



WESTMINSTER
FOUNDATION FOR
DEMOCRACY

ACP-EU Joint Assembly

Summary Paper on Political Party Financing in ACP-EU Members States

Introduction:

Political parties play a vital role in democracy. They nominate candidates for elected office; inform and energize the public to exercise their democratic rights; facilitate governance through orderly policy making; and serve as a watchdog over other political parties and government.

In order to fulfil these roles political parties require adequate financing. Political party financing is an element of the larger issue of political financing. Political financing systems are necessarily imperfect; each nation develops a political financing system that agrees with its political settlements and culture.

Across Africa, the cost of politics has steadily increased, raising concerns about the amount of money being spent on elections by parties and candidates. The escalation of cost of politics especially in countries like Ghana, Nigeria, Kenya and Uganda, has resulted in an unsustainable spiral which has dissuaded credible candidates from engaging in political life. Westminster Foundation for Democracy (WFD) advocates that the best political systems are those that are multi-party, democratic, affordable, transparent and inclusive.

Building affordable political systems:

Affordable political systems are built on trust and respect for the rule of law. Countries where there is greater trust in politicians - and a healthy fear among politicians that inappropriate financial activity will not be tolerated by the voting public - tend to need less regulatory legislation, as good behaviour reflects the broader national culture of accountability. This is complemented by an active civil society and media.

Affordable political systems encourage adequate and legitimate sources of funding for parties aimed at reducing the cost of politics, which in turn enables participation from all segments of society. The cost of politics should not marginalise women and youth. To this extent certain countries, like Mali, Burkina Faso, and Kenya, have put conditions on public funding based on positive gender representation. In Europe gender-based support has been largely ignored, forcing political parties to create their own mechanisms to help women candidates raise funds.

Affordable political systems have adequate regulation that is designed to mitigate the rising costs of elections by placing limits on campaign spending and preventing the abuse of state resources. Equally, affordable political systems have sufficient independent institutions to protect, oversee and enforce the regulatory system. These systems should deny corrupt influences from gaining access to the political system.

Affordable political systems ensure equal and affordable access to the media by all political parties.

Affordable political systems prevent illicit sources of finance that could unduly influence the outcome of an election.

The increasing cost of politics:

Over the last decade, the cost of running for public office has risen exponentially in developing countries. While increased regulation has reduced the cost of politics in the EU region, ACP countries have seen increased competition based on financial reward rather than policy or service delivery. For instance, in Ghana's 2015 parliamentary elections it cost candidates an average of US \$30,380 to participate effectively in the party primary process. On top of this, candidates had to pay the same amount on the 'official' nomination process with the Electoral Commission. It is important to note that this amount has quadrupled between 2000 and 2016. In light of this disconcerting trend, WFD launched a new research project into the cost of parliamentary politics, exploring the whole cycle faced by candidates – from getting nominated to the election campaign and maintaining a position in public office – and what associated costs individuals face at each stage of this journey.

WFD's work has identified the key reasons for this trend as:

- The increased cost of securing party nominations which in some cases are as expensive as the actual election. As political parties often do not have available reserves saved up to fund election campaign, they have been starting to use the primaries as a means to build up their war chest at the expense of candidates.
- Increasing costs associated with election campaigning, especially advertising, political rallies and payments to campaign supporters. Though newer and less expensive mediums - notably social media platforms - exist to communicate to the electorate, they have low levels of penetration in many ACP countries. The majority of advertising still remains radio, television and print.
- The continued practice of vote-buying is prevalent across ACP countries. Voting culture around elections rests more on what short-term monetary gain candidates are willing to offer the voter, rather than on how they can benefit from long-term development policies. Although banned in most countries, vote-buying continues as an essential element in winning elections.
- Poor enforcement of regulations which permit uncontrolled spending during elections remains a significant factor. In several countries the knowledge that expenditure will never be audited, and action will never be taken, means there are no restraints on the amounts spent on electioneering.
- Abuse of state resources by incumbents is a major problem. The last elections in Nigeria and Gabon saw state resources openly being utilised by the incumbent parties.
- The courting of illicit money to fund political activity continues to play an important role in the increasing cost of politics in some countries. In Nigeria, winning an election can cost around US \$700,000. This money is often raised from benefactors called 'Godfathers', Politicians are expected to make regular repayments in cash or in kind, as well as influence public contracts and/or key appointments to public or state entities.

The table below identifies some of the key cost incurred by candidates during the election cycle.

Before Electoral Cycle	During Elections	In Office	Re-election
<p>Securing name on ballot paper¹ Candidates have to pay significant sums to the party, in addition to official deposits and fees payable to the election authorities. Parties in many countries have to conduct their own primaries, and this intra-party activity is at the expense of the candidate (this includes accommodation during the event and other logistics).</p> <p>Endorsement from party heads Success in party conventions depends on the candidate's ability to pay delegates and make promises to powerful party figures who can rally support for the nomination.</p> <p>Personal financial costs Most candidates have to incur major debts to start the campaign. Candidates sell properties and assets, and end up asking for donations or loans from family and friends.</p>	<p>Staff and personnel Candidates have to hire people to help organize and run elections, both legally and illegally² – e.g. political strategists, election observers, lawyers, people at polling stations, and sometimes members of regional and local election commissions.</p> <p>Advertising Candidates spend a significant amount of money on media advertising, sometimes even purchasing media outlets to disseminate their campaign messages.</p> <p>Transportation Transportation costs can amount to a third of the costs, particularly in places with weak infrastructure.</p> <p>Security protection In fragile countries, security escorts are often a necessity.</p> <p>Vote-buying Both direct and indirect, in the form of foodstuffs and luxury items to get supporters for conferences. Some candidates also have to pay off their community leaders to secure their endorsement.</p>	<p>Offices and personnel MPs have to pay for their parliamentary and constituency offices and their staff.</p> <p>Constituents' costs There is a general expectation that MPs must provide financial support to their constituents. They expect a one-off or ongoing payments, in cash or in kind.</p> <p>'Charitable' payments MPs sometimes make payments towards constituents; healthcare, education and food for major celebrations. Some pay for funeral services.</p> <p>Donor returns Wealthy donors want significant returns on their investment. This can include favourable treatment, award of lucrative contracts, political protection.</p> <p>Travel MPs have to travel frequently between their constituency and Parliament.</p>	<p>Misuse of public resources Some MPs may be tempted to supplement their funding needs by misusing public resources that they control.</p>

¹ There are higher costs associated with securing a name in a party-list electoral system, especially with a single-member constituency.

² Payments are often not registered in the candidates' official returns on their campaign spending.

Sources of political party financing;

There are two sources of legitimate political party financing: through private and public support. Private funding usually comes from membership fees and individual donations, as well as business donations and contributions from elected members. Since 1990-2013 developing European democracies have seen declining membership numbers compared to voter numbers. Only in the last three years has there been a sudden change. Significant examples of this have been the SNP and Labour in the UK. Also there are a number of new entrants across Europe that have seen significant growth in support. In Africa, however, much of the support that political parties have does not translate into a paying membership base. This often reflects a fear of intimidation should an individual openly declare their political allegiance to a certain party.

Another major problem in ACP countries related to corporate/business financing is their dependence on the few monopolies that drive their economies. These monopolies hinge on maintaining favour with the ruling party and will thus take measures to protect, and reinforce, this relationship. Much of the business donations to opposition parties in Africa from businesses goes undeclared for fear of retaliation.

Public financing has become an increasingly popular form of ensuring regular support for political parties. This can be provided in the form of direct funding or indirect funding. Direct public funding usually takes the form of regular annual funds that are allocated to political parties with the express aim of supporting their administrative and parliamentary activities, as well as helping them engage in policy development. The UK for instance provides so called 'short money' for parties in Parliament. The aim is to provide a fair balance against the natural advantage that the ruling party has from access to the civil service. Likewise, the Electoral Commission also provides policy grants to help parties develop their political platforms. Yet, it is important to note that this public funding is the lowest source of income for political parties.

All countries in the EU with the exception of Italy and Malta provide direct funding, though Italy provides indirect funding through generous tax benefits. Countries like Germany and the Netherlands also have a low contribution of state funding that is provided on a 'match funding' basis which incentivises greater political involvement from citizens.

Public financing in ACP countries is a new trend and one that is often limited by a nation's limited resources. However, they are a much more significant source of funding for political parties in ACP countries than in Europe. Though, many countries in less developed regions are unable to support public financing schemes. In the Pacific region, Papua New Guinea, Solomon Islands and Timor-Leste are the only countries that provide regular direct public funding to political parties. In the Caribbean, Barbados, Dominica and Saint Vincent and The Grenadines provide regular public funding to parties. Haiti provides public funding for campaigns.

In Africa, 30 countries now provide public funding: 16 on a regular basis, seven provide campaign support and seven provide support for both.

There is an ongoing debate in ACP countries as to whether increased public funding will increase the distance between political parties and the electorate. Arguments against public funding include:

- It preserves the status quo, keeping the big parties in power.
- Public funds force taxpayers to support parties whose views they do not support.
- It takes money away from other sectors.
- Parties risk becoming extensions of the government.

Regulation of Political Party Financing:

EU countries all have a fair degree of legislation governing public and private funding with the exception of the Netherlands and Denmark. Greece, Portugal, Bulgaria, Latvia, and Lithuania have the most extensive regulation addressing the different categories of donations. In the Pacific, Fiji and Timor-Leste have both followed a similar path by introducing strong regulation in all categories.

Across ACP-EU countries the most important regulatory issue to address is the unregulated use of public funds, which enables the abuse of state resources. However, it should be noted that few countries have imposed restrictions on corporations that receive government contracts from making donation. This continues to be a major loophole that is commonly exploited by ruling parties. In Africa, 35 countries have regulations on public funding, but only seven countries prevent donations from companies that have received state contracts.

The other two areas where countries have imposed strict regulations are understandably around foreign interests and anonymous donations. This is due to increased global initiatives to prevent corruption and money-laundering. Most EU countries have strict regulations that prevent foreign interests from influence the political process and limits the amount that anonymous donors can give to a given party. While supporting the freedom of individuals to support parties anonymously, seven EU countries (Austria, Belgium, Ireland, Italy, Germany, Romania and the UK) do not have bans on anonymous donations but have specific limits to prevent any exploitation from private financiers. By contrast, the Dominican Republic is the only country in the Caribbean with any regulation on foreign and anonymous donations.

Institutions regulating party financing:

Reporting presents a major challenge in political party financing. While many countries have requirements for reporting, few countries actually investigate or act on falsified statements. The under-reporting of actual income and spending of political parties is quite common in ACP countries. All EU countries require political parties to report on their financing and there has been an increase in this requirement across Africa. Yet just over 50% of Caribbean and Pacific members states have reporting requirements. Countries also have multiple institutions that receive financial reports, including Elections Managements Boards, Audit Agencies, Courts, special institutions and ministries. However, there are fewer institutions that have the power or responsibility to investigate and act on these reports in ACP countries.

Conclusions:

All ACP-EU countries should try to build affordable political systems. Some recommendations to this effect include:

1. Introducing indirect public financing which is less expensive for the state.
2. Promoting matched public funding to encourage member-based political parties.
3. Providing direct funding to parties in parliament in order for them to fulfil their role as a minimum standard. This would balance against the resources of dominant ruling parties.
4. Encouraging the establishment of independent regulatory bodies that focus on investigating parties' financial reports and are equipped with the powers to enforce compliance.
5. Working to re-establish high levels of trust among their citizens by being increasingly transparent and accountable with their political party financing systems.

6. Passing adequate legislation to regulate the drivers of the cost of politics including imposing campaign spending limits.
7. Preventing companies receiving government contracts from making donations to political parties.

Westminster Foundation for Democracy (WFD) is the United Kingdom's leading democracy-strengthening organisation. WFD brings together parliamentary and political party expertise to help developing countries and countries transitioning to democracy.

Our vision is for the universal establishment of legitimate and effective multi-party representative democracy. WFD contributes by supporting inclusive governance which strengthens policy-making, accountability, representation and citizen participation.

WFD's capacity is focused on political parties and parliaments. Both play critical roles in well-functioning democratic systems

WFD's work on the cost of politics focuses on Nigeria, Ghana, Uganda, Kyrgyzstan, Macedonia and Ukraine. More information on WFD's work on the cost of politics can be found at:

<http://www.wfd.org/research/cost-of-politics>