



POLITICAL MONEY AND POLITICAL CORRUPTION: CONSIDERATIONS FOR NIGERIA

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Political finance is influenced by, and influences, relations between parties, politicians, party membership and the electorate. Money matters for democracy because much of democratic political activity simply could not occur without it. Narrow definitions of political finance tend to focus on ‘campaign and party funding’. In fact, many extra-party actors are involved in political competition with the objective of shaping public policy agendas, influencing legislation or electoral debates and outcomes.

According to a typology developed by Vifredo Pareto, there are three motives for providing political funds: 1) idealistic or ideological, 2) social, aiming at social honours or access, and 3) financial, striving for material benefits.¹ The latter comes as no surprise, but it can have major political consequences: in Germany, in July 2002, Rudolf Scharping, Germany’s defence minister, was replaced after the magazine *Stern* reported that he had taken DM 140,000 from Moritz Hunzinger, a PR consultant with links to the arms industry. German cabinet members are prohibited from earning anything other than their salaries. Scharping admitted to taking the payments, but said most of the money had gone to charity or had been used for ‘political work’.² In another case, Kimitaka Kuze, head of the Japanese Financial Reconstruction Commission, was forced to step down in July 2000 following revelations he had received nearly US \$2.1 million from Mitsubishi Trust and Banking Corp. between 1989 and 1994.³

Problems of political finance are at the heart of the debate on political corruption. Yet the meaning of political finance-related corruption is often unclear. In general, **‘corrupt’ political finance involves behaviour on the part of a candidate or a party, in which they improperly or unlawfully conduct financial operations for the gain of a political party, interest group, or of an individual candidate.**

First, against the general perception among public opinion, it should be stressed that political finance and political corruption are separate notions. Only when their valences overlap does the zone of corrupt political funding emerge. Second, the narrow definitions of political corruption, such as “the use of public office for unauthorized private gain”, do not include many forms of political finance-related corruption; mainly because high positions within political parties are often not included in definition of public office and the abuse of money as a political resource can often benefit parties or organizations as well as individuals.⁴ Thirdly, there is an important difference between political finance regulations and actual practices, and the meaning of ‘corrupt’ political financing should not limit itself to the term ‘illegal political finance’. Illegal political finance refers to contributions or use of money that contravene

existing laws on political financing. The concept is based on legalistic criteria and assumes that a political act is corrupt when it violates formal standards of behaviour set down by a political system. Such a definition of corrupt political finance is generally clear; however, certain problems emerge. Laws are not necessarily consistent in interpretation or application across different countries. Furthermore, this definition suffers from being simultaneously too narrow and too broad in scope; some illegal acts are not necessarily corrupt (foreign funding of democratic opposition, such as Polish Solidarity Trade Union in the 1980s) and some corrupt acts are not necessarily illegal (campaign contributions from organised crime).

Illegality is crucial to many definitions of political corruption; however, some legally sanctioned but dubious uses of state resources in semi-authoritarian and authoritarian regimes cannot be defined as corruption according to this approach. Thus, the law is not a proper guide – not only because it is not perfect with regard to encompassing all cases widely perceived as corrupt, but also because the law itself may be a result of political corruption. Indeed, the range and scope of illegal political funding depends on country-specific funding regulations, while irregular political finance emerges in the gap between a country's legal provisions and the reality of its corrupt political funding practices. In this case, the irregular or 'informal political finance system' refers to legal contributions from disreputable sources or acceptance of money in return for favours. **The restrictions imposed on political parties and individual candidates by funding regulations often create loopholes allowing for irregular political finance.** As an example of a legal but questionable donation, in 2001, Indian billionaire Lakshmi Mittal had donated £125,000 to Labour Party funds prior to receiving British PM Tony Blair's backing for the takeover of the Romanian Sidex steel plant.

Political finance scandals might initially consist of simple criminality by politicians, or may be more overtly concerned with corruption in political finance. A problem in definition arises from the fact that money obtained corruptly by politicians for their private use may well be used to fund their campaign, in which case we have a case of political finance corruption. Such was the case with the Elf affair: in 2003, 37 defendants were accused of accepting nearly EUR 400m from Elf Aquitaine, the former state oil group, for personal enrichment and political kickbacks during the late 1980s and early 1990s. Elf created an elaborate system of politically endorsed 'commissions' and 'subscriptions' used to pay off African heads of state in return for exclusive access to oil reserves and political influence. Elf also made illegal donations to former German chancellor Helmut Kohl's Christian Democrat Union in order to buy the Leuna oil refinery in East Germany. The company's top executives admitted that Elf money was regularly used to finance French political parties and presidential candidates, as

well as to pay for late Socialist president Francois Mitterrand's divorce (which cost the equivalent of 5 million euros).⁵

Examples from post-Communist countries highlight **the private character of political corruption**. In Poland and Ukraine, out of five per cent kickbacks, 0.5 per cent goes to party coffers and 4.5 per cent ends up in private accounts.⁶ Yet 'personal' gain, in the case of politician, does not necessarily have the aim of improving his or her material position; it can be intended to maintain a political position.

Furthermore, a fragmented and non-institutionalised party system encourages big business (in Central and Eastern Europe, 'the oligarchs', elsewhere called 'godfathers') to **form client circles and establish their own political parties, set up parliamentary factions or become media-owners**. Examples from Ukraine illustrate how informal political actors – financial/industrial groups and political oligarchs – can dominate the political spectrum by forming business-oriented parties. The best examples of such parties include Social Democratic Party of Ukraine (United), Party 'Democratic Union, Party 'Labour Ukraine', Ukraine's Green Party, Party of the Regions (PR), together with Batkivshchyna. In recent years, these parties had a clear majority in the Ukrainian parliament.⁷ In addition, these parties control most of the national media, including major TV channels and the national newspapers.

Politics in such countries is, to a large extent, **a combination of business projects** run by powerful oligarchs enjoying political immunity and individuals using office as a means for gaining wealth. Thus, there is no obvious boundary between individual criminality and systemic corruption of political finance. In 1999, a Geneva court convicted former Ukrainian Prime Minister Pavlo Lazarenko of money laundering and confiscated US \$6.6 million from his Swiss bank account. Lazarenko accepted two charges of money laundering. According to his lawyer, he confused his public office of regional governor and his private commercial interests. The government of Antigua and Barbuda announced that Lazarenko's bank accounts had been used for laundering US \$80 million. Now in jail in San Francisco, Lazarenko faces charges of laundering US \$114 million allegedly stolen while in office.⁸

It is easier to describe the hundreds of political funding scandals than to analyse their character. Money matters for democracy because much of its political activity simply could not occur without it. However, when discussing its costs and benefits one should stress that **the misuse of money in politics can create some major problems for a political regime**. Since the nineteenth century, most of the democracies have managed to eliminate the buying of votes and associated methods of electoral bribery. Yet, even those regimes face a situation

where a number of different problems related to money in politics still remains to be solved.

The remaining secrecy in political finance systems often results in: 1) funding from undesirable sources; 2) improper influence of the money over policy outcomes; and 3) financial barriers for average citizens against standing for political office.

However, a system that prohibits corrupt electoral practices in the funding of parties and election campaigns should be designed differently from a system that promotes political equality. The unfair electoral advantages of some parties or candidates in democratic regimes are not classified here as political finance-related corruption as they result from the unequal distribution of income and wealth among the public into the political process. However, the abuse of state resources giving a baseless electoral advantage would be a different case. The major types of political finance-related corruption are described in table 1, though there are ambiguities as to whether a particular case of political corruption is directly related to party and campaign finance.

Table 1: Major types of political finance-related corruption

Type	Actor Group*	Description
Illegal expenditure including vote buying	Voters and election officials	A political party or candidate may directly or indirectly bribe voters and election officials. They may alternatively offer the electorate different kinds of incentives (gifts, food, alcohol, or even short-term employment). Beside elections, in some parliaments there is an unofficial market for votes – parliamentarians or councillors might be paid for votes or for joining different caucuses.
Funding from infamous sources	Candidates and political parties	A political party or candidate may accept money from organised crime (such as drugs traffickers), terrorist groups or foreign governments. These groups might even form their own political parties.
Selling appointments, honours, or access to information	Public servants and candidates	Contributors may gain rewards in the form of job selections, appointments (ambassadorial, ministerial or judicial), decorations or titles of nobility. Money may also be used to buy a seat in Parliament, a place on a party's national list or a candidacy.
Abuse of state resources	Public sector	Certain state resources, such as money and infrastructure, which are available to office holders may be extensively used for electioneering. In addition, through the unauthorised channelling of public funding into controlled companies, organisations or individuals, the political party or candidate may capture state resources.
Personal enrichment	Candidates and politicians	Candidates are required to contribute significant amounts, much higher than their official income, to a party's election fund and also to pay for their individual campaign. Politics becomes a rich man's game and elected representatives accumulate necessary funds to pay for the next elections by taking a percentage on secret commissions and accepting bribes.
Demanding contributions from public servants	Public servants and public sector	A political party or candidate in need of money often imposes excises upon office holders, both public and elected. In some regimes a political party may also force public servants to become party members and then extort kickbacks for some of its expenditure from their salaries.
Activities disobeying political finance regulations	Political parties	A political party or candidate may accept donations from prohibited sources or spend more than the legal ceiling permits. Violations of disclosure requirements, such as inaccurate accounting or reporting, or lack of transparent funding, are often the cause of political scandals.
Political contributions for favours, contracts or policy change	Private sector	One of the motives for political contributions to a political party or candidate is the possibility of payoffs in the shape of licenses and government public contracts. Donations may also be given for a governmental policy change or legislation favourable to a specific interest group.
Forcing private sector to pay 'protection money'	Private sector	Extortion, for instance through blackmail, raiding taxes and customs inspections may be used to force entrepreneurs to hand over part of their profits to a political party.
Limiting access to funding for opposition parties	Opposition parties and candidates	Authoritarian regimes with a patrimonial economic system and political repression may seriously constrain financial resources available to opposition parties.

* Actor group that is particularly vulnerable/corruptible

In consolidated democracies, **progress in liberalising the economy, strengthening bureaucratic accountability and promoting transparency in political finance** might be expected to place some, albeit still imperfect, constraints on the extent to which individual firms can be directly affected by illegal political finance. However, regimes in consolidated autocracies are often based on strong presidential systems or one-party systems, with the opposition political parties having only weak power. In these regimes economic power is also derived from political patronage. Most people engaged in economic activity in consolidated autocracies are closely linked to the president and his inner circle; thus, there is no interest in supporting opposition political parties. This, plus the concentration of economic resources in the executive branch and the lack of or control over foreign investment, limit financial resources for political parties and gradually wipes out the opposition political parties, as they simply cannot rely on the financial support of their members or controlled interest groups. At the same time the **vast public resources available to officeholders are deliberately used for sustaining the regime.**

Thus, it is important not only to evaluate illegal private political finance, but also to analyse the degree of illegal state funding and abuse of state resources. Government favouritism to maintain privileged positions within the economic system for powerful political and economic elites, together with the general lack of political accountability, leads to corrupt political finance.

Controlling political finance – an exercise in damage limitation

Every democratic system has to regulate the flow of money into politics. Unregulated political financing presents certain problems for modern liberal democracy. **It fails to guarantee that candidates and political parties compete on equal terms.** Political competition under unregulated political financing, according to the scholar Keith Ewing, would be like ‘inviting two people to participate in the race, with one participant turning up with a bicycle, and the other with a sports car.’⁹

In general, measures concerning political financing are divided into regulations and subventions. Most democracies restrict the use of at least some sources of private donations, either by banning them or by setting contribution limits. Restrictions on donations are aimed at preventing parties and candidates from obligating themselves to private interests. Headline cases make this imperative, such as in Argentina, where in 2001 the ex-head of state-run

Banco Nación, Aldo Dadone, was arrested on charges of ‘illicit association’ and jailed for accepting bribes from the local branch of IBM. In 1993, IBM officials allegedly paid millions in bribes to secure a US \$250 million contract at the bank during Dadone’s tenure. More than 20 officials from Banco Nación, IBM and the administration of Argentina’s former President Carlos Menem were indicted during the investigation of the bribe case. Not only is Argentina now trying to crack down on grand corruption, it has enacted much stricter rules in the area of political finance.

Corrupt political funding undermines the democratic system. Together with other forms of political corruption, it leads to a compromising of democratic ideals, the growth of political apathy among voters and mistrust of the authorities, as well as the consolidation of authoritarian tendencies in the state. The public interprets irregularities in party and campaign finance in a broader context, leading to distrust of the institutions and processes of politics. A large number of voters think that parties respond primarily to organised, special interests and that politicians are not concerned about ordinary citizens. Thus, the financing of political parties is generally perceived by public opinion as corrupt. It is worth bearing in mind that even the best contemporary Western political finance systems are themselves far from ideal.

In many democratic regimes, new restrictions and substantial state subsidies have been introduced as a response to financial scandals and public pressure, to prevent corruption by limiting undesirable and disproportionate influence over parties and candidates. In Nigeria these measures can include:

- bans on certain types of donation,
- contribution limits,
- transparent public subsidies and subsidies-in-kind (including regulations concerning political broadcasting),
- spending limits for political parties and its candidates,
- comprehensive disclosure and reporting regulations,
- severe but proportional penalties.

Some experts have argued that political finance regulations have brought increased probity, transparency, and a degree of equity to the monetary aspects of politics in established democracies.¹⁰ Indeed, the funding of political parties in most democratic regimes is more transparent than a decade ago. But some regimes have to begin to enforce existing regulations, or to search for a better system of regulating money in politics and improve their

practices. And in any case, improvement in political finance systems both in Nigeria and other transition countries will be a long process.

Recommended areas for legal reform in Nigeria

Nigeria can employ different strategies to control the flow of money into politics, creating a framework within which political parties and individual candidates can operate. An effective formula for public control of political money will require the existence of **a comprehensive system of political finance** based on the following pillars:

- full disclosure,
- doctrine of agency,
- appropriate sanctions,
- elimination of patronage politics and control over costs of elections,
- control of donations,
- effective implementation and enforcement.

1. Full Disclosure

The US Supreme Court in the *Buckley v. Valeo* case¹ (one of the most important decisions of the campaign finance legislation) argued that:

Disclosure provides the electorate with information as to where political campaign money comes from and how it is spent by the candidate in order to aid the voters in evaluating those who seek federal office. It allows the voters to place each candidate in the political spectrum more precisely than is often possible solely on the basis of party labels and campaign speeches. The sources of a candidate's financial support also alert the voter to the interests to which a candidate is more likely to be responsive and thus facilitate predictions of future performance in office.²

Disclosure requires systematic and detailed reporting, auditing, public access to records and publicity. The term “disclosure” suggests that voters receive information on the various financial activities of politicians through the public exposure of large contributions and expenditures. A new legal framework should secure **three main types of disclosure: (a) disclosure by political parties of income and/or expenditure accounts; (b) disclosure of election accounts by candidates for national office (presidential and/or parliamentary candidates); (c) disclosure by particular donors (in case of larger donations).**

¹ *Buckley v. Valeo*, 424 US 1 (1976).

² *Ibid.*, p. 67.

Political parties, presidential and parliamentary candidates should be required to disclose:

- a) specific items of income and expenditure. The objective is to identify and control all sources of money, enforce contribution and limit expenditure;
- b) all in-kind contributions, i.e. goods and services offered free of charge must be included in the expenditures of an election committee. These must be valued at their prevailing net prices (no higher than the normal purchase price or the cost of production);
- c) bank loans, credits with the specification of conditions set forth by a lending institution/individual.

Disclosure of the donor's identity and the amount of the individual donation is meant to control the flow of private money into campaign coffers. Regulations concerning the disclosure of private contributions are a common feature for most of democratic regime.

The objective of disclosure of political finances is to make politicians' accounts a subject of public knowledge and political debate. These declarations are offered for public scrutiny by publishing them in official media and **making them available on the Internet**. The ease with which members of the public are able to consult accounts and lists of contributions will have a major impact on the degree of openness of the system.

2. Doctrine of Agency

Furthermore, to improve financial management of political parties and candidates, the law should assign **responsibility within each political party for obedience to political finance regulations**. New regulations should encourage political parties to comply with requirements for professional and accurate book-keeping. It is recommended that each party should appoint one specific official who will have responsibility for ensuring that the party obeys political finance laws. This practice is adopted in Britain, Canada, France, and now in Poland, with this official being called the 'agent'. The system based on the "doctrine of agency" foresees that all campaign expenditure must be authorised by the "agent" and the "agent" must check incoming donations to ensure that they are in conformity with the rules. Thus, the political parties financial agents have a clear responsibility for the management of the financial resources. The institution of "financial agent", as an internal enforcement body, will be a significant change to the parties' structures, decision-making procedures, and financial management practices. New regulations, obliging parties to report on all the money flowing in

and out of their coffers, will require parties to maintain a solid centralized organization based on party discipline and professional book-keeping.

3. Sanctions

Effective enforcement of political finance regulations requires the law to impose sanctions and penalties serving as deterrence to violators. According to Keith D. Ewing:

At the end of the day, however, effective and severe sanctions are not the province of the criminal law only. Potentially more significant would be powers to prevent individuals from standing for election, to prevent them from taking their seats when elected, and to have a political party deregistered. Although the last is unlikely ever to be used in the case of the large parties, there are no doubt other sanctions which could be employed, such as the refusal of election expense rebates or the denial of income tax credits for contributions to their funds.³

Political finance regulations identify different types of offences and provide for a range of penalties and sanctions depending on the seriousness of the offence such as:

- financial sanctions including modest monetary fines;
- larger fines for serious violations;
- criminal sanctions for significant violations that undermine the integrity of the elections;
- withdrawal of public funding;
- stripping the party or candidate of his or her mandate if it is established that campaign finance rules have been seriously violated.

In addition, financial benefits transferred or accepted by a party in violation of specified prohibitions might be forfeited for the benefit of the State Treasury - should such a benefit be spent or lost, its value may be forfeited.

Recent evidence from Britain and Poland, two countries that significantly reformed their political finance systems, shows that **more effective and prompt enforcement seems to result from administrative fines and the possibility of limiting the amount of public funding** (such as cuts in reimbursement of election expenses, or direct state subsidies) rather than from severe criminal penalties; in fact, if the penalties are too severe for the circumstances they might discourage enforcement. The difficulty of using criminal sanctions effectively also stems from the fact that a large number of prosecutors are reluctant to regard many of the political finance offences as being suitable for criminal law.

³ Ewing (1992), p. 230.

Moreover, severe sanctions against illegal funding and financial transgressions, including imprisonment, or the deregistration of a candidate or political party might not only lead to never-ending, costly legal battles, but they may be a dangerous tool for a political, selective enforcement, penalising minor violations. Such was the case of the Ukrainian leading anti-corruption parliamentarian Oleksandr Zhyr, the former head of the Parliamentary inquiry commission on the Heorhiy Gongadze case.¹¹ In the July 2002 by-election, the election authorities de-registered his candidacy a day before the election, based on a court decision that he had engaged in improper campaign spending.

Finally, in the case of sanctions (fines) and spending limits Nigeria sets definite quotas, rather than **using specific formula (e.g. the multiplied minimum wage)**. However, one key factor must be taken into consideration where the application of limits or fines in the transition countries is concerned — inflation or, as has been the experience of some of them, hyperinflation. In Bulgaria, a 1991 spending limit was applied to the 1997 elections, but by 1997 inflation had reduced the value of the leva by 3200 percent. Candidates' maximum allowable expenditure on the campaign, 30,000 leva, was now worth the equivalent of just US\$20.

4. Eliminating patronage politics and controlling costs of elections

The regulation of political expenditure generally involves restrictions concerning direct vote buying or limitations on the expenditures of political parties or individual candidates (both parliamentary and presidential). Some of the most important legislation should be designed to **prohibit all different forms of vote-buying (direct and indirect) and associated methods of electoral bribery as this is the root of political finance-related corruption in Nigeria**. A leading scholar, Michael Pinto-Duschinsky argues that:

‘old-fashioned, face- to-face politicking costs more than the new mass-marketing, media-heavy approach. This becomes apparent if account is taken of the differences in per capita incomes in different countries. (...) The “mass distribution of imported hams, turkeys and other giveaways” in the 1999 elections in Antigua and Barbuda meant that the cost-per-vote amounted to at least US\$60 (the estimate offered by the ruling Antigua Labour Party) and may have been as high as US\$300 (the opposition ’s preferred figure). Taking differences in income levels into account, these elections cost between 9 and 44 times more per capita than all the elections —state, local, and federal —that took place in the United States in 1996.’

Thus, the normative framework around elections and political finance must first of all generate an environment hostile to vote buying. The law needs not only to establish a clear

definition of the offence but also provide for adequate sanctions. In this respect, a modifications should be introduced into the Nigerian legislation on vote buying to made it more enforceable: the new law should **exempt those who sell their votes from sanctions** in order to encourage voters to denounce vote buying candidates. Instead, sanctions should be directed both against the party and against the individual party official or party member personally involved in the illicit transaction.

In addition, restrictions on how much parties and candidates spend on their activity, such as election campaigning, are based on the assumption that unregulated political finance fails to guarantee a level playing field in the competition for power. Yet general limits on campaign expenditure should by no means be perceived as an ideal legal mechanism that states in the process of democratisation should utilise in attempting to regulate campaign finance. Particularly in authoritarian regimes such as Belarus and Ukraine, imposing low and strict limits on campaign expenditure might marginalise opposition and, as a result, aid the non-democratic regime by allowing it to take advantage of other resources, such as state-controlled TV. Furthermore, in some countries, artificially low legal limits on permitted campaign spending make the reporting of political party expenditure irrelevant, as is the case in India, Israel, Russia and Ukraine.

5. Control of donations

Most democracies restrict the use of at least some sources of private donations, either by banning them (e.g. anonymous donations) or by setting contribution limits. **Anonymous donations should be prohibited, having in mind the transparency of political finance.** In general, however, it is advisable that the provisions regarding anonymous donations are such that it keeps the administrative burden of parties proportionate by excluding low value donations from their obligation to refuse anonymous donations. It is therefore advisable that a maximum ceiling is set on both the amount of anonymous donations parties may receive from a single source and on the total amount of anonymous donations a party or candidate may receive in a given year or for a particular election campaign.

Furthermore, contribution limits on donations can be introduced aiming at preventing parties and candidates from obligating themselves to private interests. It is reasonable that individuals wishing to donate modest sums to a party or to a candidate should be able to do so as a private matter. Small donations do not carry the same risk of corruption and influence as large ones. The political finance system should be reducing the role of large-scale donations from reach individuals and should led to a significant increase in the number of ordinary citizens making

political contributions. It is recommended that the contribution limits of 10 to 25 average salaries is introduced. This would be one of the solutions to encourage small donations to parties and to candidates. If the party receives 1000 average salaries from a single donor, it is more likely to be corrupted than if it receives 1000 average salaries in the form of 100 donations of 10 average salaries each.

The future political finance system should also **encourage popular funding**, as a lack of popular funding could become a fatal problem for Nigerian democracy. Leading political finance experts have advised that the tax system should be used as an instrument to encourage donations to parties and to candidates.

6. Effective implementation and enforcement

Regardless of complex regulations, analyses show a worrying gap between legal requirements and the political practice of funding politics. One implication of the ineffectiveness of control mechanisms within the political finance system has been the growing level of political corruption. The major weakness that undermines the working of effective political finance systems is the lack of fully independent enforcement mechanisms.

Any enforcement agency's autonomy must result from many factors, including its membership, terms of appointment, funding and administrative jurisdiction. **The budget of an enforcement agency should preserve its impartiality and independence** (while at the same time retaining a degree of accountability for the proper use of public funds). The enforcement agency should have specialised personnel and should be unconditionally supported by the judiciary, policy and other anti-corruption bodies.

In addition, most newly established democracies make a slow start in **promoting the specialisation of the police, judiciary and other enforcement bodies** in the fight against illegal funding of political parties and electoral campaigns. Independent monitoring, including supervision over the accounts of political parties, should be provided. Independent and professional audits are necessary to review the campaign and the party's financial reports, and its reports should be presented and published. An independent auditor, who is qualified to examine complicated financial transactions and able to analyse different accounts, should have right of access to all the financial documents and should be required to issue a written verdict. In an ideal scenario, auditors would be in a position to give an opinion as to whether a

financial report presents a true and fair view of the income and expenditure incurred, rather than only confirming that the report was completed in accordance with legal requirements.

Further, effective enforcement of party funding requires political parties to introduce **internal control mechanisms in the form of financial agents and managers, codes of conduct, accounting procedures, financial checks and balances and ethical committees helping to oversee financial management and fundraising activities**. In general, higher professional standards should be applied to parties' financial management and fundraising activities than to an average private organisation. Parties should be also required to maintain professional bookkeeping, and most payments to or by a party should be made through a bank account. Ideally, parties should hold separate accounts for routine and campaign activities to conduct and report all party financial activities through relevant accounts.

The Role of Non-Governmental Organisations

Non-governmental organisations have become increasingly active in addressing the issues related to political finance and political corruption. In general, the role of NGOs can be divided into four main types: **promoting greater disclosure and transparency, searching for evidence of illegal and corrupt political finance, evaluating the effectiveness of funding regulations and creating public pressure and providing support for reform in party and campaign finance**. Pressure from NGOs and the mass media is necessary in order to create an atmosphere which promotes anti-corruptive initiatives, as the two can serve as very reliable 'watchdogs' of party and campaign finance in many contemporary democracies.

In particular, NGOs have made an important contribution to the reform of party funding regulation by conducting party and campaign finance monitoring. The Argentine chapter of Transparency International, Poder Ciudadano, was one of the first to develop a model to monitor campaign spending. This methodology has been modified and applied by NGOs in Latvia, Romania, Slovakia and Ukraine. In the United States, a group of NGOs has been active for years in monitoring campaign finance contributions to election candidates and the subsequent activities of elected representatives that benefit their donors. The Citizens' Research Foundation in Los Angeles, under the former directorship of Herbert E. Alexander, is a leading example. The Center for Responsive Politics provides useful information on donors and spending in congressional and presidential races. Common Cause is another important advocacy NGO lobbying for campaign finance reform.

A CHECKLIST OF INITIATIVES TO LIMIT CORRUPTION IN POLITICAL FINANCE

- 1) The legal framework of political finance should be: (a) comprehensive (including provisions for sources of funding, allowed expenses, disclosure, reporting, enforcement and sanctions), (b) stated in clear and unambiguous language, and (c) objective and based on political consensus.
- 2) Political parties should introduce internal control mechanisms including financial agents, codes of conduct, accounting procedures, financial checks and balances and ethical committees helping to oversee financial management and fundraising activities.
- 3) Parties should be required to maintain professional bookkeeping and conduct most of their financial operations through bank accounts.
- 4) State enterprises and other public bodies should remain politically neutral. Legal entities providing goods or services for any public administration and public-owned companies should be prohibited from making donations to political parties. Extra measures to prevent such prohibitions from being circumvented should be adopted.
- 5) State support to political parties should be realistic and based on objective and fair criteria.
- 6) Public servants should not be required to join political parties or make contributions as a way of obtaining employment or promotions.
- 7) An independent and professional audit should review the campaign and the party's financial reports.
- 8) Pressure from NGOs, international organisations, academic scholars, and foremost, the mass media should create an atmosphere which promotes anti-corruption initiatives.

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- ¹ Vifredo Pareto, *The Mind and Society* Vol. 4 (London: Jonathan Cape, 1935).
- ² *Guardian* (United Kingdom), 19 July 2002.
- ³ *Associated Press*, 1 August 2000.
- ⁴ See Michael Pinto-Duschinsky "Financing Politics: A Global View" *Journal Of Democracy* Volume 13, Number 4 October 2002.
- ⁵ *BBC News* (United Kingdom), 18 June 2001; *Financial Times* (United Kingdom), 15 April 2003.
- ⁶ Donatella della Porta and Alberto Vannucci, *Corrupt Exchanges: Actors, Resources, and Mechanisms of Political Corruption* (New York: Aldine de Gruyter, 1999).
- ⁷ Author's interviews with senior politicians, Warsaw and Kiev 2001.
- ⁸ http://dailynews.yahoo.com/h/nm/20000630/wl/ukraine_lazarenko_dc_1.html
- ⁹ Keith D. Ewing, *Money, Politics and Law* (Oxford: Oxford University Press, 1992).
- ¹⁰ Herbert Alexander (2001), p. 204.
- ¹¹ The prominent opposition journalist of the Internet Newspaper Ukrainska Pravda, Heorhiy Gongadze, disappeared in September 2000 and two months later his decapitated body was found outside of Kiev. A few weeks later an authentic audio recording was published containing conversations between President Kuchma and other government officials discussing details of Gongadze's removal. In September 2001, the Prosecutor General's office confirmed that the murder was politically motivated, although no arrests were made. See <http://www.pravda.com.ua>.