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Session 3: Enhancing transparency in political party financing and electoral processes.

“In this session, the panelists will address one of the key drivers of corruption involving vast quantities of assets, namely the pursuit by politically exposed persons (PEPs) of financial resources in order to stay in power. Speakers will discuss lessons learned and good practices to promote integrity in political party financing and electoral processes. The participants will also discuss ways to reduce the cost of elections, as well as good practices in regulating elections and enhancing transparency and accountability of political party financing to prevent corruption.”

Five minutes speech: Accountability of political party financing

Democracy is the ultimate protection against privatization of political power and state capture by narrow, harmful interests.

According to the Economist Intelligence Unit – which systematically observes democratic performance - this protection is weak, and countries previously considered bastions of democracy are now in their category of “*flawed democracies*” – including France and the United States.

Political parties are core components of democracy. They acquire and exercise political power. Influence on them means power, including power for securing benefits primarily for oneself and allies and undermining society’s integrity mechanisms.

The problem manifests itself in several manners. A narrow group of allies – including wealthy allies – may seek to...:

- (i) *secure **commercial benefits***, for example by securing support for mergers and acquisitions, secure deviation from public procurement regulations, or manage to take over public entities and operate them with monopoly power
- (ii) *undermine the **rule of law*** for their own benefit and curb press freedom to silence public criticism
- (iii) *secure **popular support*** by portraying smaller, vulnerable groups as a threat to society

We should keep in mind that wealthy groups rarely benefit the most from flourishing democracy, equality and human rights; they may well be better off with autocracy, right to free speech controls, and class difference. Through political power, they secure their own ability to generate more wealth at the expense of society. In many countries, this is within reach for them, and this fact implies a threat to democracy, even if benevolent wealthy groups and individuals exist too.

Wealthy **groups influence political parties’ and party programs** most easily through financial support. This is why the rules regarding political party funding is of critical importance to our protection against state capture.

Here **in Norway**, we have a relatively well-functioning system for party funding, and there are relevant takeaways, including on shortcomings.

The following five features characterize the Norwegian system:

1. **Generous state support** for political parties, allocated according to election results, reduces their dependence of grants from private players
2. Financial support available for **each party entity**, including at the most local level, makes each party entity a recipient of funding, and financially independent of their mother organization
3. Each recipient party entity must submit **annual accounts** for audit, and these accounts are subject to random selection for detailed scrutiny
4. Political parties may well receive **grants from individuals and firms**, as long as the giver's identity is public information for all gifts above EUR 1000
5. **An independent committee evaluates** the legality of donations, and political parties' compliance with the rules. Breaches of rules normally leads to reductions in the following year's state support. Donations found illegal must be returned to the donor.

The Norwegian rules on party financing do not regulate the following circumstances:

- Donations offered to *organizations closely attached* to a political party, typically a think-tank that serves to develop arguments for the political party, although resources for such organizations significantly strengthen a political party.
- *Extra financial compensation* for individuals who are party members, even if these are in lead positions in the party.

These shortcomings should be mended.

When it comes to **policy solutions**, it is important to remember that those who are potentially involved in political corruption are part of the group that society relies on for solutions.

This is why **international cooperation** is essential. Systems for cross-country monitoring need to be introduced and bolstered in the countries where this is possible. A political situation can change rapidly.

That means, governments must assist each other – and continue to assist each other --for the sake of **external, independent observation of political party funding**, most relevantly through organizations such as the United Nations and – in this region – the Council of Europe.

Relevant points for the panel discussion (if time, I may include some of these in the speech)

Public support reduces political parties' dependence of donations and strengthens their independent position. However, we do not know the impact of state support on the risk of political corruption. That means, we do not know if **party financing and bribery** of elected officials are complementary or supplementary forms of making influence.

Transparency must be an absolute condition for private donations. Governments must make sure they operate websites with facts about donations to political parties. There needs to be some sort of official independent monitoring of party financing practices and enforcement of regulations. In addition, civil society can play a role in this respect.

*Constraints on **press freedom and civil society's role** in monitoring money in politics* are inconsistent with democratic values. Peer review processes/evaluation of party finance accountability need to include such aspects, and not be limited to the enforcement of party financing legislation alone.

Guidelines and dilemma training. Even if elected officials are trusted and respected, they need instructions and ethical guidelines in order to **avoid conflict of interest situations**. Some sort of dilemma/case-based training should be part of their mandatory training/orientation.

Revolving door. Democracies need some sort of regulations for **post-public employment** – and transparency around such employment. We do not know the optimal cooling off period.