Money, Politics and Transparency

Findings from the Campaign Finance Indicators

Systems of public funding are often opaque or inequitably applied, and non-financial state resources are regularly abused.

Two thirds of MPT countries have mechanisms of public funding for parties and/or candidates, but many countries fail to govern the *de facto* allocation and disbursement of state subsidies transparently and/or equitably. In Germany, for example, the public, in practice, cannot access information about when state money is disbursed to political parties. In Serbia, opposition parties are granted free access to advertising as prescribed by the letter of the law, but are consigned to late night slots.

Moreover, despite clear prohibitions on the use of non-financial state resources during campaigns, cars, staff, and buildings are often exploited for electoral gain—during the most recent campaign, such resources were directed towards political ends in 94% of the sample. Abuses take diverse forms, ranging from the relatively mundane (traveling to campaign events in state-owned helicopters in Bangladesh) to the dramatic (deploying agents of the national intelligence agency in Korea). The United Kingdom, Sweden, and Austria are the only three countries in the MPT sample in which non-financial public resources were not, in practice, used during recent campaigns. Interestingly, no law prohibits such activity in these countries. This result underlines the fact that effective political finance systems reflect political norms in addition to established legislation.

Restrictions on contribution and expenditure are undermined by loopholes.

Direct cash contributions are largely unregulated in more than half of MPT countries. Anonymous donations are also frequently permitted, and many countries do not mandate that loans and in-kind donations must be reported. Combined, these regulatory deficits increase the opacity of political finance systems, enabling political actors to find inventive ways to subvert existing legal frameworks and channel money into campaigns while bypassing oversight mechanisms.

Where electoral spending is concerned, relatively recent reforms in the United Kingdom indicate that capping expenditures for both political parties and candidates during campaigns, by reducing the need for money to fund elections, may be an effective means of reducing the influence of big donors during elections. However, the nature of a given cap is essential. The MPT evidence suggests that the most effective expenditure limits allow political actors to spend a certain amount per relevant voter, while those that rely on self-regulation (as in Brazil), or set very low expenditure limits (as in Botswana and Trinidad and Tobago), are routinely violated. Donation and expenditure limits may also need to account for the role of third party actors in countries where such organizations are prevalent, or where spending caps are in place. If such limits fail to address third party spending, as in the United States, the integrity of political finance systems may be compromised by unregulated financial flows.

Full details on campaign contributions and expenditure are rarely publicly available.

Only two countries – Australia and the United States – quickly make all reported political finance information available online in machine-readable formats. Many other countries provide some limited information, or publish details in less accessible formats. Magnifying these issues is the lack of standardization in publicly available financial reports. Only 13 countries provide relevant data in fully comparable formats. Consequently, almost without exception, the public is unable to easily access much of the financial information that is reported to oversight authorities.

Laws requiring the reporting of political finance information are inconsistently applied.

83% of countries in the sample require parties and/or candidates to submit financial reports that include information on contributions and expenditures annually or within the campaign period. In practice, however, monthly reporting of such information during campaigns is markedly infrequent. Of all countries in the sample, Costa Rica and Korea are the only two in which relevant political actors report itemized financial information on a monthly basis during campaigns. The regular omission of some types of contributions from submitted financial reports is a persistent issue—in practice, at least some contributions go unreported in 47 countries. This means that not only do many political actors fail to submit timely information, very few provide complete reports on their contributors.

Third party actors are subject to very little regulation.

In the majority of countries, non-political party, non-candidate actors who solicit contributions and/or make expenditures directly related to an electoral campaign are able to exercise untrammeled influence. They are subjected to little, if any oversight, of their electoral activities. Only 11% of the countries researched either prohibit third party actors from all political activity or legally require them to report their independent political expenditures and contributions to the electoral oversight authority. As such, it is exceptionally difficult, if not impossible, to obtain accurate information on the electioneering activities of such organizations, thus constraining the power of citizens and journalists to enforce norms of accountability and transparency. The salience of these actors varies from country to country, but the MPT evidence indicates that their aggregate influence is increasing across the sample.

The efficacy of oversight bodies is highly restricted due to a lack of merit-based, independent leadership, capacity constraints, and deficits of regulatory authority.

There are many cases in which countries and the institutions in charge of guaranteeing the integrity of political finance systems fail to enforce applicable laws. Different reasons underpin these failures in different places, but partisan and/or non-merit based appointment procedures are prevalent. Only 7 countries, in practice, make merit-based appointments to leadership positions in oversight bodies, and only 8 fully guarantee the *de facto* independence of appointees. Insufficient budget and staff also restrict capacity, and operational transparency on the part of authorities is rare.

Enforcement capacity therefore suffers. Two thirds of the sample has an oversight authority with the legal power to impose sanctions, but in only 6 countries do offenders fully comply with sanctions imposed by the enforcement agency. Despite legal frameworks that attempt to create independent and capable oversight bodies, the MPT evidence clearly shows that most countries cannot comprehensively police financial flows during campaigns.

The de facto realities of political finance often diverge from legal frameworks, highlighting how particular contexts and political traditions inform the effectiveness and needs of a regulatory system.

Violations of regulatory frameworks are the norm in the MPT sample, not the exception. Moreover, stringent legal frameworks do not necessarily translate into well-regulated or equitable political finance systems. The converse is also true: in some countries where formal regulatory systems are less than robust, the promotion of good practices nevertheless generates positive outcomes. Serious consideration of how a country's specific political traditions and norms shape the efficacy of political finance regulation and enforcement must be part of ongoing discussions on these topics.

For more information on the MPT Campaign Finance Indicators, including the raw dataset and an expanded version of this brief, visit www.moneypoliticstransparency.org/data