

Introduction to the Matrix

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About the Study

The Matrix of Political Finance Laws and Regulations is a preliminary collection of information on political party finance laws at the national level in 111 countries in the world. It will be periodically updated and available on the International IDEA website (www.idea.int). The study covers the areas of regulatory system, enforcing body, disclosure of and ceilings on income, bans on types of donations, disclosure of and ceilings on expenditure, direct public funding and indirect public funding.

The columns in the *Matrix* are numbered consecutively. The countries are listed in alphabetical order and are in bold if the country has the main provision listed in the table. An asterisk indicates a note on the particular entry. The notes can be found at the end of the table.

The countries studied are drawn from the 144 countries that were categorized as “free” or “partly free” in the 2002 Freedom House Index. The selection has been made in order to focus the study on countries where the system of political finance is likely to have an impact on relatively democratic elections. Of the 144 countries, we obtained complete responses for 111. On the issue of public funding, additional responses have been provided for the remaining 33 countries and the responses for these are listed at the top of the Table 7.

A book on political finance in the world by definition includes many figures in different currencies. This study has used a conversion rate that reflects how much local money is/was worth *within the country* during a *specific year*. Amounts in local currency have been converted to International Dollars (Int'l \$), which purchase the same amount of goods and services in all countries.

For further information about the study, see the appendix on *Methodology*.

The Tables of the Matrix

The *Matrix* is divided into the following nine tables

1. Regulations and enforcement
2. Disclosure of income
3. Ceilings on income
4. Bans on sources of income I
5. Bans on sources of income II
6. Disclosure and ceilings on expenditure
7. Direct public funding
8. Indirect public funding I: Media access
9. Indirect public funding II: Taxation status

Regulations and Enforcement

Parties need money to function and fulfil their democratic role. Many countries have decided that the flow of money into politics needs to be regulated to avoid misuse of public assets, corruption and undue influence of financial resources on the political arena. Among the 111 countries covered by the study, as many as 71 have introduced a system of regulation of party finance, often including provisions in electoral laws, political party laws, regulations of tax authorities and so on. Of the remaining 40, 7 have an assortment of rules but no system of regulation. At least another 12 have systems of regulation but these are based on individual candidates' financing, not that of the parties. This is often the case in countries with majoritarian electoral systems where the electoral system itself focuses on candidates rather than on political parties.

Since so many of the countries in the world have regulated political finance, the administration and enforcement of the laws and regulations is an important subject. The task can be given to different bodies. The most common approach among the countries in this study is to give the national election management body that responsibility, either alone or in cooperation with other government bodies. As many as 45 of the 71 countries with regulatory systems have chosen this approach, while 29 countries have a regulatory body specially created for this purpose or use a separate government department.

Disclosure of and Ceilings on Income

Regulatory systems often aim to control both private and public funding of parties, and include provisions for bans, ceilings and disclosure. Disclosure rules can be aimed at giving the enforcement agency information about the flow of money in politics. Moreover, if the sources of political party income are made public, voters are able to make more informed decisions about which party they want to support. Disclosure might also generate a public debate and enough public pressure to make parties abstain from raising funds from dubious sources. In this regard, disclosure can be used as an alternative to prohibitions on particular sources of funding. More than half of the countries in the study (60) have rules on disclosure of income, either by the political party (54 countries) or by the donor (14 countries). The disclosure returns are not made available to the public in all countries.

In regulating political party finance, 30 countries have drawn a line between what they see as “participating financially” and “buying access or influence” by setting a ceiling on how much a donor can contribute. This kind of ceiling can also encourage a more diversified funding and thereby limit the influence of big donors. Another kind of ceiling is that on the total amount a party can raise. There is often a difference between parties in access to funds, and ceilings on income can “level the playing field” and limit the consequences of the inequalities. Nine countries in the study have such a ceiling.

Bans on Sources of Income

Most countries allow private funding of political parties, but for different reasons 61 countries have chosen to prohibit some sources of funds. The most common ban is that on funds from anonymous sources (46 countries), although these are often allowed below a certain limit. Foreign donations are often banned with reference to the sovereignty of the country: 40 countries ban donations from foreign sources. Other common bans are those on donations from government contractors (27 countries), corporate donations (22 countries) and trade union donations (17 countries).

Disclosure of and Ceilings on Expenditure

Of the countries in this study, almost half (53 countries) have provisions for the disclosure of expenditure, and even more have regulations on how political parties must account for their expenses. As is the case with disclosure of income, the rules on disclosure of expenditure can help the enforcement agency and – where the reports are made publicly available – raise public awareness and provide voters with enough information to enable them to make an informed choice.

The ceilings on party election expenditure that exist in 27 countries are aimed at limiting the increasing cost of contesting an election, thereby also levelling the playing field for parties with different access to funds. Ceilings are often set by the electoral management body for each election or fluctuate with the minimum wage.

Public Funding

The most common type of regulation of political party finance is public funding. Almost all the countries that have rules on party finance provide public funding – 65 countries have provisions for direct public funding of political parties and 79 have provisions for indirect public funding.

The basis on which the allocation of direct public funding is decided is often mixed. In 57 of the 65 cases it is the number of votes or seats obtained in the previous or current election. In 12 countries equal funding for all parties is either the sole criterion for the allocation of funds or one of the criteria. Eight countries in the study provide public funds on the basis of the number of candidates put forward in the current election. Direct public funding is often given to the party for election campaign purposes (45 countries) and/or for general party administration (29 countries), while in 20 countries contributions are not earmarked.

Indirect public funding is even more common than direct public funding and can be given in the forms of special taxation rules for parties or donors (32 countries); free or subsidized franking of letters and use of telephones (7 countries); free transport (4 countries) or free use of government buildings for party meetings and headquarters (4 countries); or printing of party

ballot papers (3 countries). Access to the state-owned media is important for the election campaigns in many countries, and free media access is also the most common form of indirect public funding. Of the countries in this study, 71 have provisions of this kind, and the allocation of broadcast time is often mixed and based on the principle of equal time for all parties (49 countries), or on performance (20 countries), and/or on the number of candidates put forward in the current election (13 countries).

Sources and Limitations

The tables in the *Matrix* are based on primary sources (original laws and regulations) where these are available. Provisions relating to the financing of parties are sometimes found not in the electoral legislation but in other laws. This can make it difficult to find all the legal provisions regulating political finance. Some may be found in taxation laws, special political party laws or laws related to the media, private companies, trade unions or other bodies. To complicate matters further, the provisions may be found in laws, decrees or the regulations of government authorities and are not seldom contradictory. Where primary sources have not been available to us, or where interpretation has been necessary, we have relied on experts from academia and from the agencies which monitor and enforce the political finance laws in the different countries.

It is important to stress that this research concerns only the letter of the laws and regulations, and not their *enforcement*. As the chapter on *Monitoring, Control and Enforcement* points out, there are many laws that are enacted but for different reasons never enforced.