



Funding
of Political Parties
and Election
Campaigns

Handbook Series

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Handbook Series.

The International IDEA Handbook Series seeks to present comparative analysis, information and insights on a range of democratic institutions and processes. Handbooks are aimed primarily at policy-makers, politicians, civil society actors and practitioners in the field. They are also of interest to academia, the democracy assistance community and other bodies.

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Preface

Democracies cannot function without political parties. Parties are expected to reflect the concerns of citizens, aggregate and mediate diverse interests, project a vision of a society and develop policy options accordingly. They are supposed to inspire and attract supporters to their cause, their membership being of key importance in their claim to represent citizens. Parties may well not live up to expectations regarding their services to citizens or quality of leadership. They nevertheless continue to be entrusted with what is perhaps the most strategic responsibility of modern democracy – to prepare and select candidates for parliamentary and presidential elections and then to support them into positions of leadership and government.

Parties need to generate income to finance not just their electoral campaigns but also their running costs as political institutions with a role to play between elections. Yet parties, in newer as in older democracies, are under increasing pressure, faced with a vicious circle of escalating costs of campaigning, declining or negligible membership income, and deepening public mistrust about the invidious role of money in politics. Their problems of fund-raising are causing deep anxiety not just to politicians but to all those who care about democracy. The issue of party finance has in the past been dealt with in sharply contrasting ways across the world, but there are now signs of some convergence in the debate. There at least three distinct but interrelated questions:

- How free should parties be to raise and spend funds as they like?
- How much information about party finance should the voter be entitled to have?
- How far should public resources be used to support and develop political parties?

Each of these questions raises others about the function of political parties in society and reminds us of how much remains to be done, even in some quite stable democracies, to have political parties act according to basic principles of transparency and the rule of law. There are no simple answers about how political finance should be organized but there is much

to be learnt from current experience in different parts of the world.

International IDEA considers party finance to be one of the key challenges for the future of democracy. This long-awaited *Handbook* aims to increase knowledge about the law and practice of political finance around the world and in so doing encourage reflection on options for regulatory reform. It provides a general description and analysis of the central features of party funding in six regions: Africa, Asia, Latin America, Western Europe, Central and Eastern Europe, and that group of countries in various continents which have what might be called an Anglo-Saxon approach. It also examines two key issues: the enforcement of political finance regulations, and the role of funding in promoting gender equality. Finally, it provides a comprehensive matrix of regulatory provisions by country.

The work follows the pattern set by other handbooks in the series. Drawing on recent academic analysis as well as practical experience, it seeks to provide an operational tool and reference source in accessible language and format. It is far from a final word on the subject, however. There have been very recent developments, some of which are noted in the Conclusion, and indeed IDEA will remain engaged in analysing trends in party finance. One issue of particular interest to IDEA is that of public funding, including the role of financing from the international community, since it seems there is scope for more creative support to assist parties in becoming more effective proponents of democratic practice. Though there should be much further debate and analysis, we hope that with this *Handbook* we can already engage the interest and cooperation of several new partners convinced of the need for regulatory and funding improvements in this important area of political reform and democratization.



KAREN FOGG

Secretary-General
International IDEA

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Acronyms

ACEEEO	Association of Eastern European Election Officials	LDP	Liberal Democratic Party (Japan)
AEC	Australian Electoral Commission	LOFPP	Ley Orgánica para la Financiación de los Partidos Políticos (Spain)
ALP	Australian Labor Party	MMD	Movement for Multiparty Democracy (Zambia)
ANC	African National Congress (South Africa)	MP	Member of Parliament
BJP	Bharatiya Janata Party (India)	NDC	National Democratic Congress (Ghana)
CCFP	Commission Nationale des Comptes de Campagne et des Financements Politiques (France)	NDP	New Democratic Party (Canada)
CDU	Christian Democratic Union (Christlich-Demokratische Union, Germany)	NGO	Non-governmental organization
CEC	Central Election Commission (Russia)	ODA	Civic Democratic Alliance (Czechoslovakia)
CEE	Central and Eastern Europe	OAS	Organization of American States
CEO	Chief Electoral Officer (Canada)	PAC	Political Action Committee (USA)
CPI	Consumer price index	PC	Progressive Conservative Party (Canada)
DC	Democrazia Cristiana (Italy)	PDCI	Parti Démocratique du Côte d'Ivoire
DJP	Democratic Justice Party (South Korea)	PSI	Partito Socialista Italiano
DLP	Democratic Liberal Party (South Korea)	PSL	Polish Peasants' Party
DPP	Democratic Progressive Party (Taiwan)	SA	Sponsors association (South Korea)
DRP	Democratic Republican Party (South Korea)	SDPU (O)	Social-Democratic Party of Ukraine (United)
FEC	Federal Election Commission (USA)	SLD	Democratic Left Alliance (Poland)
FECA	Federal Election Campaign Act (USA)	SLFP	Sri Lanka Freedom Party
GDP	Gross domestic product	SP	Socialistische Partij (Netherlands)
JCP	Japan Communist Party (Nihon Kyosanto)	UDF	Union of Democratic Forces (Bulgaria)
JSP	Japan Socialist Party	UNIP	United National Independence Party (Zambia)
KANU	Kenya African National Union	UP	Labour Union (Poland)
KCIA	Korean Intelligence Service	UW	Freedom Union (Poland)
KMT	Kuomintang (Taiwan)	ZANU-PF	Zimbabwe African Nationalist Union-Patriotic Front

Currencies

This publication uses the convention of a full stop to separate the digits in figures over one thousand and the comma to indicate the decimal fraction – for instance, 1.000 (one thousand) and 1,4 (one and four-tenths). The symbols used in this volume are the three-letter

currency symbols of ISO 4217 to be found on the Internet pages of the International Organization for Standardization, www.xe.com/iso4217.htm. Values in US dollars (except for historical values) are those which applied at the time each chapter was written.

ARS	Argentine Peso	JPY	Japanese Yen
ATS*	Austrian Schilling	KES	Kenyan Shilling
AUD	Australian Dollar	KRW	South Korean Won
AZM	Azerbaijani Manat	LBP	Lebanese Pound
BAM	Convertible Mark	LKR	Sri Lankan Rupee
BBD	Barbados Dollar	LSL	Lesotho Loti
BDT	Bangladeshi Taka	LTL	Lithuanian Litas
BEF*	Belgian Franc	LVL	Latvian Lats
BGL	Bulgarian Lev	MNT	Mongolian Tugrik
BRL	Brazilian Real	MRO	Mauritanian Ouguiya
BSD	Bahamian Dollar	MTL	Maltese Lira
BWP	Botswana Pula	MUR	Mauritius Rupee
BZD	Belize Dollar	MYR	Malaysian Ringgit
CAD	Canadian Dollar	NLG*	Netherlands Guilder
CFA	Central African Franc	NGN	Nigerian Naira
CLP	Chilean Peso	NOK	Norwegian Krone
COP	Colombian Peso	NPR	Nepalese Rupee
CYP	Cyprus Pound	NZD	New Zealand Dollar
CZK	Czech Koruna	PGK	Papua New Guinea Kina
DEM*	Deutsche Mark	PHP	Philippine Peso
DKK	Danish Krone	PKR	Pakistan Rupee
EEK	Estonian Kroon	PLN	Polish Zloty
ESP*	Spanish Peseta	PTE*	Portuguese Escudo
EUR	European Monetary Union (EMU) member countries, Euro	ROL	Romanian Leu
FJD	Fiji Dollar	RUR	Russian Ruble
FRF*	French Franc	SBD	Solomon Islands Dollar
GBP	British Pound Sterling	SEK	Swedish Krona
GEL	Georgian Lari	SGD	Singapore Dollar
GHC	Ghanaian Cedi	SKK	Slovak Koruna
GMD	Gambian Dalasi	THB	Thai Baht
GRD*	Greek Drachma	TOP	Tongan Pa'anga
GTQ	Guatemalan Quetzal	TRL	Turkish Lira
GYD	Guyana Dollar	TTD	Trinidad and Tobago Dollar
HNL	Honduran Lempira	TWD	New Taiwan Dollar
HTG	Haitian Gourde	TZS	Tanzanian Shilling
HUF	Hungarian Forint	UAH	Ukrainian Hryvnia
IDR	Indonesian Rupiah	USD	US Dollar
IEP*	Irish Pound	VUV	Vanuatu Vatu
ILS	New Israeli Sheqel	XCD	East Caribbean Dollar
INR	Indian Rupee	ZAR	South Africa Rand
Int'l \$	International dollars, for an explanation see <i>Methodology</i> .	ZWD	Zimbabwean Dollar
ITL*	Italian Lira		
JMD	Jamaican Dollar		

** On 01-01-1999, the Euro became the currency of those Member States of the European Union which adopted the single currency in accordance with the Treaty establishing the European Community.*

Glossary

Alternative Vote (AV) A preferential, plurality majority electoral system used in single-member districts in which voters use numbers to mark their preferences on the ballot paper. A candidate who receives over 50 per cent of first preferences is declared elected. If no candidate achieves an absolute majority of first preferences, votes are reallocated until one candidate has an absolute majority of votes cast.

Assessments See “party taxes”.

Block Vote (Block) A plurality majority electoral system used in multi-member districts in which electors have as many votes as there are candidates to be elected. Voting can be either candidate-centred or party-centred. Counting is identical to a First Past the Post system, with the candidates with the highest vote totals winning the seat(s).

First Past the Post (FPTP) The simplest form of plurality majority electoral system, using single-member districts, a categorical ballot and candidate-centred voting. The winning candidate is the one who gains more votes than any other candidate, but not necessarily a majority of votes.

Independent expenditure In the Anglo-Saxon Orbit, US context, an expenditure which explicitly “advocates the election or defeat of a clearly identified candidate and which is made independently from the candidate’s campaign. To be considered independent, the communication may not be made with the co-operation or the consent of the candidate or his or her campaign; nor may it be made upon a request or suggestion of either the candidate or the campaign”.

International dollars See *Methodology*.

List Proportional Representation (List PR) In its simplest form List PR involves each party presenting a list of candidates to the electorate. Voters vote for a party, and parties receive seats in proportion to their overall share of the national vote. Winning candidates are taken from the lists.

Macing The practice of requiring public servants to make contributions to the party in power in order to keep their jobs or to promote their careers.

Mixed Member Proportional (MMP) Electoral systems in which a proportion of the parliament (usually half) is elected from plurality majority districts, while the remaining members are chosen from PR lists. Under MMP the PR seats compensate for any disproportionality produced by the district seat result.

Parallel System (Parallel) A PR electoral system used in conjunction with a plurality majority system but where, unlike MMP, the PR seats do not compensate for any disproportions arising from elections to the plurality majority seats.

Party taxes Sometimes termed “assessments”: parties oblige their elected representatives or other office-holders to turn over a proportion of their income earned in office to the party.

Single Non-Transferable Vote (SNTV) A semi-proportional electoral system which combines multi-member constituencies with a First Past the Post method of vote counting, and in which electors have only one vote.

Single Transferable Vote (STV) A preferential PR electoral system used in multi-member districts. To gain election, candidates must surpass a specified quota of first-preference votes. Voters’ preferences are reallocated to other continuing candidates if a candidate is excluded or if an elected candidate has a surplus.

Slush fund A reserve fund, especially as used for political bribery.

Soft money Money raised for purposes not formally related to campaigning.

Toll-gating The practice of demanding a contribution to party coffers in exchange for the granting of permits or licences.

Two-Round System (TRS) A plurality majority electoral system in which a second election is held if no candidate achieves an absolute majority of votes in the first election.

