

MONEY, POLITICS, POWER: CORRUPTION RISKS IN EUROPE

REGIONAL POLICY PAPER #2

POLITICAL PARTY INTEGRITY: MORE ACCOUNTABLE, MORE DEMOCRATIC

OVERVIEW

Political parties in European countries suffer from the lowest levels of integrity registered among all national institutions and sectors – even worse than the judiciary, executive and legislature. Instead of serving as beacons of democracy, the lack of integrity among political parties creates opportunities for undue influence, ethics violations and corruption. In European countries like Greece, Ireland, Italy and Spain, over 80 per cent of those surveyed view political parties in their countries as “corrupt” or “very corrupt.”¹ Such high levels of perceived corruption can be linked to the increasingly negative influence that unregulated party and campaign financing have had on countries’ political processes and decisions. Political leaders, their parties and the public must respond to these integrity deficits by building the transparency and accountability of political parties.



I. THE CONTAGION OF CORRUPT POLITICAL FINANCING

While legislative frameworks on political party financing exist on paper in almost all European countries,² it is important to note that a number of provisions tend to be lacking. A recent study carried out by Transparency International (TI) in 25 European countries shows that anti-corruption safeguards are both inefficient and insufficient to regulate the financing of political parties and campaigns, particularly when it comes to the oversight of funding from the private sector.

When these weak controls also apply to regulating conflicts of interest and lobbying, inadequate political financing laws can lead to severe corruption risks. Corruption in political financing not only undermines a country’s democratic processes and its economy, but those of the entire European Union (EU). It distorts the behaviour of politicians nationally as well as regionally.

This is a particular concern ahead of elections for the 2014 European Parliament. EU-level parties, for which the rules are currently being reformed, will run pan-European campaigns for candidates seeking to be the next president of the European Commission – the final candidate ultimately determined by a European Parliament majority. Yet without a single European-wide law for political party financing,³ relevant national laws – however weak or strong – will ultimately condition who gets voted into the European Parliament. This creates an environment where companies, lobbyists and individual donors could choose to fund different parties and candidates in countries that have the weakest levels of control and disclosure for campaign and party financing. By creating a regional “loophole”, the future of the Parliament – and the European Commission President – could be put in the hands of private – rather than public – interests.

II. TARGETING THE INTEGRITY GAPS

With the 2014 elections looming, it is critical to close the integrity gaps that currently exist for political party financing both nationally and

regionally in Europe. Particular attention should be focused on addressing rules on (large) corporate and individual donations, donation disclosure requirements, party financial reporting, and mechanisms for oversight and enforcement.

INDIVIDUAL AND CORPORATE DONATIONS

Donations are a means for individuals and companies to support political parties' work. However, large private and corporate donations can undermine democracy when they create dependency or are used to unduly influence the political process. Based on TI's analysis of 25 European countries, only 13 have implemented ceilings for donations by private individuals. Where restrictions exist, they vary significantly. Belgium, for instance, allows for contributions up to €500 per year, while Spain has set the limit at €100,000. Corporate donations, in turn, have been banned entirely in 9 of the assessed EU Member States.

DISCLOSURE POLICIES

In addition to ceilings and bans for corporate donations, rules on obligatory disclosure of donations can help to prevent and detect undue influence in the policy decisions of candidates that get elected. Yet, only 10 countries⁴ have opted in favour of making the identity of donors and amounts donated publicly available. In crisis-ridden Greece, the lack of rules preventing anonymous donations is particularly worrying. And in Ireland, low thresholds for anonymous donations and high thresholds for public disclosure⁵ encourage donations to be given just below these levels. The practice of funnelling money through political foundations or affiliated associations where transparency rules do not apply have also been found to pose risks, such as in Hungary, Italy and Slovenia.⁶

FINANCIAL REPORTING BY POLITICAL PARTIES

Campaign funding reports and the annual rendering of accounts by parties should be publicly disclosed. The reports should provide detailed, standardised, comparable and timely data.⁷ Citizens can use this information both before and after elections to trace possible ties between parties and special interests. Yet many countries do not require such reporting by parties. In France,

neither general nor special campaign accounting by political parties has to be published.⁸ In Germany, financing of district level electoral campaigns is not published, creating a weak spot in the accountability chain of party financing.⁹ In Romania, the non-disclosure of special campaign accounts by political parties is viewed as a problem for the overall supervision of campaign finance.¹⁰ At the EU-level, there is also a lack of appropriate provisions for campaign financing, although legislative efforts are underway to address some – yet not all – of the shortcomings.¹¹

OVERSIGHT AND ENFORCEMENT

Cases from across Europe, such as Finland's 2008 funding scandal that exposed the circumvention of its strong party financing laws,¹² highlight how the problem is often one of applying regulations. TI's study has found that national agencies tasked with overseeing and enforcing political party financing laws can be extremely weak and lack independence, as in Greece and the Netherlands. In other countries, the problem is that agencies may only rely on accounting reviews to flag improprieties, as in Italy, Slovakia and Slovenia. In many instances, even when violations, such as in campaign financing are found, sanctions are not handed down in a timely manner, and only long after parties have come to power.

III. RECOMMENDATIONS

Nationally and regionally, political parties across Europe must embrace controls that guarantee their transparency and accountability, placing the public's interest at the heart of their decisions rather than the donors that fund them.

TI recommends controlling the flows of money in politics through the following measures:

LIMIT DONATIONS

- An upper limit for donations, especially for corporations, needs to be introduced.
- All bodies and organisations affiliated with a political party should be covered by party or campaign finance rules.
- The definition of donations should be widened to cover issues such as event sponsoring, discount loans or in-kind support.

- Disclosure thresholds should prevent the splitting up of donations and side-stepping of provisions.
- Violations of rules should be adequately punished.

STRENGTHEN TRANSPARENCY ESPECIALLY DURING CAMPAIGNS

- Donations need to be published for a reasonable period of time ahead of elections.
- Publication of donations should be regular and timely to give voters information on candidates.
- Special campaign accounts and financing reports should be used.
- All party and campaign financing information, including donations, should be made available in a comprehensive, accessible and comparable format.

CREATE A SINGLE, INDEPENDENT AND WELL-EQUIPPED SUPERVISORY BODY

- Supervisory bodies need to be adequately resourced, independent and legally empowered to monitor the financing of parties, campaigns, and affiliated parliamentary groups and organisations.

ENSURE ENFORCEMENT OF RULES AND PROPORTIONATE SANCTIONS

- Good oversight by public authorities, civil society, and journalists may better allow for the detection of errors or actual corruption.
- Proportionate sanctions, combined with administrative and judicial follow-up, have to be put in place to deter unlawful behaviour.

ADDRESS EUROPEAN PARLIAMENT ELECTIONS

- Champion the transparent financing of political parties at EU-level, particularly with a view to the upcoming European Parliament elections in 2014.
- European-wide parties should voluntarily commit to uphold integrity and not exploit legal loopholes.

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10 See Romania's national integrity system report, TI Romania (2012), p. 160, available online at http://issuu.com/transparencyinternational/docs/2012_nisromania_ro.

11 TI EU Liaison Office (2012), EU Position Paper on the Statute and Financing of European Political parties; available online at <http://www.transparencyinternational.eu/wp-content/uploads/2012/11/TI-EU-Position-Paper-Europarty-Financing.pdf>.

12 Financial Times/ David Ibson, Funding Scandal Taints Finland's Reputation (10 June 2008), available online at www.ft.com/intl/cms/s/0/054fd33a-3679-11dd-8bb8-0000779fd2ac.html#axzz1n1d0lcF2.

1 Data taken from Transparency International, "Global Corruption Barometer 2011", website, <http://gcb.transparency.org/gcb201011/>.

2 With the exception of Sweden and Switzerland, see Transparency International, Money, Power, Politics: Corruption Risks in Europe (2012), Annex 4, p. 54, available online at <http://www.transparency.org/enis/report>. Unless referenced otherwise, empirical examples presented in the paper are based on the report pp. 22-26 and Annex 4.

3 For an overview of legislative efforts from the Maastricht and Nice Treaty to the currently effective Lisbon Treaty, see Fransje Molenaar, The Development of European Standards on Political Parties and their Regulation – Working Paper 4 (Feb. 2010), pp. 27-33, <http://www.partylaw.leidenuniv.nl/uploads/wp0410.pdf>.

4 These countries include Bulgaria, Czech Republic, Estonia, France, Lithuania, Latvia, Poland, Portugal, Slovakia and Spain.

5 Council of Europe/Group of States against Corruption, Evaluation Report on Ireland: Transparency of Party Funding (2009), available online at [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2009\)4_Ireland_Two_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2009)4_Ireland_Two_EN.pdf).

6 For Hungary, see OSCE/ODIHR (2010), Election Assessment Mission Report Republic of Hungary, available at www.osce.org/odihr/elections/71075, p. 16, for Italy and Slovenia, see footnote 1.

7 See, for instance, Council of Europe/Group of States against Corruption, Twelfth General Activity Report: Corruption erodes Human Rights protection, Greco (2012) 1E Final, para. 18 on p. 8, available online at [http://www.coe.int/t/dghl/monitoring/greco/documents/2012/Greco\(2012\)1_GenActReport2011_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/documents/2012/Greco(2012)1_GenActReport2011_EN.pdf)

8 See: France's national integrity system report, TI France (2012), p. 172, available online at http://issuu.com/transparencyinternational/docs/2011_nis_france_fr.

9 See Germany's national integrity system report, TI Germany (2012), p. 33, available online at http://www.transparency.de/fileadmin/pdfs/Wissen/NIS-report_Germany_short-version.PDF.