

Money in politics: transparency in action

Fostering disclosure of political finance information regarding public as well as private funds is key to address money's undue influence over democratic processes. However, aid donors are still reluctant to engage in what they see as a country's 'internal politics'. This case-based brief, based on the experience of the Crinis Project,¹ discusses the issue of transparency in political finance as an attempt to curb money's disruptive role in politics.



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The benefits of transparency are many. US Supreme Court Justice Louis Brandeis suggested that 'sunlight is the best disinfectant' and his metaphor is well suited to the funding of political parties' election campaigns and of their operating costs during non-election periods. Such financing has often been associated with obscurity and corruption. On one side, academics, international organizations and local non-governmental organizations (NGOs), as well as the media, have been responsible for a number of initiatives that aim to shed light on these systems and make them more transparent to the citizenry². However, the same effort has not generally been forthcoming from official election management bodies (EMBs), which are the country agencies formally responsible for overseeing parties' and candidates' accounts.

1 *Crinis* means ray of light, in Latin. It was a joint research and advocacy initiative undertaken by Transparency International and the Carter Center from 2005 to early 2007.

2 At the international level, initiatives by organizations such as IFES and International IDEA (International Institute for Democracy and Electoral Assistance), along with multilateral institutions such as the Organization of American States (OAS), have aimed at understanding and suggesting policy options for addressing the problems associated with the influence of money in politics. At the national level, several local NGOs have undertaken monitoring efforts on the issue.

Although guaranteeing transparency is a job for the official authorities, the EMB and political parties themselves, there is also a role for citizens. Levels of governance are inherently linked to the extent to which citizens demand and monitor such information. Accessible data on political finance therefore enhances the likelihood that a country will limit corrupt practices in the funding of political parties.

This brief will present *Crinis*, a joint effort undertaken by Transparency International and the Carter Center that aims to shed light on political financing processes. It provides civil society organizations and other stakeholders with a tool for measuring transparency in such processes as well as for identifying areas in need of reform. *Crinis*' methodology is available for free, in full or partially, to be applied by those willing to assess transparency in political finance. It can be implemented in national as well as regional electoral processes.

This brief first introduces the topic of money in politics and its implications for democratic regimes. It then outlines *Crinis*' main components, with a focus on methodological aspects, implementation and results as well as on how it can be useful as a tool for those encouraging reform towards a more transparent funding system. Thirdly, it describes the role of different stakeholders in addressing the problem and concludes with suggestions for further reading.

Is money essential?

Money is a vital resource for modern democracies. Without the necessary financial support, citizens would not have the means to convey ideas in a systematic fashion, nor compete for political power through electoral processes. However, money can distort the democratic ideals of fair competition through unbalanced access to public and private resources, thus upsetting one of the principal cornerstones of democracy – the concept of 'one person one vote'.

In societies where corrupt political funding is rife, new political initiatives and opposition groups face a severely skewed playing field. The incumbent will always have an electoral advantage and newcomers will never be able to compete on the basis of ideas and policy proposals if incumbent groups enjoy greater access to resources. Money's undue influence might also lead to the problem of illegitimate representation. Powerful private interest groups (such as drug cartels and other criminal cliques) might be able to co-opt politicians and gain power, preventing those who actually stand for the collective public interest from being elected.

During non-campaign periods, money can taint policy-making in many ways. Here are some examples of what might happen:

- Bribing congressmen to vote in a particular direction results in policy options that do not benefit citizens;
- Legislating with campaign donors in mind also harms citizens' interests;
- Appointing civil servants to repay favors instead of on a meritocratic basis degrades the competency and professionalism of the public bureaucracy; and
- Focusing on the next election campaign and the need to secure funding for seeking re-election distracts politicians' attention from policy-making.

Hence, addressing corruption in political funding is one crucial step towards improving the quality of democracy and raising levels of governance not only in developing but also in developed countries. Of different approaches suggested by experts for dealing with the problem,³ making the whole political finance system more transparent is a policy suggestion that draws consensus. It is also the underpinning concept of Transparency International and the Carter Center's Crinis project, which covered eight countries in Latin America (Argentina, Colombia, Costa Rica, Guatemala, Nicaragua, Panama, Paraguay and Peru) in its first round of application, from 2005 to early 2007.

The Crinis Project

The Crinis project presents innovative approaches to addressing the problem of corruption in politics:

- Firstly, it focuses on transparency (understood as the combination of reporting financial accounts to the EMB and disclosing such information to the citizenry).
- Secondly, Crinis assesses not only the soundness of political finance legislation in each country but also the practice. For that purpose, Crinis relies on interview data from key actors, such as political party accountants, elected politicians, electoral judges, watchdog groups, EMB auditors and business people. To measure accessibility of information, Crinis conducts field tests. Thus, it describes the whole process with its flaws and strengths and is able to point out areas in need of reform.
- The Crinis approach is comprehensive in its coverage as the research phase covers all necessary steps for effective disclosure (Crinis' ten dimensions are shown in Table 1). Moreover, it distinguishes between the different political phases. During non-election years, it covers the ordinary activities of political parties, while in election periods it focuses separately on the fundraising activities of political parties and of their candidates.
- Results are presented in a matrix, displaying the information mentioned above broken down into practice and legislation.

The ten dimensions of Crinis represented in Table 1 are crucial for guaranteeing a more transparent system of

funding political parties and candidates. The first three (Internal political party bookkeeping, Reporting to the EMB and Disclosure to the citizenry) refer to the need for sound legislation and practices to institutionalize the required steps towards disclosure in the system. For example, within party structures it refers to possessing qualified accountancy staff and financial recording mechanisms in order to report accurately to the official institutions, which will then disclose information to the public.

The second group of dimensions (Comprehensiveness of reporting, Depth of reporting and Reliability of reporting) deals with the characteristics and quality of data provided by parties and candidates to the EMB and eventually disclosed to the people. It refers, for example, to the possibility of identifying individual donors' names and amounts for each contribution, and to the extent to which financial reports offer an accurate picture of amounts actually disbursed during electoral campaigns.

The final four dimensions (Prevention, Sanction, State oversight and Civil society oversight) relate to the extent to which the country has legislation and practice in place to prevent and sanction offences committed in the area of political finance. They also evaluate whether relevant official institutions possess qualified staff to guarantee the implementation of such legislation. The final dimension relates to the strength of civil society and the breadth of activities it has undertaken in this field, showing how active it has been in addressing the issue.

The information is collected by local research teams, comprising one senior researcher with thematic in-country expertise and two or more research assistants. Data collection mechanisms used include:

1. evaluation of hard data (such as an analysis of the country's electoral codes and related legislation) through a questionnaire,
2. a targeted survey (such as interviews with political parties accountants, elected politicians, EMB auditors, electoral judges, watchdog groups and civil society actors), and
3. field accessibility tests (undertaken by the local research team with the help of a group of volunteers, including different segments of the population, such as journalists, students and ordinary citizens).

Table 1 exemplifies one fictitious country case.

Each dimension presented in Table 1 is composed of several indicators, divided into legislation and practice (from a total of more than 140 indicators). These indicators correspond to the questions posed to interviewees and their replies, the evaluation of laws by the research team and the result of accessibility tests. Countries receive scores for each indicator, ranging from 0 (worst score possible) to 10 (best score possible). Results can be presented at both aggregated and disaggregated levels. However, differing from most current indices and rankings for assessing governance issues, Crinis is not intended solely for ranking purposes (though that could be one of its outputs, by comparing countries' results). Scores for each dimension are presented through a 'traffic light' system that provides warning signs for each country:

³ Policy options for addressing the issue of corruption in political finance have included differing prescriptions, such as limiting campaign spending or favoring exclusive public funding and a complete ban on private funds.

| Dimensions of disclosure | Ordinary activities | Campaign: political parties | Campaign: candidates |
|--------------------------------|---------------------|-----------------------------|----------------------|
| Internal party bookkeeping | ● | ● | ● |
| Reporting to the EMB | ● | ● | ● |
| Disclosure to the citizenry | ● | ● | ● |
| Comprehensiveness of reporting | ● | ● | ● |
| Depth of reporting | ● | ● | ● |
| Reliability of reporting | ● | ● | ● |
| Prevention | ● | ● | ● |
| Sanctions | ● | ● | ● |
| State oversight | ● | ● | ● |
| Civil society oversight | ● | ● | ● |

Table 1: Crinis matrix – Country X

- red light areas indicate urgently needed action (scores below 3,3),
- yellow indicates areas which strongly need attention (scores between 3,4 and 6,6), and
- green shows the strengths of the country's political finance system (scores above 6,7).

Each country assessed is given a results matrix (as the one presented above). A table comparing countries' matrices can also be drawn. However, the resulting matrix is not considered the project's single final output. Crinis' research phase is followed by an advocacy phase in which Transparency International's national chapters (its representatives at country level) use the information gathered to liaise with government institutions, political parties and candidates, as well as potential campaign donors among the business community, to advocate for reform and increased transparency in the political finance system. Though Crinis focused on elections at the national level in its first round of countries, its methodology can be replicated at the regional level as well.

Lessons about transparency

1 – Money is here to stay

In 2006, elections were held in 15 different Latin American countries.⁴ Running an election campaign has become a costly exercise in the region. As countries consolidate democratic processes and live through more regular elections, the role of money seems to become an ever more pressing issue.

With the number of candidates per seat increasing, the amount of resources required to be elected has been rising. The need for costly publicity is most acute for parties which lack structured programmatic proposals (common among clientelistic party structures, centered on personalities rather than policy proposals and common in Latin America). Funds are needed for a broad range of activities, such as producing TV advertisements and stationery and distributing

⁴ Starting with the second round of presidential elections in Chile, in January 2006, Costa Rica, Haiti, El Salvador, the Dominican Republic, Colombia, Guyana, Bolivia, Mexico, Peru, Nicaragua, Brazil, Panama, Ecuador and Venezuela all experienced election processes during the year. See www.electionguide.org.

billboards around cities. However, they can also be used to bribe voters, luring them by distributing small inducements in exchange for votes (such as T-shirts, cash or other tokens).

A larger volume of money being spent is not a sure indicator of corruption. However, several election campaign scandals across the region have contributed to damaging the reputation of Latin American political parties and candidates. The current situation is of a general distrust in the political institutions which are supposed to represent the people.⁵ Crinis results for the round of countries studied in 2006 are worrisome for Latin Americans and indicate that a lot still needs to be done.

Some of its findings are presented below:⁶

1. Lack of disclosure is the most troublesome dimension across the countries studied, awarding 'red' and 'yellow' lights consistently to Argentina, Paraguay, Peru, Colombia, Panama, Costa Rica, Nicaragua and Guatemala.
2. The study suggests that campaign periods are the least transparent political moments, when compared to non-election years. The free flow of unmonitored money in these periods opens the way for corrupt practices not only in the fundraising process itself (the practice of 'off the record' accounting, for instance) but for state capture after elections.
3. Another finding indicates that individual candidates score worse than political parties on reporting practices. Considering that in many countries the bulk of campaign money is actually collected through candidates' committees (and not through parties), their accounting practices should be improved significantly.
4. Private funding is an important component of corruption in political finance due to the sizeable amounts donated. Surprisingly, legislation in many countries in the region only requires the inclusion of public funds in reporting sheets.
5. Finally, the capacity for state oversight is weak in the region. According to Crinis' interviewees, the preventive and sanctioning regime in many countries is not comprehensive, with a lack of enforcement and impunity as real possibilities.

2 – Donors have a role

The international donor community has traditionally resisted getting involved in 'politics' and political corruption. Fearing allegations of partisanship, most donors' political party aid has been channeled through local NGOs and political

⁵ The Latinobarometro 2006 indicates that political parties along with the Congress have been consistently evaluated by Latin American citizens as the least reliable institutions across the region. http://www.latinobarometro.org/fileadmin/documentos/prensa/Espanol/Informe_Latinobarometro_2006.pdf

⁶ Detailed results for the 8 countries in Latin America can be found at http://www.transparency.org/regional_pages/americas/financiamiento_politico/crinis

foundations (such as the American National Democratic Institute, NDI, the German political foundations, such as the Friedrich Ebert Stiftung, the Westminster Foundation for Democracy in the UK and others in Europe). Their activities range from technical assistance in election organization and electoral reform, training and other types of workshops directed at party staff, women candidates and politicians in general, as well as visits to foreign countries.

Whether this is the most effective model is debatable, since the adequacy of Western-style political party assistance to developing country contexts have not been fully evaluated (Kumar, 2004). It is clear, nonetheless, that donors should be involved in addressing the influence of money in politics as part of their efforts to increase good governance and democratic assistance to developing countries. Several of the activities undertaken along current political party aid lines indirectly impact on levels of transparency, as they allow countries to count on better trained politicians and consequently governments are able to govern more effectively (Carothers, 2006). However, there is scope for more. For example:

- Fostering monitoring initiatives such as Crinis, locally or regionally, might be a powerful tool for fighting rigged electoral processes;
- Supporting election management bodies and building their staff capacity lead to more effective state oversight, which has potential for reducing 'off the record' accounting practices;
- Training the media in monitoring political finance impacts on the ability of journalists to clearly inform voters and might result in a more attentive population;
- Supporting NGOs in acting as partners with government and to monitor political finance;
- Helping political parties to build staff capacity in order to improve their internal processes.

3 – Partnerships are still necessary

Discussing the model through which bilateral donors should engage in such activities does not mean that donors should ignore local civil society's effort. Civil society organizations are the ones behind current strong 'pushes' towards more accountability, at least in the Latin American region, where there seems to be a lack of political will to implement existing laws and to improve practice. Whilst discussions about electoral reforms drag, NGOs are filling the vacuum.

For instance, an experience in Peru, in which a local NGO provided political parties with accounting software and trained accountants to operate it, showed improvement in the quality of financial reports presented by the youngest,

least institutionalized parties participating in the project.⁷ Civil society organizations have also worked as an information intermediary between parties and candidates and the population (when the EMB does not entirely fulfill this role). Through partnering with the local media, in 2005 Poder Ciudadano, an Argentinean NGO, disclosed information about political candidates to the readers of two broadsheets with a national circulation. Poder Ciudadano also helps citizens find financial information reported by parties and candidates, through the maze of the EMB website, by providing direct links to the data. In Guatemala, the Crinis methodology helped Acción Ciudadana, a local NGO, to monitor the 2007 general elections.

Links and further reading

- **Acción Ciudadana:** www.accionciudadana.org.gt
- **IFES:** www.ifes.org
- **International Idea:** www.idea.int
- **Poder Ciudadano:** www.poderciudadano.org
- **Transparencia Perú:** www.transparencia.org.pe

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⁷ Transparencia Perú implemented the 'Cuentas Claras' (Clear Accounts) project in 2005, providing training for nine different Peruvian parties in the context of the introduction of a new party law.