



**Combatting Corruption:  
The Role of Political Finance**

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Corruption is often defined as the misuse of public office for private gain. This is perhaps too narrow as a definition: the misuse of resources for the gain or retention of public office may also be considered as corruption.

Corruption lowers the level of trust in society – both the trust that citizens have in their institutions and their leaders, and the trust that citizens have in each other. It is effectively a tax which falls most heavily on the most poor and vulnerable. It can exist anywhere where the exercise of power can be influenced by money. Globally, political parties have a bad reputation for corruption: in 51 countries out of 107 included in this year's Global Corruption Barometer, political parties are seen as being among the institutions most affected by it. The perception of legislatures themselves is generally better, but there are still a number of countries where the legislature is perceived as strongly affected by corruption. And the reputation of the public sector as a whole in South East Asia is not good: the average SE Asian country stands in 104<sup>th</sup> position in the global rankings of perceived corruption.

Legislators have a key role in the battle against corruption: they not only set the rules, but put issues on the agenda and helping to set the climate of public opinion. The laws and regulations they produce shape the incentives that can encourage or inhibit corruption. Money and power always involve strong vested interests.

So, what kind of measures can legislators enact in the sphere of political finance? While some countries have constitutional provisions which make some actions impossible, a menu may include:

- Income bans and donation limits – for example on corporate funding, foreign funding, or anonymous funding of participants in the political process.
- Spending bans – for example against vote buying, as in many countries, or against paid TV advertising, as in Mexico and the UK.
- Spending limits, restricting the amounts that parties and candidates can spend on their campaigns.
- Disclosure and publication requirements, which make the details of funding available for public inspection and scrutiny.

- Audit requirements.

With limits and disclosure requirements of any kind, it is necessary to ask to whom they apply. In Australia, which is a federal country, the major parties have both a federal level organisation and an organisation within each of the six states and two territories. The limit above which individual donations have to be declared is a bit over US\$ 10,000 – but a donation can be made separately to each organisation of a party. It is thus possible to give \$90,000 to a party – which is a lot of money – without having to declare yourself as the donor.

It is also necessary to consider the timetable for reporting. If there is no requirement for political participants to submit financial reports on a timely basis, the effectiveness of any controls drops.

All controls and regulations over political finance can apply to candidates and/or to parties. As ever with efforts to control abuses, the important question to ask in designing the legislation and regulation is 'what will the bad guys – of whatever gender – do?' The answer in this case is easy: if you only control parties, money will flow to candidates; if you only control candidates, money will flow to parties. Legislation is more likely to be effective if it controls both parties and candidates. In Asia, 62% of countries apply controls to candidates, but only 32% apply them to parties... guess where the money goes!

It is nonetheless particularly important to examine the controls in the parts of the system where power lies. The electoral system is an important factor in determining this. For example, closed list PR is a system that gives parties importance. First past the post is usually a system that gives candidates more importance.

The party system is another, linked, important factor. The looser and more flexible party systems that often accompany modern political campaign and communication technologies make the definition of political participant more difficult than in old and established party systems – but just as important. The nature of accountability is changing: its significance is not.

Spending to influence the political process is of course not restricted to political parties and candidates. Third party organisations – businesses, trade unions, civil society organisations – may validly wish to make a political case. If the mechanism for doing this is unregulated, the incentive will exist to channel political spending through it. In addition, organised crime may find it desirable to pursue its objectives by channelling money into the political process.

The time at which controls apply is also important: political actors respond to the incentives in the system. Thirty years ago I was responsible for electoral campaigning for a UK political party. We had to declare all spending within the electoral district during the election period. This naturally led to two strategies. One, try to make sure that spending was done by the national party and was not attributable to any particular electoral district. Two, make sure that as much as possible of the district level spending took place outside the election period: buy the equipment and materials before the election, rent them to the campaign for a few weeks.

Public funding of parties and election campaigns is often put forward as a way to ensure that participants in the political process can be properly funded without the temptations of financial contributions in exchange for influence. While this argument often has merit, it is never the complete answer. The system of public finance and accountability for that finance will itself generate incentives. Will these reduce corruption, or they just mean that everyone who qualifies for public funding then has more money and otherwise carries on doing exactly what they were doing before?

Transparency is the enemy of corruption and the friend of accountability. It's more difficult to get away with corruption or malpractice if it's public knowledge. However, a quarter of all the countries which regulate spending place no duty of publication of party, candidate or campaign accounts, and no duty on the authority responsible for control to publish audit reports. Transparency gives oversight opportunity to political actors, civil society organisations and citizens – opening the issues to public debate even if it is sometimes inconvenient. There is a natural common interest between legislators and Corruption Watch organisations.

Oversight is however only half the story: however much noise is made, it is of limited use if the regulations are in the end only paper tigers. As Michael Pinto-Duschinsky, a political academic who has specialised for many years in the field of political funding, says: 'There are too many rules and too little enforcement'.

What does effective enforcement look like? It needs an enforcement body, just like any other body charged with upholding standards: independent in its operation, open in its appointment procedure, with members that have security of tenure during their term of office, without the potential of political interference with its funding flow, and with clarity of mandate and no question of overlapping jurisdiction and confusion of responsibility. In short, it

needs fearless independence, the same quality as an electoral administration itself needs. Some countries indeed give the political finance enforcement responsibility to the electoral management body – although others regard it as important to keep the two separate.

Even when the enforcement body is separate from the electoral management body, the EMB plays a key role in the way it undertakes its own task. In many countries, a general election is the biggest single event that takes place in peacetime. It has a big budget, and is thus a big temptation. As I was once told by a senior Home Affairs Ministry official in a country debating who should be responsible for organising elections: 'I have no problem with an independent election commission making any regulation it wants to design and run the election. But there is no way I want it to take over responsibility for the ink contract.' It is vital that an EMB has timely access throughout the electoral cycle to the money necessary to organise an electoral event properly – and equally vital that it is accountable after the event for the use of that money.

There is always institutional resistance to anti-corruption measures: those who benefit do not want change. Corruption scandals are thus not all bad. In the words of Mayor Rahm Emmanuel of Chicago: 'Never let a good crisis go to waste.' When the issue is high on the scale of public perception, reaction and indignation, there may be a political opportunity for legislators and anti-corruption campaigners to use the momentum for change.

I will close with a message of hope and with a warning. The message of hope is that it is possible to make major changes to political culture happen. In 1881, my grandmother's grandfather James Cobert gave evidence at a hearing into vote buying at the previous year's General Election in the UK city of Gloucester. He told the hearing that he had received ten shillings from the Liberals and one pound from the Conservatives, and had nonetheless voted Liberal anyway. Two hundred other people swore that they had received money from one or both parties – and a Royal Commission on Electoral Practices concluded that half the electorate had taken bribes. Today, while there are undoubtedly still issues and challenges in the conduct of UK elections, that kind of mass retail vote buying has gone, and has not existed for over forty years. Just because malpractice is here today, doesn't mean it's ingrained for ever.

At the same time, it is important to sound a warning. While advocates for cleaner elections and cleaner politics are making progress along the learning curve on electoral fraud, they are not

alone. Those who wish to undermine the integrity of political and electoral processes remain active and inventive, and seek to subvert measures taken to raise the quality of elections and of politics generally. It is clear that protecting and building integrity, inclusiveness, effectiveness, and legitimacy is not a progression towards a perfect end, but more of a continuing “leapfrog” process seeking to keep ahead of those who do not wish elections to be legitimate and politics to be credible, or are indifferent to this. The battle against corruption will never be fully won.

It is International IDEA’s vision and mission as an intergovernmental organisation to support locally owned and sustainable democratic change worldwide. We are pleased to supply the knowledge resources and support the sharing of experience, the dialogue and the advocacy that can bring about that change. The fight for transparency and against corruption is an essential part of democratic change, and we extend our admiration to SEAPAC for actively standing up and engaging in work for that change.

Good luck with your work and thank you.