



Global Expert Group Meeting: Corruption involving Vast Quantities of Assets

Oslo, 12-14 June 2019

Honorable delegates, Chairperson,

As an intergovernmental organization with the mandate to support sustainable democracy worldwide, International IDEA would like to draw your attention to the need to ensure the effective implementation of article 7 paragraph 3 of the Convention. This provision calls States parties to “enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties”.

Closing loopholes in political finance regulations

Money is a necessary component of the democratic process, enabling the expression of political support as well as competition in elections. At the same time, if the funding of political parties and election campaigns are not effectively regulated, money could also undermine the integrity of processes and institutions of political participation and representation. While most countries have some kind of laws regulating the funding of political parties and electoral campaigns, International IDEA’s recently updated Political Finance Database provides insight into global regulatory trends and reveals that **several shortcomings** still exist in many countries. The updated database now includes 74 political finance questions for 180 countries.

For example, private funding allows for support from society at large for a political party or candidate. Yet, it could also be exploited to unduly influence the political processes. While many countries have recently tightened their regulations on private donations, over 30% of surveyed countries still have no ban on **foreign donations** or **anonymous donations** to political parties. Similar donation bans should be considered for **State-Controlled Entities** as well.

In addition to various regulations on income sources, setting **spending limits** for parties or candidates could prevent a spending race and limit the incentives for corruption stemming from high expenditures. For example, overall spending limits for political

parties only exist in 32% of the surveyed countries. Similarly, spending by **the third parties** ought to be reported and disclosed if their spending is above a certain limit defined by law.

Ensuring effective implementation

One of the major lessons from recurring corruption scandals is that many countries across the world continue to struggle with the effective implementation of political finance regulations. It is important to stress that having political finance regulations on paper does not guarantee effective implementation and compliance. There is no one-size-fits-all model to regulate the negative impact of money in politics. Yet, efficient **oversight, timely reporting** and **auditing, public scrutiny** and **dissuasive sanctions** play a crucial role in promoting anti-corruption. 77% of surveyed countries require political parties to submit their financial reports to oversight agencies. To further support this effort, it is worth noting that transparency can be greatly increased by introducing a system where political finance reports are submitted and disclosed **online**.

Institutions responsible for political finance oversight must be independent, have a clear mandate, legal power and the capacity to enforce regulations. In reality, many of them have rather limited human and financial resources to effectively deal with large volumes of oversight work. No matter how comprehensive the law looks on paper, the level of implementation is what matters the most. Countries need to ensure that oversight agencies are equipped with adequate resources to fulfil their roles.

Also in order to ensure effective implementation, countries could work closely with **civil society actors** and the **business community** in the effort. Such actors provide new, innovative avenues for the governments to design, implement and oversee political finance regulations.

Corruption risks brought by new technologies

Blockchain, big data analytics, artificial intelligence and other new technologies are changing the way of political participation and representation across the world. While technologies such as digital reporting and disclosure platforms can be a major driver to increase transparency and accountability in political finance, new technologies can also pose a new regulatory challenge for anti-corruption. For example, the emerging popularity of cryptocurrencies such as bitcoin raises concerns about their use to finance politics. Depending on the design, some cryptocurrencies could make it very difficult to trace the donor identity and destinations of their donations. Cryptocurrencies could be exploited to circumvent many existing political finance regulations such as donation limits and bans from foreign and anonymous sources.

Although the use of cryptocurrencies in political finance is not a common practice yet, some political parties and candidates have started to accept donations in cryptocurrencies. It may be too soon to draw any conclusions about the impact of cryptocurrencies on corruption. However, it becomes increasingly important for governments to have a better grasp on such emerging technologies.

Ladies and gentlemen,

International IDEA strongly supports the Expert Group to *set up more detailed international, innovative standards* that facilitate the effective implementation of article 7 paragraph 3. We would like to put our knowledge resources, in particular our comparative political finance data and digital reporting and disclosure methodologies at the service of the Expert Group to advance towards greater political finance transparency. The political finance landscape is increasingly complex and continuously evolving. We would like to call all the countries to mainstream political finance regulations in the fight against corruption.

Thank you