011). Public funding may specify that parties and candidates have to use the resources for specific purposes, such as for civic education, youth mobilization, and campaign communications, or it may be unrestricted. Moreover the level of subsidies may be tied to the share of either parliamentary seats or votes won in previous elections, or it may be equally divided among all registered parties and candidates in an election. Subsidies may be directed to specific levels of party organizations, such as central headquarters or regional offices, or they may be unspecified. Lastly, subsidies may be allocated for use in election campaigns or for funding the ongoing democratic activities of political parties and candidates, or both.

It is most striking that the introduction or expansion of party subsidies has been one of the most common policy changes across many of the cases compared in this report, including in Japan, South Africa, Britain, Russia, and Indonesia, although the role of public funding has also simultaneously weakened over time for presidential elections in the United States. Sweden illustrates the use of these policies. Since the 1960s, as discussed in the case-study, Swedish parties have been generously supported from the public purse. Central government support goes to political party organizations that reach a certain minimum threshold of nation-wide vote (2.5%). Financial support is also provided to political party groups in parliament and this is allocated proportionally to the share of seats won in the previous two elections. Parliamentary parties have become highly dependent upon this subsidy, generating roughly two-thirds of their funds in recent years.



“ *The links between formal laws and informal cultural norms are complex. For all these reasons, there is no established consensus about which public policies have proved most effective in regulating political and campaign finance.*

These are the main instruments most commonly used to control the flow of money into politics. As subsequent cases illustrate, however, the design and scope of political finance policies varies around the world. Countries tend to employ a mix of policies, and when there is little consensus about the priority which should be given among several trade-off values – such as the importance of transparency versus privacy, the value of equality of opportunity versus equality of outcomes, and the desirability of the provision of public subsidies versus privately-resourced party organizations. Debates about these values cut across country, partisan, and ideological cleavages, as illustrated by the contentious case of political finance reform in the United States (Mann and Corrado 2014).

Recent decades have seen important advances in what is known about political finance rules, such as International IDEA's database that maps the formal or de jure legal frameworks in countries around the world (IDEA 2012) and Global Integrity's *Money, Politics and Transparency Indicators*, which examine both de jure legal frameworks and de facto implementation. By contrast, relatively little has been established to explain *why* particular reforms are implemented in any state, including the roles of governing and opposition parties, social movements and interest groups, public opinion, and the international community. Still less is known about the consequences of introducing major new laws; for example a recent study concluded that most campaign finance reforms led to little, if any, improvements in how citizens view or act in

their political system, measured by popular perceptions of corruption or levels of civic engagement (Bowler and Donovan 2011, 2013). Several unintended negative effects may also be observed (Clift and Fisher 2004). For example, new requirements requiring disclosure by party donors in Britain made it easier for scandals to come to light in the news headlines, potentially damaging public confidence (Heerde-Hudson and Fisher 2011). Similarly attempts

to clean electoral registration rolls can disenfranchise citizens and thereby depress voter turnout (Schaffer 2002, 2008). Therefore although proponents commonly claim that reforms will greatly strengthen transparency, accountability, participation, and inclusive forms of democratic governance, the evidence supporting this rhetoric deserves to be thoroughly scrutinized.

Evidence, data and comparative framework

To address these questions, the report commissioned a range of in-depth country case-studies, designed to provide insights into the reform process within specific contexts. The report compares nine major states around the world. Table 1.1 summarizes some key aspects of the cases under comparisons, including perceptions of the quality of their political finance regulations, the type of regime (monitored by the Freedom House/Imputed Polity scores on a 10 point scale), their level of development (measured by per capita GDP in purchasing power parity), and estimates of their control of corruption (both from the World Bank Institute). The cases were selected to include affluent countries, emerging economies, and developing societies, as well as long-established democracies, hybrid regimes, and autocratic states. The evidence summarized in this report suggests that the links between formal laws and informal cultural norms are complex. For all these reasons, there is no established consensus about which public policies have proved most effective in regulating political and campaign finance – and which have largely failed to meet their objectives. This report therefore brings together a wide range of international scholars to address these issues with fresh evidence and comparative case-studies.

Table 1.1 Variations among the selected cases

COUNTRY	REGULATION OF POLITICAL FINANCE INDEX	FREEDOM HOUSE/ IMPUTED POLITY (QoG)	GDP PER CAPITA, PPP (Constant International USD) (QoG)	CONTROL OF CORRUPTION (WBI)
South Africa	-1.176	8.9	\$ 9,356	0.112
Sweden	-0.378	10.0	\$ 32,300	2.270
India	0.108	8.5	\$ 2,813	-0.496
Japan	0.229	9.6	\$ 29,625	1.350
United States	0.564	10.0	\$ 41,188	1.261
Britain	0.770	10.0	\$ 32,469	1.540
Indonesia	0.848	8.3	\$ 3,696	-0.805
Brazil	0.933	8.7	\$ 9,468	-0.106
Russia	1.467	4.8	\$ 13,616	-1.118
Mean all above	0.374	8.7	\$ 19,392	0.445

Sources: Regulation of Political Finance Index (see section 11); Freedom House/Imputed Polity 10 point scale and per capita GDP in purchasing power parity; Quality of Government Institute Cross-national dataset, qog.pol.gu.se; Control of Corruption (World Bank Institute goof governance dataset).

End notes

1 <http://www.transparency.org/cpi2014/results>

2 http://www.electoralcommission.org.uk/_data/assets/pdf_file/0004/173074/UKPGE-Part-3-Spending-and-donations.pdf

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Country case studies

Brazil

By Bruno Speck

Brazil established its current political finance regime in the mid-1990s. Outdated regulations intended to limit political competition during the 1964-1985 military rule, were adapted to the new reality of multi-party democracy. Lawmakers increased state subsidies, lifted bans on corporate funding, established advanced reporting systems, and rationalized campaign finance management. Although political finance reform helped to usher in multi-party democracy, recent years have seen growing demands for further reform to address corruption and regulate private donations.

From military rule to competitive elections

During military rule, Brazil's party finance system was based on rules limiting political competition. The military government implemented bans on contributions from organized interest groups and the private sector, bans on fundraising and spending by candidates, spending limits on public broadcasting, and strict regulations for the use of free airtime. All parties received limited amounts of direct public funding, primarily so that the state oversight agency could control the financial management of party organizations at all levels.

Opposition to the military government grew stronger in the mid-1970s and in 1979 multiparty democracy was reintroduced, which initiated a process of re-democratization. In 1984 the military lost control of this transition process. After increasing political participation by enfranchising non literate voters in 1985, enhancing political competition by stripping bans on left wing parties in 1985, and designing a new constitution in 1988, Brazil held its first direct presidential elections in 1989. The new multiparty system was characterized by a steep increase of party fragmentation and election fraud affected elections in the 1980s and 1990s, primarily in the form of vote buying and manipulation of the vote count.

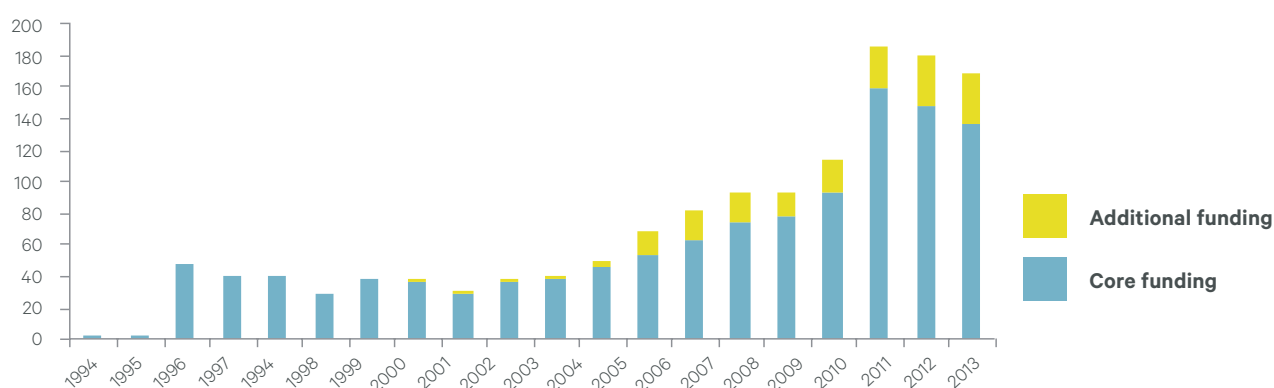
Demand for reform

The 1988 constitution mentioned basic rules of party and campaign funding, including disclosure requirements, bans on donations from foreign and public entities, and

party access to both party funding and free airtime. Yet as election campaigns rapidly professionalized during the 1980s, demanding more money from candidates and interest groups wanting to influence the new governments and lawmakers, so did the practice of campaign financing. There was an increasing disconnect between law and practice: parties and candidates relied on illegal funding from the private sector and governments abused their control of the state apparatus to support their own political campaigns. The adoption of the 1988 Constitution prompted further institutional reform, of which the electoral system, the party system and financing of political competition were integral elements. While these reforms were underway, a series of high-level political finance scandals¹ shook Brazil and pushed legislators to accelerate campaign finance reform.

The Brazilian electoral system of open lists and weak party identification led to a lack of party membership fees and increased campaign costs. In line with public opinion and political analysts, some actors wanted to reduce the demand for money, pushing for an approach that would force campaign finance practices to adjust to existing legislation and reduce both the demand and supply of financial resources. But most political parties and candidates, being fully aware of the need for money to run for election, favored a strategy of providing more legal funding sources to parties.

The 1995 *Party Law* and the 1997 *Election Law* introduced Brazil's current political finance regime. The

Table 2.1 Amount of resources in Party Funds (in million USD)

reforms intended to close the gap between legislation and practice, allowing parties and candidates to move their existing fundraising practices into the realm of the law. The laws lifted bans on corporate funding, increased state funding tenfold, introduced contribution and spending limits, criminalized illegal campaign finance practices, and increased internal accountability by rationalizing campaign finance management at the party and candidate level. In effect, the reforms legalized the existing system of corporate party financing, but increasing public disclosure or fighting corruption were not the prime targets of this reform. As a consequence, today the bulk of Brazilian elections are financed by a few large corporations.

Lessons for policymakers

Brazil is an example of entrenching unequal participation in the democratic process by legalizing a system of political financing biased towards corporate interests. Whilst corporations are able to make political donations, other organized interest groups, such as trade unions, cannot. No financial ties between the labor movement and political parties are allowed, and thus labor is unable to coordinate the interests of employees to sway campaign financing. The influence of labor is instead limited to mobilizing their members for street rallies, not to financial support for candidates or parties (Kinzo 1998).

Brazil also illustrates the importance of robust enforcement mechanisms. The deployment of the new legislation by the electoral management body (TSE) helped give meaning to the rules designed by lawmakers. The TSE took important steps in reinterpreting the text of the law to close reporting loopholes, establish a system of electronic reporting and foster transparency.

These initiatives allowed civil society organizations and academia to analyze the links between donors and elected officeholders, and the dominant role of big donors in elections campaigns.ⁱⁱ These efforts revealed that just a few companies were responsible for a third of corporate campaign donations in the 2010 elections, spurring a debate on the need for further reform (Speck 2011).

Having been in place for two decades, Brazil's political finance regime has come to face fierce criticism and will likely be subjected to a major overhaul. The proposals under discussion are either adopting a system of exclusive public funding of election campaigns, or a path of piecemeal reforms, including contribution limits for donors, spending caps for candidates and criminalization of false financial statements.

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Endnotes

i) Three major scandals attracted nationwide attention and pushed legislators to reform. In 1989 the campaign finance manager of President Collor was accused of extorting kickbacks from state contractors, which led to the impeachment of the president. The "Pau Brasil" scandal of 1992 uncovered illegal corporate financing and the "Pasta Rosa" scandal of 1992 involved donations from a bank that had collapsed and which had made voluminous donations to over 49 politicians in the 1990 national elections.

ii) Transparência Brasil, an anti-corruption NGO has a website giving access to the data on campaign finance of all candidates since 2002: www.asclaras.org.br. TSE Website with searchable database <http://www.tse.jus.br/eleicoes/estatisticas/repositorio-de-dados-eleitorais>.

Britain

By Justin Fisher

Several principles have traditionally characterized British party finance: campaign spending ceilings for candidates rather than public funding of political parties, voluntarism in party income, and a general lack of regulation. Britain has traditionally offered its parties little state assistance but recent reforms have altered the campaign finance system.

Britain's political finance regime is closer to other Anglo-American democracies (Canada, the United States, and Australia), than the mechanisms common in Western Europe (e.g. the Netherlands, Spain, Italy and France) (Ross 2011). Britain offers its parties significantly less state assistance than many other European democracies. Moreover scandals over money in politics have been neither as common, nor as sizeable, as in several other democracies.

Party funding and spending caps

Until 2000, party finance was virtually unregulated, since political parties were treated as equivalent to other non-profit charitable organizations and voluntary associations in civic society. Candidates for elected office were strictly limited in their total constituency spending, however, by the *Corrupt and Illegal Practices (Prevention) Act* of 1883.

In 2000, this law was replaced with the radical *Political Parties, Elections and Referendums Act* (PPERA), an initiative from Tony Blair's Labour Government. PPERA established an electoral commission and reformed the regulation of donations and campaign spending, but it did not include proposals to extend state subsidies to levels comparable with other Western European nations.

PPERA introduced several key reforms to rein in private donations. First, donations and 'in kind' payments in excess of US\$8,000 nationally and US\$1,600 locally needed to be publicly declared, quarterly during non-

election periods and weekly during general elections. It also prohibited anonymous donations above US\$80, and 'blind trusts' that failed to disclose donors' identities were abolished. In addition PPERA banned foreign donations, required the balloting of shareholders of companies making political donations.

Finally, one of PPERA's most radical clauses was the reform of campaign-spending limits. Expenditure ceilings for local constituency campaigns had existed since 1883 and these were retained. But for the first time PPERA instated a national-level spending cap for political parties in general elections to avoid a spending arm's race between the Conservatives and Labour. For the 365 days preceding polling, the ceiling was set at US\$48,500 per contested constituency; if a party were to contest all 641 seats in Great Britain, the spending ceiling would be set at approximately US\$32 million — very high at the time.

While PPERA restricted party finance, an overall sense of continuity remained. The instrument of campaign ceilings as a means of equalizing political contests remained the basis of Britain's regulatory regime, as did parties' reliance on voluntary income from membership, affiliations and donations, and to a lesser extent from commercial activity.

The impact of political finance regulations

In many respects PPERA worked well, but the national spending caps did not reduce the demand for money by political parties, as had been the intention. As their

funding cycle was based around the British general elections, parties found themselves consistently in deficit (Fisher 2005). This is partly because the lion share of their expenditure — about 65% — is for routine outlays. Costs also rose due to the introduction of devolved elections for Scotland, Wales, London and Northern Ireland, as well as staggered local elections across large parts of the country, and the need to run national campaigns in the European elections.

Since other forms of party income have eroded, large donations and loans became far more significant for parties, which led to concerns about any potential gains or leverage from such donors (Fisher 2004, 408-9). PPERA was adopted in 2009, producing greater transparency in donations, and further regulation of candidate spending at constituency level. A subsequent 2010 review focused on removing “big money” from politics (Committee on Standards in Public Life 2011). It concluded that this would require donation caps, in turn necessitating an extension of public funding. The government swiftly and effectively buried the report on the day of publication.

Lessons for policy makers

These reforms have proved relatively effective in Britain, with public funding of parties accepted in exchange for spending caps and greater transparency. Yet it is unclear whether similar reforms would succeed equally well elsewhere because the effectiveness of regulation is contingent upon national variables and contextual factors. In the case of political finance, compliance is heavily influenced by political institutions and culture.

Over-regulation is likely to lead to loophole seeking, which can damage public confidence, deteriorate standards of conduct, and hinder political activity, particularly at the grass roots. Regulation is most likely to be effective if legislators work in cooperation with the parties being regulated, and if implementing agencies can offer advice and guidance, as well as being charged with enforcement.

***Note bene:** After completion of this case study, the Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act was passed in



2014. It requires third-party actors who donate over USD\$ 7,750 per year to register and report on campaign expenditures. The transparency law intends to limit third-party influence, but its critics are sceptical of its likely effects as loopholes continue to allow corporations to operate in secrecy.

To read more: Ferris, Lindsay. 2015. *Do UK campaign laws miss the mark on transparency?* <http://sunlightfoundation.com/blog/2015/05/12/do-u-k-campaign-laws-miss-the-mark-on-transparency/>

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4

India

By Eswaran Sridharan and Milan Vaishnav

In India, the state's strong involvement in the economy, together with costly elections, has incentivized shadowy links between business, the criminal underworld, and politicians, exacerbating corrupt practices. With an electorate of nearly 850 million, India is often celebrated as the world's largest democracy. Despite gains in transparency, the current state of India's political finance regime is deeply problematic, eroding the quality of democracy.

India has struggled to regulate political finance in ways that would both contain the costs of elections as well as minimize impropriety in their funding. Estimates of the money spent on India's 2014 general election hover around US\$5 billion, second only to the 2012 U.S. presidential elections, which is symptomatic of an election finance regime that is deeply out of sync with prevailing realities.

Crudely speaking, post-Independence India has seen two distinct political regimes (Gowda and Sridharan 2012).

Unregulated campaign finance

From Indian independence until the contemporary era, all aspects of elections were regulated and executed by the independent Election Commission of India (ECI). Political finance was characterized by

candidate spending limits, private donations, and lack of transparency, measures the ECI struggled to enforce. Innumerable government-sponsored and independent commissions evaluated India's opaque political finance regime over the years, but reforms failed to curb the increasing cost of elections or illicit party funding. Third party expenditures on behalf of candidates remained unregulated and public funding was nonexistent, as were intra-party transparency and democracy. This had detrimental effects on Indian elections. The influx of political candidates with criminal connections, growing links between businessmen and politics, and the perpetuation—and deepening—of dynastic (or family) politics resulted in a growing criminalization of politics (Vaishnav 2012; Vaishnav & Smogard 2014). Moreover the blatant disregard for political finance regulations

undermined people's faith in democracy, as well as their belief in the rule of law.

Growing transparency

The second era (since 2003) introduced some of the most significant political finance reforms in decades, aimed at strengthening transparency and stricter disclosure requirements. Pioneered by civil society and media pressures, the reforms have been bolstered by supportive judicial rulings, and usually resisted by all major political parties, who tend to fear change in the status-quo.

Two key regulations have been implemented. The first was a candidate affidavit regime requiring political candidates to disclose their criminal, educational and financial details. The records presented to the public exposed the poisonous relation between money, criminality and electoral success. In 2014, 34% of India's MPs faced criminal charges, and the average wealth of winning candidates was US\$0.5 million, which increased to US\$0.65m for those with serious criminal records (Sastry 2014). The second measure was the *Election and Other Related Laws Amendment Act*, which incentivized transparency for donors by making party contributions 100% tax-deductible, and mandating disclosure of large political contributions.

Most notable is the Right to Information movement, which has made considerable headway in India. The landmark 2005 *Right to Information Act* obliges "any public authority" to respond to citizens' information requests within 30 days or face financial penalties (Roberts 2010). It led to an important ruling in 2008, compelling parties to publicly release their income and expenditure records — an eye-opener in a country where the sources of 75% of all party funds collected by the six national parties are unknown (ADR 2013).

Lessons for policymakers

While the disclosure reforms have shed light on the finances of both political parties and candidates, several major factors have obstructed progress: weak

enforcement, a state-dominated economy which incentivizes illicit funding, and lack of political will for reform.

India's Constitution established a sound foundation for the conduct of elections and instated the ECI, one of the more autonomous election agencies in the world and constitutionally independent. Yet it also suffers from serious gaps in its enforcement powers, as it is not authorized to take action against entities that defy its orders. It needs new powers, many of which require legislation.

Moreover more than two decades following economic liberalization, the state retains a large amount of discretionary authority over the Indian economy, especially in lucrative sectors such as the land, natural resources, real estate, and defense sectors. Until the Indian state retreats and gives way to market forces, politicians and business will perpetuate a system of trading policy and regulatory favors for payments and anonymous campaign donations. Incumbents benefit from the status quo and are hence unwilling to disturb it, which means that any attempt at deepening regulation is perceived as aiding opposition parties and challengers. Unless this situation changes, political finance regulation is unlikely to have much impact.

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Indonesia

By Marcus Mietzner

Indonesia's elaborate regulatory system is widely ignored by political actors and law enforcement agencies alike. The illusion of an effective political finance regime is upheld as a façade behind which parties and candidates collect limitless donations and turn to oligarchs for financial assistance. The Indonesian case suggests that sophisticated regulatory regimes with ostensibly high degrees of state intervention can be rendered ineffective by poor implementation, but also serve as a smokescreen allowing for the continuation of traditional patronage and rent-seeking practices.

Corruption, patronage and clientelism

Indonesia's political finance system ranked 68th out of 87 countries in PEI's political finance index of 2014. It suffers from a huge gap between the existing regulatory framework and its implementation, and transgressions are either ignored or collectively tolerated. In fact, the Achilles' heel of the Indonesian democracy has been its continued entanglement in corruption, patronage and clientelism (Robison and Hadiz 2004). Whilst since the end of Suharto's autocracy in 1998, Indonesia has gradually improved its standing in Transparency International's *Corruption Perceptions Index* (it improved its score from 1.7 in 1999 to 3 in 2011), there is little evidence that the country's politicians have significantly changed their ways of doing business. Pay-to-play arrangements and favouritism remain the foundation of many decisions in the legal, political and economic realm. Political corruption is reaching new heights, as is public dissatisfaction with party politics, giving rise to two anti-establishment presidential candidates in 2014: Prabowo Subianto and Joko Widodo. One of the main causes for the perseverance of political corruption is Indonesia's dysfunctional political finance regime.

Introducing public subsidies

The evolution of Indonesia's regulatory system prior to 2005 can be separated into several phases: it functioned

as a regime-controlled tool of authoritarian governance from 1966 to 1998; a transitional arrangement that attempted to level the playing field by introducing public funding from 1999 to 2001; and an embryonic but generously funded subsidies-based system from 2001 to 2005.

The political finance regime that emerged in the early 2000s developed according to a systematic blueprint. Significant direct public subsidies were at the core, paid in cash to party headquarters and both their provincial and district-level branches. Parties obtained an overall amount of US\$31.7 million per year in subsidies, which soon became the main pillar of their budgets. The subsidy system was supported by private donations, increasingly regulated through contribution caps. Moreover there were elaborate disclosure rules for campaign donations, and an auditing system was established. The catalogue of sanctions was also expanded and sharpened, with prison terms and hefty fines threatened to possible violators. Predictably, enforcement of these new rules was almost absent.

2005 reforms: a donation-oriented system

Rather than functioning as vehicles of representation, post-Suharto parties became catch-all, elite-controlled organizations that tried to attract a support base for electoral purposes but otherwise had rather fragile roots in society (Katz and Mair 1995). Partly a consequence

Table 5.1

Public funding for Indonesian Democratic Party of Struggle (PDIP), 2001-2014 (in USD millions)

YEAR	PUBLIC FUNDING	ELECTORAL EXPENSES	PERCENTAGE
2001	3.6	(1999) 6.9	51.7
2004	(2005) 0.23	21.2	1.1
2009	0.15	37.6	0.4
2014	(estimate) 0.26	72	0.4

of this, civil society groups and elite segments began to oppose public funding. In 2005 President Yudhoyono reduced financial assistance to party headquarters by 89%, from an annual total of US\$10.6 million to US\$1.2 million. During the following years a catalogue of ever-tightening disclosure regulations and sanctions was developed, but none of the nominally authorised oversight bodies were equipped with the necessary resources to enforce the rules. As exemplified by table 5.1, public funding became almost irrelevant for central party offices, encouraging a shift from public money to private donations. Yet beyond increased contribution caps, no mechanisms were put in place to force donors to register their contributions. As a result, official donations formed a negligible proportion of real party income. As electoral costs continued to increase, political actors expanded their illicit fundraising practices. As a result, political corruption has increased and the level of oligarchization in the top echelons of Indonesian parties has risen dramatically (Winters 2011). Moreover, to fund their political operations and provide benefits to their allies and voters politicians have sold nominations and offices to non-party figures at the national and local levels, and diverted funds from the state budget.

The (post-)2005 regulations generated a disconnect between the increasingly tight regulatory framework and the political reality on the ground. In fact, it offered both politicians and law enforcers a justification for ignoring the rules, and effectively deregulated the political finance system. The regime is defended by deeply entrenched vested interests: a political elite that not only includes oligarchic party leaders and conventional politicians, but also law enforcement

agencies, the General Election Commission (KPU) and other key bodies. Yet Joko Widodo, who was sworn in as president in October 2014, has brought some hope, however small, that after a decade of entrenching the dysfunction of its political finance framework, Indonesia might attempt to seriously reform it.

Lessons for policy makers

The Indonesian case offers several lessons for other new democracies developing political finance regimes. Most importantly, post-autocratic states should not jump on the bandwagon of overreaching state regulation. Indonesia's dense regulatory framework did not ensure effective funding and oversight — it *obstructed* it. A less ambitious set of regulations could have made enforcement more practical. Moreover it would have complicated the efforts of political actors to rationalize their illicit fundraising by pointing to the unworkability of the existing regulations, whilst upholding a public illusion of compliance. Thus, it is important to create regulations that are realistic rather than highly elaborate, and to provide the resources necessary for a strong enforcement apparatus.

Furthermore, both public funding for central party offices and a credible donation scheme should be part of any political finance architecture. Indonesia cut the former in 2005 and failed to develop the latter, with calamitous results for the country's democratic quality. The crux of the political finance debate is not whether a polity's regime should be primarily based on public funding or contributions, but about how much subsidies should be given to which level of party organization, and about the mechanisms that deliver incentives for making donations and establish mechanism to control them (Biezen and Kopecký 2007).

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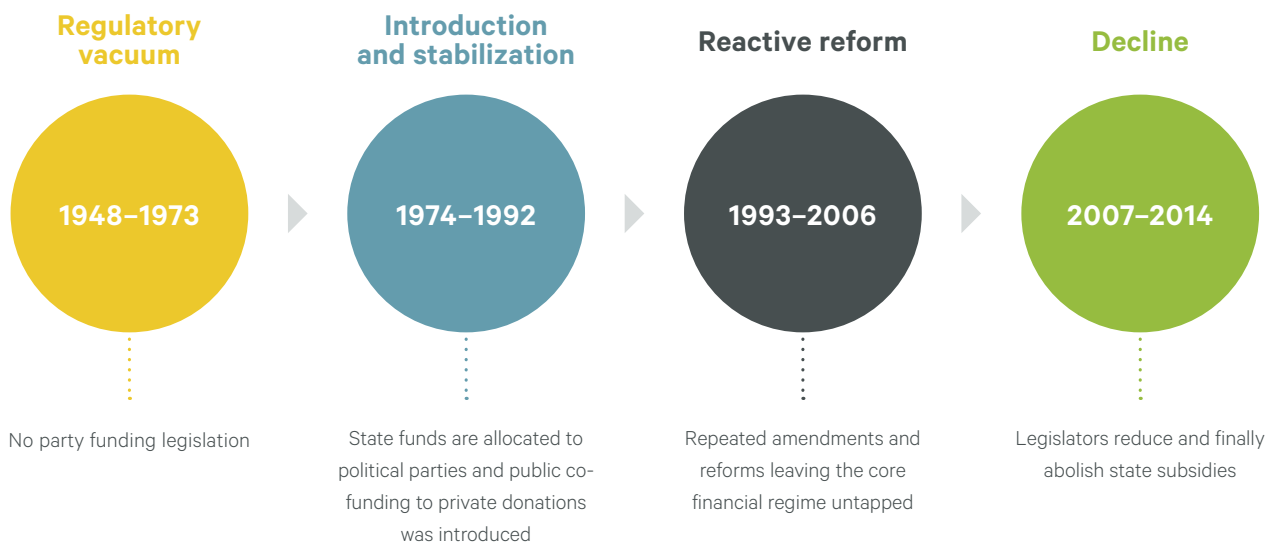
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6 Italy

By Eugenio Pizzimenti

Italy abolished state subsidies to political parties, making it one of only two members of the European Union to not provide public funding. Since 1974 Italy has seen fragmented legislative initiatives and continuous amendments, instead of comprehensive reform. Italy's political finance regime can be split up into four chronological phases, as shown in figure 6.1.

Figure 6.1 Italy's political finance regime over time



Lack of regulation

Up until 1974, Italy functioned within a regulatory vacuum. It was only after a major political corruption scandal generated public mistrust that a call for reform mobilized action. Within a record forty days, the first political finance law was passed in Italy, introducing a public subsidy system. Law 195/1974 was a direct result of a political response to citizens' discontent, a feature that has continued to characterize Italy's regulatory and legislative approach to political finance.

Public funding

Law 195/1974 introduced two strands of direct public funding: an annual contribution to parliamentary parties and an electoral reimbursement for parties that reached a 2% vote share threshold. The total value of the fund increased consistently until the 1990s. Moreover Law 195 did not implement financial caps on private donations and disclosure requirements were lax, at best. The management of public funds was left in the hands of national party head offices, within a framework of obscure external financial reporting controls and low levels of transparency (GRECO 2012). This was in direct contradiction with goals of the scheme.

After the Tangentopoli scandals brought to light widespread corruption and bribery, a 1993 referendum resulted in the adoption of Law 515. This opened the floodgates for a decade of further reactive reforms. Law 515 continued the campaign expenditure ‘reimbursement’ scheme, which, in reality, far exceeded the amounts actually spent in party electoral campaigns. Campaign expenditure limits were introduced for parliamentary and regional elections, but control and oversight responsibilities were fragmented across a range of state organs, which undermined enforcement. Moreover these bodies only wielded procedural powers to control the conformity of campaign reports.

Political parties also received indirect public funding through free use of public halls, campaign hoarding, and fiscal discounts. The activities and staff of party parliamentary groups were sustained with money allocated from the balances of the Chamber of Deputies and the Senate. Yet no disclosure requirements were established.

The abolition of public funding

The last decade saw shifting reform efforts brought about by political and economic contingencies, including Italy’s increasing public deficit, the re-emergence of political scandals, and the sudden electoral success of an anti-establishment party (*Movimento 5 Stelle*) challenging political privileges and advocating the abolition of state funding. A series of laws reduced state subsidies and in 2012 Law 96 halved the maximum amount of public funding. Public debate on political finance became dominated by calls to abolish party funding. Anger over its high costs and the associated with corruption eventually resulted in Law 14 of 2014, which will phase out state financing of political parties by the end of 2017. Public funding is to be replaced by private financing. To that effect, citizens who donate to political parties will be able to deduct the contribution from their taxes. The law also maintains a 26% fiscal rebate scheme on private donations between 30 and 30,000 euros. Public disclosure was made mandatory for every private donation, and capped at five per cent of total party income.

Lessons for policy makers

Two principal shortcomings have led to the misuse of Italy’s political finance regulations and the ultimate dismantling of the entire public funding scheme.

First, Italy’s political finance regime was not based on a coherent, well-thought-out design. Rather the eleven reforms that were passed between 1974 and 2014 responded to public discontent and immediate political and economic contingencies. This resulted in fragmented legislative initiatives and continuous amendments, instead of comprehensive reform.

Second, Italy has seen a continued misalignment between party funding and party regulation: legislation on party funding was never accompanied by state regulation of party organization and their activities. Since the Second World War, Italian parties have been treated as private associations rather than public goods, which, in essence, means that they were not accountable. Parties are only interested in their immediate survival rather than Italy’s longer-term interest, in part due to the Italian political culture. Policy makers attempting to reform political finance systems need to be aware of the shortfalls of leaving law making in the hands of those actors whose behavior the laws intend to regulate.



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7 Japan

By Matthew Carlson

Japan exemplifies how a long-established democracy with entrenched interests and practices fundamentally changed its political finance regime in response to unrelenting public pressure surrounding continuous corruption scandals. The public subsidies, stricter disclosure requirements and increased contribution and spending limits that were introduced in the early-1990s have strengthened political competition, cut electoral costs, and produced more party-centered campaigns.

Lack of regulation

Under the Liberal Democratic Party's (LDP) historical predominance, Japan's political finance regime encouraged illegal fundraising and structural corruption, contributing to a never-ending cycle of scandals. In the early 1990s, a series of major controversies implicated many politicians from various parties, generating intense media coverage and public pressure. Disputes and unrest within the LDP weakened the party, which had been in power since the end of the Second World War. The 1993 elections put a non-LDP coalition government into power that vowed to implement political reform.

1994: Political finance reforms

The extensive overhaul of political finance in 1994 strengthened campaign finance regulations, including disclosure and contribution limits, spending caps, and public subsidies, and reformed the electoral system more generally. The campaign finance reforms were intended to increase transparency, decrease reliance on corporate donations, reduce the costs of elections, strengthen the hand of parties over candidates, and foster party competition (Reed 2002).

Japan's 1948 *Political Funds Control Law* (PFCL), its main regulatory statute on political finance, was amended

significantly. Essentially an anti-corruption bill, the PFCL dealt with anonymous donations, party contributions, and campaign spending. In the last two decades, the law has continued to be tested by controversies and consequent revisions. The 1994 reforms lowered the disclosure limits of donations to an unprecedented extent, from US\$8,000 to US\$400. Political donations were also curtailed; candidates had to replace their many personal support groups (*koenkai*) by a single fund agent (*seiji shikin kanri dantai*). Moreover financial caps on donations to individual candidates were reduced to US\$4,000 per year from corporations and US\$12,500 per year from individuals. In addition, candidates were given spending limits during the official campaign period, a two-week period preceding each election. Over the past two decades the law has continued to be tested by controversies and consequent revisions intended to increase transparency, but none as comprehensive as those in 1994.

Furthermore under Japan's new *Political Party Subsidy Law* (PPSL) each party received around US\$2.50 for every Japanese citizen. Over time this has become a major source of income for most parties and also for individual politicians. As it was easy to create a party, the subsidy system motivated major parties to set up a local or affiliate party branch system. This allowed them to receive extra subsidies and distribute shares of the funds to their individual candidates acting as party branch chairpersons. As reforms banned corporate donations to candidates' fund agents and curtailed the ability of non-party affiliated political groups to receive political donations, this branch system has become increasingly important for individual candidates. The subsidy system further forces parties and individual politicians to disclose their expenditures. Charges accusing parties and politicians of acquiring public funds inappropriately have not generated any major reforms to the subsidy law since it was enacted.

Finally, 1994 also saw the implementation of more general election reforms. A more party-focused mixed-member majoritarian election system was adopted to replace the LDP's 'hyper-personal' candidate-focused structure under the Single Member non-Transferable Vote system. The electoral reform remedied some problems,

including reducing corruption, factionalism, the absence of alternation in power, and heavily candidate-centered campaigns (Curtis 1999, 142).

Lessons for policy makers

Japan required a significant overhaul of its entire campaign finance system because of problems that had not been addressed in a timely fashion. Party competition increased and ushered in a competitive two-party system from 2007 until 2012. Moreover the reforms have played a significant role in fostering party-centered election campaigns and a decrease in the costs of elections. The case of Japan illustrates that under particular conditions, increased state regulation of political finance can strengthen political competition and reduce election costs, demonstrating that structural reforms can work effectively.

However, although Japan was able to implement a fundamental change, the reforms were met with public disappointment due to the slow pace of change as certain initiatives took up to a decade to effect observable result. A key lesson for policy makers is to manage expectations and respond to scandals in a timely fashion, rather than allowing for public resentment to accumulate.

Moreover a final lesson is that reform often generates additional reforms in a complex process that may not have a clear 'final' outcome until enough time has passed. Increasing transparency may help reduce corruption, but also uncover scandal fodder and misconduct. These may very well contribute to public disappointment, but also generate momentum for additional reform; in 2005, 2006 and 2007, the PFCL was amended to address a series of high-profile scandals and to further the objectives of the 1994 reform debates. Change does not stop and trying to determine the definite outcomes of any reform project should be approached cautiously.

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8

Mexico

By Francisco Javier Aparicio

Mexico combines generous public funding with relatively low campaign spending limits, leading to a situation in which some parties receive more funding than they can spend legally. Adopted in 1996 and revised in 2007, the contemporary regulatory system is reactive and ad-hoc and it has been amended several times in response to allegations of electoral fraud.

The rocky road of reform

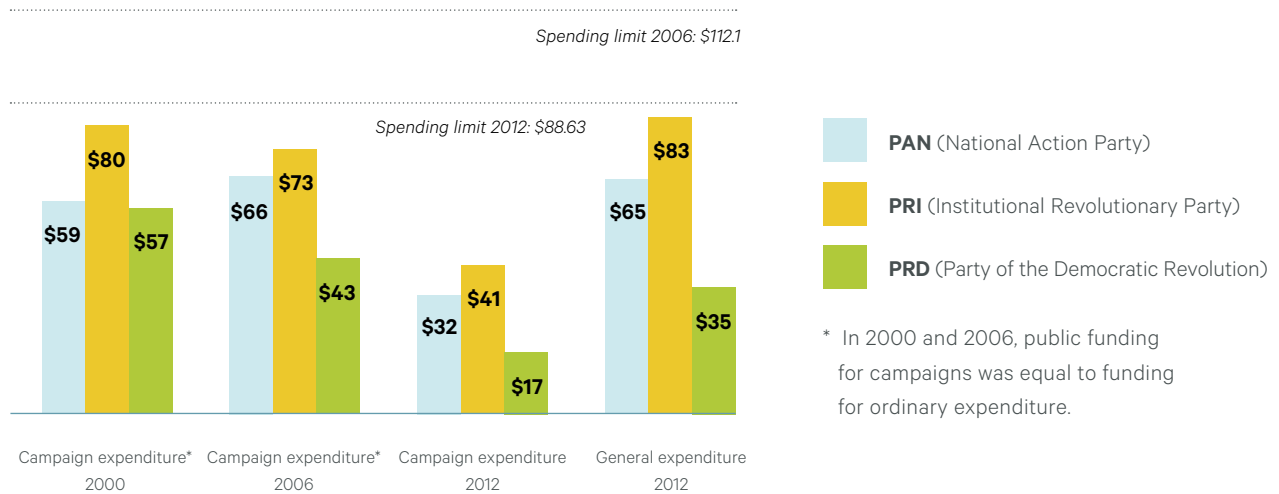
Mexico's transition from a one-party hegemonic state to a multi-party democracy started in 1977, with the introduction of a mixed electoral system for Congress. As opposition parties won legislative and executive positions, demands for further reform resulted in a series of electoral reforms spanning three decades. During this time, the political finance regime was highly centralized and favored Mexico's ruling party, the Institutional Revolutionary Party (PRI). Opposition parties received minimal resources and media access.

Claims of serious electoral fraud during the 1988 elections, and the opposition's increased bargaining power in Congress, prompted minor reform in the early-1990s. The 1994 presidential election was won by the PRI's Ernesto Zedillo but dominated by political crises, and after this event the ruling party conceded to more substantial electoral reform.

The 1996 reform: a complete overhaul

Following two years of negotiations, the 1996 Federal Code of Electoral Institutions and Procedures (COFIPE) overhauled Mexico's electoral system. In terms of political finance, reform sponsors had three main objectives: to limit the financial and political power of the ruling party; to increase public funding for opposition parties; and to create an independent and autonomous electoral management body.

The widespread reforms introduced a series of measures: direct public funding for political parties; campaign spending limits for presidential and legislative races; limits on campaign contributions; and disclosure requirements for both contributions and spending during election and non-election years. COFIPE also introduced an audit system for party finances and reinforced the autonomy of the Federal Electoral Institute (IFE).

Table 8.1 Public funding to political parties vs. maximum spending limit 2000–2012 (in million USD)

The PRI lost its majority in Congress in 1997, and, for the first time in history, the presidency in 2000. The subsequent presidential election of 2006 was the most competitive race in decades. As these were unprecedented developments, the reforms were widely considered to have been successful in ending the PRI's hegemony and fostering party competition.

2007 reforms: Regulating media access

The 2006 presidential elections also produced allegations of fraud and unfairness, as one of the defeated candidates accused radio and television corporations of siding with the winning candidate. These contentions produced the 2007 reforms, which attempted to diminish the undue influence of media corporations in electoral campaigns. The law banned negative campaigns, as well as both the sale and purchase of political radio or television advertisements, while introducing indirect subsidies via 'free airtime' for all parties in public radio and television broadcasts.

The law also modified and increased public funding regulations. As state support rose, the audit system on campaign spending was reinforced, and campaign-spending was further limited in an attempt to deter illegal private donations and overspending. This has created a somewhat paradoxical situation where parties receive resources they cannot spend legally. Furthermore the spending limits do not align with the real costs of political campaigns, whilst stringent contribution limits

make it practically impossible for parties to diversify their funding in a legal or transparent way.

The 2012 presidential election was characterized by allegations specifically concerning campaign finance issues. The PRI's Enrique Peña Nieto defeated the PRD's Andrés López Obrador, who accused Nieto of exceeding spending limits and vote buying. These claims were declared unfounded, but did lead to further reform in 2013. Sanctions for campaign overspending were increased, and a revamped National Electoral Institute (INE) was mandated with the organization of local and federal elections and auditing of local and federal campaign spending. The effect these reforms will have on electoral politics remains to be seen.

Lessons for potential reformers

Although the first set of reforms in 1996 helped rid Mexico of its hegemonic party system, the contradictions that have since arisen do little to further level the playing field.

Reforms should be consistent: generous public funding in Mexico alleviated the need for private sources of financing, but there is little point in providing generous public funding if spending limits are lower than the funds received. Furthermore, prohibitively or overly restrictive spending limits may be unrealistic in a world where campaigns costs continue to rise and this may force political actors into a shadowy world of illegal campaign expenditures.

9 Russia

By Grigorii V. Golosov

Russia's political finance laws combine public funding as a major source of party income, with strict disclosure requirements, rigid enforcement, and a limited role of private donations. In practice, however, regulations repress political competition. Instead of increasing the quality of Russia's democracy, this system has thereby entrenched electoral authoritarianism.



The 1990s — a lack of effective regulation

The first decade of Russia's regime transition, 1991–2001, reflected a rather chaotic and lax political finance system. The 1995 law on non-governmental association did not distinguish between political parties and other forms of public associations, and any organisation could participate in elections as long as allowed by their statutes or by-laws. Funding was permitted from a wide variety of sources, including membership fees, donations, business activities, and even foreign trade. Organisations were neither bound by income limits nor spending

caps, and their obligation to publish annual budgets was laxly enforced. Parties and independent candidates participating in elections were bound by the 1994 *Law on Basic Guarantees of Electoral Rights*. They were to create electoral fund to finance their campaigns, which tended to predominantly consist of corporate donations. The law established – though not enforced – unrealistically low limits of campaign spending, allowing for the preferential treatment of pro-government parties and candidates, whilst retaining the possibility of sanctions against opposition parties in case of violations. Loss of confidence in party politics and elections reflected public discontent, especially with regards to the alleged domination of private financial interests in politics.

Towards electoral authoritarianism

Major political finance reform occurred in 2001 largely as a side effect of the adoption of the new *Law on Political Parties*. The law was initiated by the authorities and fully endorsed by President Vladimir Putin and pro-presidential factions in the Duma. The reformers' main objectives were to improve Russia's political climate by bringing more order and predictability into party competition, disentangling the close links between business and politics that dominated the 1996 presidential elections and the 1999 Duma elections. The 2001 party reform restricted access to the electoral arena for new parties but it was not prohibitive; as many as sixty parties were legally recognized in 2001–2004. Starting in 2005, however, the implementation of the law drastically changed. Party

membership requirements for both existing and new parties were raised from 10,000 to 50,000 members, with branches of 500 or more members required in half of the regions, and no fewer than 250 in the remaining regions. The state registration agency subsequently assessed all parties' adherence to these criteria, which resulted in the progressive depopulation of Russia's party system. Of the 37 parties in existence at the end of 2005, six remained by the end of 2009. Instead of advancing party competition and the quality of its democracy, regulation strengthened Russia's rapid transition to electoral authoritarianism.

Reforms: State control and unequal enforcement

Whilst several elements of the 1994 *Law on Basic Guarantees of Electoral Rights* were upheld, most of the reforms to political financing mandated in the 2001 regulations were directly imported from the laws of Western European countries (Casas-Zamora 2005). The law established heavy state subsidisation of party activities with highly regulated and accountable system of party finance. Private donations and spending limits were capped, and strict disclosure requirements were instated. In practice, however, transparency requirements were applicable only to opposition parties and candidates.

Furthermore, under Putin's rule, the mode of relations between the state and business drastically changed. After the Mikhail Khodorkovsky affair, when one of Russia's leading oligarchs was arrested in October 2003 and charged with fraud, leading to the collapse of his business empire, Russia's business elite became deeply aware of the dangers posed by meddling with politics. Moreover, the caps on private donations in combination with strict disclosure and enforcement rules effectively deprived opposition parties of any sources of funding beyond the reach of the state. The new model of state-business relations places the major pro-government party, United Russia (ER) at a great advantage in terms of soliciting private donations. ER's advantage is greatly reinforced by the unrestricted availability of 'administrative resources', its connections with the state apparatus and effective control over the state-owned or state-controlled resources, including the media (Panov and Ross 2013).

Whilst the practice of using public sector resources is prohibited by law, it has only been enforced when used by opposition candidates.

Due to the severely increased political finance regulation and enforcement, political parties became subject to growing control by state registration organs, and thereby by the ruling political group. Parties were placed under the permanent threat of dissolution for any kind of violations in the law, which contributed to the effective elimination of competitive politics in contemporary Russia.

Lessons for policymakers

The case of Russia illustrates how too much state interventionism in political finance can serve to entrench authoritarianism. By designing and manipulating regulations to effectively stifle political competition, the current system of financing politics makes it almost impossible for viable opposition to Putin and his United Russia Party to flourish.

Overregulation in a state with a strong capacity for legal enforcement may lead to the repressive use of sanctions and degenerative practices. Policy makers and the international community should be wary of waving the magic wand of political finance regulation too vigorously at regimes already susceptible to electoral authoritarianism. In particular, the combination of restricting private donations and exclusive or heavy reliance on public funding ought to be scrutinized by policy makers, as a potential strategy which advantages incumbent political parties and candidates.

Finally, the unequal access to and abuse of state resources can also potentially have a significant effect in maintaining incumbents against challengers.

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10 South Africa

By Richard Calland

Many of South Africa's corruption problems stem from a failure to regulate private flows of money into politics. The absence of effective reform and lack of regulation of private donations has created an uneven playing field for political parties during elections, which benefits the governing parties and resists reform.

Public funds

The 1997 Constitution provides public subsidies to represented political parties through the Represented Political Parties Fund; in the financial year of 2013 in total around US\$10 million was allocated from the public purse to political parties. Unfortunately, the Fund serves the incumbents and contributes little to leveling the playing field or, thereby, to multi-party democracy. Administered by the Independent Electoral Commission (IEC), 90% of the Fund is allocated to parties in proportion to their representation in the national and provincial legislatures, and 10% is allocated equally among these parties. The division of the spoils clearly favors larger parties, mainly the African National Congress (ANC). Whilst political parties are supposed to report on the public funding they receive,

Table 10.1 Total election spending in South Africa

NATIONAL ELECTION	PUBLIC FUNDING US\$ (MILLIONS)	PRIVATE FUNDING	% INCREASE FROM PRIOR ELECTION
1994	12.9	29.3	—
1999	8.7	57.8	280%
2004	9.5	56.7	116%
2009	9.1	53.8	138%

Source: Estimated private funding; figures drawn from MAPP 2011.

public access to this information often requires official freedom of information requests, fees and long waits.

Moreover South Africa has not adopted legislation to govern private donations to political parties, which

dwarf public funding, as is shown in table 10.1. Parties are not obliged to account for receipt of private donations from individuals, corporations, or trade unions. Neither is there a limit on the size or frequency of these private donations, nor spending caps or regulations to oversee and limit expenditure.

The Open Society Foundation's Money and Politics Project¹ described South Africa's political finance regime as:

“ [...] A critical site in the struggle against corruption. [...] Wealthy interests are able to translate economic advantage into political power by exchanging party donations for government tenders and other forms of preferment. Tax money is diverted from essential services like health, housing, and education and into the pockets of well-connected elites, thereby reinforcing socio-economic inequalities. Domestic and foreign policy agendas shift under the weight of donor influence [...]” (MAPP 2011, 2).

Aside from domestic regulation, South Africa did enter into relevant international and regional treaties. It has ratified the African Union Convention on Preventing and Combating Corruption, which unambiguously calls on states to regulate private funding and ensure transparency in the funding of political parties. Regionally, Article 6 of the Southern African Development Community's (SADC) *Norms and Standards for Elections* recommends that the Electoral Commission should be empowered to “inspect party accounts, and for parties to have properly audited and verified accounts”. South Africa has yet to honor its obligation under the Africa Union Convention. Although the Commission works well in enforcing South Africa's Electoral Code, it struggles to bring about transparency of private funding, which is exacerbated by the unfair, yet not illegal, privileges associated with government office.

Prospective reforms

A new campaign, *My Vote Counts*, has launched a novel and bold legal route involving a Constitutional Court application, leveraging South Africa's international law obligations to compel it to reform political finance.

Furthermore, a National Democracy Fund has been proposed, where donors could “support multi-party democracy, but not necessarily a particular political party” (IEC 2008, 28). This could pool all party donations, both public and private. But these new approaches would need to generate political pressure to unlock the status quo. Change will require well-organized political mobilization and a vivid political narrative that joins the dots between political party finance and the daily concerns of citizens about government performance, public service and corruption.

Lessons for policy makers

Today's political elite proves that as the golden period of constitutional and legislative reform of the early-1990s passed, so did the opportunity to introduce comprehensive political finance regulations. An obvious lesson from South Africa for other countries, especially transitional states, is to act fast and capture the early wave of democratic change. Another one is that to create a regulatory framework for public funds without addressing private funding streams is to create problems. A final lesson is that ingenuity as well as persistence is required when advocating for the case of reform; a number of avenues for engagement may emerge if a free media and strong civil society exist, and the rule of law prevails.

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End notes

¹The Money and Politics Project tracks private donations to South African political parties by scrutinizing annual reports of the top 40 companies listed on the Johannesburg Securities Exchange. <http://osf.org.za/programmes/money-and-politics-project/>

11 Sweden

By Magnus Ohman

Sweden combines generous state subsidies for political parties with minimal state intervention in political party affairs. Parties are not required to register as organizations and, until 2014, they were free to raise and spend funds without accountability. Nevertheless deeply-entrenched informal rules in Swedish culture mean that the system appears to work well in preventing corruption scandals.

Public funds

Swedish political parties depend on public funding provided by central and local governments, which has been their dominant source of income since the 1960s (see Table 11.1). In the 1980s, the *Joint Agreement Concerning Openness about the Parties' Income* produced a voluntary arrangement where parliamentary parties agreed to disclose summary information about their main sources of funding. Strikingly, this agreement focuses exclusively on party income; there were no restrictions upon the use of public funds. Equally, there were no requirements for candidates to disclose their finances. In 2002, a survey showed that only one fifth of Swedes trusted the honesty of candidates to reveal their sources of income (Gidlund 2004, 65).

Reform debates

During the last decades several developments have strengthened calls for reform. Interestingly, none of these have been motivated by corruption scandals, as is often the case in other countries.

The first development was the dramatic decline in party membership and public confidence in the party system, a growing trend since the 1980s. A second factor was pressure for reform from the international community, chiefly the Group of States against Corruption (GRECO). Based on the Council of Europe recommendation 2003 (4), GRECO published a 2009 review criticizing Sweden's regulatory system:

Table 11.1 State funding received annually by parliamentary parties (total 2009-2013)

PUBLIC FUNDING	STATE FUNDING (US\$ MILLIONS)	SHARE OF TOTAL INCOME (%)
Social Democratic Party	85.4	56
Moderate Party	70.7	77
Liberal Party	26.3	78
Centre Party	22.6	35
Left Party	20.2	89
Christian Democrat Party	19.2	80
Green Party	16.6	80
Sweden Democrats	10.5	N/A
Total	271.8	68

Source: Voluntary income reports from the parliamentary parties. For Sweden democrats, based on calculations from Lag 1972:625 and 1999:209, as well as Transparency International 2012a.



“ While [...] there is a general perception in Sweden that corruption is not a vast problem, the lack of transparency regarding the sources of political financing and the types of expenditure means, however, that it is difficult to assess this system. Moreover, the current low level of transparency in political financing is difficult to understand in a country like Sweden, which guarantees a high degree of transparency in most other areas of public life and where political financing to a very large degree comes from public means.” (GRECO 2009, 17)

GRECO recommended increased book-keeping and reporting obligations for political parties (legal requirements to report on both party income and spending), a ban on anonymous donations, independent monitoring of party and campaign funding, the auditing and publication of reports, and the introduction of appropriate and flexible sanctions in cases of violations. Follow-up reports (in 2011, 2012 and 2013) concluded that the level of compliance remained “globally unsatisfactory” (GRECO 2013, 4).

The last factor was the rise of the nationalist Sweden Democrats, the third largest parliamentary party following the 2014 elections. The outsider anti-establishment party refuses to disclose its sources of income voluntarily, which has upset Sweden’s tradition of party consensus.

When political finance legislation was finally passed in Sweden in April 2014, it codified the previously existing voluntary agreement and extended it to all parties participating in national elections with an income above a certain threshold. Eligibility for subsidies is conditional upon proof that a party did not accept any anonymous donations. Given that public funding far exceeds private

sources, this significantly reduces the temptation for political parties to seek or receive donations from anonymous sources.

Lessons for policymakers

The April 2014 law will not have practical effect until 2015, when the first financial reports are due. It is too early to tell if the reforms will increase public confidence and trust in the Swedish political parties although the reforms are unlikely to change the situation drastically. The new law does not regulate donor eligibility, anonymous donations and donation caps, nor tackle the issue of spending. Moreover it applies to overall party activities, but it does not impose regulations or financial reporting requirements specific to election campaigns. Regardless of the recently passed reforms, Swedish political finance remains loosely regulated in an international context, far removed from GRECO’s recommendations.

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12 United States

By Richard Briffault

The United States has deregulated its system of political finance, where the judiciary has exercised its power to invalidate regulations approved by the executive and legislative branches of government. This has led to ever-expanding campaign war-chests by candidates, and a growing influence of third party actors on candidates, political parties, and election campaigns.

The post-Watergate era of tight regulations

Over the past half-century, political finance law has passed through three major waves of change.

The first is the FECA-Buckley regime from 1972-2002. The 1972 *Federal Election Campaign Act* (FECA) transformed federal election finance. The reforms had four objectives: (i) moderating the influence of large donors; (ii) constraining resource inequalities among candidates; (iii) increasing transparency; and (iv) reducing the role of private money in presidential elections. To this end, FECA strengthened contribution limits and disclosure requirements, established optional public funding for presidential candidates, and created the Federal Election Commission (FEC) to enforce the law. FECA's spending limits were struck down by the US Supreme Court decision *Buckley v. Valeo* (1976), on grounds that they burdened constitutional rights. This created a central tension: financing unlimited spending with limited contributions. It created pressures for candidates and parties to raise as much financial resources as possible, lest they be outspent by their opponents.

Fundraising became an obsession, and by the mid-1990s, large individual, corporate, labor and ideological funds had been reintroduced into federal elections. Political Action Committees (PACs) and 'bundlers', major fundraisers collecting donations on behalf of candidates, became crucial intermediaries helping candidates to acquire the resources necessary to run their campaigns (Sorauf 1992, 54-55). Moreover parties began to raise



large amounts of 'soft money'. Ostensibly for non-federal party activities, these funds were not subject to federal dollar caps or source prohibitions, yet have impacted federal elections considerably. Parties and outside groups also spent money on unregulated 'issue advocacy' — ads nominally about non-election issues but aimed at influencing voter views of candidates (Briffault 2000).

These developments triggered a second major reform. Congress adopted the *Bipartisan Campaign Reform Act*

(BCRA) in 2002, which limited donations and restricted some outside spending by regulating both party soft money and the most egregious forms of issue advocacy.

The expanding role of outside groups

Yet the role of outside groups expanded even further in 2010, as the Supreme Court demonstrated increasing hostility to campaign finance laws, ushering in the third campaign finance era. The Court has been a frequent obstacle to campaign finance regulation, most famously by striking down longstanding bans on independent spending by corporates and unions in *Citizens United v. FEC* (2010). The last election cycles have witnessed a virtual explosion of spending by outside groups, particularly Super PACs and politically active nonprofits. Super PACs can both raise and spend unlimited amounts, and although subject to federal disclosure requirements, they provide a new opportunity for wealthy individuals to spend significant amounts in elections. Politically active nonprofits, or ‘dark money’ groups that engage in election-related activity but claim a different ‘major purpose’, have become a major force in federal elections. They are almost entirely outside the scope of federal regulation, as they are not obliged to disclose their funding sources or electoral activities, except for broadcasting. These dynamics threaten to render the formal regime increasingly irrelevant, particularly in hotly contested elections.

Lessons for policy makers

First, contribution limits without expenditure limits will likely fail to equalize candidate spending. They can increase fundraising pressures on candidates; empower intermediaries; and encourage the movement of funds to outside groups not subject to contribution restrictions or even disclosure requirements. Contribution limits redirect the flow of money away from the candidate, but they do not limit the ability of would-be contributors to spend money to influence an election, or to win the gratitude of the candidates who benefit from their spending.

Second, constitutional protections of political speech and association make it both crucial and difficult to define the election-related activities subject to regulation. Elections

and politics are intimately interconnected, but electoral speech must be distinguished from non-electoral political speech if election spending is to be regulated. An expansive definition that includes any mention of candidates or election issues could interfere with ordinary political debate, whilst narrow definitions that focus on particular words or only target ads in a specific temporal window are easy to evade, and capture only a fraction of electoral spending. At the same time, open-ended, totality-of-the-circumstances tests raise the risk of shifting standards, and administrative abuse for partisan purposes. The Supreme Court has required that American electoral laws take the narrow approach, but each of these approaches presents line-drawing difficulties, with potentially unsatisfactory consequences.

Third, adopting campaign finance laws is difficult in America. Many of the concerns that drove reform efforts more than forty years ago remain. Only one of the four goals — transparency — has been obtained to a considerable degree, by requiring regular quarterly reports, special pre-election reports, and post-election filings from candidates, political parties, and (Super) PACs. Yet the growing role of ‘dark money’ threatens to undermine transparency. Despite these new challenges to the campaign financing system, no new federal legislation has been passed in a dozen years. The combination of three separately-elected participants in the law-making process — the House, the Senate, and the President — with a powerful constitutional Court determined to assert its own position, complicates campaign finance reform. Regulations are difficult to enact due to the partisan divide on campaign finance issues, and the Supreme Court has effectively barred a range of campaign finance alternatives (Mann and Corrado 2014).

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Conclusions

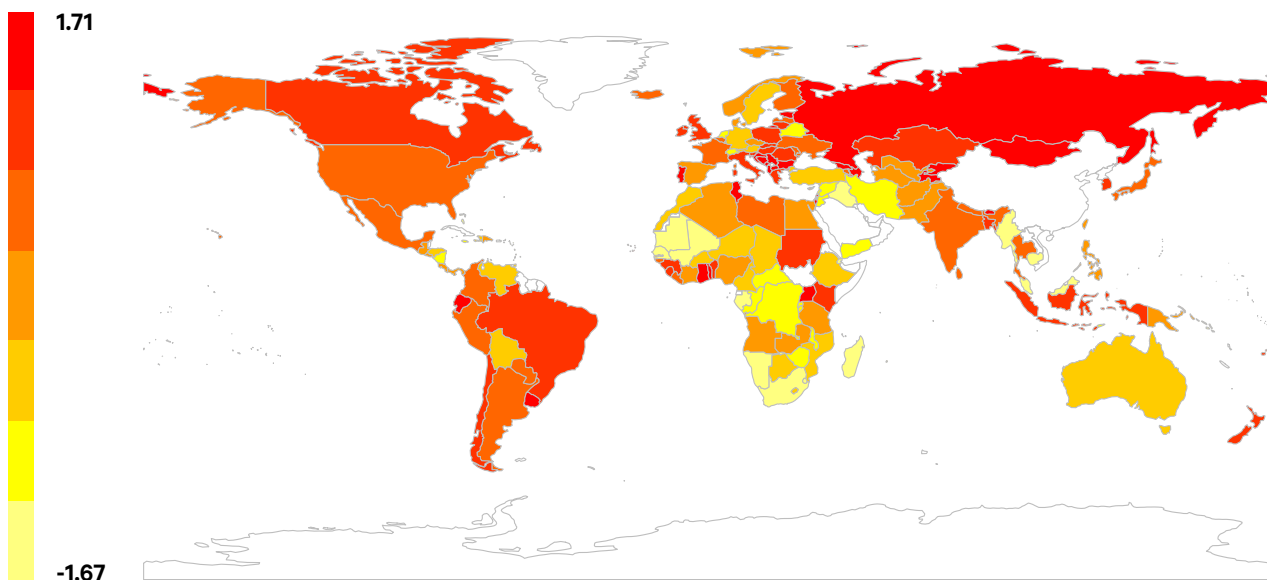
13 Comparing political finance regulations worldwide

By **Andrea Abel van Es**

Types of political finance regulations vary around the world, as highlighted by the case studies presented in this report; whilst countries such as South Africa, Sweden and India have more laissez-faire political finance regimes, Brazil, Indonesia, and Russia have more interventionist regimes.

For comparative analysis, a ‘political finance regime’ can be conceptualized as a continuum defined by the degree of state intervention, rather than as a discrete category based upon regulation type. This has several advantages over the conventional approach, in particular by taking account of the particular mix of regulatory policies in any country, as well as generating a continuous index which facilitates consistent cross-national comparisons. Based on this approach, worldwide comparative evidence suggests that the level of state intervention when regulating political finance is shaped by political market failures, especially corruption, as well as by the strength of particular interest groups, most notably corporations.

Figure 13.1 State interventionism in political finance regimes



Conceptualizing the Political Finance Regime

Any attempt at developing a clear typology of regulatory policies quickly encounters the fact that many states combine multiple, sometimes seemingly contradictory policies, for example using spending caps without contribution limits in the case of Mexico. The interaction among regulatory types can produce divergent outcomes, and the devil is often in the details, for example in the level of any spending limits, the types of corporate or union donors who are restricted, and the seats or votes formulae used for the allocation of public funds to political parties. Analysis of political finance regulation is less parsimonious if each type of regulation is treated separately rather than seeking to explain the underlying aspects of regulation which are common across all types.

For all these reasons, *de jure* political finance regulations can be conceptualized, measured and compared as a single continuum defined by the degree of state intervention. This perspective borrows directly from theories which classify economic markets on a similar basis; with a ‘laissez-faire’ market with a minimal role for state intervention lying at one extreme end of the spectrum, and a regime with state ownership and control over multiple facets of the economy at the other extreme.

State interventionism is a latent unobservable characteristic of a political finance regime, for which indicators are directly observed. The indicators of Political Finance Regime Index (PFRI) that we observe are the regulations surrounding different kinds of political finance behavior; contribution limits, spending limits, and public financing and disclosure requirements. The data collection related to these indicators is based on the International IDEA database on political finance regulation (IDEA 2012), a collection of questions related to the legal regulatory framework for the political finance regimes of over 180 countries from 2012 onwards.

The level of regulation within each of the four subcategories, measured as the number of laws, act as our observed indicators for the PFRI. Thus we

have four indicators including levels of regulation (i) contributions, (ii) spending, (iii) public funding and (iv) disclosure. It must be emphasized that the underlying latent characteristic — the level of state interventionism in the sphere of political finance — is more than simply a linearly additive measure of these four categories. This is because some kinds of regulation such as disclosure requirements, command less intrusion of the state than others such as public funding. The measurement model determines statistically which indicators load (or weight) more heavily on the state interventionism trait.

Since the PFRI is characterized by a mix of ordinal and continuous indicators, Bayesian factor analysis is used for mixed ordinal and continuous responses (Quinn 2004).

Cross-national analysis shows that considerable variations at a global level in the PFRI, as seen in Figure 13.1. The PFRI ranges from a maximum posterior mean score of 1.71 for Ecuador, to a minimum posterior mean score of -1.67 for Nauru.

Explaining variation in Political Finance Regimes

Current theories seeking to explain different patterns and levels of regulation of political finance have tended to analyze characteristics of countries which are structural (population size, economic inequality), institutional (legal origin, age of democracy, electoral system and executive type), and political (corruption). Whilst these characteristics may be relevant, and additional tests can include these in models, they do not provide a comprehensive explanation for the variation seen globally.

Borrowing from theories of government regulation we present two theoretical explanations, above and beyond more traditional theoretical work, for why we see such variation at a global level in approaches to regulating political finance. The public interest theory of regulation posits that a state gets involved through regulations when there is an inherent failure in the political market, and in response to demands for correcting these

problems, to protect the well-being of its citizens. The private interest theory of regulation posits that levels of regulation, and hence state intervention in the realm of political finance, is a function of the demand of specific interest groups, and the supply they are able to generate through their political power.

Both public and private interest theories of regulation can potentially contribute to our understanding of what causes different levels of state interventionism in political finance. Regression models presented in the book provide evidence for several empirical findings. In particular, state intervention in political finance is usually greater in countries with the following characteristics:

- *Experience of political market failures*, such as corruption scandals;
- *English legal origins*, rather than French or German legal traditions;
- *Proportional representation* rather than majoritarian electoral systems;
- *Where corporations and businesses are weak*, as measured by the economic power of the private sector;
- *In non-democratic states*.

Lessons for Policy Makers

The design and redesign of political finance regulations is often a reactive process – in response to market failures and/or interest group demands.

Furthermore, some groups and actors are, in general, more influential and able to affect levels of state interventionism in the regulation of political finance than others. In particular, corporations and regional actors are able to exert their preferences for regulation in the political finance arena more effectively than civil society organizations. The influence of regional actors however is conditional on them having some kind of leverage over a country.

This has implications for those wanting to promote changes in levels of state interventionism, perhaps calling for a rethink of which groups are targeted to try and push a reform agenda. Many efforts, especially by international democracy and electoral accountability promotion organizations have tended to focus on engaging with reform NGOs in civil society, to stimulate grass roots movements for strengthening the political finance system. It may be time to rethink this strategy and focus more attention on activities aimed at educating, if not altering, the preferences of corporations and businesses about the consequences of state intervention into political finance regimes.

Moreover, whilst regional norms alone seem not to be a decisive influence on policy in terms of levels of state interventionism, this may be more a question of time than of inefficacy. Norms take time to develop and even more time to be adopted. Finnemore and Sikkink (1998) argue that norms have life-cycles of emergence, norm cascades, and norm internalization. Although the idea of curbing the influence of money in politics whilst enabling democratic activity is certainly not new, it is only since the 1970s and 1980s that regulation of party finances have made it on to the agendas of even established Western democracies. Thus it may be some time before these ‘norms’ cascade down to other countries whose priorities may lie in more critical problems such as post-conflict transitions or economic survival.

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14 Does regulation work?

By Pippa Norris and Andrea Abel van Es

The cases illustrate the four types of policies commonly employed – including transparency and disclosure, donor limits, spending caps, and public funding and subsidies. These are used separately or in combination in each of the countries under comparison. The spectrum can also be understood as a continuum ranging from the most laissez-faire political markets, where actors are largely free of legal constraints and political parties are treated as voluntary associations in civil society, to political markets where political finance is strongly regulated and enforced.

The final issue tackled remains the toughest to answer satisfactorily: does regulation ‘work’?

What works?

As many of the case studies describe, it is not difficult to describe policy reforms, such as the establishment of new administrative procedures or guidelines designed to implement new laws. It is far more difficult to pin down the outcomes of political finance, such as whether the official guidelines are observed in practice. The outcomes of formal laws and their implementation is in part a function of their design; the fashion in which oversight entities are designed (for example the independence and merit of appointees, the powers granted to the body), are fundamental to shaping the realities of practical enforcement. Institutional design may in many respects be contingent on state capacity, but the way in which reforms are structured matters. As the data from Global Integrity indicate (see reference tables in the appendix), most countries score far higher on an in-law assessment of their political finance regimes than on an in-practice assessment.

It is even more challenging to establish the societal impacts flowing from public policies, however, and thus whether regulations achieve their ultimate goals by strengthening democratic governance, as proponents claim.

What ‘works’ when regulating the flow of money into politics depends on what normative standards are seen as appropriate. Evaluation of success and failure of policy impacts requires establishing some clear indicators. As a starting point, we look towards internationally accepted normative frameworks and human rights standards which political finance regime regulations ought to coalesce. This provides the criteria against which policy success and failure can be evaluated.

There is a broad global consensus regarding several fundamental principles that should characterize the

electoral process. The main standards have been affirmed and reaffirmed in numerous international declarations and agreements emanating from global (UN) and regional (OAS, OSCE, SADC) organizations (IDEA 2014). Beyond universal condemnation of political corruption, however, there is far less agreement within the international community about the appropriate norms governing political finance.

This study identifies four core principles or values which can be used as benchmarks for evaluating the impact of political finance reforms on the quality of democratic governance – emphasizing the desirability of establishing equitable party competition, the integrity of the political process, principles of

transparency and disclosure, and opportunities for inclusive participation.

Which combination of regulatory policies is most suitable for any state depends upon the importance placed on each of these normative principles. Assuming equal weighting for these normative principles, future research in this regard might consider the economic theory of Pareto optimality as a potential method for political finance regime design: an optimal mix of regulatory policies in a condition under which no one normative principle can be strengthened (by reforming the political finance regime), without at least one other normative principle being weakened by the very same reform.

“ *There is a broad global consensus regarding several fundamental principles that should characterize the electoral process. [...] Beyond universal condemnation of political corruption, however, there is far less agreement within the international community about the appropriate norms governing political finance.*

Evaluating policy outcomes and impacts

The case studies presented in this book exemplify both positive and negative outcomes from political finance regimes. In some circumstances, democratic political practices have been subverted due in part to the political finance regimes. For example, India, exemplifies a case where the relatively ‘hands-free’ system of political financing has meant that large sums of money are required to run for nomination within a political party, which has led to a perverse selection effect favoring many candidates tied to the criminal underworld. The Russian case shows, however, that the highly regulated system of political financing has led to the manipulation of access to, and control over, financial resources, thereby entrenching electoral authoritarianism.

In other circumstances however increased levels of state intervention have strengthened governance

and democracy. Japan, illustrates how increased state interventionism cut the cost of elections and also increased political competition through alternation of the political parties in power.

These mixed results mean that we need to understand more clearly the conditions leading towards regulatory success and failure. State intervention will shape certain desirable normative principles of democratic practice in different ways (De Luca 2007). Thus, whilst caps on expenditures – used, for example, in the United Kingdom – may help to ensure fairness of political competition and curbs the spending arms race, it also curtails party autonomy. Those opposed to regulation in the flow of money into politics argue that spending caps erode democracy, for example by restricting participation in the political process through donor contributions, and limiting freedom of expression (Smith 1996).



Outcomes: Are laws implemented in practice?

What kinds of outcomes, if any at all, formal laws have, is mediated most fundamentally by whether or not these laws are actually implemented in practice (IDEA 2014).

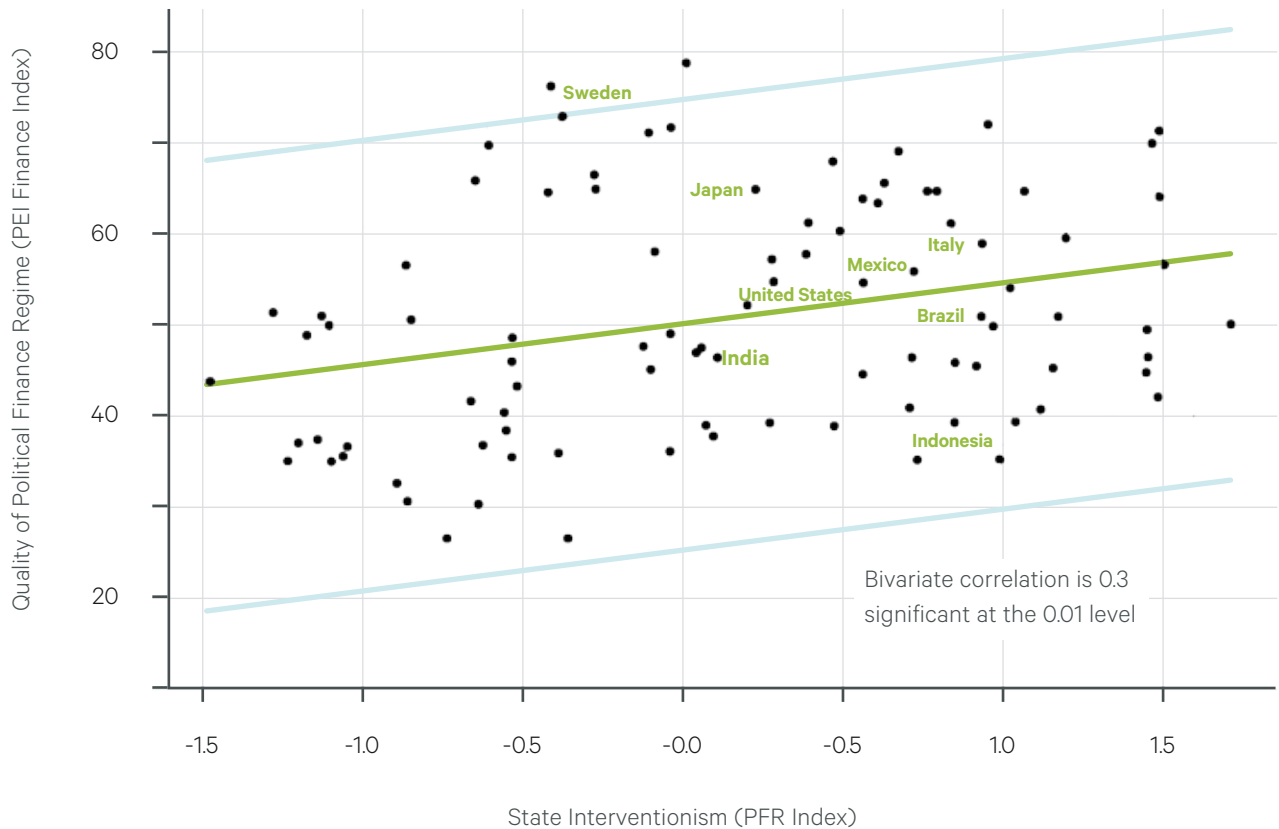
State capacity and rule of law most fundamentally affect the ability and/or the willingness of a state to implement and enforce its laws. Where a state has little administrative and bureaucratic capacity with a lack of enforcement ability, no matter how well intentioned its politicians and policy makers are, effectively implementing complex legal frameworks requiring significant government intervention will be difficult (Skocpol and Finegold 1982).

The quality of a political finance regime must consider not only the degree and type of regulation, as captured by the political finance regulation (PFR) index, but also the application of the regulatory regime. Thus we would like to be able to assess not only whether there are laws regarding the provision of public subsidies to political parties for example, but also whether parties had equitable access to public funding in practice (ultimately contributing to equitable party competition – one of our normative goals). Practical application of

the law ought to have a strong affect on these types of medium term outcomes.

To test the relationship empirically between state intervention in the political finance regime and expert perceptions of the quality of the political finance regime (as it contributes to the four normative goals), we use data from the Perceptions of Electoral Integrity (PEI) Survey.¹ One part of the survey deals explicitly with the political finance regime of a country, gauging the extent to which formal laws regarding political finance are applied in practice. The PEI finance index is a 100 point index based on five indicators: 1. Parties/candidates had equitable access to public political subsidies; 2. Parties/candidates had equitable access to political donations; 3. Parties/candidates publish transparent financial accounts; 4. Rich people buy elections; and, 5. Some state resources were improperly used for campaigning.

The higher the country score, the higher the level of perceived integrity associated with a particular country's political finance regime, an indication that laws governing the flow of money into politics may actually be implemented.

Figure 14.1 State regulation of campaign finance and expert perceptions of the quality of campaign finance

*The relationship between the quality of political finance regime and the degree of state interventionism.
The green line represents the line of best fit; the blue lines indicate 95% confidence intervals.*

The results of the analysis are illustrated in Figure 14.1. We find that the degree of state intervention in the political finance regime of a country is positively and significantly correlated with the overall perceived quality of the political finance regime, and this relationship persists even after controlling for levels of democracy and the rule of law. On balance, contingent on being a democratic state or a democratizing state with sufficient state capacity, the more that a state intervenes in its system of political financing by enacting regulations around contributions, spending, disclosure and public subsidies, the higher the perceived quality of its political finance regime. It is the combination of all three variables: state intervention in the political finance regime, democracy, and state capacity,

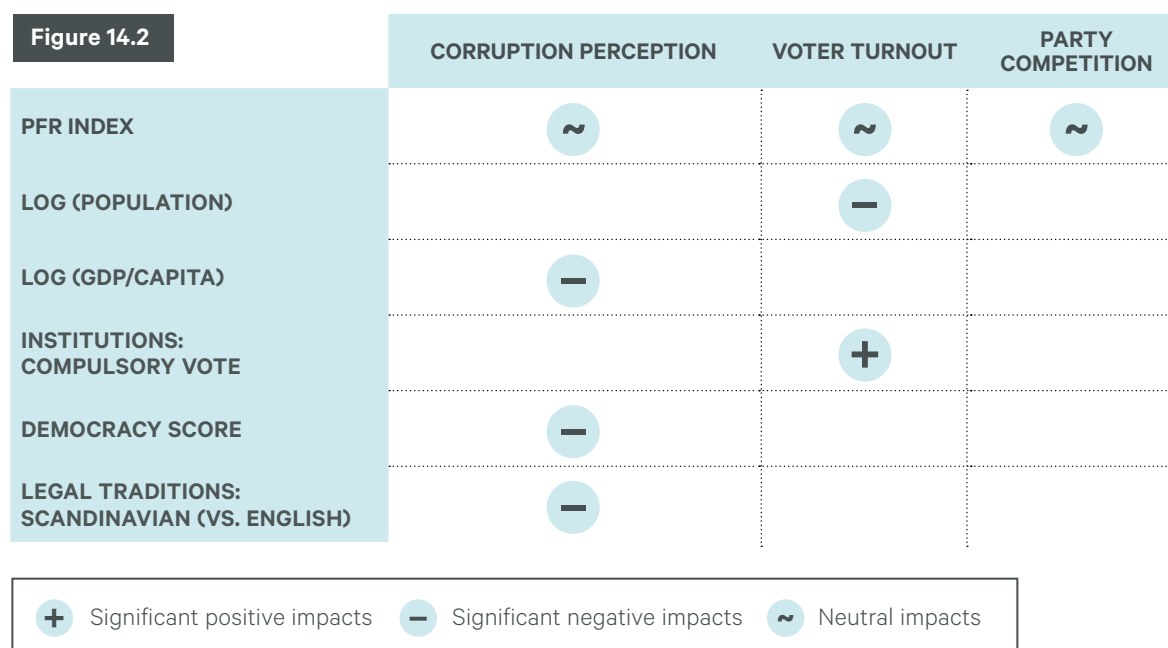
that is most likely to lead to a system of political financing which contributes towards the identified normative goals. Two of three variables is insufficient for this, as exemplified by the case of Russia, a non-democratic state with strong rule of law, and a case where increased involvement of the state in the political finance regime results in inequitable party competition and a political process based on exclusion rather than inclusion – poor medium term outcomes. India, a democracy with weak state capacity, also exemplifies a case where increased state interventionism in the political finance regime leads to poor medium term outcomes, largely in the form of a lack of integrity in the political process.

Impacts:

Party competition, perceptions of corruption, voter turnout

What about the broader effects of the campaign finance regulation index on the quality of democratic governance? We test empirically at cross-national level the relationship between the degree of state regulation of political finance and three hypothesized long-term impacts: a more level playing field in party competition, integrity and lack of corruption, and voter turnout as an indicator of political participation. Each of these are commonly claimed by proponents as benefiting from more effective regulation of the role of money in politics.

The findings from this study, however, lead us to be agnostic about the effects of state interventionism in the political finance regime on each of these longer term societal impacts. The empirical models indicate that from a cross-national and static perspective (since this is but a snap-shot of time), the level of state interventionism in the political finance arena is not a significant predictor of perceptions of corruption, voter turnout, or party competition. The results of the models, presented fully elsewhere, are summarized in Figure 14.2.



Notes: The figure summarizes the result of the OLS regression models where corruption perceptions, voter turnout and party competition are the dependent variables.

Instead, perceptions of corruption are correlated with levels of democracy (the more democratic a country, the less the perceived corruption), levels of economic development (the more economically developed a country, the less is the perceived corruption), and the legal origin of a country (in particular a country with a Scandinavian legal code is perceived as less corrupt when compared to a Common Law country).

Voter turnout is unsurprisingly most affected by whether or not a country has a system of compulsory

voting in place. On average, voter turnout is 9% higher in countries with compulsory voting compared with those that do not. However, compulsory voting alone accounts for only 4% of the variation we see in turnout rates cross-nationally.

The concentration of political power is most affected by the type of electoral system – also not surprisingly, a proportional representation system usually has greater party competition than a majoritarian system.

Lessons for policy makers

Several general lessons emerge from the evidence scrutinized in this study.

1

The limited effects of legal regulations

Although ultimately regulating the flow of money into politics should be aimed toward a more equitable, transparent and inclusive political system, reaching any one of these goals is a long-term process that may require compromise on one or more other normative dimensions. Thus, one should not expect to see immediate impact of legal reforms on societal outcomes such as corruption or voter confidence in the political process. The empirical evidence analyzed in this study was unable to establish that the degree of state regulation has any significant impact on achieving these long-term goals and further research using alternative time-series data and experimental methods could help to clarify the nature of the links between campaign finance regulations and democratic governance

2

The most common reforms in recent years have sought to strengthen disclosure and public funding

Among all the policy instruments, the cases under comparison suggest that the last decade has seen landmark revisions in many countries which most often serve both to strengthen disclosure requirements (and thus seek to boost transparency, to counter the risks of corruption) and to either establish or expand public funding and subsidies to parliamentary parties (providing resources allowing parties to deal with rising campaign costs and to compensate for falling membership dues and voluntary fundraising by local activists, without relying solely on private sector donors).

A complex mix of long-term historical conditions and short-term factors usually combine to generate pressures for new legislation. The historical pathways of change are shaped by the politics within each state including the effect of contingent events, the role of reform-minded leaders, shifting coalitions of party actors, judicial decisions and interpretations, processes of constitutional reform, attitudes in public opinion, and diverse interest groups and social movements. Pressures from the international community are also important, especially technical aid and assistance designed to encourage states to attack the root causes of political corruption. The cross-national evidence shows that rational political parties often regulate political finance in response to market failures, exemplified by money-in-politics corruption scandals, as well as to meet interest group demands.

3 The effects of formal legal reforms are contingent upon enforcement, which in turn depends on regime type, state capacity and societal cultures

When it comes to the question of ‘what works’, the theory, cases, and empirics all lead to one logical conclusion: legal regulations can only prove effective in states with enforcement capability. Because not all states are equal in terms of their capacity to enforce laws and sanction transgressions, a fine balance must be struck. There needs to be ‘enough’ legislation to regulate the flow of money; South Africa exemplifies a case of insufficient regulation. But there can also be ‘too much’ regulation, which may never be able to be enforced. This may ultimately lead political actors to avoid compliance by claiming that rules are too burdensome to follow, thus exacerbating the problem of illicit funding, as the case of India exemplifies. Even in countries that do have the capacity for enforcement, the political will to do so must also be present. Countries that have oversight authorities that are not politically independent or that have no ‘real’ power to enforce regulations, will not address the larger systemic problem of the corruptive influence of money in politics. Thus despite being heavily regulated, some countries continue to be plagued by endemic corruption and imbalanced party competition, as exemplified by Russia.

The cross-national evidence indicates that in general, the more that a state regulates political contributions, spending, disclosure and public subsidies, the higher the perceived quality of its political finance regime, as measured by the Perception of Electoral Integrity Political Finance Index. This finding is contingent upon the state being a democracy and having enforcement capabilities.

4 Mixed policy strategies work best

As demonstrated by many of the case studies presented throughout the book, a balanced mix of regulatory policies is most effective to control political finance, so that regulations blend a combination of disclosure and transparency requirements, limits on spending and contributions, and public subsidies to political parties. No single policy instrument is sufficient by itself to control money in politics.

End notes

For more details, see www.electoralintegrityproject.com

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Further resources

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Select online resources

ACE The Electoral Knowledge Network <http://aceproject.org/>

Brennan Center for Justice
<https://www.brennancenter.org/issues/money-politics>

Campaign Finance Institute <http://www.cfinst.org/>

Common Cause <http://www.commoncause.org>

Electoral Integrity Project.
<http://www.electoralintegrityproject.com>

Electoral Reform Society <http://www.electoral-reform.org.uk/>

Global Integrity <https://www.globalintegrity.org/>

International Foundation for Electoral Systems
<http://www.ifes.org/>

International IDEA Political Finance Database.
<http://www.idea.int/political-finance/index.cfm>

International Political Science Association: Research Committee on Political Finance and Political Corruption
<http://rc20.ipsa.org/>

Money, Politics and Transparency
<http://moneypoliticstransparency.org/>

National Institute On Money In Politics
<http://beta.followthemoney.org/>

Organization for Security and Cooperation in Europe (OSCE/ODHIR). <http://www.osce.org/odihr/elections>

Party Law in Modern Europe
<http://www.partylaw.leidenuniv.nl/>

Sunlight Foundation <http://sunlightfoundation.com/>

The Center for Responsive Politics
<https://www.opensecrets.org/>

Transparency International <https://www.transparency.org/>

US Federal Election Commission <http://www.fec.gov/>

Appendix: Reference tables

Comparative data on political finance

The following tables detail the Money, Politics and Transparency Campaign Finance Indicators — data collected by Global Integrity in 2014.

Global Integrity worked with over 100 political finance experts across the 54 cases to collect the Campaign Finance Indicators, which provide detailed data on the laws that are in place to regulate campaign finance in each target country, and use relevant evidence from the most recent electoral campaign to assess how, in practice, political finance regulations are enforced.

For more information on the methods and to view the data collected by Global Integrity please visit the Money, Politics and Transparency website at:

.....
<http://moneypoliticstransparency.org/data>

The empirical work in this report and the forthcoming book rely on the International IDEA's Political Finance Database as it has broader coverage, including comparative information on laws and regulations in up to 180 countries. For more information on the methods and to view the International IDEA database, please visit the database at:

.....
<http://www.idea.int/political-finance/>

There is a high correlation between Global Integrity's Campaign Finance indicators and the International IDEA indicators, both of which look at the regulatory tools of public funding, transparency and disclosure requirements, contribution limits and spending limits, as well as enforcement. As demonstrated by the aggregate country legal scores, the two indicators correlate at 0.81, significant at the 0.05 level.

Please see page 64-66 for the codebook.

Legend

- Score is higher than 75 on a scale from 0-100
- Score is between 50 and 74, on a scale from 0-100
- Score is between 25 and 49, on a scale from 0-100
- Score is between 0 and 24, on a scale from 0-100

Reference table 1 Summary indices

(*) Selected cases

	SUMMARY INDEX	SUMMARY INDEX IN LAW	SUMMARY INDEX IN PRACTICE
SEE CODEBOOK	1.1	1.2	1.3
Albania	●	●	●
Argentina	●	●	●
Australia	●	●	●
Austria	●	●	●
Bangladesh	●	●	●
Belgium	●	●	●
Bolivia	●	●	●
Bosnia-Herzegovina	●	●	●
Botswana	●	●	●
Brazil	●	●	●
Bulgaria	●	●	●
Chile	●	●	●
Colombia	●	●	●
Costa Rica	●	●	●
Croatia	●	●	●
Ecuador	●	●	●
Georgia	●	●	●
Germany	●	●	●
Ghana	●	●	●
Hungary	●	●	●
India (*)	●	●	●
Indonesia	●	●	●
Israel	●	●	●
Italy (*)	●	●	●
Japan (*)	●	●	●
Kenya	●	●	●
Lebanon	●	●	●
Malawi	●	●	●

	SUMMARY INDEX	SUMMARY INDEX IN LAW	SUMMARY INDEX IN PRACTICE
SEE CODEBOOK	1.1	1.2	1.3
Malaysia	●	●	●
Mexico (*)	●	●	●
Nigeria	●	●	●
Pakistan	●	●	●
Panama	●	●	●
Paraguay	●	●	●
Peru	●	●	●
Philippines	●	●	●
Poland	●	●	●
Republic of Korea	●	●	●
Romania	●	●	●
Russian Federation (*)	●	●	●
Rwanda	●	●	●
Serbia	●	●	●
Slovenia	●	●	●
Solomon Islands	●	●	●
South Africa (*)	●	●	●
Sri Lanka	●	●	●
Sweden (*)	●	●	●
Thailand	●	●	●
Trinidad and Tobago	●	●	●
Turkey	●	●	●
United Kingdom (*)	●	●	●
United States (*)	●	●	●
Uruguay	●	●	●
Venezuela	●	●	●
TOTAL MEAN SCORE	45	57	41

● Score between 0 and 24

● Score between 25 and 49

● Score between 50 and 74

● Score higher than 75

Reference table 2 Public funding

(*) Selected cases

SEE CODEBOOK	PUBLIC FUNDING INDEX 2.1	DIRECT PUBLIC FUNDING 2.2	INDIRECT PUBLIC FUNDING 2.3	DIRECT PUBLIC FUNDING 2.4	DIRECT PUBLIC FUNDING 2.5	TRANSPARENT DIRECT PUBLIC CAMPAIGN FUNDING 2.6	TRANSPARENT DIRECT PUBLIC CAMPAIGN FUNDING 2.7	USE OF STATE RESOURCES PROHIBITED 2.8	USE OF STATE RESOURCES 2.9	FREE ACCESS TO AIR TIME 2.10	FREE ACCESS TO AIR TIME 2.11
Albania	●	●	●	●	●	●	●	●	●	●	●
Argentina	●	●	●	●	●	●	●	●	●	●	●
Australia	●	●	●	●	●	●	●	●	●	●	●
Austria	●	●	●	●	●	●	●	●	●	●	●
Bangladesh	●	●	●	●	●	●	●	●	●	●	●
Belgium	●	●	●	●	●	●	●	●	●	●	●
Bolivia	●	●	●	●	●	●	●	●	●	●	●
Bosnia- Herzegovina	●	●	●	●	●	●	●	●	●	●	●
Botswana	●	●	●	●	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●	●	●	●
Ecuador	●	●	●	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●	●	●	●
Germany	●	●	●	●	●	●	●	●	●	●	●
Ghana	●	●	●	●	●	●	●	●	●	●	●
Hungary	●	●	●	●	●	●	●	●	●	●	●
India (*)	●	●	●	●	●	●	●	●	●	●	●
Indonesia	●	●	●	●	●	●	●	●	●	●	●
Israel	●	●	●	●	●	●	●	●	●	●	●
Italy (*)	●	●	●	●	●	●	●	●	●	●	●
Japan (*)	●	●	●	●	●	●	●	●	●	●	●
Kenya	●	●	●	●	●	●	●	●	●	●	●
Lebanon	●	●	●	●	●	●	●	●	●	●	●
Malawi	●	●	●	●	●	●	●	●	●	●	●

● Score between 0 and 24 ● Score between 25 and 49 ● Score between 50 and 74 ● Score higher than 75

Reference table 2 continued

(*) Selected cases

	PUBLIC FUNDING INDEX	DIRECT PUBLIC FUNDING	INDIRECT PUBLIC FUNDING	DIRECT PUBLIC FUNDING	DIRECT PUBLIC FUNDING	TRANSPARENT DIRECT PUBLIC CAMPAIGN FUNDING	TRANSPARENT DIRECT PUBLIC CAMPAIGN FUNDING	USE OF STATE RESOURCES PROHIBITED	USE OF STATE RESOURCES	FREE ACCESS TO AIR TIME	FREE ACCESS TO AIR TIME
SEE CODEBOOK	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8	2.9	2.10	2.11
Malaysia	●	●	●	●	●	●	●	●	●	●	●
Mexico (*)	●	●	●	●	●	●	●	●	●	●	●
Nigeria	●	●	●	●	●	●	●	●	●	●	●
Pakistan	●	●	●	●	●	●	●	●	●	●	●
Panama	●	●	●	●	●	●	●	●	●	●	●
Paraguay	●	●	●	●	●	●	●	●	●	●	●
Peru	●	●	●	●	●	●	●	●	●	●	●
Philippines	●	●	●	●	●	●	●	●	●	●	●
Poland	●	●	●	●	●	●	●	●	●	●	●
Republic of Korea	●	●	●	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●	●	●	●
Russia (*)	●	●	●	●	●	●	●	●	●	●	●
Rwanda	●	●	●	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●	●	●	●
Slovenia	●	●	●	●	●	●	●	●	●	●	●
Solomon Islands	●	●	●	●	●	●	●	●	●	●	●
South Africa (*)	●	●	●	●	●	●	●	●	●	●	●
Sri Lanka	●	●	●	●	●	●	●	●	●	●	●
Sweden (*)	●	●	●	●	●	●	●	●	●	●	●
Thailand	●	●	●	●	●	●	●	●	●	●	●
Trinidad and Tobago	●	●	●	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●	●	●	●
United Kingdom (*)	●	●	●	●	●	●	●	●	●	●	●
United States (*)	●	●	●	●	●	●	●	●	●	●	●
Uruguay	●	●	●	●	●	●	●	●	●	●	●
Venezuela	●	●	●	●	●	●	●	●	●	●	●
TOTAL MEAN SCORE	56	60	52	56	74	55	54	63	25	59	61

Reference table 3 Contribution and spending regulations

(*) Selected cases

				LAW	LAW	LAW	LAW	LAW	LAW	LAW	LAW	LAW
	CONTRIBUTION AND SPENDING REGULATIONS INDEX	GENERAL RULES ON CAMPAIGN CONTRIBUTIONS (BANS/REPORTING)	CONTRIBUTION AND SPENDING LIMITS	CASH DONATIONS BANNED	ANONYMOUS DONATIONS BANNED	REPORT IN-KIND DONATIONS	CONTRIBUTIONS BANNED	INDIVIDUAL DONATIONS LIMITED	CORPORATE DONATIONS LIMITED	FOREIGN DONATIONS BANNED	THIRD-PARTY DONATIONS LIMITED	SPENDING LIMIT
SEE CODEBOOK	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.10	3.11	3.12
Albania	●	●	●	●	●	●	●	●	●	●	●	●
Argentina	●	●	●	●	●	●	●	●	●	●	●	●
Australia	●	●	●	●	●	●	●	●	●	●	●	●
Austria	●	●	●	●	●	●	●	●	●	●	●	●
Bangladesh	●	●	●	●	●	●	●	●	●	●	●	●
Belgium	●	●	●	●	●	●	●	●	●	●	●	●
Bolivia	●	●	●	●	●	●	●	●	●	●	●	●
Bosnia-Herzegovina	●	●	●	●	●	●	●	●	●	●	●	●
Botswana	●	●	●	●	●	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●	●	●	●	●
Ecuador	●	●	●	●	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●	●	●	●	●
Germany	●	●	●	●	●	●	●	●	●	●	●	●
Ghana	●	●	●	●	●	●	●	●	●	●	●	●
Hungary	●	●	●	●	●	●	●	●	●	●	●	●
India (*)	●	●	●	●	●	●	●	●	●	●	●	●
Indonesia	●	●	●	●	●	●	●	●	●	●	●	●
Israel	●	●	●	●	●	●	●	●	●	●	●	●
Italy (*)	●	●	●	●	●	●	●	●	●	●	●	●
Japan (*)	●	●	●	●	●	●	●	●	●	●	●	●
Kenya	●	●	●	●	●	●	●	●	●	●	●	●
Lebanon	●	●	●	●	●	●	●	●	●	●	●	●
Malawi	●	●	●	●	●	●	●	●	●	●	●	●

● Score between 0 and 24

● Score between 25 and 49

● Score between 50 and 74

● Score higher than 75

Reference table 3 continued

(*) Selected cases

				LAW	LAW	LAW	LAW	LAW	LAW	LAW	LAW	LAW
	CONTRIBUTION AND SPENDING REGULATIONS INDEX	GENERAL RULES ON CAMPAIGN CONTRIBUTIONS (BANS/REPORTING)	CONTRIBUTION AND SPENDING LIMITS	CASH DONATIONS BANNED	ANONYMOUS DONATIONS BANNED	REPORT IN-KIND DONATIONS	CONTRIBUTIONS BANNED	INDIVIDUAL DONATIONS LIMITED	CORPORATE DONATIONS LIMITED	FOREIGN DONATIONS BANNED	THIRD-PARTY DONATIONS LIMITED	SPENDING LIMIT
SEE CODEBOOK	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9	3.10	3.11	3.12
Malaysia	●	●	●	●	●	●	●	●	●	●	●	●
Mexico (*)	●	●	●	●	●	●	●	●	●	●	●	●
Nigeria	●	●	●	●	●	●	●	●	●	●	●	●
Pakistan	●	●	●	●	●	●	●	●	●	●	●	●
Panama	●	●	●	●	●	●	●	●	●	●	●	●
Paraguay	●	●	●	●	●	●	●	●	●	●	●	●
Peru	●	●	●	●	●	●	●	●	●	●	●	●
Philippines	●	●	●	●	●	●	●	●	●	●	●	●
Poland	●	●	●	●	●	●	●	●	●	●	●	●
Republic of Korea	●	●	●	●	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●	●	●	●	●
Russian Federation (*)	●	●	●	●	●	●	●	●	●	●	●	●
Rwanda	●	●	●	●	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●	●	●	●	●
Slovenia	●	●	●	●	●	●	●	●	●	●	●	●
Solomon Islands	●	●	●	●	●	●	●	●	●	●	●	●
South Africa (*)	●	●	●	●	●	●	●	●	●	●	●	●
Sri Lanka	●	●	●	●	●	●	●	●	●	●	●	●
Sweden (*)	●	●	●	●	●	●	●	●	●	●	●	●
Thailand	●	●	●	●	●	●	●	●	●	●	●	●
Trinidad and Tobago	●	●	●	●	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●	●	●	●	●
United Kingdom (*)	●	●	●	●	●	●	●	●	●	●	●	●
United States (*)	●	●	●	●	●	●	●	●	●	●	●	●
Uruguay	●	●	●	●	●	●	●	●	●	●	●	●
Venezuela	●	●	●	●	●	●	●	●	●	●	●	●
TOTAL MEAN SCORE	52	51	54	23	52	76	53	54	47	59	55	54

Reference table 4.1 Transparency (I)

(*) Selected cases

	LAW												
	TRANSPARENCY INDEX	REPORTING REQUIREMENTS	ACCESSIBILITY OF INFORMATION	REPORTS DURING AND OUTSIDE CAMPAIGNS	MONTHLY REPORTS DURING CAMPAIGN	QUARTERLY REPORTS OUTSIDE CAMPAIGN	MONTHLY REPORTS	COMPLETE REPORTS	PUBLIC AVAILABILITY	ACCESSIBLE REPORTS	STANDARDIZED REPORTS	MEDIA USED DATA	NGOS USED DATA
SEE CODEBOOK	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	4.1	4.11	4.12	4.13
Albania	●	●	●	●	●	●	●	●	●	●	●	●	●
Argentina	●	●	●	●	●	●	●	●	●	●	●	●	●
Australia	●	●	●	●	●	●	●	●	●	●	●	●	●
Austria	●	●	●	●	●	●	●	●	●	●	●	●	●
Bangladesh	●	●	●	●	●	●	●	●	●	●	●	●	●
Belgium	●	●	●	●	●	●	●	●	●	●	●	●	●
Bolivia	●	●	●	●	●	●	●	●	●	●	●	●	●
Bosnia-Herzegovina	●	●	●	●	●	●	●	●	●	●	●	●	●
Botswana	●	●	●	●	●	●	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●	●	●	●	●	●
Ecuador	●	●	●	●	●	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●	●	●	●	●	●
Germany	●	●	●	●	●	●	●	●	●	●	●	●	●
Ghana	●	●	●	●	●	●	●	●	●	●	●	●	●
Hungary	●	●	●	●	●	●	●	●	●	●	●	●	●
India (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Indonesia	●	●	●	●	●	●	●	●	●	●	●	●	●
Israel	●	●	●	●	●	●	●	●	●	●	●	●	●
Italy (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Japan (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Kenya	●	●	●	●	●	●	●	●	●	●	●	●	●
Lebanon	●	●	●	●	●	●	●	●	●	●	●	●	●
Malawi	●	●	●	●	●	●	●	●	●	●	●	●	●

● Score between 0 and 24

● Score between 25 and 49

● Score between 50 and 74

● Score higher than 75

Reference table 4.1 continued

(*) Selected cases

				LAW	LAW	LAW	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE
	TRANSPARENCY INDEX	REPORTING REQUIREMENTS	ACCESSIBILITY OF INFORMATION	REPORTS DURING AND OUTSIDE CAMPAIGNS	MONTHLY REPORTS DURING CAMPAIGN	QUARTERLY REPORTS OUTSIDE CAMPAIGN	MONTHLY REPORTS	COMPLETE REPORTS	PUBLIC AVAILABILITY	ACCESSIBLE REPORTS	STANDARDIZED REPORTS	MEDIA USED DATA	NGOS USED DATA
SEE CODEBOOK	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8	4.9	4.1	4.11	4.12	4.13
Malaysia	●	●	●	●	●	●	●	●	●	●	●	●	●
Mexico (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Nigeria	●	●	●	●	●	●	●	●	●	●	●	●	●
Pakistan	●	●	●	●	●	●	●	●	●	●	●	●	●
Panama	●	●	●	●	●	●	●	●	●	●	●	●	●
Paraguay	●	●	●	●	●	●	●	●	●	●	●	●	●
Peru	●	●	●	●	●	●	●	●	●	●	●	●	●
Philippines	●	●	●	●	●	●	●	●	●	●	●	●	●
Poland	●	●	●	●	●	●	●	●	●	●	●	●	●
Republic of Korea	●	●	●	●	●	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●	●	●	●	●	●
Russian Federation (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Rwanda	●	●	●	●	●	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●	●	●	●	●	●
Slovenia	●	●	●	●	●	●	●	●	●	●	●	●	●
Solomon Islands	●	●	●	●	●	●	●	●	●	●	●	●	●
South Africa (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Sri Lanka	●	●	●	●	●	●	●	●	●	●	●	●	●
Sweden (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Thailand	●	●	●	●	●	●	●	●	●	●	●	●	●
Trinidad and Tobago	●	●	●	●	●	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●	●	●	●	●	●
United Kingdom (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
United States (*)	●	●	●	●	●	●	●	●	●	●	●	●	●
Uruguay	●	●	●	●	●	●	●	●	●	●	●	●	●
Venezuela	●	●	●	●	●	●	●	●	●	●	●	●	●
TOTAL MEAN SCORE	46	44	48	53	51	46	28	42	61	35	50	68	47

Reference table 4.2 Transparency (II)

(*) Selected cases

		LAW	PRACTICE	PRACTICE
	THIRD PARTY TRANSPARENCY INDEX	THIRD PARTY REPORTS	THIRD PARTY REPORTS	PUBLIC AVAILABILITY THIRD PARTY DATA
SEE CODEBOOK	4.14	4.15	4.16	4.17
Albania	●	●	●	●
Argentina	●	●	●	●
Australia	●	●	●	●
Austria	●	●	●	●
Bangladesh	●	●	●	●
Belgium	●	●	●	●
Bolivia	●	●	●	●
Bosnia-Herzegovina	●	●	●	●
Botswana	●	●	●	●
Brazil	●	●	●	●
Bulgaria	●	●	●	●
Chile	●	●	●	●
Colombia	●	●	●	●
Costa Rica	●	●	●	●
Croatia	●	●	●	●
Ecuador	●	●	●	●
Georgia	●	●	●	●
Germany	●	●	●	●
Ghana	●	●	●	●
Hungary	●	●	●	●
India (*)	●	●	●	●
Indonesia	●	●	●	●
Israel	●	●	●	●
Italy (*)	●	●	●	●
Japan (*)	●	●	●	●
Kenya	●	●	●	●
Lebanon	●	●	●	●
Malawi	●	●	●	●

		LAW	PRACTICE	PRACTICE
	THIRD PARTY TRANSPARENCY INDEX	THIRD PARTY REPORTS	THIRD PARTY REPORTS	PUBLIC AVAILABILITY THIRD PARTY DATA
SEE CODEBOOK	4.14	4.15	4.16	4.17
Malaysia	●	●	●	●
Mexico (*)	●	●	●	●
Nigeria	●	●	●	●
Pakistan	●	●	●	●
Panama	●	●	●	●
Paraguay	●	●	●	●
Peru	●	●	●	●
Philippines	●	●	●	●
Poland	●	●	●	●
Republic of Korea	●	●	●	●
Romania	●	●	●	●
Russian Federation (*)	●	●	●	●
Rwanda	●	●	●	●
Serbia	●	●	●	●
Slovenia	●	●	●	●
Solomon Islands	●	●	●	●
South Africa (*)	●	●	●	●
Sri Lanka	●	●	●	●
Sweden (*)	●	●	●	●
Thailand	●	●	●	●
Trinidad and Tobago	●	●	●	●
Turkey	●	●	●	●
United Kingdom (*)	●	●	●	●
United States (*)	●	●	●	●
Uruguay	●	●	●	●
Venezuela	●	●	●	●
TOTAL MEAN SCORE	11	18	8	6

● Score between 0 and 24

● Score between 25 and 49

● Score between 50 and 74

● Score higher than 75

Reference table 5 Oversight Authority

(*) Selected cases

				LAW	LAW	PRACTICE	LAW	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE	PRACTICE
	OVERSIGHT AUTHORITY INDEX	MONITORING	ENFORCEMENT	INDEPENDENT OVERSIGHT	MERIT APPOINTMENT	MERIT APPOINTMENT	AUTONOMY	AUTONOMY	MONITORING CAPACITY	AUDIT POWERS	PUBLICATION OF AUDITS	SANCTION POWERS	SANCTIONS IMPOSED	COMPLIANCE
SEE CODEBOOK	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9	5.10	5.11	5.12	5.13	5.14
Albania	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Argentina	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Australia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Austria	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bangladesh	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Belgium	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bolivia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bosnia- Herzegovina	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Botswana	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Brazil	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Bulgaria	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Chile	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Colombia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Costa Rica	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Croatia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ecuador	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Georgia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Germany	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ghana	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hungary	●	●	●	●	●	●	●	●	●	●	●	●	●	●
India (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Indonesia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Israel	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Italy (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Japan (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Kenya	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Lebanon	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Malawi	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Malaysia	●	●	●	●	●	●	●	●	●	●	●	●	●	●

● Score between 0 and 24

● Score between 25 and 49

● Score between 50 and 74

● Score higher than 75

(*) Selected cases

	LAW LAW PRACTICE LAW PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE PRACTICE													
	OVERSIGHT AUTHORITY INDEX	MONITORING	ENFORCEMENT	INDEPENDENT OVERSIGHT	MERIT APPOINTMENT	MERIT APPOINTMENT	AUTONOMY	AUTONOMY	MONITORING CAPACITY	AUDIT POWERS	PUBLICATION OF AUDITS	SANCTION POWERS	SANCTIONS IMPOSED	COMPLIANCE
SEE CODEBOOK	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.8	5.9	5.10	5.11	5.12	5.13	5.14
Mexico (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Nigeria	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Pakistan	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Panama	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Paraguay	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Peru	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Philippines	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Poland	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Republic of Korea	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Romania	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Russian Federation (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Rwanda	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Serbia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Slovenia	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Solomon Islands	●	●	●	●	●	●	●	●	●	●	●	●	●	●
South Africa (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Sri Lanka	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Sweden (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Thailand	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Trinidad and Tobago	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Turkey	●	●	●	●	●	●	●	●	●	●	●	●	●	●
United Kingdom (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
United States (*)	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Uruguay	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Venezuela	●	●	●	●	●	●	●	●	●	●	●	●	●	●
TOTAL MEAN SCORE	61	52	69	81	51	39	69	56	58	46	19	94	76	36

Codebook

Legend

- Score is higher than 75 on a scale from 0-100
- Score is between 50 and 74, on a scale from 0-100
- Score is between 25 and 49, on a scale from 0-100
- Score is between 0 and 24, on a scale from 0-100

Table 1	SUMMARY INDICES
1.1	Summary index, weighted by the four regulatory sections (public funding, contribution and spending regulations, transparency and oversight)
1.2	Summary index in law
1.3	Summary index in practice

Table 2	PUBLIC FUNDING
2.1	Section 1: Public funding index, weighted by two subsection indices (1.1 direct public funding and 1.2 indirect public funding)
2.2	Subsection 1.1: Direct public funding
2.3	Subsection 1.2: indirect public funding
2.4	In law, there is direct public funding for electoral campaigns.
2.5	In practice, the mechanism to determine direct public funding for electoral campaigns is transparent, equitable and consistently applied.
2.6	In law, there is a transparent and equitable mechanism to determine direct public funding for electoral campaigns.
2.7	In practice, the entity in charge of public funding makes disbursement information publicly available.
2.8	In law, use of state resources in favor of or against political parties and individual candidates is prohibited.
2.9	In practice, no state resources are used in favor of or against political parties and individual candidates' electoral campaigns.
2.10	In law, political parties and individual candidates have free or subsidized access to equitable air time for electoral campaigns?
2.11	In practice, free or subsidized access to air time is provided in a transparent, equitable way to political parties and individual candidates for electoral campaigns.

Table 3	CONTRIBUTION AND SPENDING REGULATION
3.1	Section 2: Contribution and spending regulations index, weighted by two subsections (2.1 general rules on campaign finance contribution, and 2.2 contribution and spending limits)
3.2	Subsection 2.1: General rules on campaign contributions (bans/reporting)
3.3	Subsection 2.2: Contribution and spending limits
3.4	In law, cash contributions are banned.
3.5	In law, there is a ban on anonymous contributions.
3.6	In law, in-kind donations to political parties and individual candidates must be reported.
3.7	In law, loans to political parties and individual candidates must be reported.
3.8	In law, contributions from individuals are limited to a maximum amount.
3.9	In law, contributions from corporations are limited to a maximum amount.
3.10	In law, contributions from foreign sources are banned.

3.11	In law, contributions from third-party actors (unions, foundations, think tanks, political action committees, etc.) are limited to a maximum amount or banned.
3.12	In law, election campaign spending by political parties and individual candidates is limited to a maximum amount.

Table 4.1 **TRANSPARENCY (I)**

4.1	Section 3.1: Transparency index, weighted by two subsections (3.1.1 reporting requirements and 3.1.2 accessibility of information)
4.2	Subsection 3.1.1: Reporting requirements
4.3	Subsection 3.1.2: Accessibility of information
4.4	In law, political parties and individual candidates report itemized contributions and expenditures both during and outside electoral campaign periods.
4.5	In law, political parties and individual candidates are required to report their financial information on a monthly basis during the electoral campaign.
4.6	In law, political parties and individual candidates are required to report their financial information on a quarterly basis outside of electoral campaign periods.
4.7	In practice, political parties and individual candidates report itemized financial information monthly.
4.8	In practice, financial reports by political parties and individual candidates include all types of contributions.
4.9	In law, financial information from political parties and individual candidates must be available to the public.
4.1	In practice, citizens can easily access the financial information of all political parties and individual candidates.
4.11	In practice, financial information is published in a standardized format.
4.12	In practice, mainstream journalism media outlets use political finance data in their reporting.
4.13	In practice, civil society organizations use political finance data.

Table 4.2 **TRANSPARENCY (II)**

4.14	Section 3.2: Third party transparency index
4.15	In law, third-party actors (foundations, think tanks, unions, political action committees, etc.) report itemized contributions received and expenditures to an oversight authority and the information is made publicly available.
4.16	In practice, to what extent do third-party actors (foundations, think tanks, unions, political action committees, etc.) report itemized contributions received and expenditures to an oversight authority?
4.17	In practice, to what extent can journalists and citizens easily access the financial information of third party actors, including the political spending of those actors in support of political parties and individual candidates?

Table 5 **Oversight Authority**

5.1	Section 4: Oversight authority index, weighted by two subsections (4.1 monitoring and 4.2 enforcement).
5.2	Subsection 4.1: Monitoring
5.3	Subsection 4.2: Enforcement
5.4	In law, political finance information is monitored by an independent oversight authority.
5.5	In law, high-level appointments to the oversight authority are based on merit.
5.6	In practice, high-level appointments to the oversight authority are based on merit.
5.7	In law, the independence of high-level appointees is guaranteed.
5.8	In practice, the independence of high-level appointees is guaranteed.
5.9	In practice, the authority has sufficient capacity to monitor political finance regulations.
5.1	In practice, the authority conducts investigations or audits when necessary.
5.11	In practice, the authority publishes the results of investigations or audits.
5.12	In law, there are sanctions in response to political finance violations.
5.13	In law, the oversight authority has the power to impose sanctions.
5.14	In practice, offenders comply with sanctions imposed.

About the contributors

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