

# Public Funding Solutions for Political Parties in Muslim-Majority Societies



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# Foreword

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How can negative influences of private donations to political life and the abuse of state resources be counteracted? How can the capacity of political parties to represent the people be strengthened? One solution, used in more than half the countries of the world, is to provide equal support from government sources to political parties and/or electoral campaigns. The hope is that such support, while not in itself sufficient to rid politics of all negative influences that money can have, might reduce dependence on wealthy interests and increase the ability of political parties to fulfill their role in building and strengthening democracy.

This is of particular importance in Muslim-Majority societies in the Middle East and North Africa (MENA), where political parties have seldom played a major role in political life. While most of these countries use multiparty political systems, many are still far from the pluralistic ideals set out in their constitutions. Could public funding of political parties and electoral campaigns be one tool in correcting this? Many countries in the MENA region utilize public funding, but little is known about how it affects politics in these countries.

This is why this study, the first of its kind, is so important. It covers a careful selection of countries; Turkey, Egypt, Lebanon and Morocco; analyzing in detail what role public funding has had or could have for the country's political life. It identifies successes and failures and offers recommendations for the future. While acknowledging that building democracy is a complex endeavor, we hope this study will serve as the foundation for continued discussions on how public funding can be used to help strengthen democratic politics in Muslim-Majority countries.

**Dr. Magnus Ohman**

Political Finance Advisor

International Foundation for Electoral Systems

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Readers of the publication are encouraged to contact IFES with any comments, suggestions or requests.

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# Biographies

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A senior fellow at the Brookings Institution in Foreign Policy and in Brookings' Latin America Initiative. Most recently, Casas-Zamora served as Costa Rica's Vice President, as well as Minister of National Planning and Economic Policy. Casas-Zamora has authored several studies on political finance, elections, democratization, and civil-military relations in Latin America. Casas-Zamora received a Doctorate of Philosophy in Politics from the University of Oxford and holds an MA in Latin American Government and Politics from the University of Essex.

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Executive Director of the European Partnership for Democracy and former IFES Senior Advisor for Political Finance. He has over ten years of international democracy and governance experience working in more than 25 countries around the world and focusing on anti-corruption, political finance and public ethics, and political party development. He holds a Doctorate of Philosophy in Politics from St. Antony's College at Oxford University and a Master's in Law (Hons, Class I) from the Department of Law and Administration at the University of Warsaw.

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Has been a researcher and policy analyst with IFES Lebanon since March 2007. Prior to IFES, she was the Rick Hooper Fellow at the Department of Political Affairs (Middle East Desk) at the UN Secretariat in NY. She has a Master of Public Administration with an emphasis in Public Policy from the School of International and Public Affairs (SIPA) at Columbia University in New York.

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# Executive Summary

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Political finance is inherently important to the quality of democracy. The financial resources available to parties and candidates, the distribution of those resources, and the ways in which they are collected and spent can have a decisive impact on the effectiveness of political actors, the nature of electoral competition, and ultimately, the legitimacy of elections and democratic institutions. Despite the growing corpus of comparative knowledge in the field of democratization, political finance has long remained a relatively under-studied and under-theorized topic. The topic of money in politics is a politically sensitive issue the world over, and the MENA region is no exception. Further, there remains a significant knowledge gap about political finance practices in the countries of the Middle East and North Africa. Limited access to information in many countries in the region presents a significant challenge to research and data collection. This publication is the first study to cover public funding systems in this region and is a foundation on which to continue building a better understanding.

***Public Funding Solutions for Political Parties in Muslim-majority Countries of the Middle East and North Africa*** thus seeks to explore, for the first time, the role of political finance in democracy development in these countries. The experiences of newly established and consolidating democracies in other regions provide a frame of reference for four carefully selected case studies in the Middle East and North Africa: Egypt, Lebanon, Morocco, and Turkey. These countries were chosen to provide examples that differ in terms of geographic spread, size, and experience with public funding. Each case identifies the impact of the current political and electoral system on political competition and determines whether the socio-political conditions exist for the adoption or improvement of a viable public funding system. Moreover, each case maps out the opportunities for and constraints on designing such a system, and gauges the likely impact on enhancing political competition in the country, particularly with respect to resource-disadvantaged secular parties.



The trend towards the use of public subsidies has generally been supported by opposition parties and quietly opposed by parties in power and those with access to administrative resources. Yet in many newly established democracies, public funding of parties and candidates has been the only option to diversify sources of funding and decrease plutocratic influences in politics. The findings show that, when well designed and carefully adapted to the existing institutional framework, public funding systems can contribute in crucial ways to the strengthening of democratic politics.

This study found that the main motivation behind efforts to introduce public funding of political parties should not be to curb corruption, but rather to promote fair competition between regime and opposition political groups, and to nurture emerging parties. However, in the majority of cases introducing even the most generous public subsidies for political parties does not eliminate major obstacles to further democratization. Although the study illustrates that public funding of political parties is not a recent development in some Muslim-majority societies, the extent to which these subsidies have helped to make political parties more effective and the extent to which they have allowed elections to become more competitive is marginal. The study findings also suggest that increasing public funding on its own might not prevent the further decline of secular parties and that the instrument of public funding can only be useful as a part of broader democratic reforms.

As such, public funding should be considered a useful and effective instrument in the toolbox of political reformers in the countries of the Middle East and North Africa. It can play a role in bringing about a cleaner and more transparent brand of politics. Equally crucial is the prospect that public funding, particularly when disbursed regularly and not just during the electoral season, can have a decisive effect on the level of institutionalization of political parties. By analyzing the laws, reports and data from various primary and secondary sources, including press accounts and interviews with stakeholders, this publication identifies the strengths and

weaknesses of public financing programs and makes specific recommendations on how to improve existing or introduce new funding mechanisms.

Among its findings, the report identifies the following concrete ways to address key challenges in creating an effective system of political financing:

- Policy makers, civil society groups and others involved in political party development and electoral and democratization debates require more information regarding international standards and best practices in political party financing and developments in emerging transitional democracies. Such information would lead to more country specific research and better policy recommendations.
- Each country should find its own equilibrium of public versus private funding, relevant to its own stage of democratization and economic development. An appropriate formula for allocation of direct and indirect public subsidies to political parties should be developed. All mainstream parties should benefit from public funds rather than just the ruling party.
- In order to receive state subsidies parties should be required to adhere to certain conditions. These might include a greater level of transparency, financial and otherwise, as well as improved internal democracy, including increased public participation. In all cases full financial disclosure is needed of all public funds (direct and indirect) and private funds provided to political parties, individual candidates and parliamentarians. The state should not tolerate vote buying or the abuse of state resources by political parties receiving public funding.
- An independent political finance regulatory body should be relied upon to audit political and electoral financial accounts. Public funds should be disbursed in an objective and impartial way without political interference.
- This publication seeks to address how to design public funding systems that support cleaner and more competitive elections and robust party systems in Muslim-majority societies. It concludes that political finance reforms in these countries should be approached with modest expectations as they are a particularly problematic aspect of the democratization process.

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# Introduction

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**By Dr. Kevin Casas-Zamora**

## **ON POLITICAL LIBERALIZATION AND POLITICAL PARTIES IN THE MIDDLE EAST AND NORTH AFRICA**

This publication is an attempt to explore, for the first time, the political finance dimension of democracy building in the Muslim-majority countries of the Middle East and North Africa (MENA) region. The construction of viable democratic systems in this region is, undoubtedly, one of the most significant political challenges of our time. While the odds for success in this task vary significantly from country to country, it is nonetheless clear that significant liberalizing trends have been set in motion throughout the region in the past two decades or so. The conducting of multi-party elections in countries like Egypt, Morocco, Jordan, Yemen and Iraq, as well as the introduction of basic protections for human rights and the increasing—if grudging—acknowledgement of the right of women to vote and hold elected office in many countries, have given way to cautious optimism that a democratic wave will finally engulf the whole region.

Without belittling the importance of these political changes, so far democratic transitions in this part of the world (outside Turkey) have proven to be slow, shallow, prone to reversals and, most of all, heavily constrained by the presence of authoritarian rulers. Faced with remarkable demographic and economic challenges for which their political institutions—rigid, beset by corruption and increasingly unable to deliver goods and services to the population—are ill equipped, most regimes in the Middle East and North Africa have by now responded to calls from the international community to undertake political reforms.

While this is a welcome first step, it says very little about the enormous difficulties that beset the path to more open, responsive and effective political institutions or about the likelihood that a full fledged democratic system waits at the end of the path. Among other things, the road towards democracy in the region runs through the dismantling of authoritarian patronage-based state institutions, the introduction of more credible elections, and the acceptance by all political forces of concepts of tolerance and power alternation. Most difficult of all, it runs

through the integration of broad-based Islamist movements into the political system while securing their allegiance to democracy, both at the procedural and the substantive levels. The risks along this route are so high—mainly for incumbent regimes—that so far what many countries in the region have embarked on can be at most described as tepid liberalizing or regime-opening processes, rather than democratic transitions.

If a democratic transition stands any chance of gaining pace, developing vigorous political parties and party systems is vital. As copious evidence has shown, political parties are essential actors in any democratic system, not likely to be replaced in the foreseeable future. Despite their increasing signs of weakness and the ever more critical reviews of their performance in developed and developing democracies alike, political parties remain the best instrument to fulfil vital functions in democratic polities. At their best, they structure political choices in democratic elections, recruit political leadership, provide a channel of communication between society and state institutions and, crucially, aggregate social interests into political platforms. In their electoral and aggregative functions, in particular, they are not likely to be replaced by other civil society groups, no matter how active and vibrant the latter may be. Moreover, in the context of democratic transitions, political parties—autonomous parties, that is—can play crucial roles in denouncing authoritarian abuses, curbing the power of incumbent regimes, integrating new constituencies into the political process, and furthering the cause of democratic political reform. Nurturing the ability of political parties to perform these functions is particularly needed in the Middle East and North Africa if current political reforms are to be something more than a cosmetic attempt to preserve an unsustainable status quo.

Indeed, multi-party elections in the Middle East and North Africa have not only evinced the structural weaknesses of parties but also the complex cleavages that pervade party systems in the region. By splitting the very actors that could demand a more open political arena, these cleavages, in many ways, impede the progress of a broad democratic agenda. In countries like Jordan and Yemen, parties tend to align and preserve old tribal divides; in other countries, like Morocco and Egypt, political groupings are split along the lines that separate secular from

Islamist actors, as well as true opposition parties from those co-opted by incumbent regimes. The secular versus Islamist divide is, arguably, the most relevant one. While secular parties continue to exist all over the region, often carrying forward the region's legacy of socialist and nationalist ideas, by far the strongest political opposition to incumbent regimes today comes from Islamist political organizations, often rooted in broader religious movements with vast social presence. With the possible exception of Turkey, where the pro-Islamic Justice and Development Party (JPD) has successfully become a mainstream force and has held power since 2002, the political integration of Islamist parties has become a most intractable political challenge, given their often uncertain allegiance to democratic values.

Egypt is a symptomatic case. There, liberalizing political reforms have all but stalled, given the deep anxieties felt by both the Mubarak regime and the secular opposition parties about the prospect of electoral gains by the hitherto excluded Muslim Brotherhood (MB). As the cases of Turkey and, to some extent, Morocco, suggest, one of the keys to democratic progress lies in the moderation of the message of Islamist groups, which in turn calls for the development of viable secular political parties that are able to overcome the significant organizational advantages now enjoyed by their Islamist competitors.

The development of vibrant political parties and competitive party systems is thus a systemic need of the highest order if democracy is to succeed in Muslim-majority societies in the region. While this calls, mostly, for a series of political reforms aimed at securing freedoms of association and expression as well as independent electoral institutions, the financial dimension of this process should not be overlooked. Indeed, the financial resources available to parties and candidates to fulfil, the distribution of those resources and the ways in which they are collected and spent, can have a decisive impact on the effectiveness of political actors, on the nature of electoral competition and ultimately, on the legitimacy of elections and democratic institutions. The ways in which these issues play themselves out and can be dealt with in the political systems of the Middle East and North Africa are the subject of this book.

## POLITICAL FINANCE AND PUBLIC FUNDING IN THE MIDDLE EAST AND NORTH AFRICA: WHY IT MATTERS

In one of political finance's seminal texts, Alexander Heard noted that the financial costs of nominating and electing public officials are as inevitable a cost for democratic politics as a certain level of demagoguery in public debate (Heard 8). Indeed, as much as money is indispensable for political activity—and precisely *because* it is indispensable—it can endanger democracy in fundamental ways. Three are of particular consequence:

The flow and distribution of political funds have a direct influence on the actual ability of candidates and parties to put their messages across to the voters, and thus directly influence electoral equality. A lopsided distribution of electoral funds erodes—although not necessarily impedes—the certainty of electoral results, a fundamental prerequisite for their legitimacy.

1. Money bestows on individuals and groups an unevenly distributed ability to directly participate in elections and/or exert political influence through their contributions to candidates and parties. This is a critical challenge for democracy. When political power merely reflects economic power, the principle of "one man, one vote" loses its significance and democracy ceases to be, in Elmer Schattschneider's words, an "alternative power system, which can be used to counterbalance the economic power" (Schattschneider, "Semi-Sovereign" 119).
2. Fundraising processes offer obvious opportunities for the articulation of *quid pro quos* between private donors and policy makers, or, at a minimum, for the emergence of continuous conflicts of interest for the latter. At best, political fundraising processes can jeopardise the public interest; at worst, they destroy the integrity and autonomy of policy makers and privatize their decisions.

3. Ultimately, the dangers derived from these three critical areas can easily threaten the *legitimacy* of democratic processes and practices, i.e. the citizens' perception that both democratic elections and democratic rule reflect with relative accuracy their interests and demands.

Despite its obvious importance to the quality of democracy, political finance has long remained a relatively under-studied and under-theorized aspect of politics. This is particularly true in the Middle East and North Africa, where democratic politics and electoral competition are, for the most part, very recent occurrences. To this day, no study on political finance practices in the region has been added to the growing corpus of comparative knowledge in this field.

This dearth of political finance studies is at odds with the importance of the topic, particularly in light of the pervasive corruption of incumbent regimes in the region and the potential economic obstacles that thwart the emergence of viable challengers to patronage-based semi-authoritarian rulers. Moreover, the scarcity of research belies the fact that nearly all countries undergoing regime-opening processes in the region—certainly all the cases covered in this volume—have introduced *some* rules regarding political finance, in a few cases in surprisingly detailed fashion. Already most countries in the region have acknowledged, however hesitantly, that developing sound and fair political finance regulations is a vital step towards truly competitive politics and legitimate political institutions.

“No instrument of political finance regulation is more commonly used in the world, however, than public subsidies for parties and candidates.”

If the comparative evidence available has shown something, it is that political finance regulations can travel along strikingly different routes. These range from an emphasis on curbing questionable sources of income for parties and candidates, to placing caps on political spending or increasing the information available to voters on the financial practices of political actors. No instrument of political finance regulation is more commonly used in the world, however, than public subsidies for parties and candidates. As we will see in this volume, public subsidies come in three basic categories:



1. *Direct State Funding*, i.e. cash grants disbursed to parties and/or candidates according to a public procedure laid down in the law.
2. *Indirect State Funding*, i.e. any law-enacted subvention delivered in kind to political actors, such as access to state-owned broadcasters, public buildings or publicly printed material; and, equally, the loss of state revenue derived from tax incentives for private political contributors, parties or candidates, or from the enjoyment of public service franchises by political actors.
3. *Specific political subsidies*, for example cash grants earmarked for party-related or party-controlled organisations such as parliamentary caucuses, ancillary groups (women's and youth, mainly), newspapers and research institutes.

The spread of Direct State Funding, in particular, is the most important trend in contemporary political finance and one whose consequences have come to dominate academic and political debates in the field, notably in Western Europe. Following its early introduction in Uruguay in 1928, and particularly during the last four decades, Direct State Funding has been adopted in nearly 50 countries, including some in the Middle East and North Africa.

The adoption and consolidation of public funding as a political finance regulation device has not been devoid of controversies, ranging from its fiscal cost for taxpayers to the legitimacy of exacting resources from the public in order to sustain political parties. Leaving aside those controversies for the moment, it suffices to say that, when well designed and carefully adapted to the existing institutional framework, public funding systems can contribute in crucial ways to the strengthening of democratic politics. Four areas are particularly important:

1. Public funding may strengthen the autonomy of politicians, prevent political finance-related corruption and enhance financial transparency: By providing a source of income with no strings attached, subsidies can protect parties and elected officials from

economic dependence on large private donors and reduce the likelihood of corrupt exchanges between contributors and politicians. By virtue of being public, public funding is an entirely transparent source of political money.

2. *Public funding can protect political equality of opportunity and electoral competition:* Subsidies may prevent the political dominance of groups with the vast economic resources to put their message across and mobilise voters. It may allow parties and candidates to compete fairly in elections regardless of the socio-economic condition of their supporters, and thus reduce entry barriers to political competition.
3. Public funding can provide political actors with adequate resources for essential democratic activities, increasing the institutionalisation and stability of parties: Traditional sources of funding are increasingly unable to sustain an adequate level of democratic activity. Public funding may help political actors cover the cost of increasingly sophisticated campaigns and provide parties with steady income, while minimising fundraising costs and dependence on large private contributors.
4. *Public funding can be a powerful lever to secure compliance with other political finance regulations:* In many democracies, the introduction or increase of state subsidies has been part of a bargain with political parties, whereby the latter increase their levels of transparency in return for getting money from the public purse. By the same token, the loss of public funding can act as a deterrent against violations of electoral and political finance rules.

Some of these claims can be of particular importance in the course of a difficult transition from one-party rule. The relevance of bringing about a cleaner and more transparent brand of politics in the Middle East and North Africa should be reasonably obvious. Equally crucial is the prospect—reasonably well supported by the available evidence—that public funding, particularly when disbursed regularly and not just during the electoral season, can have a

decisive effect on the level of institutionalization of political parties (Casas-Zamora). Also, in most countries, a robust public funding scheme can help to even out the disparities derived from the legitimate or illegitimate use of state goods, services and powers by incumbents, a phenomenon found in democratic transitions in places like Mexico and South Korea. This process of reducing disparities would be an essential tenet of any political finance reform in the region under study (Park). The competition-enhancing effects of public funding are particularly true for small parties, which, in Western Europe, have been shown to benefit more on average from public funding schemes than their larger counterparts (Casas-Zamora). By the same token, public funding may help significantly the survival of secular political options, which tend to be organizationally weak throughout the Middle East and North Africa, and yet play a vital moderating role in democratic transitions. Finally, by providing reliable income to political parties, public funding can lower the stakes of being out of office and thus encourage a more moderate style of competition that is more compatible with democratic principles of tolerance and power alternation.

None of these claims is certain and unequivocal. Ample evidence can be mustered of public funding systems that fail to fulfil the potential implied by these assertions. To begin with, more than token amounts of subsidies are needed if public funding is to have any visible effect on political behaviour. As we will see below, this is more than a theoretical point in light of cases like Egypt, where the amount of public funding is very low. All the same, the potential of public funding systems to help build healthier democracies is there.

Hence, political finance is an inescapable part of any serious effort to develop a better democratic system. And public funding is a powerful instrument to regulate political finance and bring about desirable features in the political system. It will not necessarily do so, but it may. As such, it should be taken very seriously as a worthy instrument in the toolbox of political reformers and democracy-builders in the Middle East and North Africa. This is what this book is ultimately about: helping political systems undergoing an uncertain transition to democracy to

design public funding systems able to support cleaner, competitive elections and robust party systems.

## WHY THESE CASES?

In order to identify the ways in which political finance practices and public funding can impact democratic transitions in Muslim-majority societies, this volume features case studies on four countries in the Middle East and North Africa: Turkey, Egypt, Lebanon and Morocco. This research endeavour aims at filling a glaring gap in the comparative political finance literature—which has, so far, all but by-passed this region—while highlighting the importance of paying close attention to the regulation of political finance in the early stages of democratic transitions.

While bound together by crucial cultural traits and demanding political challenges, the four countries covered by this volume are nonetheless very heterogeneous when it comes to size, democratic development, party system consolidation and success in integrating Islamist political groups.

Turkey is arguably the clearest success story of democracy in the whole of the Muslim world. A series of democratic breakdowns gave way, over time, to a vibrant democracy with a more restrained role for the military, free and fair elections, and relatively robust political parties. In addition, Turkey is the only case in which an avowedly Islamist political party—the JDP of Prime Minister Recep Tayyip Erdogan—has moved, if not without obstacles, towards the mainstream of the political system and held power while allaying doubts about its loyalty to democracy.

Morocco, in turn, shows a less clear pattern of democratic progress. While vital liberalizing reforms were put in place in the twilight of King Hassan II's tenure in the 1990s, political reform has lost pace in the past few years. Nonetheless, multi-party elections have become common occurrences and secular opposition parties—the Socialist Union of Popular Forces (SUPF) and

Istiqlal—have been allowed into government, albeit under the watchful eye of the Royal Palace, which still exerts nearly absolute control over the political system. Islamist parties, particularly the Party of Justice and Development (PJD), have been partially, gradually, and cautiously incorporated into the system as legitimate political actors, but deep reservations about their democratic inclinations still exist.

Egypt, in turn, introduced competitive, multi-party elections for the Presidency only in 2005, within a system that is still overwhelmingly dominated by the ruling National Democratic Party (NDP). The signs of political liberalization have been far from unequivocal and reveal the reluctance of the Mubarak regime to allow a democratic competition where any political party can truly challenge the status quo. While a plethora of old, organizationally weak secular parties continue to exist and participate in elections, the Muslim Brotherhood (MB), by far the strongest political opposition to the regime, remains outlawed and in the margins of the political system. Egypt is therefore an example of a very weak process of political liberalization, where the incumbent regime remains in control of the electoral competition and the party system.

Lebanon exhibits the longest democratic tradition of all four cases, dating back to its independence in 1943. Yet the impact of the Civil War, the Israeli occupation, and Syria's long intervention in the country did away with most of its democratic institutions, leaving Lebanon in a precarious political and security situation to this day. The party system, split along sectarian lines, has been unable to reform electoral institutions and yield stable governments. Lebanon thus offers an example of a much more uncertain democratic transition, where no dominant actor appears to be in control of the process and a pattern of electoral competition is yet to emerge.

The tables below summarize the basic characteristics of each country's electoral system:

Country Characteristics				
	Presidential Elections	Parliamentary System	Electoral System	2007 Freedom House Index Political Rights Score
<b>Lebanon</b>	YES	Block Vote		5 (Partly Free)
<b>Turkey</b>	NO	List PR		3 (Partly Free)
<b>Egypt</b>	YES	Two-Round System Plurality/Majority		6 (Not Free)
<b>Morocco</b>	NO	List PR		5 (Partly Free)

Country Characteristics			
	2006 GNI per capita PPP (\$)	No. of registered voters	Turnout for the last elections
<b>Lebanon</b>	9,600	3,150,413 (in 2008)	46.5%
<b>Turkey</b>	8,410	42,571,284	84.2%
<b>Egypt</b>	4,940	31,826,284	23%*
<b>Morocco</b>	3,860	13,360,219	37%

\* 2005 Presidential Elections. Egypt is among 30 or so countries with compulsory voting laws.

The main divergent features of our cases can be summarized as follows:

Country	Democratic development	Party system consolidation	Integration of Islamist parties	Size (population in millions)
<b>Turkey</b>	Advanced	High	Complete	Large (70 m.)
<b>Morocco</b>	Moderate	Moderate to high	Incomplete	Mid-sized (33 m.)
<b>Egypt</b>	Low	Moderate	Restricted	Large (80 m.)
<b>Lebanon</b>	Uncertain	Low	Complete	Small (4 m.)

What these four cases do is to allow for an exploration of the links between political finance rules in general and public funding schemes in particular, as well as the building of party systems within different stages of democratic development in the Muslim world. The chosen

cases are a limited sample of the very important experiences in democracy building in the region. The cases of the Palestinian territories, where an Islamist party won a majority in the 2006 elections, and Jordan, which is taking steps to introduce a more competitive democratic process, for example, will be important for future exploration. As with many other studies in this field, the limits of this research project are strongly determined by the availability of reliable information on political finance, which is difficult to come by even in fully consolidated democracies. The case studies in this book are but a first step towards a broader research agenda on political finance in the region, and they can provide useful signposts for political reformers.

## **THE CHAPTERS THAT FOLLOW**

This study is organized into three parts. Part One will primarily focus on existing research on public funding systems and will synthesize the key findings that have emerged. As such, it surveys the legal and regulatory contexts within which public funding systems operate; identifies the impact that public funding can have on the development of resource-disadvantaged parties in established and especially transitional democracies; examines the role that different public funding systems play in this development; and identifies the primary socio-political factors and public funding mechanisms that enhance the ability for such parties to more effectively compete in the political process.

Part Two, in turn, makes extensive use of primary and secondary research to construct a textured image of political finance in Turkey, Morocco, Egypt and Lebanon. Each case study identifies the impact of the current political and electoral system on political competition and determines whether the socio-political conditions (discussed in Part One) exist for the adoption or improvement of a viable public funding system. Moreover, it maps out the opportunities and constraints for designing such a system, and gauges the likely impact on enhancing political

competition in the country, particularly with respect to resource-disadvantaged, often secular, parties. These findings have been summarized in the above set of tables.<sup>1</sup>

Building on the common socio-political factors identified in Part Two as necessary for an effective system of public funding, Part Three develops an approach and a diagnostic tool that can be used to construct a public funding system for transitional democracies in Muslim-majority countries. The diagnostic tool will allow researchers to compare different systems in the region over time.

This publication aims to draw attention to political finance and its regulation as largely hidden dimensions of politics in the Muslim world and crucial elements in any democratic transition. As such, it is infused with cautious hope. Rather than believing that, as some suggest, there is an inherent incompatibility between Islam and democracy, this study embraces the notion that sound institutional reforms can help unleash the power of democracy even in the most unlikely circumstances.

“What matters is not the readiness of reforming actors to conform to some script of an ideal transition, but their awareness that certain issues can make or break the process of creating viable democratic institutions and therefore should be dealt with sooner rather than later.”

Addressing the role of money in politics is a necessary part of this process. Healthy democratic competition and solid party systems are almost impossible to bring about if political finance issues are not addressed from the outset.

Concern for political finance issues may sound like a luxury in contexts where even basic conditions for the exercise of democratic freedoms are yet to be attained. But democratic transitions are messy affairs—“moments of high drama,” as Laurence Whitehead would have it—in which the neat sequencing of reforms is all but impossible (36). What matters is not the readiness of reforming actors to conform to some script of an ideal transition, but their awareness that certain issues can make or break the process of creating viable democratic

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<sup>1</sup> Please see pages 21 and 95-97.



institutions and therefore should be dealt with sooner rather than later. This volume aims to create that awareness. By drawing attention to political finance and public funding systems in the Muslim world, the pages that follow are not an exercise in wishful thinking. They are, more appropriately, an exercise in thoughtful wishing.

# Part I

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## Public Funding in Established and Transitional Democracies

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By Dr. Marcin Walecki

While elections themselves are important events for a democratic transition, sustainable and transparent institutions are the bedrock upon which democracy is built. One such key institution is the political party. The conduct of multi-party elections in various Muslim-majority societies in the Middle East and North Africa has led to a cautious optimism that democracy can sustain itself and spread to other countries in the region. Unfortunately, past literature on democratisation, democratic consolidation and political parties in Middle East and North African countries has largely neglected the issue of financing political parties.<sup>2</sup>

Political parties form the foundation of political society, providing a structure for political participation and organized competition. American political scientist Elmer E. Schattschneider claimed that “political parties created democracy and that modern democracy is unthinkable save in terms of parties” (“Party Government” 1). The importance of opposition parties in particular, competing in free and fair elections, was recognized by Samuel Huntington, who concluded that “a primary criterion for democracy is equitable and open competition for votes between political parties without government harassment or restriction of opposition groups” (17).

Certain criteria for evaluating dimensions of ‘fairness’ are suggested at various stages of the electoral process: (a) *transparency* in the electoral process; (b) *equal opportunity* for parties and independent candidates to compete in elections; (c) a *regulated electoral campaign*; (d) *equal access* to publicly controlled media and (e) *equitable distribution* of public funds among parties and the prevention of fraudulent use of government facilities.<sup>3</sup> The concept of ‘fairness’ is closely connected with the notion of ‘a level playing field.’ Equal access to resources such as political money and equal media exposure can indicate progress in a democratic transition. If necessary resources are not distributed equally among competitors, or if the opposition lacks access to relevant resources, then the right to equality of political participation and access is

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<sup>2</sup> No MENA country has been analyzed in comparative studies on political finance to date by the International Institute for Democracy and Electoral Assistance or the National Democratic Institute, nor in comparative volumes edited by Karl-Heinz Nassmacher, KD Ewing and Samuel Issacharoff. For a more limited treatment, see Pinto-Duschinsky.

<sup>3</sup> However, Elklit and Svensson write, “In fact, we know of no democracy that has distributed relevant political resources equally among political competitors.” (34).

violated. Susan Scarrow argues that, “by their mere existence, political parties offer support to the democratic process and democratic government—hence, it is only fair that the state offers some degree of compensation to the parties” (624). Yet despite the fact that direct subsidies—in various forms—have been in use for decades, the academic debate on these subsidies continues to this day.<sup>4</sup>

In 1928, Uruguay became the first country to introduce public funding as a means to create a multiparty system and promote political equality. Kevin Casas-Zamora points out that “in Uruguay, political finance regulation has coexisted with a long-term participation by the state in providing the parties with resources for their electoral activities” (95). For example, the Electoral Court previously refunded parties at a rate of twenty ballots (the price of each printed list was fixed) per vote received (Casas-Zamora 96). Lawmakers later developed a system whereby the Electoral Court simply refunded parties for the printing of their ballots or lists. This system of subsidization was introduced as part of a wider electoral reform and came to be known as the world’s first direct state funding mechanism for political parties. Costa Rica and Argentina were the next two Latin American countries to introduce public funding systems. The Federal Republic of Germany was the first European country to introduce public funding in 1959.

In his 1905 message to Congress, President Theodore Roosevelt proposed that “contributions by corporations to any political committee or for any political purpose should be forbidden by law” (Hoover Institution). Roosevelt also called for public financing of federal candidates via their political parties. While this was an early first step, the United States Congress did not enact public funding legislation until 1974. The Federal Election Campaign Act created the Federal Election Commission (FEC) and adopted new rules for public funding in presidential campaigns. Congress mandated the FEC with the responsibility of making presidential races

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<sup>4</sup> Nowhere has this debate been clearer than in Britain. See Michael Pinto-Duschinsky. British Political Finance: 1830-1980. Washington: American Enterprise Institute for Public Policy Research, 1981. 4-8. On public subsidies, see Nassmacher , “Foundations for Democracy” 247-259. Also see Alan Ware. Political Parties and Party Systems. Oxford: Oxford University Press, Inc., 1996. 242-243.

more competitive while further regulating the political finance system in the wake of the Watergate scandal. Public funding is used as a method to regulate campaign finance expenditures, and the FEC was given authority to monitor the disbursement of these funds and disclose campaign expenditures. Public funding is financed through the Presidential Election Campaign Fund to which each taxpayer may opt to contribute three dollars (U.S.) when paying his or her annual federal income taxes.<sup>5</sup> Under this system, public funding is available to presidential candidates that agree to set expenditure limits on campaign spending during the primary and general elections. In primary elections, public funding operates on a matching fund basis that allows candidates to receive private donations while getting money from the election campaign fund. Candidates who agree to the spending limit receive public money matching the first 250 dollars of each individual contribution. To receive public funding in primary campaigns, candidates must agree to a maximum spending limit set at \$10 million, based on 1974 figures. In the 2008 primary season, the FEC raised this limit to \$42.05 million to account for inflation.

Over the years the presidential matching fund system has allowed individual candidates to maintain close, competitive races. Before the primary elections began in 1976, both Ronald Reagan and Jimmy Carter had less than \$45,000 in their accounts. Without public funding, Jimmy Carter would not have been able to compete for the Democratic nomination and eventually win the presidential election; nor would Ronald Reagan have proven to be a viable contender in the Republican Party primaries, winning the party's nomination and the presidency four years later (The Campaign Finance Institute 2-4). Public financing is also available to major and minor party convention committees for the Presidential nominating conventions. Convention committees are eligible to receive \$4 million in funds, along with an adjustment for inflation. However payments to each major party have repeatedly exceeded this sum since the 1980s. As reported by the FEC, payments for each major party convention in 2004 were \$14,924,000.

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<sup>5</sup> The primary purpose of the fund was to reduce the influence that large corporations and wealthy contributors have on politicians. Before the new laws on public financing were passed in the early 1970s, no limit was set on individual and private contributions. During Richard Nixon's 1972 re-election campaign, his campaign committee illegally accepted hundreds of thousands of dollars from large corporations.

In their comprehensive study of public subsidies, Jon Pierre, Lars Svasand and Anders Widfeldt suggest that in countries where subsidies “were introduced in an era of party organizational consolidation or even expansion, these subsidies may have provided the organizations with the funds necessary to continue this development further” (21-22). Moreover, the importance of public financing of political parties has recently started to be recognized by the major international organizations. The proposals that have emerged from organs of the Council of Europe (CoE), the Organization of American States (OAS), the Carter Center, the World Bank, Transparency International (TI), and the Association of Central Eastern European Election Officials (ACEEEO), summarized in Table 1 below, can be taken as good indications of the direction in which future regulations might move (Walecki, “Political Finance”).

**Table 1: Recent Attention to Public Funding by Non-governmental and Intergovernmental Organizations**

Year	Organization	Recommendations
2001	World Bank	<ul style="list-style-type: none"> <li>• Consider public funding. Many countries established partial public funding, recognizing political parties play a public interest role; they make an essential contribution to political contestability and the decentralized expression of diverse values and interests. Public funding reduces the scope for private interests to “buy influence” and can also help reinforce limits on spending because the electorate is resistant to excessive public expenditure.</li> <li>• Build public service neutrality. Ensure public service is politically neutral and public servants are neither allowed nor required to make contributions to political parties as a way of obtaining public sector employment. This will contribute to a meritocratic public service that resists party bias and encourages decision-making in the public’s interest.</li> </ul>
2002	Council of Europe (Venice Commission)	<ul style="list-style-type: none"> <li>• In the field of <i>public funding</i> of parties or campaigns the principle of equality of opportunity applies (“strict” or “proportional” equality)</li> <li>• All parties represented in parliament must qualify for public funding</li> <li>• Public funding might be extended to political formations representing a large section of the electorate and put up candidates for election</li> </ul>

		<ul style="list-style-type: none"> <li>• Funding political parties from public funds must be accompanied by supervision of the parties' accounts by specific public bodies.</li> </ul>
<b>2003</b>	The Carter Center/Organization of American States	<ul style="list-style-type: none"> <li>• Mixed funding systems with a substantial public component are recommended. Public funds should be provided as a substitute for or a complement to private donations at all phases of the political and electoral process. Public funding for ongoing party activities and campaigns should be allocated by a mix of proportional rules and flat subsidies to all parties that meet reasonable thresholds.</li> </ul>
<b>2005</b>	Transparency International	<ul style="list-style-type: none"> <li>• Careful consideration should be given to the benefits of state funding of parties and candidates and to the encouragement of citizens' participation through small donations and membership fees.</li> <li>• To control the demand for political financing, mechanisms such as spending limits and subsidized access to the media should be considered.</li> </ul>
<b>2003</b>	Council of Europe Committee of Ministers	<ul style="list-style-type: none"> <li>• The state should provide support to political parties. State support should be limited to reasonable contributions. State support may be financial.</li> <li>• Objective, fair and reasonable criteria should be applied regarding the distribution of state support.</li> <li>• States should ensure that any support from the state and/or citizens does not interfere with the independence of political parties</li> </ul>

Public funding for political parties is recognized as a dominant feature of most established democracies and is increasingly utilized in many transition countries. According to a study by Michael Pinto-Duschinsky in 2002, about 104 different countries classified by Freedom House as “free” or “partly free,” had public funding in some form or another. The findings of this study are summarized in Table 2 below, which demonstrates the high prevalence of free broadcasting and direct public funding among subsidy types.

**Table 2: Prevalence of Public Subsidies by Type**

Type of subsidy	N countries surveyed	Per cent with subsidy type
Free political broadcasting	104 countries	79 per cent
Direct public subsidy	143 countries	59 per cent
In-kind subsidy (non-broadcasting)	104 countries	49 per cent
Tax relief for political donations	104 countries	18 per cent

Source: Pinto-Duschinsky.

In examining regional trends, we find that public funding is common in almost all countries in Latin America with the exception of Venezuela, which eliminated public funding in 1999. Public funding is also predominant in the European Union where just a few small countries do not provide direct subsidies (e.g. Latvia, Malta, Cyprus). Although Van Biezen and Kopecky argue that Africa “is the only region where public funding is not available to political parties in a majority (56 %) of states” (244), 93% of Caribbean countries do not have direct public funding.<sup>6</sup>

Research in some countries where public financing for political parties has been introduced shows it provided many parties with funds necessary for party development (Pierre et al. 21-22). This is particularly important where traditions of private funding and party membership are underdeveloped and where private monies primarily support the ruling parties. In his case study of public financing in Uruguay, Kevin Casas-Zamora found that subsidies enabled smaller, left-wing parties to challenge traditionally dominant parties in the electoral arena (Casas-Zamora 158-198). A study conducted by Jan Sundberg suggested that in Scandinavian countries small parties gain the largest share of their revenues from state subsidies and are the main beneficiaries of such funds.

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<sup>6</sup> Barbados is the only Caribbean country where direct public funding is available. See Steven Griner. “Political Financing and International Electoral Cooperation.” Electoral Insight. March 2006. 23 Dec. 2008  
<[www.elections.ca/eca/eim/article\\_search/article.asp?id=135&lang=e&frmPageSize=&textonly=false](http://www.elections.ca/eca/eim/article_search/article.asp?id=135&lang=e&frmPageSize=&textonly=false)>.



In many regimes affected by endemic corruption there is an ongoing discussion about whether public funding of political parties should be increased in order to reduce potential for corruption. Michael Pinto-Duschinsky states

“Public funding is not a magical solution to the problem of political corruption and illegal funding of politics.”

that “there is ample evidence from around the world that public funding is not an effective cure for corruption.” Public funding is not a magical solution to the problem of political corruption and illegal funding of politics. Some of the most serious cases of political finance-related corruption have occurred in countries that have high levels of public funding (France, Germany and Spain). Direct public funding might have consequences for other regulations, such as campaign expense limits, as it channels additional resources and can make politics more expensive.

As a general rule in transition countries, public funding has been supported by opposition parties and quietly opposed by the parties in power and with access to administrative resources. There is clear evidence that public funding provides opposition parties with the resources to maintain their organizations and meet the high costs of successful electioneering. However in the case of some authoritarian regimes—Belarus, for example—private funding is seriously restricted and public funding of candidates in elections is fully within the jurisdiction of the president of the country. In cases such as this, public funding may be less an element of democratic government and more an instrument to suppress and control the opposition.

In many European countries public funding has been popular among professional politicians and, by contrast, ordinary members of the public tend to oppose public funding. Since public resources in transition countries are limited and prioritized for essential services and basic infrastructure projects, giving public funds to political parties and candidates seldom attracts broad public support. However, this can also be the case even in the most established democracies. As Gullan Gidlund reported, “A common characteristic in the Nordic countries is that opinion polls and other studies have shown that the general public has been less

enthusiastic and more negative than its political representatives towards the parties being financed, to a large extent, by public funds” (179).

On the other hand, a survey conducted in Jamaica indicates strong public support for state funding (approximately 71%), though few believe that state funding should entirely replace efforts by parties to raise their own funds. Perhaps most notably, the survey indicated that it is an accepted view that in the absence of proper and adequate funding of political parties, democracy appears to be at risk and corruption is likely to be rife (Market Research Services Limited 3-8).

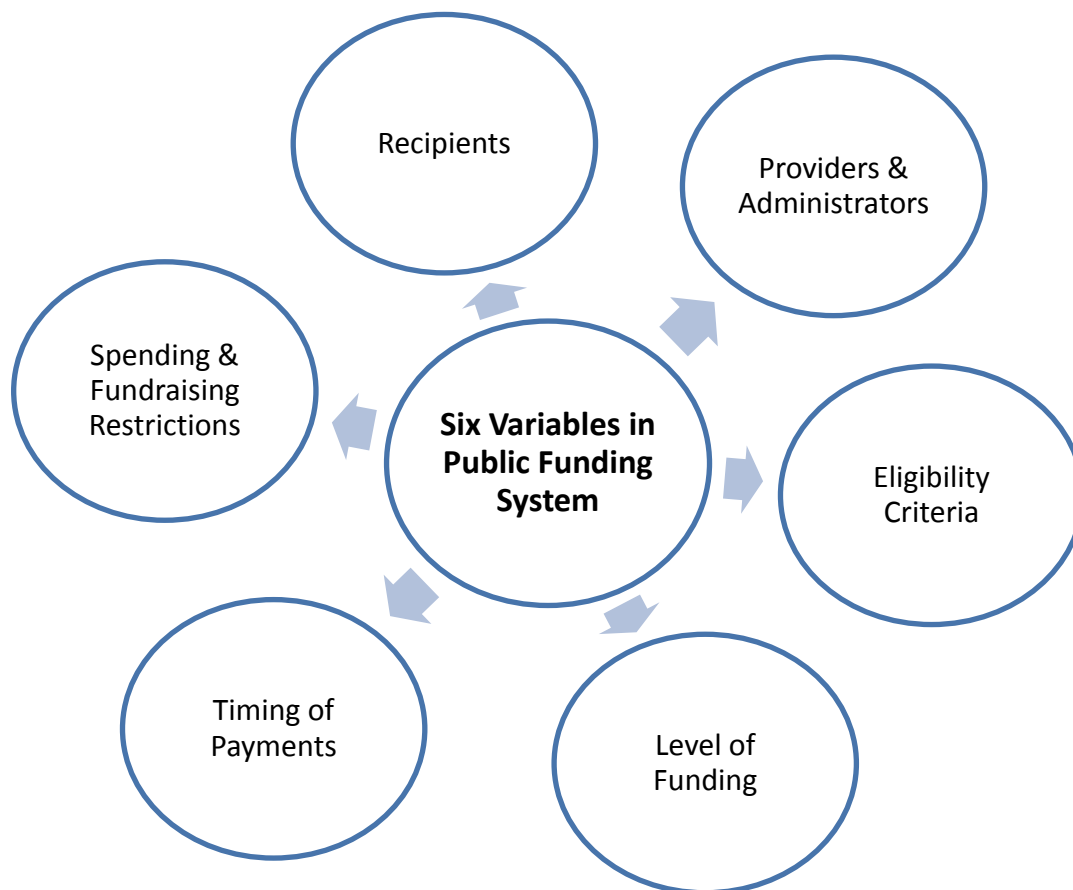
## LEGAL AND REGULATORY CONTEXTS OF PUBLIC FUNDING

Unregulated political financing presents certain problems for modern democracy. It fails to guarantee that candidates and political parties compete on equal terms. According to Keith Ewing, competition under unregulated political financing would be like inviting two people to participate in a race, with one participant turning up with a bicycle, and the other with a sports car (15). Thus, democracies have generally been obliged to control the flow of money into politics, creating a framework within which political parties can equally participate in the political process. The doctrine of equal participation in the political process has two key elements: (a) ensure competition in elections on equal terms; (b) ensure removal of dependence on economic interests by those who exercise political power.

Well designed systems of public funding can address underdevelopment of opposition parties and better safeguard competitiveness and pluralism of the democratic process. Different regulatory frameworks have attempted, with varying degrees of success, to prohibit certain sources of funds, limit individual or group donations to candidates/parties, and introduce *direct* and *indirect* state subsidies. 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.

The structure of public subsidies for party organisations and election campaigns is complex, and there is tremendous variation with regard to the practical application of public funding. There are at least six variables separating public subsidies into different categories:



1. *Recipients*: Various regimes have different rules for identifying which political entities (e.g. political parties, coalitions, or even independent candidates) should receive subsidies. In countries where the president is directly elected (e.g. France), public funding may be allocated to presidential campaigns. In countries with majoritarian voting systems (e.g. Canada, Polish Senate elections), public funding for individual candidates exists. Generally, there are six possible categories of recipients: a) party groups in parliamentary assemblies, b) national party, c) local/state party, d) electoral

coalition and members, e) individual presidential/parliamentary candidates and f) organizations connected with political parties (including party foundations and newspapers).<sup>7</sup> Public funding for development of party youth, women's groups, and research can create incentives for parties to become more than just election machines. In particular, subsidies can be used to galvanize the representation of women in the party system by providing financial incentives for parties to support women's active engagement.

2. *Providers and administration:* Subsidies can be provided by different public bodies such as Ministries of Finance or Administration, Parliaments, Central Election Commissions, or even municipal bodies. It is important that there be a stable, guaranteed source for public funds. To receive public funds, a party will normally be obliged to set up an acceptable administrative structure to ensure the grants are properly used and accounts are kept.
3. *Eligibility criteria.* There are substantial differences among countries with regard to the qualifying criteria political entities must meet in order to receive public subsidies. Eligibility for public funding can be dependent upon electoral success, or it may be based on the number of supporter signatures collected by a new party (acknowledging that in certain environments there is a risk of forged signatures). The law needs to have clear, realistic, and objective thresholds for the receipt of public funds. These thresholds, or legal barriers, can be based on the amount of private money collected by a party, the number of members registered in the party, the number of votes received in certain elections or the number of seats they hold in national or local assemblies. In many transition democracies, there are two thresholds for receiving public funding. In Bosnia and Herzegovina, Estonia, and Slovenia, only parties with at least one seat in the legislature qualify for subsidies. In Albania, Bulgaria, Croatia, the Czech Republic,

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<sup>7</sup> Public funding to party-linked women's and youth organisations is provided in Austria, Denmark, Finland, Germany, the Netherlands, and Sweden among others.

Lithuania, Macedonia, Russia, Slovakia, and Ukraine, parties are required to obtain a minimum level of votes, ranging from one to three per cent. Romania and Poland combine the two thresholds. At a minimum, compliance with disclosure and other political finance regulations should be a requirement for receipt of public funds. Zovatto points out that legal barriers to public funding exist in many Latin American countries. In many cases, a minimum percentage of all votes cast or a minimum of parliamentary seats is required to receive public funding. Such legal barriers exist in Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, and Nicaragua. Less rigid barriers are in place in Argentina, Dominican Republic, El Salvador, Honduras, Paraguay, and Uruguay, where political forces need only be registered and duly constituted in order to receive public funding (Zovatto 378).

4. *Level of funding:* Levels of direct public funding can vary widely among different countries. There are different formulas for the allocation of public funds; the amount appropriated could be an amount fixed by law and indexed for inflation or an amount per capita or per voter. Percentages of election expenses covered varies anywhere from just four per cent in Italy to over 80 per cent in Mexico (Nassmacher, "Die Kosten" 16). Various factors lead to the disparity in levels of public funding allocated by different states. The most salient, albeit elusive, explanation for varying levels of public funding is a country's internal political dynamics, or its political culture. Sometimes, and this tends to be the case in many transitioning democracies, governments establish high levels of public funding systems as a way of funding their party through state coffers, using a proportional system that favours those in power.
5. *Timing of payment:* Subsidies can be provided on an annual, quarterly, or monthly basis, and either before or after elections. Public funds can be distributed on the basis of election cycles, the fiscal or calendar year, or both. If political parties or candidates receive reimbursements for election expenses, or they receive funds based on the number of votes or seats gained, funds are naturally distributed after elections. It is also

possible to advance some funds to a party before an election and adjust afterwards on the basis of votes received or seats won. Where funds are earmarked for routine operations, distribution occurs per year or per month, regardless of the timing of elections. There should be a clear deadline for distribution of grants. These deadlines allow political parties to engage in proper budgeting. Further, periodic distributions of public funds allow time to audit financial statements before further distribution for a particular year. This adds teeth to the promise to withhold funds if a party commits serious violations or fails to adhere to full public disclosure.

6. *Spending and fundraising restrictions:* In some cases public funds are provided for the regular, routine operations of political parties or for specified activities (such as political education or policy research). In others, public subsidies are given for election campaigns (in the form of campaign expenses reimbursement). Limits or restrictions can also be placed on particular fundraising sources, such as corporate donations; such bans in Poland and France increased the importance of public funding.

The particular configuration of these design factors has a significant impact on the effectiveness of a public finance system, including the impact it may have on institutionalizing political parties and increasing transparency and accountability in funding of political parties. Ideally, the system can be designed in order to both reduce political competition and galvanize the creation and growth of smaller parties.

There are several general principles that emerge with regard to designing a political financing structure:

- In general, a low allocation threshold is preferable, as it makes access to state resources more inclusive. With the low threshold, political parties that fail to get parliamentary representation are given a second chance to prepare themselves for the next contest. The lower threshold “gives small parties an alternate, and more easily obtainable, marker of success” (Scarrow 624). At the same time, the low payout threshold or lack of

it can encourage small parties to consider participating in elections but can also encourage party splits, thus increasing fragmentation of the political party system.<sup>8</sup>

- Permanent subsidies further the institutionalization of parties more than electoral subsidies, while pre-electoral disbursement reduces parties' reliance on private funding to a degree that post-election disbursement does not.
- The amount of subsidy is a crucial factor for its effectiveness, yet even a small amount of support in the form of direct and guaranteed support allows parties to cover some of their basic operational costs.

Finally, consideration should always be given to providing non-monetary benefits (such as free media time, free postage, tangible resources, or use of office space or other facilities) to electoral participants as the first step in providing election-related state subsidies. Indirect support also allows for joint initiatives (such as debates) that bring various parties together for political dialogue and exchange of ideas (Fischer et al. 20).

Reformers must carefully consider what principles and policies make the most sense for the specific country context in which they are working. In transition countries especially, political finance is a tricky but vitally important topic. The following section of this book will look at four country case studies and examine how these principles have been or could be applied in each.

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<sup>8</sup> The French example suggests that lowering the subsidy payout threshold may promote the proliferation of competitors as the number of parties receiving subsidies rose from 23 in the 1993 legislative elections to 32 in 2002. In Nigeria's 2007 elections, the lack of a threshold for public funding resulted in an increase of small parties registered with the Independent National Electoral Commission.

## Part II-Case Studies

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# Public Funding of Political Parties: The Case of Turkey

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By Omer Faruk Genckaya



## INTRODUCTION

The Republic of Turkey, established in 1923, has maintained a secular democratic order in a Muslim society for more than 80 years. Despite a number of military interventions (in 1960, 1971, and 1980), the multi-party parliamentary system has survived since 1946 (Ozbudun 105-123). Turkey's strategic geographic location (bridging Europe and the Middle East), along with the modernization policy pursued by the founders of the Republic have contributed to the development of a hybrid society blending western democratic and traditional Islamic values.

### Basic Structure of Turkish Government

According to Articles 75 and 77 of the 1982 Constitution—the third republican constitution, following those in 1924 and 1961—the Grand National Assembly of Turkey (*Türkiye Büyük Millet Meclisi*) is a unicameral parliament of 550 deputies elected through universal and direct suffrage every four years. The parliament exercises two main functions: lawmaking and controlling the executive. However, the principles of *rationalization* of parliament and *empowerment* of the executive, inherent in the present constitution, subordinate the parliament to the executive (Genckaya, “Türkiye'de Parlamento Reformu”).

Local administrations, mayors, municipal assemblies and headmen are also elected by the people every five years.<sup>9</sup> Elections in which both candidates from political parties and independent candidates may compete for seats are supervised by the Supreme Board of Elections. While proportional representation with a ten percent countrywide threshold is applied in general elections, two different methods are applied in local administration elections. The simple plurality or first-past-the-post electoral system is used for mayoral elections at all levels (metropolitan cities, cities and towns) and for headmanship and elder council elections. However, in order to win a seat in local assemblies (provincial general assembly and municipal assembly), a party's candidate or an independent candidate must secure one more vote than one tenth of the valid votes in that electoral district.

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<sup>9</sup> Turkey is divided into 81 provinces as administrative units. Each province is a single electoral district with few exceptions.

## Political Parties

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Political parties have been subject to constitutional provisions and regulated by the Political Parties Act since the 1961 constitutional period. The mainstream Turkish political parties' genealogy goes back to the Union and Progress (*İttihad ve Terakki*) party of the Second Constitutional Period (1908-1918) of the Ottoman State (Ahmed and Dwyer). During the early republican period, Turkey witnessed two short-lived multi-party initiatives by the Progressive Republican Party (Terakkiperver Cumhuriyet Fırkası, 1925) and the Free Party (Serbest Fırka, 1928) (Zürcher; Weiker). The first major legal opposition party (the Democrat Party, a faction of traditional liberals from the *étatist*-elitist Republican People's Party, which had been the party of Atatürk) emerged in 1946, leading to the first multi-party election. The party system has reflected several forms in the Sartorian typology: pre-dominant one party (1950-1960, 1965-1973, 1983-1991 and 2002-present); moderate pluralism (1961-1965, 1991-2002), and extreme pluralism (1973-1980) (Ozbudun 73-105).<sup>10</sup> Currently six political parties and five independent deputies serve in the parliament.<sup>11</sup>

Political parties are regulated by the Constitution and Law No. 2820 on Political Parties of 1983. Although political parties are considered to be indispensable elements of democracy, several political parties have been banned by the Constitutional Court since 1961 due to their violation of constitutional provisions and laws against facilitating activities against the principles of integrity and unity of the state, congruence of nation to territory, and secular democracy. The Constitution and Law No. 2820 on Political Parties do not permit the establishment of any religious, ethnic or sectarian party. As stated in the Constitution, "No one can be allowed to exploit or abuse religion or religious feelings, or things held sacred by religion, in any manner whatsoever, for the purpose of personal or political influence, or for even partially basing the fundamental, social, economic, political, and legal order of the state on religious tenets."

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<sup>10</sup> See also Ozbudun, "Changes and Continuities in the Turkish Party System." *Representation*. 42 (2006): 129-137; Omer Faruk Genckaya. "Turkey." *Parties and Democracy The KAS Democracy Report 2007*. Ed. Konrad-Adenauer Stiftung, Bonn: Bouvier Verlag, 2007; Sabri Sayari. "Towards a New Turkish Party System?" *Turkish Studies*. 8.2 (June 2007): 197-210.

<sup>11</sup> After the 3 October 2007 early general elections only three political parties, namely the Justice and Development Party (conservative/pro-Islamist, JDP), the Republican People's Party (pro-Republican, RPP) and the National Action Party (pro-nationalist, NAP), won seats in the parliament.

Although the population is overwhelmingly Muslim, there is no legal Islamist party. Nonetheless, religion has played an important role in Turkish society and politics since the beginning of the multi-party period. Conservative and/or pro-Islamist parties appeared in Turkish politics as early as the 1950s and rose to power either as coalition partners or single-party governments.<sup>12</sup> Even the liberal centre-right parties, namely the Democrat Party of the 1950s, the Justice Party of the 1960s and the 1970s, and the Motherland Party of the 1980s, publicly liaised with religious circles and leaders. In other words, secular, western-oriented, centre-right parties and pro-Islamist parties alike have used religion and religious circles including illegal networks of religious establishments, known as *tariqats*, as an instrument for mobilizing voters in Turkey.

For pro-Islamist parties in Turkey, as in other Muslim societies, the question remains whether democracy is simply a means by which to achieve a “hidden agenda” (Barsalou 3-5). Since 1963 three pro-Islamist parties in Turkey have been banned by the Constitutional Court on the grounds that they violated the principle of laicism.<sup>13</sup> A recent court case was filed on similar grounds against the Justice and Development Party (JDP, AK Parti). The Court decided to cut the party’s 2008 public funding by half, ruling that the party had engaged in anti-secular activities (Official Gazette). While the JDP did make an effort to moderate its relations with the United States and the European Union, it failed to promote sustained dialogue and coalition with domestic political actors, especially in more secular circles, which include the military and the judiciary (Barsalou 8-9). In this respect, the recent confrontation between the laic establishment and the JDP on “symbolic,” but “sensitive” issues seemed to be a test of the JDP’s “moderation” (Ozbudun, “Political Islam” 543-557).

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<sup>12</sup> In the Turkish political context, “pro-Islamist” refers to those parties that tend to respect and practice traditional Islam with a national outlook. However, the Justice and Development Party has separated itself from its past by describing itself as “conservative-democrat.” The National Salvation Party in 1973, 1975 and 1977, the Welfare Party in 1995, and the Justice and Development Party in 2002 and 2007 came to power either as coalition partners or single party governments.

<sup>13</sup> The National Order Party in 1969, the Welfare Party in 1998 and the Virtue Party in 2001. On ban of political parties see Omer Faruk Genckaya. “The Turkish Constitutional Court and Dissolution of Political Parties: Comparative Perspectives.” *Suna Kili'ye Armagan: Cumhuriyet'e Adanan Bir Yasam*. Istanbul: Bogazici Universitesi Publications, 1998: 165-84 and Dicle Koğacıoğlu, “Progress, unity and democracy: Dissolving political parties in Turkey.” *Law and Society Review*. 38.3 (September 2004): 733-762.

## Recent Political Reforms

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Restrictive measures on fundamental rights and freedoms including the right to organize and freedom of expression have been lifted by several constitutional amendments enacted in the years since 1995 (Genckaya, “Politics”).<sup>14</sup> The voting age was reduced from 21 to 20 in 1987 and to 18 in 1995. In 2006, the eligibility age for the right to be voted into office was reduced from 30 to 25. Since 1995 political parties have been allowed to organize sub-branches, for example for women and youth, and to engage in political cooperation with and receive financial aid from associations, trade unions, foundations, cooperatives and public professional organizations. Bans on the political activities of party members and administrators of dissolved parties were reduced. In short, these amendments significantly improved the guarantees for political parties. Under the JDP the government has promised to reform the political parties’ law. As of now only six amendments have been made.<sup>15</sup> The need for a new and liberal political parties’ law addressing organization, membership and funding of political parties still remains.

## Political Competition

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The Constitution states that “electoral laws shall be drawn up in such a way as to reconcile the principles of fair representation and stability in government” (Article 67/6). Law No. 298 on the Fundamental Provisions of Elections and Electoral Registry also stresses that elections shall be held under the principles of free, equal and direct voting. Furthermore, Law No. 2820 states that “the state shall provide the political parties with adequate financial means in an equitable manner” (Article 69). Yet despite these declarations, there is widespread agreement that the condition of full competition is not assured in Turkish politics.<sup>16</sup> It has been argued that the “ten percent threshold is the major obstacle before full competition. Political parties which failed to

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<sup>14</sup> See also Ergun Ozbudun and Serap Yazıcı. *Democratization Reforms in Turkey (1993-2004)*. Istanbul: TESEV Publications, 2004.

<sup>15</sup> Law No. 4778 dated 2003 amended Article 8 (forming a political party), 11 (eligibility for being a member in a political party), Article 66 (upper limit for annual cash and in kind donations), Article 98 (3/5 majority required for banning of a political party), Article 100 (ways of opening a court case against a political party in case of violation of provisions of Political Parties Law), Article 102 (appeal to the Constitutional Court against the Prosecutors’ requests from a political party), Article 104/2 (making a political party deprived of state aid), Article 111 (making a political party deprived of state aid) and the Law No. 5341 dated 2005 repealed Provisional Article 16 (multiple criteria for being eligible for state aid). Some amendments were also made to Law No. 2839 and Law No.2972 to harmonize with the constitutional amendments and the amendments to the Law No. 2820 or in relation to voting procedure and district size at local elections in 2003, 2004, 2005 and 2004.

<sup>16</sup> See Appendix II for list of individuals interviewed for this case study.

receive 10 percent of the valid votes in the last general election do not have any opportunity to survive for a long period” (Tuncer). Moreover, despite the fact that Law No. 298 prohibits the use of state facilities for political purposes during the election period, government parties use them excessively, especially between elections (Tuncer; Erhan). Additionally, “municipal governments are forced to support the government party, especially during the election time” (Akgonenc). The scope of the political agenda determines the scope of competition, and, at least in Turkey’s current political environment, that means a polarization of politics and parties—particularly into laic and anti-laic categories—that only obscures the real challenges facing the country: poverty, unemployment and corruption (Akgonenc).

Clientelism has been common in Turkish politics since the 1950s (Günes-Ayata 51-63). Representatives of opposition parties and civil society organizations believe that the government party’s “close contact with wealthy elites erodes democracy” (Akgonenc; Erhan; Tuncer; Sav; Korkmazcan). This is a problem not only in terms of corruption but also in so much as it damages people’s faith in the political process. “Citizens are not electing the deputies, but [instead] just vote for a list determined by the party leadership. Politics [is seen as] a process in which only wealthy people can survive” (Sav; Dulger).

The idea of state aid to political parties was introduced in order to prevent the influence of private interests and to put all parties on equal footing. Yet as one former Turkish politician noted, “we are far behind these objectives,” and the control of state funds by party elites “causes an unfair competition among parties and party oligarchy as a by-product” (Korkmazcan).

## Political Finance in Turkey<sup>17</sup>

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Law No. 2820 on Political Parties states that political parties can officially obtain the following incomes: membership fees from party members; a “deputy fee” paid by party MPs; a “special

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<sup>17</sup> The following discussion is primarily based on my earlier findings in “Political Finance, Conflict of interest and Accountability in Turkey,” 69-81. This is a revised version of the original work.

fee” for candidacy paid by individuals running for MP, mayor, members of town councils and general provincial councils, as determined by the authorized central organs of the relevant political party; the earnings from selling the party’s flag, streamer, badge and similar signs and symbols; the earnings from selling the party’s publications; the money charged for issuing party identity cards; the earnings from social events such as balls, entertainment and concerts organized by the party; the earnings from any property owned by the party; donations; and state aid. Both the 1982 Constitution and Law No. 2820 prohibit political parties from engaging in commercial activities and from accepting financial assistance from international institutions or foreign states, persons, or corporate bodies. It has been indicated that state aid comprised almost half the revenue of those political parties that have been eligible to receive it at least once since 1984.

### **Public Funding of Political Parties in Turkey**

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State aid to political parties was first introduced by Law No. 648 on Political Parties in 1965 and was subject to political manipulation, constitutional amendment and constitutional review until the mid-1970s. Law No. 648 was eventually amended, entitling those political parties that had received at least five percent of total valid votes or won enough seats to form a parliamentary party group in the last general elections to receive state aid in proportion to the votes received. This provision remained in effect until the military intervention of September 12, 1980, when all political parties were banned.<sup>18</sup>

State aid to political parties was not regulated by the 1982 Constitution and Law No. 2820. As soon as the newly elected parliament was opened in November 1983, a joint legislation of the parliamentary party groups amended Law No. 2820 and reintroduced annual state aid in proportion to party seats. Through the early 1990s state aid was subject to political manipulation. Not until 1995 did state aid to political parties gain constitutional status with a

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<sup>18</sup> For details, see Genckaya. “Siyasi Partilere ve Adaylara Devlet Destegi, Bagışlar ve Seçim Giderlerinin Sinirlendirilmesi – Karsilastirmali Bir Inceleme ve Türkiye İçin Bir Öneri (State Aid to Political Parties and Candidates, Donations and Limitations on Electoral Expenditures).” *Siyasi Partilerde Reform (Reform in Political Parties)*. Eds. Ali Çarkoglu, Tarhan Erdem, Mehmet Kabasakal ve Ömer Faruk Gençkaya. Istanbul: TESEV, 2000: 127-234 <[www.tesev.org.tr/projeler/proje\\_siyasi\\_parti.php](http://www.tesev.org.tr/projeler/proje_siyasi_parti.php)>.

constitutional amendment requiring the state to provide adequate financial means to political parties equitably.

In May 2005 an amendment to Law No. 2820 was adopted that declared only those political parties that entered the last general elections as eligible to receive state aid in proportion to the votes they received. According to Additional Article 1 of Law No. 2820 “a total of 20% of the Column – B of the Revenues of the General Budget of that year is allocated to political parties which were entitled to enter the last election for deputyship by the Supreme Board of Election (Board) and passed the general threshold defined by Article 33 of Law No. 2839 on Deputies Election.” This allocation is paid to political parties in proportion to valid votes they received in the last general election. Political parties which fail to pass the countrywide 10 percent threshold but receive more than 7 percent of the valid votes cast are also eligible to receive state aid. This aid is calculated in proportion to the minimum amount of state aid given to the political party and the votes the party received in the last general election. However, this aid cannot be less than 350 New Turkish Liras (285 US dollars). This aid is given up to three times in a general election year and as much as twice in local administration elections. The regular annual state aid is paid ten days after the Law on Annual Budget enters into force, and in an election year, it is paid ten days after the Board publishes the election calendar.

### **Indirect State Aid**

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The use of state radio in campaigning was the first case of public funding of politics in Turkey, as early as 1949. Though this was curtailed by the parliamentary majority of the Democrat Party in 1954, the state monopoly on broadcasting was not abolished until 1993. The relevant law underlines that broadcasts during election periods are regulated by the Supreme Board of Elections. The Supreme Council of Radio and Television (Radyo Televizyon Ust Kurulu, RTUK) is entitled to monitor the radio and television broadcasts during election periods in accordance with the decisions of the Board.

All registered parties that enter the general elections are allocated radio and television broadcast time during the general elections but not during local administration elections. Paid advertising in radio and television broadcast was annulled by the Constitutional Court in 1987 on the basis that it is contrary to the principle of equality. Political parties and candidates are allowed to use newspapers or magazines for paid advertisement.

Finally, the government has 30 minutes of broadcast time each month on state television (TRT, Radio and Television Institution of Turkey) to promote government activities in compliance with the principles of broadcast, without the right of reply, and without carrying any political objective. Private channels may also broadcast this program simultaneously or later.

### **Auditing Party Finance**

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The income, expenditure and acquisitions of political parties are audited by the Constitutional Court. Political parties are obliged to submit a copy of the previous year's final accounts of party organization, including provincial and township branches to both the Constitutional Court and the Office of the Chief Public Prosecutor. A list indicating properties and movables valued at more than 100 New Turkish liras (approximately 63 US dollars) must also be submitted. Because the Court is only able to analyze whatever documents and information political parties choose to submit, its auditing remains superficial and ineffective.

Campaign spending of political parties and candidates is not regulated by law and constitutes a major loophole in political funding in Turkey. Although political parties submit their campaign expenditures as a part of their annual accounts to the Constitutional Court, candidates do not declare their revenues and expenditures.



## CONCLUSION

Many question whether the current system of state aid in Turkey is fair and equal. According to the former Deputy Speaker of the Turkish Parliament and Chairperson of the Union of Turkish Parliamentarians, the system “mainly strengthened the power elite in parties...by eroding internal party democracy” (Korkmazcan). According to several other politicians, “the current system of state aid...[fosters] less competitive conditions and more *cartelization* in [the] political system” in favour of the government and the main opposition parties (Erol-Salsilmaz; Tuncer). In other words, smaller parties get smaller and larger parties only get larger by means of state aid.

The Turkish state has articulated that political parties should refrain from soliciting money from private persons and companies. As a result, parties that do not meet the 7 percent threshold are left with little option for obtaining funds, and many resort to accepting bribes and other forms of illegal funding.

There is significant debate among members of Turkish political parties as to whether or not the threshold requirement is a good indicator of support and should be maintained, or whether the state should either provide financial aid to all political parties or to none at all (Erhan). Perhaps it is equally or more significant to examine parties’ expenditures rather than their revenues (Erhan). Although Law No. 2820 states that “this aid is used for party’s needs or activities” it is unclear where this money is spent. Currently there is an individual proposal at the Constitution Commission requiring that “20% of the state aid is used for research, promotion, education and policy making towards women and allocated to women branches of political parties.” In recent years, donations disclosed by the parties’ accounts gradually declined and on average, were 20% of parties’ total revenues (Genckaya, “Devletlesen Partiler”). This suggests that removing the upper limit for annual donations and permitting anonymous donations might increase unregistered donations to political parties, especially during the election period.

Access to free air time during the election period constitutes another area of dispute among political parties in Turkey. Opposition parties complain about the privileged status of the government and opposition parties with regard to broadcast time and stress the inequity between parties (Tuncer; Akgul; Erhan). The

“...the distribution of free broadcast time during political campaigns is unequal, breaching the constitutional limits on fundamental rights and freedoms.”

government party uses the TRT, the state-run broadcast, for its propaganda purposes between elections free of charge. In addition, the distribution of free broadcast time during political campaigns is unequal, breaching the constitutional limits on fundamental rights and freedoms. The composition and election of the members of the Supreme Council of Radio and Television “do not assure its independence and impartiality” (Erol-Sarsilmaz). Finally, the ownership structure of private media has changed rapidly and “foreign capital has become a significant share holder in these companies. Considering these developments, the use of radio and television by all political parties and the distribution of campaign materials should be re-regulated” (Korkmazcan; Kilicdaroglu).

In conclusion, like the “premature” Egyptian model of state aid to political parties described by Dina Ammar in the next section, the advanced model of direct and indirect state aid to political parties in Turkey is unfair and ineffective. It is obvious that the operational costs of the average political party require significant resources, and that direct and indirect state aid to political parties is therefore of vital importance to widening and deepening democracy. However, in Turkey direct state aid has made eligible political parties economically dependent on this source of funds. In addition, it has increased the cartelization process in the Turkish party system; while larger parties become more powerful, smaller parties either disappear altogether or are significantly weakened. In larger parties, the combination of leadership domination and access to abundant state aid centralizes the decision-making power. Finally, political parties are not given an equal opportunity to express themselves to the public by means of free air time during the election period. These issues require a broader consensus among political parties and a real commitment from those in power to create a system of public financing that is truly equitable.

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# Public Funding of Political Parties: The Case of Egypt

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By Dina Ammar

## INTRODUCTION

Over the past few years, the Egyptian government has embarked on a project aimed at liberalizing the political system. In 2005, President Hosni Mubarak, also the head of the ruling National Democratic Party (NDP), called for an amendment to the Constitution allowing for multi-candidate multi-party presidential elections. In 2007, 34 articles of the Constitution were amended, many of which had a direct impact on political processes in Egypt. The introduced reforms are seen as a response to the rising discourse on democracy in the Middle East—initiated largely by the United States—in recent years. However, none of the amendments aimed to bolster political parties. In addition, there was no discussion of public funding of political parties, even though public funding is increasingly used worldwide as a tool to strengthen political parties and ensure the existence of viable political competition. Against this background, this case study delineates the context for public funding of political parties in Egypt within the broader discussion of secular versus non-secular political groups.

This case study is divided into three sections. The first section provides an overview of the political context of public funding of political parties in Egypt and presents a brief background on the history of political groups in Egypt. It also touches upon reforms introduced in recent years. The second section focuses on political competition and examines the effects of state control. The third section looks into the history of public funding and assesses its effectiveness in bolstering Egyptian political parties. The case study draws from secondary sources and a set of interviews conducted with several senior representatives of various political stakeholders in Egypt. The second and third sections of this case study rely heavily on the findings of these interviews. It is important to note that there were some research limitations; the most significant is a lack of published information on public funding of political parties in Egypt.

### Background

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Egypt is a unitary state divided into 27 administrative districts. It is governed as one single unit with one constitution, one bicameral legislature (with the Shura Council as the upper house and

the People's Assembly as the lower house) and one central government which devolves power to local government. Egypt has a semi-presidential system of government where a dual executive system exists. The President of the Republic is elected through direct universal suffrage and appoints a prime minister and the cabinet. Under this system, the president has extended powers and shares some power with the prime minister. According to the constitution, the government is accountable to parliament; however the president, *de facto*, exclusively retains unlimited powers.

## Political Parties

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Political parties emerged on the Egyptian political landscape in the nineteenth century. However, it was not until the twentieth century that parties became active participants in Egyptian political life. About eight political parties were formed during the pre-revolution period also known as the liberal experiment.<sup>19</sup> The most popular of these parties was *Al Wafd Party*, established in 1919. In 1923 Egypt adopted a Constitution and tried to institute a party life modelled after parliamentary democracy in Britain. This multi-party system lasted until the 1952 revolution, at which point the 1923 Constitution was abrogated, Egypt was declared a republic instead of a monarchy, and all parties were disbanded (International Crisis Group para. 9). In 1953, President Gamal Abd El Nasser instituted the one-party rule that lasted until President Anwar Al Sadat reinstated a multi-party system in 1976. Since 1977, political parties have been suffering the consequences of a disparity between what is dictated in the legal system and what is implemented in reality.

Currently, Egypt has six major political parties,<sup>20</sup> 17 minor parties, and several other legally unrecognized political groups. It is important to differentiate between political parties and political groups in Egypt. The largest opposition group, the Muslim Brotherhood, remains legally

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<sup>19</sup> The liberal experiment period in Egypt was from 1922-1936.

<sup>20</sup> The major political parties are the National Democratic Party (the ruling party), El Wafd Party, Progressive Nationalist Unionist Party (El Tagamo), Arab Democratic Nasserist Party, Liberal Party (Al Ahrar), and Tomorrow Party (Al Ghad),

unrecognized as a political party, although it acts as one.<sup>21</sup> In 2007, Article 5 of the Egyptian Constitution was amended to ban the formation of political parties and any political activity based on religious belief. Therefore, there are no non-secular political parties. As a result of this political context, the Muslim Brotherhood is consistently referred to as a political *group*.

Political parties must get approval from the Political Parties Committee (PPC) to operate officially. The PPC is closely tied to the NDP and can reject a party's application for not offering a unique and distinct program that enriches political life. The PPC has only granted a limited number of approvals in its history, indicating the extreme difficulty of obtaining a party license. Consequently, most parties are either rejected or withdraw their applications (International Crisis Group para. 7; Egyptian Organization for Human Rights & Democracy Reporting International para. 18-21).

Secular political parties in Egypt, such as Al Wafd and Al Tagamo'a Party, are weak. This is mostly due to structural and operational shortcomings. Generally these parties suffer from a lack of internal democracy, dissent among their leadership, and disengagement from constituency building (Mustafa et al. para. 36-40). Legal restrictions on political parties, the governmental monopoly on mass media and the government's strict control of civil society are equally important factors contributing to the weakness of secular parties (Mustafa et al. para. 47-49). Such restrictions create an environment that fails to promote strong and genuine political competition, ultimately resulting in controlled political pluralism (Ottaway and

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<sup>21</sup> In 1928, Sheikh Hassan Al Banna established the Muslim Brotherhood in Ismailia with the purpose of countering moral degradation that, in his opinion, plagued Egyptian society at that time. In 1939, the religious group transformed into a political group that formed political opinions and took political positions vis-à-vis the Egyptian government. The Brotherhood came to be involved in Egyptian political life, but its relation with the palace varied. Subsequent to the 1952 revolution, the Brotherhood was tolerated at times and repressed at other times. After Mubarak acceded to power, the Muslim Brotherhood was positioned in a different category from other Islamist parties such as *Al Jama'at Al Islamiya* and *Al Jihad*. The regime used it to marginalize other more radical Islamist groups. Nonetheless, the group suffered from periods of repression during the early period of the Mubarak regime. The Mubarak-Brotherhood relationship deteriorated further when the Muslim Brotherhood changed its policy and started openly seeking to become an active political player. In the 2005 parliamentary elections, the group was able to win 88 seats of the 444-seat lower chamber of the parliament. The crackdown on the group has since intensified. Brotherhood members continue to be arrested before elections. They are detained for the period of elections and then released afterwards to prevent them from making any political gains. The Muslim Brotherhood attempted several times to form a political party but was never permitted to do so. Even at times when the group was tolerated, there was never any question of registering the group legally. According to numerous political analysts, the Muslim Brotherhood stands as the only strong and viable opposition group in Egypt.

Hamzawy; Mustafa et al. para. 47-49; Egyptian Organization for Human Rights and Democracy Reporting International para. 18-21).

## Recent Reforms in Egypt (2005-2007)

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The last few years have seen intensive reform efforts from the government, political actors, and civil society.<sup>22</sup> The debate around reform intensified with increasing discourse on democratization of the Middle East, initiated largely by the United States. Many political analysts attributed the emergence of terrorist groups originating in Middle Eastern countries to the undemocratic nature of Arab regimes; as a result, national and international pressure moved some Arab regimes to engage reform measures. Calls for reform in Egypt were particularly intensive in 2004.<sup>23</sup> Countless articles were written, demonstrations organized, and reform proposals drafted (Al Ahram Centre). Demands included the introduction of multi-candidate presidential elections, judicial supervision of elections, and increased freedom in forming political parties (Al Ahram Centre). As a result, President Hosni Mubarak requested an amendment to Article 76 of the Constitution to allow for the first multi-candidate presidential elections in the history of Egypt.

In September of 2005, Egypt held its first multi-candidate presidential election in over 50 years. Although Mubarak won the elections with more than 88% of the vote, many believed the election would be a first step towards reform (International Crisis Group para. 2 & 4). In the past, the parliament determined presidential elections in Egypt. Any given candidate was required to obtain at least two thirds of the parliament's support in order to run for the presidency. Egyptians then voted in a yes-or-no plebiscite. For over twenty-five years, the People's Assembly was dominated by Mubarak's National Democratic Party, which helped him win four consecutive presidential elections. In recent years this system has faced a great deal of

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<sup>22</sup> In this case study, reform is used in reference to changes made to the existing Constitutional, legal, and political realities.

<sup>23</sup> Civil society organized a conference called the Arab Reform Conference that culminated in the issuance of *The Alexandria Declaration*, which articulated demands for reform of Arab civil society. In addition, a coalition of several Egyptian political parties dubbed the National Consensus for Political Reform announced its vision and demands for reform. On 8 August 2004, almost 300 members of various political parties, civil society organizations, activists, writers, and intellectuals established the Egyptian Movement for Change (Kefaya).

criticism from domestic and international actors who have started to pressure Mubarak to liberalize the Egyptian political process.

On the surface, the decision to allow multi-candidate presidential elections seemed like the first step towards political change. However a closer look at the actual effect of this reform suggests it would still be difficult for candidates to compete on equal footing. Article 76 of the Constitution deals with Presidential elections and outlines stringent criteria for nomination in presidential elections. The article stipulates that parties that have been established for at least five consecutive years prior to the announcement of elections must obtain five per cent of elected seats in parliament or in either chamber of parliament. Parties that obtain this percentage of seats can nominate a presidential candidate, provided the candidate has been a member of the higher board of the party for at least one year prior to nomination.

Article 76 of the Constitution was amended again in 2007 due to controversy surrounding the content and wording of the 2005 amendment to the article which left in place serious restrictions on the right to run in presidential elections (International Crisis Group para. 2 & 4). The five per cent threshold outlined in Article 76 was amended to three per cent, with an exception allowing any party represented by at least one seat in the parliament to nominate a candidate for any presidential election taking place within ten years after May 1, 2007 (International Crisis Group para. 2 & 4). The threshold of 3% is still very difficult to meet. Acquiring at least 3% of the seats in both chambers means that each party must win 19 seats. Yet in the 2005 parliamentary elections, legal opposition parties were *collectively* able to win only 14 out of the 444 contested seats (3.15% of the total number of contested seats) (Egyptian Organization for Human Rights and Democracy 1). In the 2007 mid-term Shura Council elections, legal opposition parties were able to win only one of all contested seats (“Runoff for Shura”). Thus it is obvious that the nomination requirements effectively impede most political parties from participating in presidential elections.



Nomination criteria for presidential elections also vary with the political affiliation of candidates. The first amendment of Article 76 of the Constitution indicates that every independent candidate must enjoy support from 250 elected members of the People's Assembly, the Shura Council, and local popular councils at the governorate level. Of the 250, at least 65 must be from the People's Assembly, 25 from the Shura Council, and 10 from each local council in at least 14 governorates. This criterion was maintained in the 2007 constitutional amendments. Taking into consideration the fact that the NDP and its supporters control almost all of these political bodies, opportunities for independent candidates to run in the 2011 presidential elections are limited. Therefore, many opposition political groups rejected the new amendment and called upon supporters to boycott the substantiating referendum.

### **Legislative Elections and the Impact of Recent Reforms on Political Competition**

Egypt has a bicameral parliament consisting of the People's Assembly and the Shura Council. The People's Assembly—the lower house—consists of 454 members, of whom ten are appointed and the rest are elected for a five-year term. The Shura Council is the upper house of the Egyptian parliament and consists of 264 members, of whom 88 are appointed and the rest are elected for six-year terms. The electoral system for both houses is a majority two-round system with multi-candidate constituencies. Two members must be elected from each constituency of whom at least one must be a farmer or a worker. An absolute majority is required for candidates to win. If none of the candidates obtain a majority of votes, a runoff takes place between the four members with the most votes, provided at least two are farmers or workers. In 2005, representatives from the Muslim Brotherhood, an unregistered political group, competed as independent candidates to win 88 seats, the most of any opposition group (Egyptian Organization for Human Rights and Democracy Reporting International 1).

The 2007 Constitutional Amendments had a negative impact on political competition, particularly in the Shura Council elections of that year ("Shura Swears in New Members"). As a result of the amendment of Article 88 of the Constitution, the form of judicial supervision

stipulated by the Supreme Constitutional Court in 2000 changed. While previously there was a judge behind each ballot box, there was now a judge only at each counting centre. This came into effect when the High Elections Commission (HEC) was entrusted to supervise elections leaving no judges to supervise the balloting process. Judges were only installed at the counting centres to oversee the counting process. Accordingly, electoral irregularities ensued. El Tagamo'a party won one seat, three NDP members running as independents won a seat each, and the rest of the seats were obtained by the NDP ("Shura Swears in New Members"). The Muslim Brotherhood failed to win even one seat after winning 88 seats in the 2005 People's Assembly elections.

## Political Competition and State Control

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The limitations on political competition are widespread. The government of Egypt has maintained a strong hold on state resources, independent media and legal channels for political participation, thus yielding an uneven playing field for political competition. One member of the People's Assembly says that "there are no chances for political competition for anyone. All opposition forces are not allowed to compete except within the limits that the regime sets for them, not within the limits of their capabilities" (Saleh).

Further, many believe there is a marriage of convenience between money and power in Egypt, noting that cooperation is mutually beneficial for businesspersons and the ruling establishment (Al Boary; Al Gamal; Saleh; Abdel-Razek). This results in preferential treatment for a small number of elite groups and individuals. NDP representatives, however, claim that such frameworks of corruption are an "illusion" (Ouda).

## Public Funding in Egypt

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Public funding began in Egypt when President Sadat transformed the three forums of the Arab Socialist Union (ASU) into three political parties in 1977.<sup>24</sup> At that time Law no. 40 on the

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<sup>24</sup> President Gamal Abd El Nasser established the Arab Socialist Union (ASU) in 1962..In March 1976, President Sadat reformed the ASU and established within it three political forums that represented the left wing (the National Progressive Unionist

Political Parties System was issued. The law included an article that allowed for public funding of political parties. When public funding was first introduced, it was in the form of tax exemptions on premises and establishments belonging to political parties. However, these concessions were granted only to parties that occupied at least ten seats in Parliament.

The law on political parties was subsequently amended in 1979 to provide direct public funding to political parties in addition to the tax exemptions they already enjoyed. The amended article stipulates that each political party be granted one hundred thousand Egyptian pounds (app. \$17,500) annually for a period of ten years, after which the party is required to have at least one candidate in parliament to be able to continue receiving public funding. In addition, and by virtue of amended article 18 of law 40/1977, the state is obliged to provide political parties with an additional five thousand pounds for each seat they win in parliament, with a ceiling of half a million pounds to each party. The state continues to provide tax exemptions and direct funding to political parties (Egyptian Organization for Human Rights and Democracy Reporting International).

In Egypt, public funding is not limited to political parties. In the 2005 elections, public funding was extended to all candidates who ran for president. Each candidate received half a million pounds as a way to alleviate the financial limitations faced by some candidates. This form of public funding was viewed as positive and creative in ensuring that limited financial resources would not strain candidates from competing in the elections.

## **Political Parties and Funding Sources**

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Law 40/1977 on the Political Parties' System limits sources of political party funding to membership fees, public funding, party newspapers, advertisements in party newspapers, and private funding from Egyptian citizens.

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Organization), the middle wing (Egypt Arab Socialist Organization), and the right wing (the Liberal Socialist Organization). In November 1976, President Sadat decided to transform the three forums into political parties signalling the end of one party rule and the ASU.

In the 2005 presidential and legislative elections, the High Elections Commission issued resolution 5 (2007) in an attempt to curb the abuse of state funds. Resolution 5 spells out a number of regulations pertaining to the use of public funds during a campaign period. Professor Abdul-Monem Al-Mashat, dean of the Faculty of Economics and Political Science at Future University in Egypt, notes the following regulations in his paper on political finance systems in Egypt:

1. The maximum expenditure by any candidate must not exceed 100,000.00 L.E. [Egyptian pounds] It is prohibited to use state buildings, public means of transportation or those owned by public corporations and companies with state shares in election campaigns;
2. It is prohibited to use public funds or funds of public corporations and companies with state shares in an election campaign;
3. It is prohibited to use mosques, churches, schools, universities and other educational institutions in an election campaign; and
4. It is prohibited to receive funds from foreign individuals, agencies, or their representatives inside the country (Al Mashat 12).

Though these regulations are in place, no specific body has been tasked with the responsibility of monitoring the receipt and disbursement of funds. Political parties receiving public funding continue to operate in violation of the rules and regulations spelled out in resolution 5. Civil society organizations and the media have reported many violations including the use of public buses and public properties (mosques and churches) by both NDP and Muslim Brotherhood candidates (Al Mashat 13).

### **Incentives for Public Funding**

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It is widely argued that public funding was introduced because the first three political parties established under President Sadat inherited funds from the Arab Socialist Union (Al Borai).

Some political actors and analysts believe the current form of public funding is ineffective, declaring it to be nothing more than a form of political bribery (Saleh), and point out that it is used by the government as a tool to leverage pressure on political parties (Abdel Razek).<sup>25</sup> It is true that some Egyptian political parties cannot survive without public funding (Ouda), and the government both acknowledges this fact and uses it to its advantage (Ouda). In an unorthodox move, Al Wafd party refused to accept public funding, making it the first party in Egypt’s history to take such a position (Al Tarabily).

“It is true that some Egyptian political parties cannot survive without public funding (Ouda), and the government both acknowledges this fact and uses it to its advantage (Ouda).”

## Effectiveness of Public Funding

Public funding is widely criticized for the insignificant sums of money disbursed. This severely limits the effectiveness of the current public funding system. According to Mr. Hussein Abdel-Razek, the Secretary-General of a major opposition party, the money granted to political parties annually “cannot be considered public funding, it is symbolic. We spend around 50,000 L.E. each month. Therefore, I think that it is ineffective” (Abdel-Razek). Concerns were also expressed among opposition party members that public funding could jeopardize the independence of political parties. However, an NDP representative refutes this claim, stating that public funding can only influence the independence of weak political parties (Ouda).

The effectiveness of the public funding system can also be undermined by the systemic occurrence of vote buying. Chain balloting was one of the most prevalent forms of vote buying in Egypt. However, with technological developments, new forms of vote buying are emerging. Vote buying undermines the effectiveness and the credibility of the entire electoral process, including public funding, as it compromises the will of the people. In order to ensure public funds are not misspent, these funds should be accounted for through a comprehensive and transparent system of disclosure.

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<sup>25</sup> Mr. Hussein Abdel-Razek argues that the motivation for public funding is “[t]o pressure large political parties that adopts positions, such as boycotting elections that embarrasses the government.” See also Al Boary; Saleh.

Nonetheless, public funding can be efficient in bolstering political parties and, possibly, in limiting the abuse of state funds. If the amount of public funding is increased reasonably, it could be effective in rejuvenating Egyptian political parties. Some suggest that “public funding [should] be linked to the number of seats a party wins in legislative elections or to the number of votes that the party gets” (Al Boary).

## CONCLUSION

In 2007, President Mubarak requested the amendment of 34 articles of the constitution as part of his reform plan (International Crisis Group para. 23). The amendments dealt with the exercise of political rights, presidential powers, parliamentary powers, anti-terrorism law, and local government, among other issues. These amendments included several articles that dealt with the formation and operation of political parties. For example, Article 5 of the Constitution was amended to prohibit the establishment of political parties based on religion or on religious frame of reference.

There is disagreement amongst political stakeholders in Egypt about the effectiveness of recent reforms. The opposition argues that the reforms are not genuine and are, in fact, a lapse on the road to democracy. They describe these efforts as an “attempt to codify the status quo, monopolize power, prepare to confront and marginalize any opposition” (Saleh). Government supporters, on the other hand, argue that there are indeed concerted reform efforts in progress in Egypt. Government supporters note that many laws and executive regulations are currently being reformed (Ouda). Public funding, however, has not been an item on the reform agenda. This could possibly be attributed to lack of political will to strengthen political parties, lack of concerted efforts on the part of political parties to lobby for public funding, or unawareness of the importance of public funding.

Overall, the current amount of public funding in Egypt is insignificant and helps to strengthen the grip of the ruling establishment on political parties. As the costs of campaigning and media

coverage are relatively high, the majority of candidates spend resources far beyond the ceiling of 100,000.00 L.E. The need for more substantial sums of money to conduct campaigns has resulted in an increase in the number of business candidates and candidates from well-to-do families (Al Mashat 15). For public funding to be effective, it has to be introduced within a broader political reform program aiming to strengthen political parties by removing all legislative and *de facto* obstacles. In addition, the amount of public funding must be sufficient to effectively encourage political parties to actively engage in the electoral process. In addition to a greater amount of public funds, funding and facilities should be available to all legitimate political players. The monopoly on state resources held by the National Democratic Party helps illustrate the need for a clear separation of the state and the NDP for significant and effective public funding reform (Al Mashat 16).

Firm measures should be taken to avoid the misuse of public funds and limit the occurrence of vote buying. There is agreement among many that the lack of political will is the primary reason behind the ineffectiveness of public funding. This factor cannot be underestimated. However, a good share of the burden lies on the shoulder of political parties and civil society to mobilize and lobby the government and exert real pressure for reform.

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# Public Funding for Political Parties: The Case of Lebanon

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By Chantal Sarkis-Hanna and Karma Ekmekji-Boladian



## INTRODUCTION

Lebanon is a country with a strong democratic tradition. The constitution that was devised at Lebanon's independence in 1943 includes provisions for an independent judiciary and a parliament that serves to check executive power and initiate legislation and government reform. Unfortunately, the country's seventeen-year civil war tore apart many of Lebanon's social and political institutions. The war also left Lebanon vulnerable to intervention and control from its neighbour, Syria.

In 1976, Syria began to deploy troops in Lebanon to aid factions in the civil war. As the war dragged on, Syrian influence began to permeate all levels of Lebanese society and government. By the early 1990s it became clear that the Lebanese no longer had control over their country. Syria gained power over Lebanon's major political institutions, namely the presidency, judiciary and armed forces. Syrian hegemony lasted, largely uncontested, throughout most of the 1990s and into the new millennium. During this time, however, the Lebanese people grew increasingly discontented with the Syrian presence in the country as well as with the high levels of corruption and a crippling national debt. After much international criticism of Syria's intrusion in Lebanon—especially from the United States and France—the UN Security Council passed Resolution 1559, calling for a withdrawal of all foreign troops from Lebanese territory. After the assassination of Prime Minister Rafik Hariri in February 2005 and widespread demonstrations—called the Cedar revolution—in March of that year, Syrian troops withdrew from Lebanon.

In May-June 2005, international pressure to hold elections on time led to parliamentary elections being held under the 2000 Election Law, which was rejected by all political factions. For the first time in Lebanon, the elections were monitored by international observers and considered to be non-partisan. Due to discontent over the 2000 Election Law, the newly appointed Prime Minister Fouad Siniora, in an unprecedented initiative, appointed a 12 member commission with the sole task of drafting a new electoral law. After nine months, in June 2006, the commission submitted its draft to the Prime Minister.

For the past three years, Lebanon has witnessed a tense and bloody security situation and a political stalemate with no end in sight. Along with attacks on UNIFIL (UN Interim Forces in Lebanon) and an attack on a US embassy envoy, a number of assassinations have occurred since the bomb blast that killed PM Hariri, targeting MPs, politicians, journalists, ministers and members of the army and security forces. During this time, Lebanon also witnessed a 34-day war between Hezbollah and Israel. The war ended with the adoption of Security Council Resolution 1701, which called for a cessation of hostilities and the deployment of 15,000 UNIFIL troops south of the Litani River. Furthermore, between May and September 2007, the Lebanese Army engaged in violent confrontations with Fateh Al Islam (a Sunni Fundamental Islamic Group) in the Naher El Bared Palestinian Camp in north of Lebanon.

From December 2006 to May 2008, Lebanon faced an ongoing legislative stalemate that paralyzed political progress in the country. Consensus on the election of a President could not be reached, and the post remained vacant between November 2007 and May 2008. During this period, presidential powers were exercised by the Government, the legitimacy of which continued to be challenged by the parliamentary opposition. There was a marked escalation in rhetoric between politicians, aggravated by isolated incidents of violence between factions and public demonstrations over an economic downturn. A dialogue hosted by the Emir of Qatar took place between political parties in Doha in May 2008 and the political parties finally reached consensus on several issues. In June 2008, the Lebanese Parliament's Administration and Justice Committee (AJC) discussed the draft election law proposed by the Boutros Commission. For the first time in parliamentary history, the AJC invited civil society representatives to attend its meetings to provide expert advice. The parliament adopted the new Election Law in September of 2008.

The 2008 Election Law incorporates a number of important reforms to help improve the framework for elections in Lebanon. The introduction of regulations on campaign finance and media coverage and the guarantee for election observation addresses significant lacunae in previous laws. The law established the Supervisory Commission on the Electoral Campaign, to

be comprised of ten members, including an elections funding specialist. Further campaign finance regulations setting a limit on candidates' campaign expenditures are also included in Chapter Five of the new Election Law titled "Electoral Funding and Spending."

Other steps—such as a requirement to use transparent ballot boxes—will help introduce stronger safeguards against electoral fraud, while measures such as the establishment of the Supervisory Commission on the Election Campaign and a commitment to hold out-of-country voting in 2013 will help to strengthen public confidence in the electoral process.

Despite prolonged debate on the issue, Parliament rejected the proposal of the AJC to introduce standard ballot papers. Combined with the voting age issue, this failure means that the 2008 Election Law is still likely to be criticized for failing to meet international standards in that the system of balloting fails to guarantee a secret ballot.

Lebanon also faces the challenge of political corruption. According to Transparency International's Corruption Perceptions Index, Lebanon is the 83<sup>rd</sup> most corrupt nation out of 159 countries in the survey.

## **Overall status of political reform in Lebanon**

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The creation of the Office of the Minister of State for Administrative Reform (OMSAR) and the formation of the National Commission on Electoral Law (Boutros Commission) are considered by most to be the only two legitimate attempts at political reform in Lebanon. While these attempts were unprecedented in modern Lebanese history, they are not necessarily successful reforms as yet.

Four major obstacles to reform were identified by the public:

- 1. Private interests:** Many political groups in Lebanon are hostile to reform because it may pose a risk to the advancement of their political agenda. Equality and meritocracy may

not be in their best interest. Therefore, the conflict between public interests and the private interests of political elites obstructs any attempt at reform.

- 2. Confessionalism and sectarianism:** Confessionalism and sectarianism complicate implementation of any reform attempt. The National Pact of 1943 requires the president to be a Maronite Christian, while the prime minister and head of parliament are supposed to be Sunni and Shiite Muslim, respectively. The seats in Parliament are also divided according to this sectarian formula, regardless of whether or not they represent the country's current demographics. In a diverse and mixed society like Lebanon, interests of different confessional and sectarian groups play an influential role in any public policy and political reform efforts become vulnerable if they do not reflect those interests.
- 3. Regional and international interference:** Interference in Lebanon contributes negatively to any political reform because Lebanese political parties have their own links with other governments who want to see their own interests protected as well. Since Syrian withdrawal from Lebanon in 2005, the country is torn between the Western and Eastern camp led by USA and France on one side, and Syria and Iran on the other. This international interference is one of the main reasons for the country's political paralysis.
- 4. Political instability:** After 17 years of internal conflicts and years of Syrian occupation, Lebanon, a frequent battleground for regional conflicts, is still struggling towards stability. Since the assassination of Prime Minister Hariri in February 2005, the Lebanese political system has been paralyzed. The deterioration of the security situation has allowed many political groups to prioritize security over political reform.

## Elites in Lebanon and Political Reform

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It is a commonly held view in Lebanon that most elites do not have any serious interest in reform, although there is some debate as to why. Some suggest elites choose to protect their

own vested interests, whether religious, familial, tribal, etc, over a move towards broad reforms. Alternatively, others believe that elites are instead preoccupied by the political and security challenges facing the country since Syria's withdrawal, and have chosen to put off reform until a certain degree of stability is reached.

Three groups in particular are well-suited to push for reform in the future as they are generally considered to be marginalized by the political system: 1) secular groups; 2) politically-independent elites; and 3) the middle class.

### **Political Competition in Lebanon Today**

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The absence of fair political competition in Lebanon can be attributed to several factors. The first is the unequal access to finance. The second is unequal access to the media; most major political groups own private media outlets. In addition, when political confessionalism limits competition to people belonging to a certain group, it has the potential to create unfair political competition. Political competition in Lebanon is further complicated by the fact that some political groups are also armed.

This point highlights a particular question in Lebanese politics; that is, whether there is in fact a real opposition force or if there is instead a competition at play between state actors and non-state actors. Hezbollah, to take the most obvious example, is the leading opposition party, but it is also essentially a mini-republic within Lebanon. It enjoys foreign support and has its own income, army, intelligence services and Shura councils. While the Lebanese government and pro-government certainly receives significant international support from countries such as the United States and Saudi Arabia, Iran has long provided Hezbollah with political and financial support in addition to weapons. Hezbollah also enjoys public support as a result of the welfare services it provides to the people of Lebanon. For instance, after war with Israel in 2006 Hezbollah distributed USD \$12,000.00 to affected families.

In addition to financial resources, international support tilts competition in favour of big parties. For example, the smallest parties in Lebanon are non-sectarian parties because they cannot gain popularity with cross-communal speech. The reflection of interest groups and sectarian interests bolsters a party's popularity. Competition is further divided between secular and non-secular parties, although some Lebanese do not believe that truly secular parties even exist. Regardless of the outcome of this debate, financial and media resources are largely in the hands of more conservative groups, prompting many to believe competition favours conservative groups.

A *New York Times* article on Lebanon's June 2009 elections (still upcoming as this book goes to press) describes the degree to which vote buying has become an accepted—and expected—part of the country's

“...vote buying has become an accepted—and expected—part of the country's electoral process.”

electoral process. The article states that “some voters, especially in competitive districts, receive cold calls offering cash for their vote...mostly the political machines work through local patriarchs known as ‘electoral keys,’ who can deliver the votes of an entire clan in exchange for money or services — scholarships, a hospital, repaved roads and so on” (Worth). Poor voters especially look forward to the opportunity to receive food and health care vouchers in addition to payments of cash.

Foreign influence too continues to play a powerful role. While there may no longer be any foreign troops on the ground in Lebanon, the country's elections have instead become regional political battlegrounds. Saudi Arabia, for instance, is providing “hundreds of millions of dollars” to support candidates running against Hezbollah in order “to make Iran feel the pressure,” according to a Saudi government advisor (Worth).

Lebanon is implementing spending limits for the first time, but they only apply to the last two months of the campaign and they are widely considered to be useless and easy to evade. As a result of all of these factors, the *Times* suggests, this election “is widely seen as the freest and

most competitive to be held here in decades, with a record number of candidates taking part. But it may also be the most corrupt.”

The government maintains control over the following areas:

- **Registration of political parties:** The associations’ law of 1909 allows for the registration of political parties and takes away from the government the control of the creation of political parties.<sup>26</sup>
- **The media:** The government has limited control over the media because much of the media is politically affiliated. The government is unable to control some media outlets while it protects others, recognizing that every television is essentially backed by a political party.
- **Recruitment policies in public administration:** The government exerts control over public administration positions through an unregulated contracting system of the Public Servant Council. Discrimination based on political affiliations exists in recruitment procedures, to the detriment of the public interest.
- **The judiciary:** While the judiciary enjoys some independence and autonomy, the government also exercises some control over it. For example, in the recruitment policies of judges, the executive authority has the power to overrule decisions of the judiciary.
- **Relationship between the Government and the elite and obstructions to political participation:** The government is primarily composed of economic and confessional elites. This exceptional conjunction of private and public interest is thought to be a major element of corruption in Lebanon. By providing refuge to economic elites, the government overlooks its responsibility to supervise public policies in order to fight corruption. Such an oligopoly obliges small parties that lack adequate financial resources and influence to ally with big parties to enter the political system.

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<sup>26</sup> The 1909 Ottoman law of associations was reapplied in 2005. During the Syrian occupation of Lebanon the Ministry of Interior was exercising control over the formation of parties using special regulations outside of the 1909 law.

Systematic obstructions to political participation in Lebanon remain a controversial issue. One argument is that there are no formal obstructions, but that the possession of fundamental resources by larger political parties, such as the media and financial resources, serves to disadvantage smaller political groups. Alternatively, another argument suggests that parliamentary electoral law and the monopoly of the political arena by notions of confessionalism and sectarianism have been the primary obstruction facing smaller political groups. In the absence of rule of law, violence is also used to deny certain groups freedom of participation.

For example, Lebanon's Left Democratic Party, a registered party, cannot go into southern Lebanon (a Shiite region dominated by Hezbollah) to hold conferences. Similarly, the Lebanese Druze leadership cannot hold conferences in the Chouf, a Druze region dominated by Jumblatt's Progressive Socialist Party. Many believe this is not a religious segregation tactic as much as it is a tactic to use local power to influence fanaticism.

### **Public Funding for Political Parties in Lebanon**

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Public funding of political parties is increasingly used as a way to strengthen representative democracy by addressing resource disparities among political groups. Public funding systems can help ensure that large and small political parties and groups from all political and religious backgrounds can access necessary resources to effectively represent their constituencies. However, there has been little discussion of public funding for political parties in Lebanon. Public funding is generally regarded as a system applied in foreign countries which can later be "copied" in Lebanon. In 2005 the Lebanese parliament discussed a proposed law on political parties; Article 25 of the proposed law included a general principle that gives the Lebanese state the right to fund electoral campaigns for political parties. Political parties expressed some reservations on the article and it was requested that public funding for political parties be the free choice of parties. For example, some political parties expressed that financial dependence may lead to direct or indirect political dependence which is considered a violation of freedom



of association and of political parties in exercising their activities independently and transparently.

There are several reasons why public funding is not widely discussed or supported in Lebanon. Given the size of the budget deficit (currently 40 per cent), the government may be fearful of introducing a system that would further diminish existing financial resources. A public funding system would also require parties to reveal their funding sources, something that many parties—most pointedly

“A public funding system would also require parties to reveal their funding sources, something that many parties—most pointedly those who receive significant international funding—would be unwilling to do.”

those who receive significant international funding—would be unwilling to do. Finally, the lack of a functional taxpayer culture makes the implementation of a public funding system difficult. Before public funding reform legislation can be discussed, there should first be a change in the mentality of politicians and society rejecting corruption as part of Lebanon’s political fabric.

## Reform of the Political Party Law

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Political parties in Lebanon are currently governed by the 1909 Ottoman Law on associations. There is a growing consensus on the need for reform of political party law in Lebanon; however, there is little consensus on what kind of reform is needed. Some suggested reforms include the following:

1. The creation of distinct laws for political parties and associations
2. Cancellation of any prior government control over the formation of political parties
3. Restriction of the right to dissolve political parties to the civil judiciary, and establishment of a system of appeal for parties
4. Only Lebanese citizens should have the right to form political parties
5. Guarantee of financial rights of political parties
6. Freedom for political parties to accept public funding

Yet the fragile state of democracy in Lebanon makes major reform initiatives risky. Current political party law has been described as general, liberal, and flexible by those who do not believe there is need for significant reform, and many Lebanese are concerned that any reforms will make political party law less liberal.

### **Introducing Public Funding in the Political Party Law**

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Current levels of corruption in the Lebanese electoral process make it clear that financing mechanisms for parties must be reviewed. Vote-buying and other forms of bribery in Lebanon account for the majority of expenses incurred by candidates. Dr. Elya Elya notes that “in the 2000 elections, the price of one seat in some regions in the north reached millions of dollars, while the budget of some electoral campaigns amounted to \$80 million.” Whether or not a public funding system is the appropriate answer to this problem, however, remains a debate in Lebanon. If public funding is included in the political party law, one concern is that it could inspire new forms of corruption, allowing any small number of people to form a party and receive public funding. There also remains a general feeling that public funding risks political parties’ independence, and as a result private funding—for example in the form of memberships—is favoured.

## **CONCLUSION**

Public funding for political parties has not been seriously discussed in Lebanon. Before such a discussion can take place, there is a need for greater electoral reform to address the current hostility between pro-government and opposition groups. Any such reform faces significant challenges, including the continued presence of international influence in Lebanon and continuing instability in the country. While many arguments against full public funding for political parties in Lebanon are the same as those made by opponents in other countries, regardless of the political environment, other arguments against public funding stem directly from Lebanon’s unstable political situation.

Public funding for political parties may create direct or indirect party dependence on the government. Political dependence can be considered a violation of freedom of political parties and associations in exercising their activities transparently, especially when the government is perceived as biased. On the other hand, the lack of discussion on a viable mechanism for funding political parties may lead to the complete reliance of political activity on international funding or on family based funding (the Hariri family, for example, funds almost all the activities of the Future Movement).

From a purely financial perspective, the government of Lebanon faces a significant deficit and may not be able to support a public funding system. Additionally, many political parties view public financing unfavourably since public funding requires a much higher level of disclosure than currently practiced by political parties. Previous trends indicate that political parties would not be inclined to abide by more stringent disclosure requirements.

Public funding for political parties will only have positive effects on enhancing political competition in the country if a proper mechanism capable of ensuring transparency and accountability is put into place. Therefore, as a first step, the Lebanese government should work on gaining the trust of political parties and educating people that public funding for political parties is not a mechanism to increase parties' dependence on the government or align them with their agendas, but rather a system to enhance constructive political competition in Lebanon.

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# Public Funding of Political Parties: The Case of Morocco

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By Dr. Elobaid Ahmed Elobaid

## INTRODUCTION

Invoking money and politics in the same sentence often provokes negative impressions. This negative impression is often fuelled by improper activities by politicians, e.g. unlawful enrichment, scrupulous dealings, undue influence, etc. Morocco is no exception. However, overemphasizing this negative impression detracts from the significant and democratic role to be played by money, especially public money in politics, in Morocco and elsewhere. The rationale is simple: political parties need money to perform their part in ensuring democratic participation in the management of public affairs.

Most commentators on Moroccan politics and elections are quick to describe the current electoral political process in the form of *zuboonia* (client relationship); i.e., a process based largely on the exchange of immediate benefits for votes and not based on strong party allegiances and/or political platforms. The same commentators are also quick to note while money has always played a role in Moroccan politics, this role continues to augment at a rate faster than any development taking place towards democratization. One example is the way in which the proportionate list system, designed in part to combat electoral fraud and vote buying, was used creatively by “electoral corruption brokers” to buy votes in blocks during the 2007 elections. A preliminary assessment of the 2007 elections revealed that, as a result of the new system, political parties are seeking “wealthy candidates” who are able to finance their campaigns especially in rural areas and areas with large constituencies (MDCF 9).

Following the crowning of King Mohammed VI in 2002, the term “the new era” entered Moroccan political debate and literature. The salient features of this “era” are the need to deal with cumulative popular disappointment with the Moroccan political establishment; and the opportunity for a new beginning without severing ties with older religious and political traditions (Al-Hashimi). While the opening of political space has been attributed to the “new era,” there are many Moroccan commentators who note that the use of money for political manipulation has as a constant factor in both the old and the new eras.

This paper examines the state of public financing provided to political parties in Morocco. It relies on interviews conducted in Morocco in November 2007 and a number of Moroccan Arabic resources collected during the interview period.

Although the main principles of public financing to political parties are discussed at the beginning of this publication, the main arguments in relation to the Moroccan case study follow general principles articulated in the guidelines adopted by the Venice Commission in relation to the financing of political parties (United Nations Office of the High Commissioner for Human Rights). The guidelines divide financing into two types: regular and electoral campaign. The term regular financing refers to funds that are distributed to political parties on an annual basis, and the term electoral campaign financing refers to funds that are distributed to political parties during a campaign.

## TYPES OF PUBLIC FINANCING

### Regular Financing

Regular financing is also divided into two types: (1) funding received from public sources, and (2) funds received from the private sector. When the state provides public funding to political parties, several principles should be observed. The funding should benefit each party represented in Parliament and should extend to parties presenting candidates in elections and/or candidates representing a significant amount of the population. Tax exemptions should be granted to political party activities, but public accounts of political parties must also be checked by independent institutions. In addition, states should maintain a reasonable link between the rewards of public financing and financial transparency on the part of political parties.

With regard to the provision of private financing to political parties, allowable restrictions on donations could include: maximum amount, donations from certain commercial, private and

religious organizations and enterprises, etc. With the exception of foreign nationals living abroad, donations from foreign states and institutions should be prohibited.

## Electoral Campaign Financing

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In addition to the principles noted in the foregoing section on regular financing, the following principles are highlighted in relation to public funds provided to political parties during electoral campaigns. Accounts should be submitted to the electoral management entity within a reasonable timeframe following the conclusion of elections, and transparency of electoral expenses should be achieved through publication of campaign accounts.

In both general and electoral campaign financing, it is important that there exists a legal framework ensuring equity and transparency in the distribution and use of public funds. In addition, a strong system of oversight is needed, including independent institutions and sanctions for violations. Finally, there must exist within political parties a reasonable degree of transparency, particularly with regard to the preparation and publication (making public) of annual and electoral campaign accounts.

Prior to discussion of the degree in which the foregoing elements have been implemented in Morocco, it is important to highlight one dominant issue that emerged from both the interviews conducted and the literature reviewed by the author: the normative strength of the King and what is commonly referred to as *al-makhzan*.<sup>27</sup> The normative strength of the monarchy is a function of three main factors: (1) a religious/mystical belief in the origin of the monarchy;<sup>28</sup> (2) fear; and (3) a manufactured foregone conclusion that the King is the only one

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<sup>27</sup> Literally means warehouse or storage place. In the Moroccan political lexicon it denotes the King and his entourage of advisors and gofers. The term also encompasses the ways in which the royal systems functions in Morocco: through decree as well as through individuals with strong connections and influence. In short, *al-makhzan* is currently used to denote the real power in the country (i.e. the king) despite the recent democratic reforms. For an informative exposé on the political meaning of al-makzan, see Freed Lamrini, "Juddel al-Ta'aqd wal-Biya'a: Mulahazat Hawl Nassaq al-Sultta al-Maghrebia (The Dichotomy between Formal and Traditional delegation: the Patterns of Political Authority in Morocco)." *Wijhat Nadar* 27 (2005): 29-33.

<sup>28</sup> The King is believed to be a descendant of the Prophet and *khaliphah al-Muslimin* (Caliph and commander of the faithful). The religious designation also masks an implicit acceptance of the King with no need for popular selection or validation. For an articulate explication of this issue, see Abdeslam M. Maghraoui, "Monarchy and political Reform in Morocco." *Journal of Democracy*. 12:1 (2001): 73-86.

who can hold the country together.<sup>29</sup> This is evident in the first article of the Moroccan Constitution (1996), as it declares that the King, whose person “shall be sacred and inviolable,” “shall be the guarantor of the perpetuation and the continuity of the State” (Article 23; 29). The emblems of Morocco are God, the country and the King.

This normative strength plays out in a number of ways that influence the potential for political reform in Morocco. Most reforms take place with the willingness and backing of the King. This is especially true in relation

“The provision of public money to political parties, for example, is determined according to royal prerogative.”

to rather complicated issues such as equality within the scheme of family law. Nearly all political parties pay homage to the King, attribute reforms to the palace, and affirm their commitment to the royal system of governance, albeit to differing degrees. While most leaders of major political parties who met with the author were quick to point to the importance of the monarchy, the leader of the Justice and Development Party (JPD) particularly emphasized the party’s commitment to and respect for the monarchy. The prevailing political trend is still to seek the *riddaa* (validation) of the *al-makhzan*. This validation is often translated as the policy of *al-tanawob* (rotation) or *alternance* as Moroccan often uses the French terminology interchangeably with Arabic. *Alternance* refers to a controlled process of political rotation where ruling elites and coalitions alternate ruling the country but without affecting any significant change in the Moroccan political process, especially the overall control of *al-makhzan* (Asleemi). Some commentators believe the normative strength of the *al-makhzan* is evident in the maintenance of a constant balance between political parties, ensuring there is no straight majority in any electoral outcome.

The use of money and the magnitude of its impact on Moroccan politics are closely associated with and can be better understood against the back drop of the monarchy’s normative strength. The provision of public money to political parties, for example, is determined

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<sup>29</sup> As noted elsewhere in this article, one of the causes of the weaknesses of political parties is the fact that they are often co-opted by the palace. One of the manifestations of this is the continued reference by political parties to the monarchy as a necessary institution without which much of the present reforms would not have been accomplished.



according to royal prerogative. Current electoral reforms (including the institutionalization of public funding for political parties) have opened some political space while simultaneously strengthening the overriding normative status of the monarchy. The election system is designed in such a way that it “always produces a fragmented parliament that is easily checked by the monarchy” (Hamzawy 2). Criticism of the monarchy’s dominance over political and electoral activities remains largely impossible.<sup>30</sup>

## PUBLIC FUNDING FOR POLITICAL PARTIES IN MOROCCO

### Before the "new era"

The first publicly announced provision of public money to political parties occurred in 1986. At that time, King Hassan II (1929-1999) issued a Royal Decree allocating 20 million Moroccan Dirham (MAD)—approximately 2.7 million USD—for assistance with political parties, papers and trade unions. The main rationale for providing funding was not to increase political participation, but rather to strengthen political parties just enough to counterbalance the growing strength of Islamist groups. The rise of Islamist groups coincided with a decrease in the influence of traditional religious and tribal leadership. Many commentators believe that it was much easier for *al-makhzan* to co-opt traditional religious and tribal leadership. This was not an altogether new tactic. In the past, *al-makhzan* used symbolic and material privileges to co-opt Sufi institutions; it employed the same tactic when political parties started to pose any significant competition to *al-makhzan* (Booz 7).

According to Ahmed Booz, a Moroccan researcher on political party financing, the dominant features of Morocco’s public funding system include the conditional provision of public money to parties and the provision of subsidies to political party newspapers, regardless of distribution and journalistic quality (7). The provision of public funds to political parties has led to some internal strife within parties. According to Booz, while some used funds for their own personal benefit, others demanded accountability for the use of funds.

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<sup>30</sup> TI and DRI Report, Ibid. p. 11.

## Public funding following the introduction of electoral reforms

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The Moroccan electoral system has undergone a number of reforms since 1997; the final set took place prior to the 2007 elections.<sup>31</sup> These reforms included the provision of public funds to political parties, the reduction of the voting age to 18 years in 2002, the granting of limited voting rights to Moroccans living abroad, and the introduction of a national list consisting only of women and other measures to ensure women's participation in elections.

Although electoral reform benefitted political parties, it did not seem to have much impact on voters. The 2007 elections were marked by low voter turnout; an estimated 37% of registered voters participated in elections (Transparency International; Abaza). Many Moroccan commentators pondered the reasons behind such voter apathy (Waihan et al.). Some possible explanations that were put forth included: the weakness of political party platforms, negative public perception of candidates due to the poor performance of past Parliaments, and difficulties with the current electoral system.<sup>32</sup> The absence of political programs and the focus on attracting candidates with money and influence has also cost many political parties appeal and credibility with voters (Tariq). In short, as one writer stated, the low voter turnout is indicative of deterioration in social perception and the political and moral value of Moroccan parties (Muhsen 24).

There is no consensus in Morocco as to whether the provision of public funds to political parties will help revive party politics and lead to increased political participation. The current state of political parties makes it difficult to presume these parties have the capacity to contribute to the amelioration of democratic participation in Morocco.

Moroccan political parties suffer from a number of weaknesses, including problems with internal democracy and the absence of transparent control (Ottaway and Hamzawy). Few

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<sup>31</sup> For a comprehensive description and analysis of these reforms, see A. Saaf and A. al Salimi et al., eds. *Morocco 1996-2007 A Decisive Decade of Reforms*. Trans. Ellen Khouri. Rabat, Morocco: Centre d'Etudes et de Recherches en Sciences Sociales, 2008. 24 April 2008. <<http://www.arab-reform.org>>.

<sup>32</sup> See, for example, Preliminary Assessment carried out by the Moroccan Democratic Civil Forum (MDCF) in collaboration with the Center for Social Science Studies and Research (CERSS), p 6. <[http://www.arab-reform.net/IMG/pdf/Morocco\\_report.pdf](http://www.arab-reform.net/IMG/pdf/Morocco_report.pdf)>

parties submit annual accounts and even the majority of top officials lack access to information (Bilkadi 110).<sup>33</sup> In addition, most lack a coherent political agenda and thus have little ability to attract voters (Cherkaoui). Many continue to seek validation by the *al-Makhzan*, making them more accountable to the monarchy than to their potential and real constituents.

While this paper does not focus on political parties per se, it is very important to keep in mind that in order for public financing to enhance space for public participation, political parties need the capacity to effectively enlarge such a space. As stated in a recent report:

*So far, the parties have not succeeded in exerting sufficient pressure on the monarchy to force a democratic opening, in part because they have been co-opted and in part because secular parties have chosen the king's protection against the Islamist parties over a drive for reform. The parties would have a much better chance of achieving the reforms they ostensibly want if they joined forces, but this would require an alliance between secular parties and the PJD, which would not be easily forged. Pressure on the monarchy to relinquish power will not come from civil society, either; nor will it come from a poor, politically disaffected population (Ottaway and Riley 17).*

## Islamist Parties in Morocco

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Many interviewees believe that, in the 2007 elections, the state simply did not take any action to prevent wealthy individuals from using their money to influence the outcome. This may well have been because the rich represented the most effective deterrent against the PJD (Hassan). Dr. Tariq Hassan stated that "since the struggle has moved to one between religion and money, a general belief has recently been forged that money is the best tool to prevent the PJD from winning votes." In an interview with the author, the leaders of the PJD affirmed their impression that the electoral system is designed to prevent their party from winning.

Unlike in the rest of the Arab world, religious-based parties in Morocco do not seem to combine the normative force of religion with the power of money. One possible reason for this, at least in the case of the PJD, is that the PJD was never part of the government and thus did not get a

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<sup>33</sup> Most of the individuals interviewed were quick to note the strength and importance of one party official: *amen al-khazeena* (treasurer of the party). Some have also noted that only the "exalted leader" knows the state of the party's finance.

chance to accumulate financial or other resources. In interviews, leaders of the PJD stressed that since public funding covers nearly 70% of their operational budget, they would be unable to function properly without such public funding. This differs from the case of Islamist parties in Egypt and Yemen for example, where repressive state policies and not the unavailability of financial resources prevent them from participating fully in the democratic process.

## TYPES AND METHODS OF DISTRIBUTION OF PUBLIC FUNDING

Before going deeper into the utility of the provision of public funding to political parties, the following sections examine the current regime under which public finance is provided to political parties in Morocco. Under the current electoral legal system, funding is provided to political parties both on a regular basis and during electoral campaigns. However, funds are also provided in a number of other ways which are difficult to classify within the Venice Commission framework.

### Regular funding

According to Article 28 of the Political Parties Law, revenues from political parties are derived from: membership dues, donations (provided that they do not exceed MHD 100,000 (USD 13,513)), royalties from cultural and social activities of the party and financing from the state. While the majority of political parties levy membership dues from their members, many are quick to point out the amounts *legally* levied are often negligible in relation to overall party expenditure. However, another type of dues which represent a substantial contribution to party budget is the amount levied from MPs. Most MPs contribute a part of their salary to their political parties, although this contribution has significantly decreased among parties that won few seats in the 2007 elections (Booz).

Many of those interviewed alluded to the fact that many parties (especially the larger parties) rely on generous donations from notable and wealthy individuals. Many are also quick to note the difficulty of attaching accountability to such donations, as the majority of parties have yet

to make their accounts public and/or implement any transparency measures. Another issue which is hard to place within any formal discussion is the problem of “feudal” parties, which reputedly rely on revenues from vast real estate holdings not formally registered under the name of the party.

In this section, we examine two forms of regular funding under the Moroccan system: annual allocation for political parties and subsidies for political party newspapers.

### Annual allocation

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Under the Election Law, political parties and coalitions of political parties receive annual financial support from the state (Articles 28-40). The total sum of support to be provided by the state for political parties is stipulated in the annual budget presented before the Parliament. This support is divided between political parties and coalitions of political parties into two equal parts: the first part is calculated based on the number of seats held and the second part on the overall number of votes garnered during the elections. Furthermore, provision of funds is contingent on receiving 5% of votes. The total amount is paid in full by June 30 of the same fiscal year (Proclamation 2-06-176 Article 1).

The law stipulates that the duty of political parties is to ensure that funds received from the state are used for the objectives for which they are allocated—i.e., for the administration of party affairs.<sup>34</sup> The distribution and payment methods of the annual allocations are determined by a decree on the recommendation of the Ministry of Interior.

According to the Political Party Law, parties are subject to the following financial requirements:

1. They may not receive direct or indirect support from local authorities or public corporations or companies that are fully and/or partially owned by the government.

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<sup>34</sup> Article 29 calls for the allocation of the annual amount to be included in the annual budget to support political parties to “manage their affairs.”

2. They may not accept donations from foreign entities. This exclusion is extended to Moroccans living abroad.
3. They must observe legal limitations specified by the law on cash transactions, check transactions, donations exceeding MAD 5,000 and expenditures exceeding MAD 10,000.
4. They are required to open a bank account in the name of the political party and keep financial records in accordance with recognized accounting standards.
5. They must prepare annual financial reports certified by an accredited financial auditor.
6. They must keep their financial documents for 10 years.
7. They must use public funding for purposes granted. (For example, money granted for newspapers cannot be used as part of the political party's operating budget;, campaign money cannot be used to subsidize the party's newspaper, etc.)
8. They must submit official (certified) annual financial reports together with supporting documents to the Cour de Compte by 31 March of each year.
9. They must hold a general convention every five years.

The same requirements apply individually to political parties which are members of a coalition. In the case of coalitions, additional requirements include: (1) a prohibition against accessing funding under both pretexts, i.e., as a single party and also as a member of the coalition; (2) a requirement that funds be distributed among coalition members in accordance with coalition rules; and (3) annual accounts must be submitted on behalf of both the collective and the individual parties.

Political parties are expected to present their annual accounts to the Cour de Compte as per regular public finance regulations. None of the interviewees were aware of any political party actually submitting these accounts relating to the Cour de Compte. Many also doubt the existence of genuine will on the part of political parties to do so. It is to be noted here that the law allows relevant individuals to access annual financial reports deposited with the Cour de Compte and to obtain a copy at their own cost. Political party willingness to submit their annual

accounts must be considered as a strong indicator of the party's commitment to transparency and democratic accountability.

Given the nature of Moroccan politics, especially low turnout and the presence of many small parties, the amounts of funding provided to parties as part of the annual allocation are not likely to be large enough to have a significant impact on capacity or transparency. The adequacy of the amounts provided for the electoral campaign is greatly questioned by some of those who were interviewed. However, in the case of political parties that win a decent number of seats, the case may be different. Some leaders of the PJD (which won 42 Seats in the 2002 elections) claimed that nearly 70% of their operational budget is covered by the annual allocation to the party. It is difficult, however, to determine what would constitute an adequate amount. According to those interviewed, there were many types of financial expenditures, both legal and illegal, that were incurred in the run up to the elections. Some of the most frequent of these activities included candidates sponsoring circumcisions and wedding parties (Akesbi).

Most interviewees did agree that funds were allocated in a transparent manner. In other words, there were no claims the government held back amounts or favoured any specific party.

### **Subsidies to Political Party Newspapers**

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Since 1987, the newspapers of political parties represented in the parliament have received public subsidies. In addition to direct financial subsidies, party newspapers receive the following additional benefits: (1) subscription to the national news agency services; (2) free transportation of newspapers by rail; (3) substantial travel discounts for journalists; and (4) a share in government advertising.

In the past, and to a very limited extent in the present, newspapers represented a source of income for political parties that were able to distribute a large number of issues. Currently, however, independent newspapers are considered far more credible than their party counterparts. Independent papers have been much more daring about tackling complicated

issues from which partisan papers have often shied away, and as a result party newspapers have become less profitable endeavours.

## **Electoral Campaign Subsidies**

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According to the Election Law, public funds for electoral campaigns are provided to political parties in accordance with the same formula used in the provision of annual public funding. The procedure for distribution of funds is outlined in a separate law. Candidates have to observe the following financial regulations during these campaigns:

1. They must observe spending limits as set in the decree proposed by the Ministries of Interior, Justice and Finance.
2. They must prepare, within one month of the declaration of results, a financial report with supporting documents and submit it to a special committee; candidates' electoral accounts must then be verified.

The Special Committee will be composed of a judge from the Cour de Comptes who will serve as president of the committee, another judge to be nominated by the Minister of Justice, a representative of the Ministry of Interior, and an inspector from the Ministry of Finance to be nominated by the Ministry. The fact that the committee is established primarily by the executive branch of government is slightly offset by the fact the Committee can refer offending candidates to court. The committee has the right to refer candidates who fail to deposit their electoral campaign accounts within the month to the competent court.

## **Irregular and Illegal funding**

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Most interviewees were quick to note two worrisome practices: the exchange of public services for votes (i.e. *zuboonia*) and the privatization of corruption. While the law is not entirely clear on the type of concessions granted to Moroccan political parties, the existing legal provisions suggest that parties should receive free advertising in designated areas and an allocation of public media time during electoral campaigns.



More research is needed to identify the types of exemptions and concessions granted by the authorities in Morocco. It is possible that certain individual and private activities are misrepresented as party activities for the purposes of benefiting from public funds and have not been subjected to normal revenues regulations. One challenge to determining whether these practices occur is the lack of clear requirements for the disclosure of assets on the part of candidates and top party officials (Bilkadi 112; Akesbi).

In some instances, interviews with political party members were conducted in their public corporation offices. Many interviewees were quick to note that certain public corporations and institutions are dominated by members of certain political parties.

### **Invisible public funding**

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According to Booz, the Moroccan government as well as *al-makhzan* provided undeclared funds to political parties as part of the habitual process of domestication of political parties by *al-makhzan*. There are no confirmed reports of provision of such funds.

According to Moroccan political tradition, members of Parliament and Ministers are required to make regular contributions to their political parties out of their parliamentary and ministerial salaries.<sup>35</sup> There are two commonly held justifications for such “party tax,” according to Booz: (1) it was the party that provided the opportunity to the MP or Minister; and (2) they are assuming office on behalf of the party (50). The contributions are usually made annually and the exact amount varies among parties. While no exact recent figures have been made available, in 2001 figures varied between MAD 1000-7000 (Booz 51).

Many interviewees alluded to the phenomena of the “privatization of electoral corruption” and accused the State of looking the other way. One interviewee pointed to a new crop of candidates (following the adoption of the proportionate list system) who managed to devise new ways for buying votes; for example, buying blocks of entire neighbourhoods on behalf of a

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<sup>35</sup> Senior party members from both PPS and PJD noted that this contribution provides the party with badly needed resources.

certain candidate. The president of Transparency Maroc, an association which has undertaken the fight against corruption in Morocco, drew attention to the fact that there are political parties and individuals who specialize in electoral corruption. Another corruption practice noted by interviewees was the phenomenon of potential candidates paying substantial sums of money to political parties in order to secure their candidature. Some interviewees indicated that, as a result, political parties are now in the business of looking for rich and influential candidates.

### **Accountability for public funding to political parties**

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The main body tasked with scrutiny of public expenditure is the Cour des Comptes (often translated into English as the Audit Office or Public Accounts Court). As mandated by Article 97 of the Moroccan Constitution, the Cour des Comptes is tasked with the verification of public accounts and expenditures and ensuring proper financial regulations are respected.

Under the Moroccan legal system, electoral complaints can be brought before the Administrative Court. At the time when interviews were conducted for this study, there was little information on the number and type of cases brought before the courts. Administrative courts are to decide on electoral disputes within 40 days from the date of formal registration of complaints by the courts. However some interviewees noted that cases regarding infractions of spending limit regulations and use of public office and services were sometimes adjourned until after the elections.

### **Proposed Reform**

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As evident from the foregoing discussion, problems with the current system for provision of public funds to political parties do not necessarily stem from a lack of regulations. Instead the problems lie with other weaknesses in the Moroccan political system, particularly with regard to transparency, accountability, and enforcement. While it is beyond the scope of this study to engage in a discussion relating to necessary reforms to be introduced in the political culture, the following reforms to the existing system may be necessary.

The UN Convention against Corruption, which was ratified in Morocco in May 2007, declares it the duty of the state to take “appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties. (United Nations Office on Drugs and Crime Article 7(3)). This duty can be translated into a number of reforms.

*Consistent enforcement of regulations:* The Election law provides clear stipulations on the use and misuse of public office, property and services for the purpose of attracting votes. According to the Electoral Law, the use of state property is prohibited during electoral campaigns and is punishable by a fine and imprisonment between 6 months and a year. Yet many of those interviewed indicated that the state was largely indifferent to violations of electoral financial regulations. A recurring complaint relating to vote buying is also cited by many interviewees. While the law clearly provides for stiff penalties in this regard—a fine and imprisonment for one to five years—many noted a lack of enforcement.

*Disclosure of assets:* There is a need to strengthen financial regulations to require disclosure of assets on the part of those running for office.

*Strengthening the role of the Cour des Comptes:* Improving transparency and accountability around parties’ use of public funds will depend a great deal on the Cour des Comptes. First, the reports of the Cour must be made public and accessible. Second, the state needs to take judicial action on the infractions detailed in the Cour’s reports.

*Enforcement of political party obligations:* Political parties are under obligation to submit annual reports in accordance with recognized accounting and auditing standards. These requirements must be enforced, and internal democracy problems within political parties must be addressed in order to improve transparency and accountability around use of public funds.

## CONCLUSION

There are many positive signs in the present Moroccan electoral system. First, the degree of transparency in the administration of elections has improved significantly in the past decade. NDI has observed that both the 2002 and 2007 elections were well-administered (National Democratic Institute 3-5). Secondly, the system for providing public funds to political parties is well articulated and has the potential to yield positive results if properly implemented. Areas in need of reform include financial disclosure requirements for politicians and a stronger role for the Cour de Comptes in monitoring expenditures of public funds provided to political parties. Thirdly, the growing strength of independent journalism will add an additional degree of scrutiny of the public funds allocated to political parties.

Much work, however, is still needed on the part of political parties. First, full disclosure of financial activities as articulated in the election law and in the law governing political parties is necessary. Adherence should not only be a matter of observing the law but, equally, should be embraced as good practice that encourages internal democracy and transparency. Secondly, parties should review their strategies in an attempt to address the problem of apathy towards politics and elections. Furthermore, political parties need to engage in real political competition for office instead of resorting to vote buying and other anti-democratic tactics currently employed in Moroccan politics.

On the part of the government, much depends on the degree of seriousness in dealing with infractions relating to political party financing. While the government is not obviously involved in electoral fraud and corruption—at least to the same degree as in the past—some questionable activities can be stopped by adopting a more proactive approach and enforcing penalties for infractions.

One issue to be addressed by both the government and political parties is the treatment of religious parties. *Al-makhzan* continues to employ tactics aimed at ensuring the electoral

system does not produce a single majority, and the majority of non-Islamist political parties continue to look the other way in the case of electoral manipulations designed to curb the influence of Islamist parties. Ironically these same tactics were (and some would argue continue to be) employed against these same non-Islamist parties. In spite of their strong rhetorical commitment to democracy (including the outcome of elections), the Islamist parties also profess a strong commitment to plural democracy only as a means for realizing an exclusionist political order.

In order to devise effective electoral reforms, it will be necessary to go beyond institutional changes such as electoral management and provision of public funds, and examine the entire corpus of electoral behaviour in Morocco. In the absence of strong political parties and platforms, voting in Morocco has become very personalistic, and a candidate's "personal characteristics" are measured primarily by his or her financial capabilities, tribal affiliation, and ability to engage in "electoral reconciliation." This study suggests that Morocco is in need of a new electoral culture with the following components: (1) a focus on mending the dysfunctional relationship between money and politics in Morocco; (2) a stronger sense of electoral rule of law; and (3) a re-conceptualization of the notion of citizenship and civic duty.

# Part III

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## Public Funding Opportunities - Conditions, Constraints, and Possible Outcomes

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By Dr. Marcin Walecki

In the Introduction, Kevin Casas-Zamora noted that at their best, when well designed and carefully adapted to the existing institutional framework, public funding systems can contribute in four crucial ways to strengthening democratic politics. Public funding can:

1. strengthen the autonomy of politicians, prevent political finance-related corruption and enhance financial transparency;
2. protect political equality of opportunity and electoral competition;
3. provide political actors with adequate resources for essential democratic activities, increasing the institutionalization and stability of parties; and
4. be a powerful lever to secure compliance with other political finance regulations.

The difficulty in measuring the impact of public funding in these areas is that there are many other factors which strongly shape political parties and the quality of political competition. A recent study conducted by International IDEA on “Democracy in the Arab World” suggests the following:

*Each of the Arab countries has also seen its own distinctive evolution of political parties. The political landscape in each country has been determined by a number of socio-economic and political factors, including the legacy of one-party regimes and external factors dating back to the Cold War, as well as constitutional and legal provisions. There is nevertheless broad consensus that both the external regulatory environment of parties and the internal party bureaucracies need modernization if parties are to play their crucial role in democracy building as avenues for groups in society to articulate and advocate their political agendas (19-20).*

This argument is in line with Thomas Carothers’ conclusion that the weakness of political parties in the Middle East reflects the broader weakness of democracy in that region (39). In addition to political conditions, the weak economic performance and scarcity of resources in many Muslim-majority societies significantly hurts the development of political parties. All countries covered by this study are considered middle-income countries (see table below) with a significant percentage of the population living below the poverty line. Thus, another argument for expanding public funding in the Middle-East is that state subsidies are the only viable source of significant funding for political parties. Traditions of small private donations are generally under-developed and as a result plutocratic donations are usually the predominant

source of funding. A lack of popular funding therefore contributes to the vulnerability of parties to oligarchic and foreign interests. In Lebanon for instance, plutocratic donations combined with foreign funding are, out of necessity, a primary source of funds for many political groups.

Corruption				Laws on Disclosure of Campaign Finances	
	TI Corruption Perception Index (2007)*	TI Corruption Perception Index (2008)*	Ratified United Nations Convention Against Corruption (UNCAC)	By Candidate	By Political Party
<b>Lebanon</b>	3.0	3.0	NO	YES	NO
<b>Turkey</b>	4.1	4.6	YES	NO	YES
<b>Egypt</b>	2.9	2.8	YES	YES (in Presidential Elections)	NO
<b>Morocco</b>	3.5	3.5	YES	NO	YES

\*The CPI should be interpreted as a ranking of countries with scores ranging from 0 (highly corrupt) to 10 (highly clean).

Public Funding				
	Direct Public Funding	Parties Routine Purposes	Campaign Purposes	Introduction of Direct Public Funding
<b>Lebanon</b>	NO	NO	NO	N.A.
<b>Turkey</b>	YES	YES	YES	1965
<b>Egypt</b>	YES	YES	YES	1979
<b>Morocco</b>	YES	YES	YES	1986



## Formula for Determining Public Funding

	Parties Routine Purposes	Campaign Purposes	Threshold For Receipt Of Public Funding
<b>Lebanon</b>	N.A.	N.A.	N.A.
<b>Turkey</b>	N.A.	Parties receive funding proportional to votes received in previous election	7%
<b>Egypt</b>	100,000 Egyptian Pounds (\$18,000 USD) annually and an additional 5,000 L.E. for each seat in parliament	In 2005, each presidential candidate received 500,000 L.E. (\$90,000 USD)	Official registration as a political party. Then, one seat in the People's Assembly of the Shura Council.
<b>Morocco</b>	Half proportional to number of seats in Parliament; other half proportional to votes received in previous election	Half proportional to number of seats in Parliament; other half proportional to votes received in previous election	5%

Sources: IFES, International IDEA, Inter-Parliamentary Union (IPU), Transparency International (TI), Carnegie Endowment for Peace and Freedom House.

## Political Broadcasting

	Free Political Broadcasts	Paid Political Broadcasts Banned	Allocation Formula
<b>Lebanon</b>	YES	NO	Informal. Preference given to governing party.
<b>Turkey</b>	YES	YES	Equality between parties, extra allocation to Parliamentary parties, extra to major parties according to set formula (particularly ruling

			and leading opposition party).
<b>Egypt</b>	N/A	N/A	N/A
<b>Morocco</b>	YES	N/A	Equal broadcast time for parties

## Public Funding within Institutional Frameworks

Current legal provisions for party financing in general and a system of public funding in particular differ significantly between the reviewed countries. In countries such as Lebanon, where there are no comprehensive regulations dealing with funding of political parties, there is likely to be an uneven playing field, as mentioned in the findings of the European Union Election Observation Mission (EU EOM) to Lebanon:

*The absence of adequate campaign finance regulations...has contributed to an uneven playing field during the election campaign, discouraging political forces and independent candidates who do not possess sufficient means to campaign (1).*

However, the recent Election Law passed by parliament has established spending limits, defined campaign contributions, and introduced provisions dealing with financial reporting. It has also established the Supervisory Commission on the Electoral Campaign. Yet an opportunity to introduce a basic level of state funding as an alternative to plutocratic and foreign funding was lost. The same forces that have influenced political life in Lebanon over the last few decades will continue to pay for the country's politics.

In this respect, countries such as Turkey—with more than 35 years of experience in providing direct subsidies to political parties—have benefited from the implementation of public financing. Public funding of political parties in Turkey is regulated by Article 68 of the constitution, which requires the state to provide political parties with adequate financial means in an equitable manner. The constitutionalization of public funding is a “key element of the party-state relationship, because it attests to a conception of democracy in which parties are seen as necessary institutions, and signals that the state is assuming an increasing role in the management of parties as an essential public good for democracy” (Van Biezen and Kopecky

240). The experience of Turkey demonstrates that countries such as Lebanon, Egypt and Morocco could benefit from an independent political finance regulatory body to audit political and electoral financial accounts.

Finally, countries with low voter turnout such as Egypt, Lebanon, and Morocco might benefit from further political reforms in order to encourage broader engagement in the political process. Among other initiatives aimed at increasing public participation in elections, designing an appropriate formula for allocation of public funds to political parties—particularly one based on the number of votes cast—would provide an incentive for increased turnout.

### **Possible Pitfalls of Public Funding**

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This is not to say that there is no risk to implementing a public funding system. Without transparency and accountability within parties and a strong system of financial oversight and enforcement, there is space in which individuals and parties can take advantage of public funding. Particularly in the cases of Egypt, Lebanon, and Morocco, there appear to be sophisticated, yet informal, patronage markets at play. These markets are characterized by direct vote-buying and state-funded service provision efforts designed to influence the outcome of the electoral process. In Egypt, for example, Voice of America reports that:

*Vote buying is one of the most frequent complaints of election monitors and opposition parties in Egypt. The practice is so widespread that few people bother to deny that it happens, although almost nobody, of course will admit to actually doing it. Many voters see it rather cynically as an integral part of the Egyptian political landscape (McDonough).*

In his study of Morocco, Ahmed Elobaid suggests that the current political process should be described in the form of *zuboonia* – the exchange of immediate benefits for votes. In fact, during the last elections in Morocco, Reuters reported Saad Eddine Othmani, leader of the PJD, as saying: “Many candidates used money. We found ourselves in the election campaign facing money instead of political parties” (“Moroccan Nationalists”).

In Lebanon, according to the Preliminary Statement of the EU EOM, election observers reported witnessing attempts at vote-buying and “allegations of vote-buying from rival candidates and political groups.” In his paper on Money and Politics in Lebanon, Professor Elya notes that “direct and indirect bribery escalated in all the districts that witnessed electoral battles” (4).

Another potential problem with public funding systems, such as the one in Turkey, is they can simply serve to maintain the status quo, keeping already-established parties well resourced. If public funds are unequally allocated to a limited number of political parties (e.g. only major parties in the national legislature), this will make it difficult for new political forces to compete on equal terms. Evidence from Turkey supports the argument made by Scarrow that “in most cases subsidies represent an instance of the dictum, “to those who have, shall be given” (636).

### **Choosing the Right System**

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It should be recognized that this study does not intend to enter into a discussion on whether free and fair elections are possible in these countries in the near future. It is based on the premise that multiparty elections will be held and then examines how best they can be made to operate in a free and fair manner.

The presented cases suggest that significant variation exists among Muslim-majority societies in terms of their political finance systems. Undoubtedly future reformers will face important policy decisions about regulating political finance, especially regarding how political parties, candidates and parliamentarians should receive and spend public funds. In making these decisions, each policy maker should choose what is appropriate to their country’s political culture and circumstances and adopt policies that can be implemented by its administrative and law enforcement bodies. There are at least three steps to follow in approaching political finance reform in Muslim-majority societies. The first is to detail the long-term measures necessary to transform the political system into one that is more democratic and to map out general interventions leading to the enactment of these measures. The second is to focus on specific elements of a political finance system (and a public funding system, in particular) which

these countries should promote. If possible, laws introducing public funding should be passed with wider political consensus by a legitimately elected legislative body. Thirdly, any regime will need to review and revise political finance laws periodically in a fair and open process.

Reformers in Muslim-majority societies in the MENA region seeking to regulate uses and abuses of public funds in politics might want to consider a system that:

1. provides enough money for competitive and energetic campaigns reaching the majority of voters;
2. does not exclude emerging political forces or lead to an exaggerated fragmentation of the opposition;
3. protects citizens from being pressured into offering financial support to political organizations and candidates;
4. prevents corruption by limiting undesirable and disproportionate influence—especially via financial contributions—over parties and candidates by foreign regimes and religious groups; and
5. preserves a level playing field between government-supported and opposition parties.

As argued in previous chapters, public funding for political parties can galvanize political competition among political parties by channelling resources for essential political activities. In the long term, a well-designed and implemented public funding system and the development of effective constituent outreach and proper party management could help level the playing field and create a more inclusive and competitive democratic environment as political systems in Muslim-majority societies continue to change. The following six

“... a well-designed and implemented public funding system and the development of effective constituent outreach and proper party management could help level the playing field and create a more inclusive and competitive democratic environment as political systems in Muslim-majority societies continue to change.”

recommendations identify concrete ways to address key challenges in creating an effective system of public funding. The reform approach in this area should be integrated with larger democratic reforms and should seek to address each of the following:

- 1. Policy makers, civil society groups and others involved in political party development and the general democratisation process require more information regarding international standards and best-practices in political party financing and developments in transitional democracies.** Muslim-majority societies should be supported in taking an active role in regional and global discussions on this subject should and receive information about practices in other countries. This will enable them to develop their own approach to controlling financing of political parties and election campaigns. The development of activities to stimulate discussion among policy makers, lawmakers and academics in these countries is highly desirable.<sup>36</sup>
- 2. Each country should find its own equilibrium of public versus private funding, relevant to its own stage of democratization.** As suggested by Karl-Heinz Nassmacher, in established democracies it is generally the case that “subsidization has passed through three structurally similar but overlapping stages of implementation” (238-241). In the first stage of *experimentation*, governments make cautious steps towards introducing subsidies. In the second stage of *enlargement*, the amount and scope of subsidies is increased. This is usually followed by a stage of *adjustment*, which generally involves the institutionalization of the subsidy system and accounts for inflation. The presented case studies suggest Egypt and Morocco might still be going through the first stage of *experimentation*, while Turkey has already passed the stage of *enlargement*. As argued by some scholars, complex political finance reforms are a “second generation” political reform that democratic systems should undertake only once they have accomplished

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<sup>36</sup> The United Nations Development Programme’s working group Arab Parliaments: Parliament and the Reform of Political Party Legislation is a good example. See <<http://www.arabparliaments.org/groups/reform.asp>>.

more primary tasks such as establishing fair political party registration procedures, eliminating political harassment, and establishing control over electoral fraud.

- 3. State subsidies for political parties should be tied to certain conditions such as a greater level of transparency in their internal affairs.** Public funding should enhance compliance with other financial obligations and be used as an effective sanction. For instance if a party does not comply with its reporting obligations there should be a mechanism to suspend public funding. Furthermore, to counteract the decline in political participation and encourage party membership recruitment, a system of “matching grants” could be considered in Morocco and Turkey.
- 4. An appropriate formula for allocation of direct and indirect public subsidies to political parties should be developed.** See Appendix One for the three main principles—equality, proportionality and need—that can guide the allocation of public funds. In countries with low political participation, the amount of public funding can be calculated on the basis of votes cast to give greater incentives to increase turnout. This will encourage political parties to work on increasing voter turnout. But in this type of political system, election monitors and election management bodies must be cognizant that politicking and the use of coercive tactics by political parties could emerge as political parties struggle to increase their future allocation of public subsidies.
- 5. In all cases full financial disclosure is needed of all public funds (direct and indirect) provided to political parties, individual candidates and parliamentarians.** The United Nations Convention against Corruption (UNCAC) specifically addresses the issue of transparent funding for political candidates and parties in Article 7 (3). The United Nations decrees that each State Party ratifying the Convention should take legislative and administrative measures consistent with the Convention and in accordance with its domestic law to enhance transparent funding of candidates and political parties. Egypt, Morocco, and Turkey have all signed and ratified the UNCAC. In order to limit the

diversion of public resources for the profit of party patronage, financial mechanisms of public funds allocation should be regulated and vigorously controlled.

- 6. An independent political finance regulatory body should be relied upon to audit political and electoral financial accounts.** Such a body could be a stand-alone institution or part of a larger independent election management body. When compared with transitional democracies in Latin America and Eastern Europe, there are few political finance regulations to enforce in the countries of the MENA region and there is a gap in the capacity for independent and effective enforcement by the judiciary and other government bodies. These challenges are compounded by questions concerning the independence of the judiciary and—frequently—a cumbersome election complaints process.

Thomas Carothers provides useful insight when it comes to political finance reforms in Muslim-majority societies of the MENA region, where modest expectations are in order. He is correct in stating that “lasting progress will only be made when a whole set of factors comes together, including political will for change on the part of key elites, the necessary underlying institutional base to support change, and a lack of powerful spoilers.”



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# Conclusions

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*The crisis of secular parties is emerging as a major obstacle to democratic transformation in the Arab world...More countries are holding competitive elections than before, but few real parties, and even fewer real secular parties, contest such elections (Ottaway and Hamzawy 3).*

The main purpose of this study was to conduct research on public funding systems in four regimes and assess the applicability of these mechanisms in the selected Muslim-majority societies. The presented cases are the first in-depth comparative study of political finance in Muslim-majority societies. The studies look at the different aspects of public funding in the political process by investigating experience with political parties' development and analyzing evidence of their effect on political competition.

The study illustrates that public funding of political parties is not a recent development in Muslim-majority societies. Among the case studies, Turkey was the first country to regulate and introduce direct subsidies to parties in 1965, followed by Egypt in 1979 and Morocco in 1986. Comparatively, by 1980 only six Western European democracies offered financial support to political parties. Interestingly, the Muslim-majority country of Yemen (not covered by this study) also introduced direct public funding as early as 1991, at the beginning of its post-unification democratic transition.

However, one must question to what extent these subsidies have helped to make political parties better players and to what extent they have allowed elections to become more competitive. Historically, public resources in most countries have been used unevenly among political players, with a strong bias towards ruling elites. The use of public resources and access to state resources has been characterized by a general lack of transparency. The lack of proper financial reporting and disclosure methods has made it impossible to record the amount of

money allocated to political parties and individual candidates from the state budget and to track the use of state resources. As illustrated in previous chapters, access to state resources tended to be exclusive, as it was usually confined to ruling parties who already enjoyed enormous material advantages over their opponents. The control of state resources by the incumbent is perceived as normal and beyond challenge. State benefits and access to public media were distributed highly unequally among political parties, with ruling parties controlling resources necessary to sustain and expand their political organizations. Van Biezen and Kopecky argue that, “this form of party–state linkage provides the underpinning of systems with dominant parties, with little or no turnover of executive power and with sometimes questionable standards of democratic process” (Van Biezen and Kopecky 251).

The introduction of direct and indirect public funding should therefore be recognized as an important step forward in terms of achieving greater equality in access to public resources. One can argue that as a result of introducing direct subsidies, abuse of state resources for political purposes has been partially limited and replaced by regulated and transparent subsidies for both parties and parliamentarians. This is confirmed by the experience of other transition countries where improved transparency in the allocation of public resources and the accountability of party leaders has been essential for fighting against corruption.

Furthermore, the presented case studies suggest that increasing public funding on its own might not prevent the further decline of secular parties. The instrument of public funding can only be a useful addition to a much broader democratic agenda. Political regimes that allow little space for vibrant political activity do not usually put reforms leading to the equality of political finance systems very high on their political agenda. One of the major challenges for Muslim-majority societies is to create political arenas in which secular and ideology-based political parties can effectively compete with regime-supported political groups.<sup>37</sup> As observed by Carrie Rosefsky Wickham, secular political parties have a major disadvantage while competing with Islamist parties as they lack anything equivalent to the vast network of

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<sup>37</sup> The situation is slightly different in Turkey, where the JDP is competing with well-established secular political parties.

mosques through which Islamists mobilize support (Barsalou 3). Marina Ottaway and Amr Hamzawy, in their study on secular parties in the Arab World also suggest that they are facing a crisis as “they feel victimized by authoritarian governments that thwart their activities. They feel disadvantaged by the competition of Islamist movements that use mosques for proselytizing and charitable institutions to build constituencies” (Ottaway and Hamzawy 1).

If strengthening of secular democratic parties is one of the strategies to promote democratic reforms, their capacity must be properly assessed. A recent study suggested that:

*Secular parties do not have a strong ideology and a vision of society, nor do they have emotionally appealing, simple political slogans. And, in many countries, they have not developed funding methods to sustain the staff required to carry out systematic organizing work (Ottaway and Hamzawy 21).*

Indeed, many secular parties described in the selected case studies have poorly developed structures and networks due to long-term neglect of grassroots mobilization and constituency building. Secular opposition parties do not generally present themselves as an effective organizational link between the political elite and the mass public. Significantly, the absence of strong secular political parties in Muslim-majority societies can mean that Islamist parties do not necessarily have to modify their positions in order to compete for votes.

In general, the low legitimacy of parties and elections is an additional obstacle to party system institutionalization and democratic transition in the Middle East and North Africa. The continuous weakness of secular parties may threaten the process of further democratization since it can limit choices to semi-authoritarian leaders or Islamic fundamentalists. This can lead to general political apathy as well as anti-party feelings. Anti-party feelings are common in many Muslim-majority countries, including Morocco where only 8.7% of voters had sympathy for any party at all (CSO-TMO 8). When political parties are viewed as ineffective and corrupt, people hesitate to associate with them and certainly are unlikely to support them financially.

Without a doubt, secular parties need more financial resources to maintain their existing networks and to run well targeted campaigns to communicate their message to potential

supporters. Comparative research shows that state funding can be an effective way to improve the financial situation of these political parties. An analysis of the income sources of parties provides additional evidence of the benefits of direct state funding for minor groups as they tend to obtain a larger proportion of their income from subsidies than is the case for large parties. As one of the scholars points out:

*Data from 43 West European parties during the 1970s and 1980s shows a negative correlation between the parties' electoral size and their subsidy dependence. Small parties received an average of 60.6% of their central income from direct subsidies, well above the mean for mid-sized (49.8%) and large (44.9%) parties (Casas-Zamora).*

Reformers could also learn positive lessons from South Korea and Mexico where “the enactment of direct state funding in 1981 and 1986, respectively, and the gradual move towards equitable allocation rules, can be traced to the imperatives of regime-opening process” (Casas-Zamora 42). In Poland, the introduction of greater public subsidies in 2001 indicated a clear move from the post-communist model of shadow funding to the direction of the Western model, characterized by a more transparent and accountable system of political finance (Walecki, “Money and Politics” 161).

As this study argued, in Middle East and North African countries, the main motivation behind efforts to introduce public funding of political parties should not be to curb corruption, but rather to promote fair competition between regime and opposition political groups and to nurture emerging parties. This could be done through indirect subsidies such as broadcasting time on public television stations, free posting of campaign materials, and use of public office space as well as direct subsidies. These subsidies could contribute to a more pluralistic political system, broadening the spectrum of political actors by improving the competitive capacity of smaller parties, particularly by providing a “floor” of basic financial support (Fischer et al. 19).

However, in the majority of cases, introducing even the most generous public subsidies for political parties would not eliminate major obstacles to further democratization in the MENA region. In many Muslim-majority societies, state monopolization of political power prevents the institutionalization of the party system. As suggested by Judy Barsalou, “independent political

parties in the Arab Middle East are deeply constrained by limits on free expression and by districting and voting procedures imposed by semi-authoritarian governments. This permits political liberalization but prevents development of fully democratic systems” (1).

The cases presented here clearly illustrate the potential positive effects of direct public subsidies. At the same time it is clear that these benefits will not materialize so long as they are significantly undermined by opaque and corrupt electoral systems. Thomas Carothers states that “efforts to strengthen party finance systems in new or struggling democracies are inevitably limited by the overall weak state of the rule of law in these countries...the problem of money in politics is one of the most vexing challenges that all democracies face” (201). This publication aims to provide a glimpse into the political finance challenges currently facing Muslim-majority societies, but there these countries are not alone in this dilemma. Perhaps the most important lesson for all transitional states is that improvements to the public finance system must occur in tandem with other reforms, providing political parties with the political space—as well as the funds—to create a vibrant democracy.

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# Appendix I

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## ALLOCATION OF DIRECT PUBLIC FUNDS

The allocation of direct public funds is based on a formula that determines how much each party or candidate should receive. There are three main principles that can guide the allocation: **equality, proportionality and need**. The most common option is to use a formula combining elements of the three principles. All parties or candidates represented in parliament may for example receive the same small sum, or they may receive a larger part proportional to the votes they gained in the last election; a third part may be given only to parties that contest the election for the first time. One way of dividing the sums is to use different formulas depending on what the funds are supposed to (or allowed to) be used for.

**Allocation based on equality** can be of the following types:

- **An equal amount given to all parties and/or candidates that contest an election**

This allocation can be very costly and risks encouraging political parties to compete more for access to funding than for political influence.

- **An equal amount given to all political parties that receive a certain number of seats/mandates in the most recent election**

Restricting equal funds to political parties with a certain degree of representation limits the risk of funds being allocated to parties that are not serious players, but also risks discouraging political parties and candidates who are new to the political arena. This risk is aggravated by the fact that all electoral systems reduce the number of parties that obtain seats and thereby discriminate against small parties. This may result in a body that is able to take decisions, but it may also have the unintentional effect of limiting access to public funding for smaller parties.

This system of allocation is naturally more common in countries with electoral systems based on political parties rather than individual candidates.

- **An equal amount is given to all political parties and candidates represented in the national legislature**
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If funds are given to all political parties and candidates represented, small and new parties are still discouraged but a wider range of actors are included.

- **An equal amount is given to all parties and candidates that receive a certain number of votes in the last election**
- 

Widening the target group even more would mean parties and candidates that receive a certain amount of public support in the most recent election would receive public funds, even if they do not reach the vote threshold for representation. The threshold is usually set between one and two percent of the national vote. The threshold is rarely set using a real number of votes.

**Proportional allocation** refers to systems where parties or candidates receive more funds depending on the number of candidates presented, votes received etc. Common criteria for proportional allocation are:

- **Funds are given in proportion to the number of candidates put forward by a party**
- 

This is used in countries with electoral systems based on political parties rather than candidates.

- **Funds are given in proportion to the “representativity” of the candidate list put forward**
- 

Public funds are sometimes used to increase participation of under-represented groups by encouraging political parties to field women or candidates of diverse backgrounds.

- **Funds are given in proportion to funds raised (matching grants)**
- 

One frequent criticism of direct public funding is that parties and candidates become increasingly distanced from (and therefore less accountable to) their members and supporters.

To counteract this, systems of “matching grants,” where political parties and candidates receive public funds in proportion to what they raised from members and supporters, have been introduced. This may work to the disadvantage of new or small parties that are less able to mount successful fund-raising campaigns.

- **Funds are given in proportion to seats/mandates held**

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As mentioned above, all electoral systems tend to discriminate against small parties in order to create a legislature that is more able to take decisions. This discrimination may have far-reaching implication and prove even more disadvantageous if funds are allocated depending on the number of seats held. The advantage is that funding is provided only to parties that have demonstrated a significant level of public support.

- **Funds are given in proportion to votes received**

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Funds given in proportion to votes cast in favour of the party or candidate in the last election is a system which is still disadvantageous for new and small parties, but to a lesser extent than allocation based on seats.

- **Funds are given in proportion to party membership or other signs of support**

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Allocation based on seats or votes stems from the idea that a political party should have to prove a certain amount of public support before obtaining public funds. Other ways of ensuring a party has support may be to base the allocation formula on membership registers. This would give new parties with a significant level of public support better chances to gain access to public funds. Membership levels are however not automatically a clear indication of how much support the party would get in general elections, and membership registers may be difficult and time consuming for election authorities to verify.

Lastly, political parties with special needs may get access to funds aimed at levelling the playing field. The following are some allocation types based on special needs:



- **Funds given to new political parties** Party systems need to be open to new political parties, and public funding is often perceived as preserving a status quo where established political parties remain in power largely due to their access to public funds. This can be counteracted by providing special grants for new political parties.
- **Funds given to small political parties** Allocation criteria based on number of seats held or votes received work to the disadvantage of small political parties. At times, special funds are set aside for small political parties if it is perceived as a common good to have small parties in addition to larger ones. In other cases, proportional allocation can be used to the advantage of small parties; for example, letting the first percentage of votes translate into more funds than the following percentages.
- **Funds given to minority parties or candidates** Public funds can be used to encourage the participation of under-represented groups. Parties or party lists fielding national minority candidates can either receive special funds or be exempt from fulfilling the threshold criteria mentioned above.

Source: Article by Michael Pinto-Duschinsky at [www.aceproject.org](http://www.aceproject.org)

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# Appendix II

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*List of individuals interviewed for Turkey Case Study*

**Oya Akgonenc**, deputy chairperson of the Felicity Party (Saadet Partisi, pro-Islamic)

**Mehmet Ali Akgul**, Secretary of the Young Party (GENC Parti, liberal)

**Mehmet Dulger**, member of the JDP (AK PARTİ and the chairperson of the Foreign Affairs Commission of the previous parliament

**Cagri Erhan**, deputy leader of the Democrat Party (liberal/traditional)

**Fusun Erol-Sarsilmaz**, deputy chairman of the Freedom and Solidarity Party (ÖDP, leftist)

**Kemal Kilicdaroglu**, member of the Republican People's Party (CHP, secular), Istanbul

**Hasan Korkmazcan**, former deputy Speaker of the Turkish parliament and chairperson of the Union of Turkish Parliamentarians

**Burhan Kuzu**, member member of the JDP (AK PARTİ and the chairperson of the Constitution Commission

**Mehmet Nacar**, deputy chairman of the National Action Party (MHP, nationalist)

**Atila Sav**, former politician and member of Ankara Bar

**Erol Tuncer**, former politician and head of Social and Economic Foundation of Turkey

All interviews were conducted and translated by the author in July 2007 and revised in September 2007 and edited by Ms. Eموke Redl.

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# Appendix III

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*List of individuals interviewed for Egypt Case Study*

**Mr. Hussein Abdel-Razek**, Secretary General of Al Tagamo'a Party

**Mr. Negad Al Boary**, President of United Group

**Mr. Yehya Al Gamal**, Lawyer and Secretary General of the National Democratic Front party

**Mr. Abbas Al Tarabily**, Editor in-chief of Al Wafd newspaper

**Dr. Gehad Ouda**, Member of the Policies Secretariat of the National Democratic Party (NDP)

**Mr. Sobhy Saleh**, Member of the People's Assembly

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## Appendix IV

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### *List of individuals interviewed for Lebanon Case Study*

**Me Nada Abdelsater-Abusamra** is a lawyer enrolled both in the Bars of Lebanon and New York. She is a professor of law of governance the Saint Joseph University in Beirut. She is the author of the first code of corporate governance in Lebanon. She has a Master in Law from Harvard University.

**Dr. Georges Corm** was Minister of Finance for two years in the Salim El Hoss cabinet. He is an economist by profession, specializing in the Middle East and consults for multiple international organizations and the Central Bank. He is the author of articles and books pertaining to the contemporary history and sociology of the Middle East.

**Dr. Khalil Gebara** is the executive director of Lebanese Transparency Association (LTA).

**Dr. Yahya Hakim** is a prominent consultant in the field of administrative reform. He currently consults for OMSAR (Office of the Minister of State for Administrative Reform) in Lebanon.

**Elie Kayrouz** is a Member of Parliament from the March 14 Block. He also belongs to the Lebanese Forces.

**Charbel Nahas**, is a former World Bank economist, professor at the Saint Joseph University in Beirut, expert in the public finance sector, and consulted for UN-ESCWA in Beirut.

**Dr. Khalil Naqib** is a professor of Public Finance and Budgeting at the American University of Beirut. He is also the secretary of the Board of Directors of the Council of Development and Reconstruction (CDR) in Lebanon.

Interviews were conducted by Chantal Sarkis-Hanna and Karma Ekmekji-Boladian.

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# Appendix V

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*List of individuals interviewed for Morocco Case Study*

**Hassan Alagmari**, Director General, Elections Department (Chief Electoral Officer), Ministry of Interior

**Dr. Lahssan Al-Daoudi**, Deputy Secretary General, Justice and Development Party (PJD).

**Safi Alnassiri**, journalist and host of weekly political television show.

**Dr. Abdulsamad Al-Sakal**, election specialist, Justice and Development Party (PJD).

**Dr. Azzedine Akesbi**, President, Transparency International Morocco.

**Dr. Abdulla Baha**, head of the Parliamentary caucus, Justice and Development Party (PJD).

**Ahmed Boozi**, former editor of Al-Saheefa weekly newspaper and author of *Money and Politics: A Study in the Financing of Political Parties*.

**Julia Demichellis**, Chief of Party, USAID Parliamentary Support Project.

**Tariq Hassan**, journalist, professor of Political Science at Bustaat Law School, author of *Youth and Indifference towards*.

**Mohamed Kreen**, Senior member of the Politburo, PPS.

**Abdelatif Ngadi**, Corruption Observatory.

**Mohamed Souaal**, Senior member of the Politburo, PPS.

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