Chapter 2

Promoting a level playing field through balanced funding

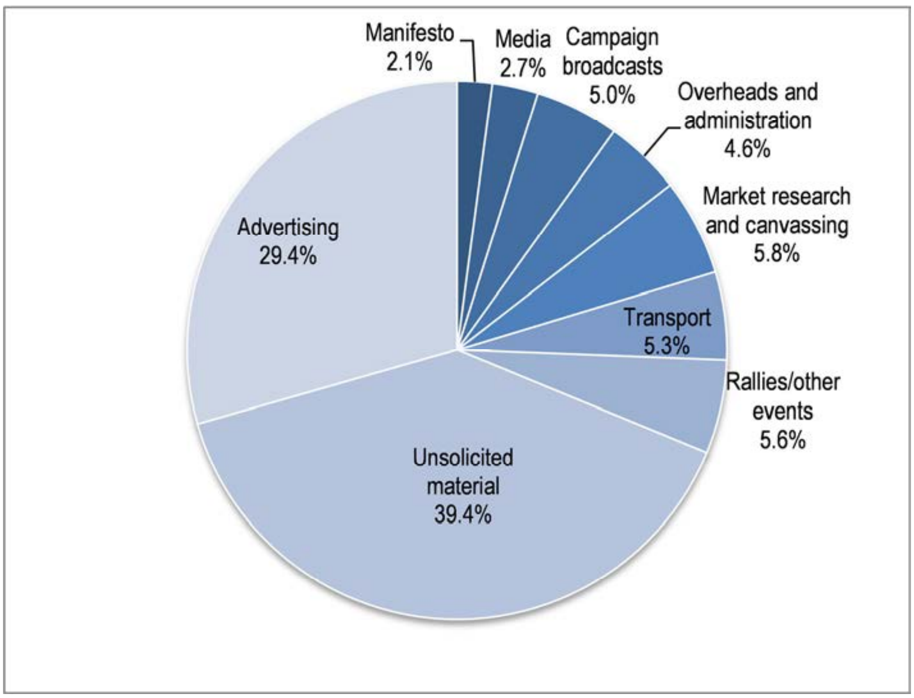
This chapter reviews various policy options to promote a level playing field in financing democracy. Allocation of public funding and the rules for private funding continue to require special attention to ensure a level playing field for all stakeholders. To be effective, a comprehensive regulation of political finance should focus on the whole cycle including the pre-campaign phase, the campaigning period itself, and the period once elected officials take office. The chapter also highlights that certain shortcomings in the regulations are particularly vulnerable to exploitation by powerful special interests. Loans, membership fees and third-party funding can be used to circumvent the regulations of private funding.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Finding the right combination of policy measures is key to ensuring a level playing field

Where strong party organisations exist, the demand for resources comes to cover recurring annual expenses of political party administration, public outreach as well as selecting and grooming candidates. In addition, the mobilisation of resources is needed during election campaigns for professional campaign management, including public relations, the expertise of consultants, and communication with voters. There is variation across parties and countries on how their expenditures are spent during campaigns. For example, in the United Kingdom, advertising expenses is the biggest spending category apart from unsolicited materials (Figure 2.1). In Japan, printing-related expenses were the biggest category, followed by advertising and staff salaries (Figure 2.2).

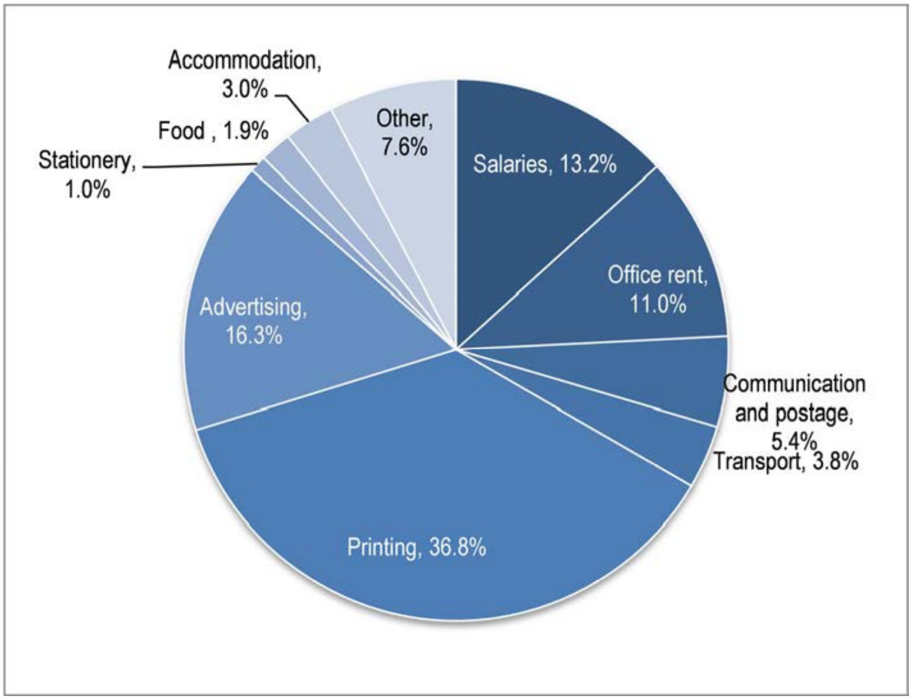
Figure 2.1. **Expenditures during the 2010 parliamentary general election in the United Kingdom**



Note: Total expenditure during the 2010 parliamentary general election was GBP 31 838 934 (approximately EUR 44,633,093, exchange rare as of 5 November 2015).

Source: UK Electoral Commission (n.d.), www.electoralcommission.org.uk/find-information-by-subject/political-parties-campaigning-and-donations/political-party-spending-at-elections/details-of-party-spending-at-previous-elections (accessed on 27 October 2015).

Figure 2.2. **Expenditures during the 2013 Upper House election in Japan**



Note: Total expenditure during the 2013 Upper House election was JPY 1 569 659 950 (approximately EUR 11 874 460, exchange rate as of 5 November 2015).

Source: Ministry of Internal Affairs and Communications of Japan (n.d.), www.soumu.go.jp/menu_news/s-news/83101_2.html (accessed on 27 October 2015).

Recognising the risks associated with vested interests influencing policy making, a combination of measures to ensure a level playing field among all parties and candidates has been introduced by OECD countries in political finance regulations. This includes, in particular, the balancing of public and private funding, the regulation of direct and indirect state contributions, and spending limits for political campaigns.

The financing of political parties and election campaigns: Private or public funding?

Balancing private funding through direct and indirect public contributions is widely adopted in OECD countries

The balance between public and private funding varies across countries. For example, 11 political parties registered in the United Kingdom reported accepting approximately GBP 14.9 million (approximately EUR 20.8 million) in donations between 1 July and 30 September 2014, while 5 out of 11 parties also accepted over GBP 0.26 million (approximately EUR 0.36 million) from public funds during the same period. In the 2013 Upper House election in Japan, out of the total expenditure of JPY 1 569 659 950 (approximately EUR 11 874 460), 77% came from private funding.

While private donation is a channel of political participation, if the financing of political parties and election campaigns is not adequately regulated, money may also be a means for undue influence and policy capture by powerful special interests. In this context, public funding helps to sustain the institutionalisation of political parties in democracies as they benefit from necessary financial support to conduct their daily activities. It also reduces their dependence on private funding, while there is a variation in such dependence across countries (Table 2.1). Such public support strengthens the capacity of political parties to level the electoral playing field.

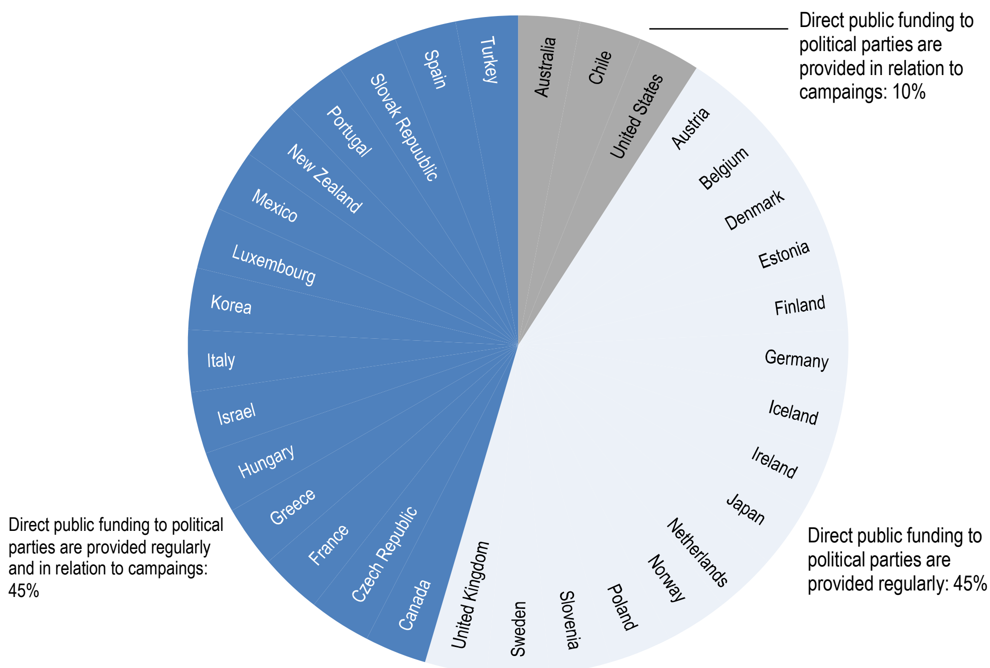
Table 2.1. **The balance between public and private funding to political parties in selected OECD countries, 2007 to 2015**

Country	Funding = % of party income Public %	Private + other %
Belgium	85%	15%
Denmark	75%	25%
Finland	75%	25%
Greece	90%	10%
Hungary	60%	40%
Iceland	75%	25%
Italy	82%	18%
Netherlands	35%	65%
Norway	67.4%	32.6%
Poland	54-90%	10-46%
Portugal	80%	20%
Slovak Republic	87.5%	12.5%
Spain	87.5%	12.5%
Sweden	75%	25%
Turkey	90%	10%
United Kingdom	35%	65%

Source: Adapted from GRECO (n.d.), "Third Evaluation Round (launched in 2007 continuing to June 2015): Evaluation and Compliance Reports", Council of Europe, www.coe.int/t/dghl/monitoring/greco/evaluations/round3/ ReportsRound3_en.asp (accessed on 27 October 2015).

All OECD countries provide direct public funding to political parties, except Switzerland. Of the remaining 33 OECD member countries, direct public funding to political parties is provided regularly in 15 countries; in 3 countries direct public funds are provided only if they are campaign-related. The other 15 OECD member countries regularly provide funding to political parties and provide funds in relation to campaigns (Figure 2.3). In some countries, the large majority of political financing is based on public funding at the national level, such as in Greece and Turkey (Table 2.1).

Figure 2.3. **Direct public funding to political parties in OECD countries**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

The eligibility criteria for receiving public funds may depend on the votes in the previous election, representation in an elected body, or the share of seats in the previous election, among others (Table 2.2).

In the context of levelling the playing field, the details of eligibility criteria for receiving public funds are also important (Box 2.1). While many countries adopt the party's performance in the previous election as an indicator for the eligibility criteria, the actual percentages vary across countries. For example, Germany, Slovenia and Turkey may seem identical in terms of public funding eligibility in Table 2.2, but Germany requires a 0.5% threshold, whereas Slovenia requires 3% and Turkey 7%. The OSCE/Venice Commission guidelines on party regulation suggest that the pay-off threshold for public funding should be lower than the electoral threshold (OSCE/ODIHR and Venice Commission, 2010).[1] Otherwise, it would make it harder for new parties and small parties to enter the political arena and compete under fair conditions with better established parties (Piccio, 2014).

Table 2.2. **Eligibility criteria for direct public funding to political parties in OECD countries**

	Share of votes in the previous election	Representation in an elected body	Share of seats in the previous election	Participation in the election	Number of candidates	Registration as a political party	Other
Australia	x						
Austria	x	x	x				
Belgium		x					
Canada	x						
Chile				x			
Czech Republic	x	x					
Denmark	x						
Estonia	x	x					
Finland		x					
France	x						
Germany	x				x		
Greece	x	x					
Hungary	x	x		x			
Iceland	x	x					
Ireland	x						
Israel		x					
Italy		x					
Japan	x	x	x				
Korea	x	x	x				
Luxembourg	x				x		
Mexico	x					x	
Netherlands		x					x
New Zealand		x				x	x
Norway	x	x					x
Poland	x						
Portugal	x	x		x	x		
Slovak Republic	x	x					
Slovenia	x						
Spain		x					x
Sweden	x	x					
Turkey	x						
United Kingdom	x	x					x
United States	x						x
OECD 33	25	20	3	3	3	2	6

Note: In addition to the categories listed in the table, the category "Other" includes the following: the numbers of party members in the Netherlands. Party must give notice in New Zealand. For part of the funding there is no threshold in Norway. Spain doesn't have someone in a leading position found guilty of serious offence. The share of seats in the next election in the United Kingdom, and share of votes in next election as well as limit campaign expenses and private contributions. Providing closed captioning in TV commercials for hearing-impaired individuals in the United States.

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Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Box 2.1. **Eligibility criteria for receiving public funds in Austria, Belgium, Chile and Turkey**

In **Austria**, parties are eligible for public funding if they have obtained at least 1% of the votes in the previous election.

In **Belgium** funding is only available to parties with parliamentary representation.

In **Chile** funding is available to all political parties that nominate candidates in elections.

In **Turkey**, parties must obtain at least 7% of the votes in the previous election.

Furthermore, the calculation of the allocation of direct public funding to political parties varies across OECD countries (Table 2.3), amongst equal access and proportionality are the dominant policy options. In other words, the most common allocation calculation formula entails an equal sum distributed evenly to all parties that meet the eligibility threshold and an additional variable sum, which is distributed in proposition to the votes or seats obtained in previous elections.

Allocation of public funding based on the previous electoral performance may result in an uneven playing field for the challengers and smaller parties

Evidently, the most common policy option is distributing resources according to past record, for example proportional to the share of votes or the share of seats in past elections. This reflects past performance and such distribution helps parties that reproduce past results. If resources matter for electoral success, and if public funding covers a significant share of overall expenses, proportional distribution of funding may result in replicating past results.

Another common allocation is based on equal access to public funding, where all candidates or parties have access to the same amount of public funding. State funding based on equal shares of resources creates incentives for new competitors to run for election. When all parties receive equal shares of resources, and no other thresholds to participate in elections exist, one expected drawback is to have a proliferation of political parties run for office.

A third option for the allocation of funds is performance based. After elections, political parties will have some of their expenses reimbursed, depending on the number of votes or seats received. The performance of parties depends on the capacity to generate funding in advance, either from loans or from savings. This system sets strong incentives for competitors to take risks. Depending on the success at the polls, parties will be able to balance the budget, or walk away with campaign debts (Box 2.2).

Table 2.3. **Allocation calculation of direct public funding to political parties in OECD countries**

	Equal	Proportional to votes received	Proportional to seats received	Flat rate by votes received	Share of expenses reimbursed	Other
Australia				x		
Austria	x	x		x		
Belgium	x	x				
Canada				x	x	
Chile				x		
Czech Republic	x	x	x	x	x	
Denmark				x		
Estonia	x	x	x			
Finland			x			
France		x	x			
Germany		x				x
Greece	x	x				
Hungary	x	x				
Iceland	x	x				
Ireland		x				
Israel	x			x		
Italy		x				x
Japan		x	x			
Korea		x	x		x	
Luxembourg	x	x				
Mexico	x	x				
Netherlands	x		x			
New Zealand		x	x			
Norway		x				
Poland		x				
Portugal	x	x				
Slovak Republic		x	x			
Slovenia	x	x				
Spain		x	x			
Sweden	x	x	x			
Turkey		x				
United Kingdom		x	x			x
United States	x	x				
OECD 33	15	25	12	7	3	3

Note: In addition to the categories listed in the table, the category "Other" includes the following: In Germany, funding cannot be higher than the private funds raised by the party. In Hungary, 25% is distributed equally among parties with parliamentary representation, and 75% in proportion to the votes of the party and the candidates of the party in the first valid round in parliamentary elections. In Italy, 30% of the funds are distributed according to the parties' self-financing capacity (EUR 0,5 for each euro received annually from private funds, up to EUR 10 000). In the United Kingdom, funding relating to the House of Commons is proportional to seats and votes won. Funding relating to the House of Lords is determined by the House of Lords Policy Development Grants, which in accordance with a formula weighted by votes, won in the preceding election.

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Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Box 2.2. **Allocation criteria for public funds in Australia, Estonia and the United States**

In **Australia**, parliamentary parties receive a flat rate for each vote won (EUR 2.50/vote). For parliamentary parties, the total funding (EUR 4.60/eligible voter) is divided proportionally by votes won after deduction of EUR 218 000 for each party with at least five parliamentary seats. This amount is then given equally to each eligible party.

In **Estonia**, equal amount is provided to smaller parties while larger parties receive funding proportional to votes and seats won.

In **the United States**, public funding is distributed equally between eligible major parties in the general election. Minor parties eligible for public funding receive an amount that bears the same ratio to the major parties public funding as the number of popular votes received in the previous presidential election does to the average number of popular votes received by the major parties.

Earmarking public funding is one way to further ensure that money is spent to promote a level playing field

Some 43% of OECD countries set provisions on how political parties should use direct public funding. For instance, in Greece direct public funding should be used for campaign spending, ongoing party activities and research and study centres. In Ireland, it needs to be used for ongoing party activities and for the promotion of women and youth participation. In Mexico and the Netherlands, direct public funding must be used for campaign spending, ongoing party activities and intra-party institution. In Slovenia, it is specified that direct public funding cannot be used for loans, settling fines, donations or to support presidential election campaigns.

Public funding can be used to promote gender equality in politics

Promoting gender equality is also an important element of levelling the playing field. Political finance for female candidates remains one of the greatest barriers to their entry into politics. According to research conducted by UN Women in 2013, over 80% of respondents identified the lack of access to funding as one of the biggest obstacles for women to participate in a political competition (Ballington and Kahane, 2014). In order to facilitate participation of female candidates in politics, some countries tie the allocation of public funding to the enforcement of electoral quotas and the nomination of women as candidates. Making gender equality as one of public funding allocation criteria provides political parties financial incentives to take the issue seriously and increase the number of female candidates.

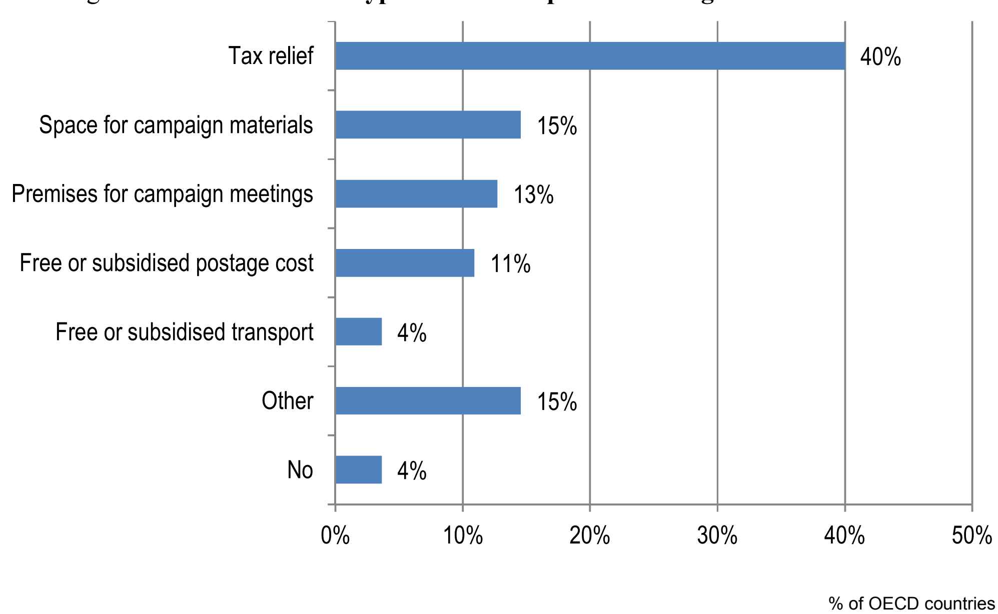
Such initiatives are still relatively few. France introduced a gender equality law in 1999, with the equal access of both men and women to electoral mandates and elective positions. Furthermore, an electoral reform in 2000 introduced the penalty for non-compliance with the parity rule. A political party can lose a portion of its public funding if there is a greater than 2% difference between the number of male and female candidates. Portugal introduced a similar reform in 2006, requiring at least 33% of candidates to be women, and stipulating that parties will lose 50% of public funding if either gender is represented below 20% or lose 25% of public funding if either gender is represented between 20% and 33.3%. Ireland also introduced a similar measure in 2012 by setting 30% quota for female candidates with penalty of loss of up to 50% of public funding in case of non-compliance. However, it is also pointed out that these measures may have limited impact on well-resourced parties, which may choose to pay the penalty rather than nominate more female candidates (Ballington and Kahane, 2014).

Earmarking public funding for activities related to gender equality is also another measure to promote a level playing field. For example, in Mexico legislation requires parties to spend 2% of public funding on activities that aim to promote, develop and train women's political leadership. Similarly, Korea adopts an initiative requiring political parties to use no less than 10% of their subsidies to promote women's political participation.

Indirect public funding is widely adopted across OECD countries and takes a number of different forms

Many countries also provide indirect public funding to political parties. It can take a variety of forms, including tax breaks, free access to public services including airtime, access to public buildings, provisions of goods, and allocation of financial resources. Considering the impact of resources on political competition, the two most important policy options countries use for public subsidies are financial support and free airtime (Figure 2.4).

Figure 2.4. **Most common types of indirect public funding in OECD countries**

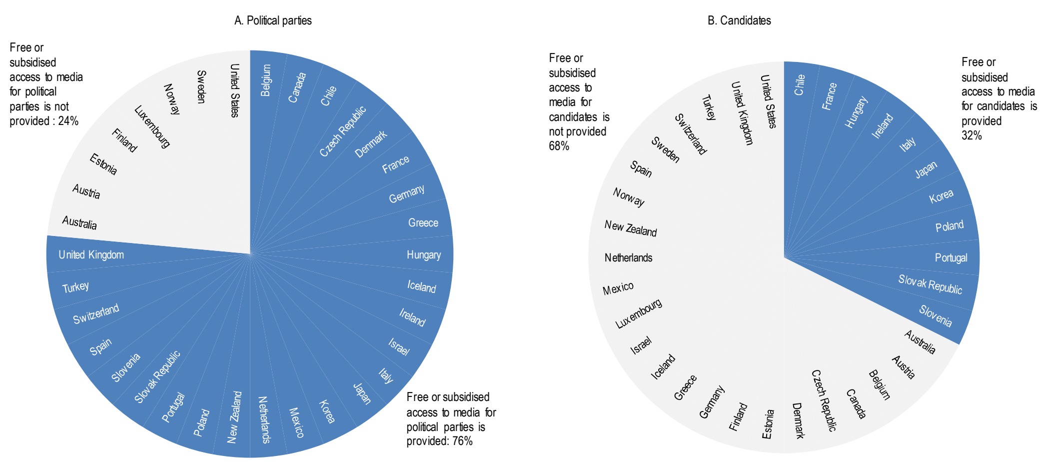


Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Tax exemption is the most common policy option for indirect public funding. For example, in Finland, donations to parties (and to candidates if total amount donated is less than EUR 3 400 over three years) are tax exempt. Political parties are not subject to income tax in Portugal and the United States. For instance in Belgium, campaigns enjoy exemption from tax stamps for election posters, advertising space, preferential treatment for election mail and free provision of a copy of the electoral register.

Another type of indirect public funding is free or subsidised access to media for political parties or candidates. The media plays an important role in conveying parties' or candidates' messages to the widest audience possible. While 76% of OECD countries give free or subsidised access to media for political parties, only 32% do the same for candidates (Figure 2.5). For instance in Chile, it only applies to television during the 27 days prior to the end of the campaign period, and in the case of legislative elections. In Hungary, for example, media programme providers publish free of charge the political ads produced by nominating organisations and candidates on the last day of the election campaign. In Mexico, political parties are granted free permanent access to radio and TV. Political parties are not allowed to buy airtime, directly or indirectly. On the other hand, in Australia, broadcasters must give all parties reasonable opportunity to broadcast, but must not offer free or subsidised access.

Figure 2.5. **Free or subsidised access to media for political parties and for candidates in OECD countries**



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Despite a general trend of promoting public funding, doing so also raises questions as to whether or not it has effectively fostered fair political competition. One of the growing challenges is, for instance, how to adequately allocate indirect public funding while ensuring a level playing field between parties. Another concern is to understand to what extent direct public funding creates a level playing field between stakeholders. For example, the criteria of allocation to parties according to past electoral performance allow major traditional parties to rely on public funding while new competitors or small parties cannot benefit from it. This could lead to a cartelisation of political parties (Katz and Mair, 1995).

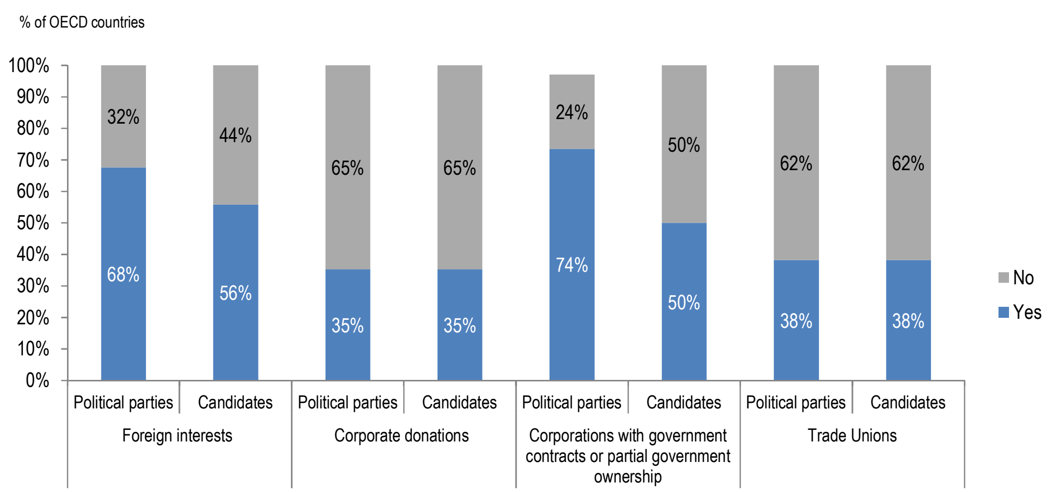
Framing private funding to level the playing field

Private funding is an important means for political expression by citizens; if it is not adequately regulated, however, it may be vulnerable to policy capture

Private funding allows for support from society at large for a political party or candidate, and is widely recognised as a fundamental right of citizens. Yet, if private funding is not adequately regulated, it can be easily exploited by special private interests. Therefore, OECD countries increasingly regulate private funding to ensure a level playing field among parties and candidates.

Regulating private funding underlies a concept of banning or limiting sources or amounts of financing. Sources considered inappropriate and therefore banned include foreign financing, financing from state organisations, such as state owned enterprises, from corporate donations or from trade unions (Figure 2.6). The rationale for limiting the amounts of private donations is related to the extent of influence of single donors on the outcome of elections or on the process of policy making after election day.

Figure 2.6. **Types of banned private contributions in OECD countries**



Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

When private donations play a significant role in political funding, special attention must be paid to understand the extent to which specific sectors or single donors hold a large share in the overall amount of funding. In Brazil, for example, corporate funding responds to 75% of overall campaign costs, and the group of 20 largest donors accounts for more than 30% of all donations from all 20 000 corporate donors. This represents both a considerable share and a high concentration. On the other hand, corporate donations constitute 7% of the annual income of all parties in Germany.

In addition, not all private funding limits shape actual contributions towards more equality. A few countries also linked contribution limits to the income of the donor. Companies in Brazil, for example, can contribute up to 2% of their turnover, while the limit is 10% of income for private citizens. In this case the design of contribution limits makes donors unequal under the law. A citizen with a higher income can contribute more than others who earn less.

Setting the ceiling for donations helps to frame private funding

Many countries also set the maximum ceiling for donations from natural and legal persons to political parties. Such a ceiling plays an important role in understanding the room for manoeuvre for potential policy capture, but it is very difficult to strike the right balance. If the limit is very high, it will have little impact. If the limit is very low, donors, political parties and candidates will find ways to circumvent the limit, most likely through splitting and channelling donations through multiple donors (Table 2.4).

Table 2.4. **Maximum donation ceilings for individuals in selected OECD countries**

	Party	Candidates
Australia	No limit	No limit
Austria	No limit	No limit
Belgium	EUR 500	N/A
Brazil	Yes[1]	Yes[1]
Canada	CAD 1 200 per party	CAD 1 200
Chile	No limit	USD 80 000
Denmark	No limit	No limit
Finland	EUR 30 000	EUR 5 000
France	EUR 7 500	EUR 4 600
Germany	No limit	No limit
Greece	EUR 15 000	EUR 3 000
Hungary	No Limit	No limit
Iceland	EUR 2 720	EUR 2 720
Ireland	EUR 2 500	EUR 1 000
Japan	EUR 146 300	EUR 11 000
Korea	No limit	USD 10 000/5 000
Netherlands	No limit	No limit
New Zealand	No limit	No limit
Norway	No limit	No limit
Poland	Yes[2] -	Yes
Portugal	Yes[3]	Yes[3]
Spain	EUR 10 000	EUR 6 000
Sweden	No limit	No limit
United Kingdom	No limit	No limit
United States	USD 33 400	USD 2 700

Notes:

1. Individuals may contribute up to 10% of their gross income of preceding year.

2. Membership fees to parties limited to equivalent of minimum monthly wage as set for each year, political donations to parties limited to 15x minimum monthly wage

3. Donations from individuals to parties limited to 25x minimum monthly wage as set for each year.

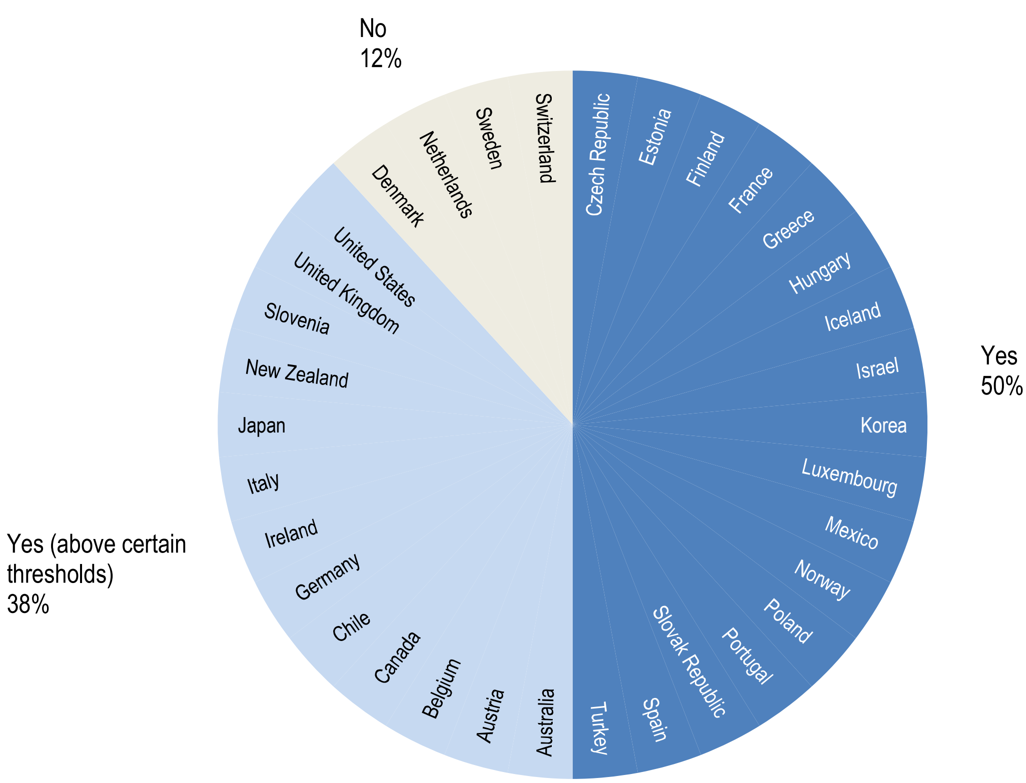
Source: For Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Netherlands, Norway, Poland, Portugal, Spain, Sweden and the United Kingdom: GRECO (n.d.), "Third Evaluation Reports on the Transparency of Party Funding", Council of Europe, www.coe.int/t/dghl/monitoring/greco/evaluations/round3/ReportsRound3_en.asp (accessed on 27 October 2015). For Japan: www.soumu.go.jp/main_content/000174716.pdf (JPY 20 million for party and JPY 1.5 million for candidates, exchange rate as of 12 October 2015). For Australia and New Zealand: IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015). For Brazil, Chile and Korea: case studies in this volume.

In Korea, for example, individuals can donate up to USD 20 000 every year to political fundraising associations. The contribution limit per association is USD 5 000 for National Assembly members and candidates, and USD 10 000 for presidential candidates. In Italy, new legislation introduced a limit on corporate donations to political parties. Under Article 7 of the Law 13/2014, "legal persons' donations in favour of a single political party shall not exceed, in cash or with goods or services of any kind of form, […], a value of EUR 100 000 yearly." This is the first time such a limit was introduced in Italy; however, its relatively generous donation limit raises the question as to whether such a limit serves its purpose to mitigate undue influence on political parties. In France, there is a ceiling of EUR 7 500 per year for all donations paid by individuals to the same political party or regional or specialist entities attached to it, and the donor must be identified.

Most countries ban anonymous donations to limit undue influence

Another source of concern is anonymous donations. Half of OECD countries (17) ban all anonymous donations to parties and 13 countries ban anonymous donations to parties above certain thresholds. In addition, 10 OECD countries ban all anonymous donations to candidates and 14 countries ban anonymous donations to candidates above certain thresholds (Figure 2.7). For example, in Estonia, political parties are not allowed to accept concealed or anonymous donations, nor donations from legal persons. If possible, political parties are to return anonymous donations or donations from legal persons to the donor; otherwise, they have to transfer the donations to the state budget within ten days for addition of the funds to be allocated to political parties in the following budgetary year.

Figure 2.7. **Ban on anonymous donations to political parties in OECD countries**



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Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Regulating private funding remains a very complex matter, as it often generates debate on how to achieve diverging policy objectives: namely freedom of speech versus protecting the public interest through ensuring a level playing field. Furthermore, new ways to circumvent regulations emerge if regulatory loopholes are not addressed (e.g. using membership fees to conceal donations, or rely heavily on loans and consequently on credit institutions).

Membership fees and loans can be used to circumvent limits on private donations

Membership fees to parties can, for instance, also be used to circumvent limits on private donations. For example, in Korea, political parties are only required to disclose the total amount of membership fee collected, therefore there is no way to access the information on party members who paid a large amount of membership fees. According to financial reports submitted by political parties in 2015, the total amount of membership fees collected from party members was USD 52 million, amounting to 25.8% of their total income of USD 201.3 million (Chapter 10).

Aware of such risks, some countries introduced mandatory transparency requirements in relation to membership fees (Box 2.3): in Estonia, for instance, the 2010 reform of political financing regulations, obliged parties to register donations and membership fees separately and to publish them in a public register maintained by the parties on their websites. This public register must include the name and personal identification of the party member paying the fee as well as the amount of the fee and date of payment. In France, membership fees are limited to EUR 7 500 per person.

Box 2.3. **Regulation of membership fees as a source of political party funding in selected OECD countries**

Membership fees and subscriptions have been declining as a source of funding for political parties in recent years. However, many countries do not regulate the amount or frequency of membership fees as a source of party funding, opening potential loopholes to circumvent annual donor limitations by individuals.

In **Iceland**, annual membership fees are capped at a limit of ISK 100 000 (approximately EUR 670) per year.

In **France** and **Ireland**, membership fees are treated as part of overall donations, which are subject to certain ceilings.

In **Poland**, membership fees cannot exceed the amount of one month's minimum wage, which is set each year by the government. In 2015, this amount is equal to EUR 409.*

In **Estonia**, parties are required to declare membership fees separately from donations, and publish them in a public register posted on their websites.

Austria, **Denmark, Finland** and **Germany** are just a few of the countries who have no limitations on the amount or frequency of membership fees that may be paid to political parties.

*Eurostat, available at http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00155&plugin=1.

Other emerging risks are the loans granted to parties/candidates or sponsorships. This may be considered hidden private funding. Countries have defined their own models for regulating this source of funding. In Spain, for instance, the high indebtedness of parties was recognised by the Third Evaluation Round of GRECO (Group of States against Corruption), as a challenge to the independence of parties' *vis-à-vis* credit institutions. The Spanish Court of Audit - also a main institution responsible for the control of party funding, but with non-binding recommendations - had already highlighted this risk to parties in particular as it observed many irregularities in the management of the loans granted to parties.[2] Turkey, on the other hand, has simply forbidden parties from borrowing money or taking loans. In Italy, while taking loans is not forbidden, all candidates to the national parliament and regional councils need to include the debts incurred for campaigning in the accounting report and elections statement that they need to provide to the Board of Comptrollers.

Globalisation further complicates the regulation of foreign money and interests in ensuring a level playing filed

Political parties and candidates need to be responsive to their constituents and not influenced by foreign interests. Too much foreign interference in elections is a danger to a country's sovereignty. While 68% of OECD countries ban donations from foreign interests to political parties and 56% of them also ban such donations to candidates, much variation exists across OECD countries in terms of regulatory scope of foreign donations (Table 2.5).

For example, while Australia permits foreign contributions subject only to a reporting requirement, Mexico does not allow Mexican citizens living abroad to make donations from abroad. Germany prohibits donations from aliens outside of the European Union if the donation exceeds EUR 1 000. Contributions from foreign corporations are also prohibited in Germany. In France, foreign states or foreign legal entities cannot make direct or indirect donations to political candidates or parties. Foreign individual contributions are prohibited in Israel in the general election but permitted in primaries. The United Kingdom prohibits the receipt of contributions from abroad, other than from British citizens living overseas who are still eligible and registered to vote. In Sweden, receiving money from a foreign donor or someone acting on behalf of a foreign donor is a criminal offence if the purpose is to influence public opinion in matters fundamental to the governance of the country or a matter of national security.

Table 2.5. **Bans on foreign donations to political parties in OECD countries**

	Ban on foreign donations to political parties	Details
Austria	No	
Austria	No	However, donations from foreign natural or legal persons must not exceed EUR 2 500.
Belgium	No	
Canada	Yes	
Chile	Yes	Ban does not apply to foreign natural persons who are registered to vote in Chile.
Czech Republic	Yes	
Denmark	No	
Finland	Yes	Ban does not apply to donations from foreign individuals or international organisations that share the ideological stance.
France	Yes	
Germany	No	There is however a limit on how much foreigners may contribute, which is EUR 1 000 (approximately USD 1 200).
Greece	Yes	
Hungary	Yes	
Iceland	Yes	
Ireland	Yes	
Israel	Yes	
Italy	No	
Japan	Yes	
Korea	Yes	
Luxembourg	No	
Mexico	Yes	Not even Mexican citizens living or working in other countries are allowed to make contributions from abroad.
Netherlands	No	
New Zealand	No	Ban applies to “overseas donations” exceeding NZD 1 600 (approximately USD 1 000).
Norway	Yes	
Poland	Yes	
Portugal	Yes	
Slovak Republic	Yes	Ban does not apply to foreign political parties, groups of political or legal persons established or owned in majority by a political party.
Slovenia	Yes	
Spain	Yes	
Sweden	Yes	Receiving money from a foreign power or someone acting on behalf of a foreign power is a criminal offence if the purpose is to influence public opinion in matters fundamental to the governance of the country or a matter of national security (within the purview of parliament or the government).
Switzerland	No	Ban does not exist on the federal level. The Cantons may however institute their own regulations.
Turkey	Yes	
United Kingdom	Yes	In the UK system a donation to a political party is defined as a contribution exceeding GBP 500 (approximately USD 820). Foreigners cannot make donations since they are not listed as permissible donors, except where they support international travel, accommodation or subsistence or subsistence by party officers/staff (as long as the amount is “reasonable”).
United States	Yes	

Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Despite wide variety of regulations on foreign donations, there are still cases in which foreign interests might have unduly exerted influence over national interests. For example, it was revealed that “anti-Islam groups in the United States have provided financial support to Dutch politician, Geert Wilders, an anti-immigration campaigner.

While this is not illegal in the Netherlands, it sheds light on the international connections of Mr. Wilders, whose Freedom Party is the least transparent Dutch parliamentary group and a rallying point for Europe's far right. Wilders' party is self-funded, unlike other Dutch parties that are subsidised by the government. It does not, therefore, have to meet the same disclosure requirements" (Deutsch and Hosenball, 2012). According to the same source, a director of the Philadelphia-based think tank, said his organisation provided Mr. Wilders' legal defence fund in 2010 and 2011. It sent an undisclosed amount of money directly to his lawyer. Another conservative activist also admitted that he paid Wilders "a good fee" for making speeches in the United States. The same activist also paid for security costs and for hotel accommodations for Wilders' Dutch bodyguards in 2009. Both "denied funding Wilders' political activities in the Netherlands. Both run non-profit, tax-exempt research and policy organisations which, under US tax laws, are forbidden from giving direct financial backing to any political candidate or party. US law does allow such groups to support policy debates financially. Wilders has not revealed how his political activities are paid for. Former Freedom Party officials have said he has no personal funds and relies almost entirely on foreign donations" (ibid.).

Globalisation of corporate donors blurs national borders and its regulation becomes difficult

Where bans on foreign funding do exist in many OECD countries, money-laundering schemes and a variety of other techniques are often used to evade them. This is a particularly challenging area for enforcement agencies, as a number of ways exist for wealthy foreign individuals and corporations to make contributions to a political party or candidate without violating prohibitions in place. Globalisation of corporate structures makes it difficult to prevent foreign nationals from participating in a country's elections as long as private money is part of the financing mechanism for political campaigns. Some notorious ways of evading foreign funding bans include setting up branches of the political party disguised as other organisations, such as think tanks or party foundations, sometimes referred to as "offshore islands" of political parties. In other cases, foreign donors and political parties may simply be able to take advantage of a loose definition of "foreign" in the prohibition (IFES, 2009).

The globalisation of large firms' organisational structures allows foreign nationals to influence a country's elections in direct and indirect ways. Many of these firms do business abroad through foreign subsidiaries and/or partnerships with foreign companies. Firms are linked together through mergers and partnerships into global networks that share information, engage in long-term contracts, and work within host countries to create and protect opportunities for other firms within the network. Through these processes, foreign nationals can become part of the internal decision-making apparatus of domestic firms. Moreover, many of the foreign firms are companies operated by wealthy families with close ties to foreign governments (Deutsch and Hosenball, 2012; Weinberg, n.d.).

For example, global corporations spent millions to influence the outcome of the US presidential and congressional elections in 2012. Records show that scores of banks, liquor manufacturers and telecom companies outside the United States directed USD 18.1 million to the 2012 US elections and likely much higher amounts through other means that are not traceable. Non-US companies circumvented election laws by creating political action committees (PACs) through their US subsidiaries and by asking their US employees to donate. While it is not possible to know the extent to which foreign parent companies are driving campaign donations, some US subsidiaries were highly active contributors (Table 2.6). UBS, Swiss banking group, donated USD 861 500 in total.

Anheuser-Busch, which is now owned by the Belgium-based beer giant InBev, gave USD 806 381 while BAE Systems, a UK defence contractor, gave USD 747 000. Under US regulations, foreign companies are not supposed to direct or influence the PAC of a US subsidiary. But in practice, it is virtually impossible to ensure that these US subsidiaries are truly independent of their foreign parenting firms.

Minimising the dangers of foreign interference in politics remains problematic. While public funding can be a useful tool to reduce the interference of foreign interests, it should not replace private funding from those who favour a certain political party or candidate. It is crucial to remember that political parties and candidates are supposed to compete with each other for the support of the voters. Only allowing public funding would be to treat political parties as public institutions, and such an approach could potentially give the state a biased incentive to treat ruling parties more favourably, reinforcing inequality rather than promoting a level playing field. Striking the right balance between public and private funding remains critical.

Table 2.6. **Top 20 US campaign donations from foreign-owned firms in 2012**

	PAC name	Country of origin	Total	Democrats	Republicans
1	UBS Americas	Switzerland/UBS AG	USD 861 500	USD 461 500	USD 400 000
2	Anheuser-Busch	Belgium/Anheuseur-Busch InBev	USD 806 381	USD 361 381	USD 445 000
3	BAE Systems (BAE Systems)	UK/BAE Systems	USD 747 000	USD 286 000	USD 461 000
4	AstraZeneca Pharmaceuticals (AstraZeneca PLO)	UK/AstraZeneca FLC	USD 640 452	USD 296 952	USD 343 500
5	GlaxoSmithKline	UK/GlaxoSmithKline	USD 521 250	USD 239 000	USD 282 250
6	Credit Suisse Securities	Switzerland/Credit Suisse Group	USD 519 000	USD 239 500	USD 279 500
7	T-Mobile USA	Germany/Deutsche Telekom AG	USD 473 500	USD 198 500	USD 275 000
8	Bayer Corp	Germany/Bayer AG	USD 470 000	USD 150 000	USD 320 000
9	Experian	UK/Experian plc	USD 426 000	USD 99 500	USD 326 500
10	BASF Corp	Germany/BASF SE	USD 411 500	USD 118 500	USD 293 000
11	DRS Technologies	Italy/Finmeccanica SpA	USD 405 300	USD 173 000	USD 232 300
12	Novartis Corp (Novatis AG)	Switzerland/NovartisAG	USD 330 200	USD 130 500	USD 199 700
13	Sprint Corp (Sprint Nextel)	Japan/Softbank Corp	USD 312 306	USD 151 500	USD 160 806
14	Accenture (Accenture)	Ireland/Accenture plc	USD 304 500	USD 160 000	USD 144 500
15	Siemens Corp	Germany/Siemens AG	USD 290 000	USD 138 500	USD 151 500
16	Ace INA	Switzerland/ACE Ltd	USD 281 500	USD 121 500	USD 160 000
17	Rolls-Royce North America	UK/Rolls-Royce PLC	USD 272 250	USD 73 500	USD 198 750
18	Genentech Inc (Roche Holdings)	Switzerland/Roche Holdings	USD 269 500	USD 134 000	USD 135 500
19	Syngenta Corp	Switzerland/Syngenta AG	USD 255 000	USD 90 500	USD 164 500
20	Compass Bancshares	Spain/Banco Bilbao Vizcaya Argentaria	USD 249 500	USD 62 000	USD 187 500

Source: Center for Responsive Politics (n.d.), "Foreign-connected PACs", www.opensecrets.org/pacs/foreign.php?cycle=2012 (accessed on 27 October 2015).

Spending limits for election campaigns: Promoting integrity and fairness or a limitation of political expression?

Setting spending limits for parties or candidates during electoral campaigns contributes to reducing the overall cost of elections and prevents a spending race between political parties and between candidates. Spending limits could limit the incentives for undue influence and corruption stemming from high expenditures. On the other hand, opponents of spending limits argue that spending money on political campaigns falls under the fundamental freedom of free speech, and that any limitation of spending equals a limitation of political expression. In 2010, the US Supreme Court ruled in this sense in Citizens United vs. Federal Election Commission. Research has also shown that resources are more important for challengers than for incumbents. Consequently, spending limits may only establish equality formally, while *de facto* causing a disadvantage for challengers who need more funds to unseat an incumbent candidate.

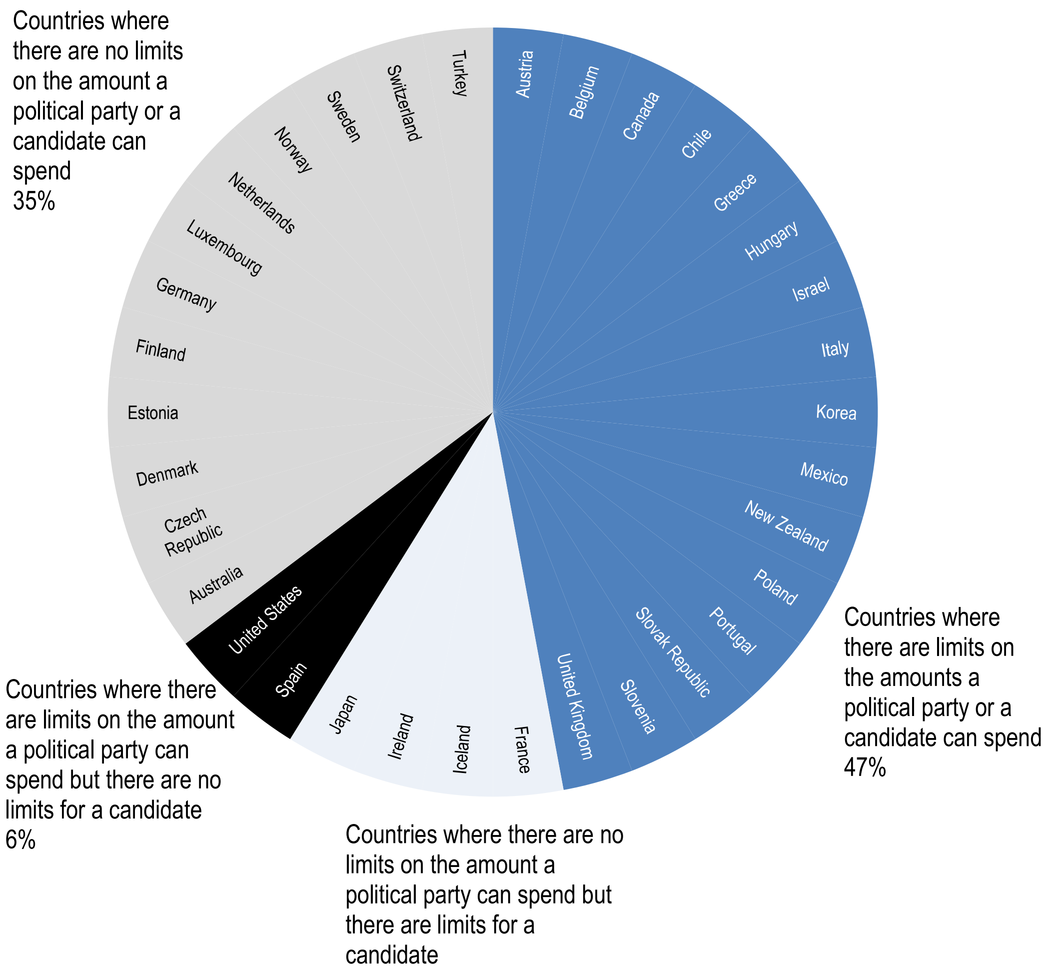
There are no limits in 35% of OECD countries on the amounts a political party or candidate can spend. Some 47% of OECD countries have introduced spending limits for both political parties and candidates. On the other hand, 12% of OECD countries only limit the amount a candidate can spend, but not political parties, and 6% limit spending by political parties, but not candidates (Figure 2.8). For example, in France, Iceland, Ireland, and Japan, there are spending limits on the amount a candidate can spend, but no limits for political parties. In Spain and the United States, there are spending limits for political parties, but not for candidates (Table 2.7).

In order to reflect the change the socio-economic circumstances, some countries also set different amount of spending limits for every election. For example, in Korea, spending limits for every election are calculated in consideration of voter population, number of constituencies and the inflation rate. In addition to overall spending limits, some countries also place spending limits on particular items and services. For example, Brazil, Chile and Mexico, among others, ban or restrict political party spending on TV advertisements.

The definition of third-party campaigning is subject to debate, and its regulation remains challenging in many countries

An emerging challenge to spending limits is to effectively apply restrictions on third-party spending. If not, the limits will be evaded by re-channelling election spending through supposedly independent committees and interest groups. Third-party campaigners are sometimes referred as non-party campaigners and may include charities, faith groups, individuals or private firms that campaign in the run-up to elections, but do not stand as political parties or candidates. Where spending on certain campaigning activities can be seen as reasonably intended to influence voters to vote for or against a political party or a category of candidates, there should be rules that apply. Only a few OECD countries currently have regulations for third-party campaigning (Table 2.8). In practice, the activities of many private firms and other organisations and their political impact are often difficult to measure precisely; therefore, there is a grey area as to what kind of political activities should be subject to third-party campaigning regulation (Box 2.4).

Figure 2.8. **Spending limits for candidates and political parties in OECD countries**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Table 2.7. **Spending limits for political parties and candidates in OECD countries**

	Limits on the amount a political party can spend	Limits on the amount a candidate can spend
Australia	No	No
Austria	EUR 7 million per party[1]	In theory, EUR 7 million, if no other candidate of the party, nor the party, spends any funding.[2]
Belgium	EUR 1 million per campaign	Depends on candidate's position on the nomination list; limit includes fixed amount and amount for registered voter in previous election.
Canada	CAD 0.70 (EUR 0.49) multiplied by number of names on the electoral list(s)[3]	Based on the number of names on the preliminary or revised lists of electors for each electoral district. The limit is adjusted for inflation.
Chile	One-third of the overall amount of the expenses allowed to its nominated candidates	Varies from office to office, but in every case is set according to a formula clearly set forth in the law.
Czech Republic	No	CZK 40 million (EUR 1.45 million) for presidential elections (first round), and CZK 10 million (EUR 361 000) for presidential run-off elections.
Denmark	No	No
Estonia	No	No
Finland	No	No
France	No[4]	Depends on the kind of election and the population of each constituency
Germany	No	No
Greece	20% of the most recent total annual amount of regular public funding received	- Local elections: Based on the number of seats in their respective constituency or population in the relevant prefecture or municipality. - Parliamentary elections: Based on the amount applicable for the candidates for the election in the A'Electoral Region of Athens.
Hungary	HUF 1 million (EUR 3 270) per candidate for independent candidates and nominating organisations on elections. Thus, party expenditure cannot exceed HUF 386 million (EUR 1.26 million).	Independent candidates may spend maximum HUF 1 million (EUR 3 270) on the elections.
Iceland	No	ISK 35 million (EUR 226, 000) (presidential candidates); ISK 100 000 (EUR 646) (candidate nomination)[5]
Ireland	No	- European election: EUR 230 000 - 3-seat constituency at a Dáil general or by-election: EUR 30 150 - 4-seat constituency at a Dáil general or by-election: EUR 37 650 - 5-seat constituency at a Dáil general or by-election: EUR 45 200
Israel	Election expenses may not exceed 70 financing units. Limits also vary depending on how many Knesset members a party has on the determining day (101st day before elections).[6]	The limit applies to the candidates party
Italy	EUR 1 per vote cast to a party for the elections to the Chamber and EUR 1 per vote cast for the Senate elections.	EUR 52 000 plus EUR 0.1 per citizen in the electoral district, in addition to the limit for political parties
Japan	No	Limit varies depending on registered voters in constituency and type of election
Korea	Multiple of population size in electoral area; multiple varies per type of election.	Limit is a multiple of the population size in each electoral area; multiple varies per type of election
Luxembourg	No	No
Mexico	Limit varies for each federal public office[7]	Limit varies for each federal public office
Netherlands	No	No
New Zealand	NZD 1.07 million (EUR 666 855) plus NZD 25 000 (EUR 15 652) per district contested[8]	NZD 25 000 (EUR 15,652) for general elections; NZD 50 000 (EUR 31 300) for by-elections[9]
Norway	No	No
Poland	Based on the number of voters and (for legislative elections) number of seats per constituency	Depends on the number of seats and registered voters in each district
Portugal	From 150 to 12 500 minimum monthly wages depending on election type	80% of 10 000 minimum monthly wages for first round, 80% of 2 500 minimum monthly wages for run off round.
Slovak Republic	Limit of SKK 12 million for political parties on advertising	EUR 132 775 for presidential candidates

Table 2.7. **Spending limits for political parties and candidates in OECD countries *(continued)***

	Limits on the amount a political party can spend[10]	Limits on the amount a candidate can spend
Slovenia	Limit is based on the number of eligible voters; exact limit depends on the type of election	Depends on the type of election
Spain	General elections: EUR 0.24 per resident in the electoral districts where the party presents its list. European Parliament elections: EUR 0.12 per resident. Municipal elections: EUR 0.07per resident. Additional EUR 96 162 for each province where the political party meets certain conditions.	No
Sweden	No	No
Switzerland	No	No
Turkey	No	No
United Kingdom	GBP 30 000 (EUR 37 500) per constituency or GBP 810 000 (EUR 1.01 million) (England), GBP 120 000 (EUR 150 000) (Scotland) and GBP 60 000 (EUR 75 000) (Wales), whatever is the greater (GBP 30 000 [EUR 37 500] per constituency in Northern Ireland).	Fixed amount combined with amount per registered voter, exact amount depends on the type of constituency, and is higher if Parliament has sat for over 55 months.
United States	Limit for co-ordinated expenditure is USD 0.02 (EUR 0.016) multiplied by the voting age population of the United States	No[11]

Notes:

1. If the same list of candidates is supported by two or more political parties, the maximum amount shall apply to the aggregated expenses of those parties.

2. The total campaign expenditure limit of political parties is EUR 7 million. In this, all individual candidates' campaign expenditures are included, which means that the theoretical spending limit of a candidate is EUR 7 million. If, however, a candidate spends EUR 15 000 or less, this will not count toward the party's limit.

3. The limits for political parties are calculated according to a formula based on the number of names on the preliminary or revised lists of electors for each electoral district. For a party, the electoral districts are those in which the party has endorsed confirmed candidates. The amount is adjusted for inflation and the base figure with which the names are to be multiplied is CAD 0.70.

4. No general ceiling on expenses for political parties fixed before the elections. Political parties must only respect the ceiling on expenses that is applied in each constituency where they endorse candidates. On the other hand, candidates have to declare the amount of money that comes from political parties.

5. Limit introduced for presidential candidates in 2010. General limit only relates to the internal selection process (primaries).

6. A "financing unit" is an amount designated by the Finance Committee of the Parliament.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

7. The limit for the presidential race is equal to 20% of the public funding allocated to all political parties for campaign expenses. Candidates for the lower chamber may spend 1/300th of the limit set for presidential candidates (equals the funding limited divided by the number of lower chamber seats), and senate candidates may spend the amount set for the lower chamber multiplied by the number of districts in the area for which they are campaigning (not to exceed 20x the amount set for the lower chamber).

8. The Governor-General can set the limit to another amount.

9. The Governor-General can set the limit to another amount.

10. There is a limit of SKK 12 million for political parties on advertising and campaigning expenses. Note that although the euro was introduced in 2009, the law does not discuss the method and rate of exchange from the original 1994 amount in SKK.

11. The expenditure limits is only applicable to candidates (presidential and for federal office) who accept public funding in the general election. Candidates who accept public funding must limit spending to the amount of the grant.

Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Table 2.8. **Examples of third-party campaigning regulations in selected OECD countries**

	Regulation of third parties	Regulating body	Method of regulation
Canada	Yes	Chief Electoral Officer in Canada (Elections Canada)	Expenditures of CAD 500 or more on advertising[1] must file a Third-Party Election Advertising Report; Statutory limited on third party expenditures[2]
Ireland[3]	Yes	Standards in Public Office Commission (Standards Commission)	Donation thresholds, restrictions, and registration requirements
Slovak Republic[4]	Yes - presidential elections only	Ministry of Finance	Reporting – publishers or distributors or advertising firms who do so for the benefit of a candidate must report it to the Ministry of Finance within 30 days after election
United Kingdom[5]	Yes	Electoral Commission	Statutory limits on expenditures of third parties; Obligatory reporting of expenditures: GBP 20 000 in the United Kingdom, GBP 10 000 in Scotland, Wales or Northern Ireland[6]
United States	Yes	Federal Election Commission (FEC) (political committees, candidates) Department of Treasury Internal Revenue Service[7] (501[c] non-profit organisations, 527 political committees)	Registration;[8] Obligatory reporting of expenditures of political action committees[9] Public reporting required for non-profit organisations and certain political committees Certain types of expenditures must also be reported to the FEC

Notes:

1. Canada Elections Act (S.C. 2000, c. 9, Section 349).

2. Elections Canada (n.d.), "Third party election advertising expenses limits", www.elections.ca/content.aspx?section=pol&document=index&dir=thi/limits&lang=e (accessed on 27 October 2015).

3. See GRECO Second Compliance Report on Ireland (2013) – pg. 7, paragraph 33. www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3%282013%2910_Second_Ireland_EN.pdf

4. GRECO report on the Slovak Republic (2008) – pg. 12, paragraph 49-50. www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282007%294_Slovakia_Two_EN.pdf

5. Political Parties, Elections and Referendums Act, §§ 85-94.

6. Electoral Commission (n.d. a), "Introduction for non-party campaigners", www.electoralcommission.org.uk/__data/assets/pdf_file/0008/169451/intro-campaigner-npc-ukpge.pdf (accessed on 27 October 2015).

7. IRS (n.d.), "Tax Information for Political Organizations", www.irs.gov/Charities-&-Non-Profits/Political-Organizations (accessed on 27 October 2015).

8. FEC (n.d. a), "Quick answers to PAC questions", www.fec.gov/ans/answers_pac.shtml (accessed on 27 October 2015).

9. FEC (n.d. b), "Independent expenditures", www.fec.gov/info/report_dates_2015.shtml#ie (accessed on 27 October 2015).

Box 2.4. **Third-party campaigning during the 2015 parliamentary elections in Estonia**

Another emerging challenge for oversight concerned the appearance of stealth campaigning by third-party groups during the 2015 parliamentary elections. In January 2015, a conservative civil society organisation distributed across several regions of Estonia flyers calling on voters not to vote for a number of candidates, who in the previous parliament had voted in favour of a same-sex partnership law. At the same time it encouraged voters to vote for three particular candidates, who had opposed the partnership law.

While the first aspect of the flyer (i.e. negative advertising) did not breach any element of campaign financing law, the second dimension in which the foundation was providing positive advertisement for certain candidates did. Under Estonia law this could be considered an illegal campaign contribution, which the candidate in question would have to pay back to the foundation. When asked about this incident by the press, the foundation claimed that it was operating merely as a civil society actor wanting to promote a political message. However, because foundations are also legal persons in Estonia, the group was already in violation of this provision of Estonian law (that bans legal entities from making campaign contributions). And even if it claimed that it was distributing its flyers without any active knowledge or help from the candidates concerned, Estonian law holds the candidates accountable, not the foundation.

The case raised vexing issues in terms of whether candidates in the future might be vulnerable to having non-party groups suddenly campaigning for them without their approval. In August 2015, the Estonian Party Financing Supervision Committee (EPFSC) asked the Estonian police to charge the foundation with a misdemeanour offence based on the financing law infringements. However, the police authority denied the request, maintaining that because the foundation had included all of the major parties running for parliament on its flyer, this could not be seen as favouring any one of them and therefore could not be considered as campaign advertising. This issue remained unresolved.

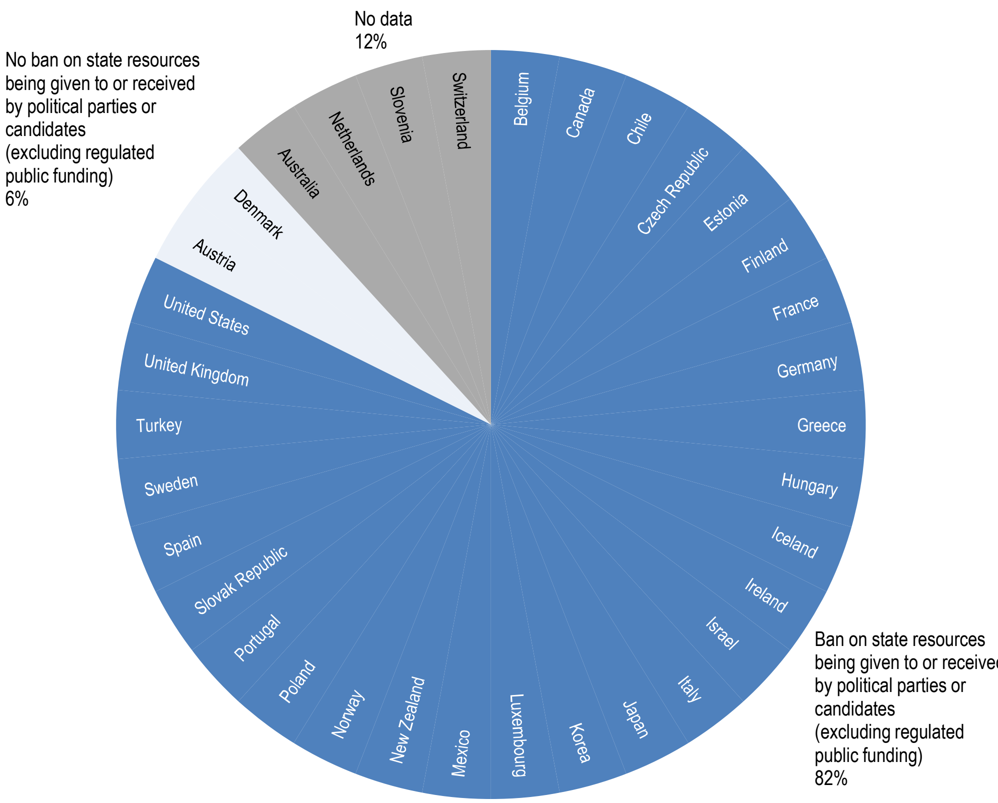
Note: For more details, see Chapter 8 in this report.

In the United Kingdom, the Electoral Commission requires individuals or organisations that spend or plan to spend more than GBP 20 000 in England or GBP 10 000 (each) in Scotland, Wales or Northern Ireland on regulated campaign activities during a regulated period to register as non-party campaigners. If they register with the Electoral Commission, they will have a higher spending limit. The spending limits will depend on which election they are campaigning in and once they are registered, there are rules they must follow on donations, spending and reporting. For the 2015 general elections, the spending limit for a particular constituency is set at GBP 9 750. A register of non-party campaigners is made public on the UK Electoral Commission website. For example, as of 7 May 2015, there were 66 registered non-party campaigners (Electoral Commission, n.d. b).

Abuse of state resources presents a risk to the level playing field, but most OECD countries limit privileged access to state resources by the incumbents

The already unequal level between the incumbent and a challenger can be further affected by the misuse of state resources by the incumbent. Abusing government resources to promote re-election of those in power, or unilaterally subsidising political parties, jeopardise the level playing field. The abuse of resources includes government officials using official vehicles during campaigns, printing campaign material in national printing offices or holding party meetings and rallies in official precincts. In the case of incumbent officeholders running for re-election, abuse of public resources includes office staff working for the campaign and travel costs being billed as expenses. Some 82% of OECD member countries have banned state resources being given to, or received by, political parties or candidates, excluding regulated public funding (Figure 2.9).

Figure 2.9. **OECD countries that ban state resources being unevenly given to, or received by, political parties or candidates (excluding regulated public funding)**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

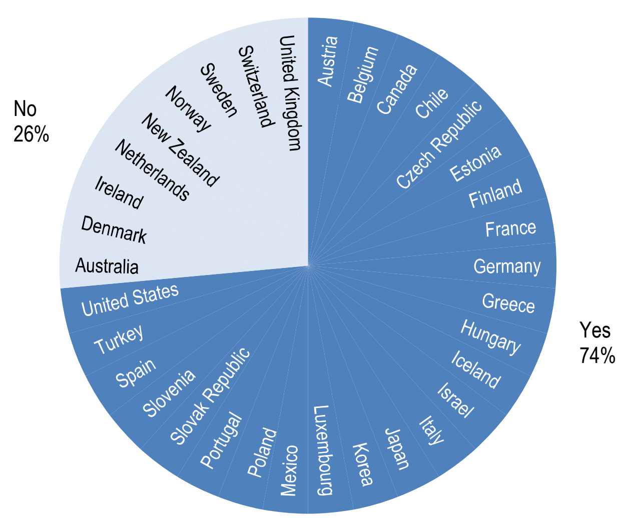
Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

While the debate on solution for abuse of resources tends to focus on legal measures, it is important to take into account underlying historic and structural factors. In countries where one-party regimes were in place for a long time, the separation between the state and the ruling party is often still blurred. Regulatory measures like bans and limits for the government to use state vehicles, mobilise public servants or limit public propaganda may fall short of solving the problem.

Some countries employ specific and targeted measures to prevent the government from abusing its advantage for re-election. There are bans on disproportionate government spending on advertising before elections, hiring new public servants, and signing public contracts.

Since communication is a key asset in election campaigns, public advertising is a target for abuse during election campaigns. One indicator for abuse of public advertising for electoral purposes is increased spending on government advertising in election years. Many countries limit or ban political advertisement in media before and during elections. For example, Japan tightly controls campaign advertisements for candidates. They are paid for by the government and candidates are not allowed to purchase their own advertisements. The number and type of candidate advertisements are also limited, including the size of newspaper advertisements, and length of television and radio advertisements. Campaign advertisements can only be broadcast during the two-week official campaign period and are closely monitored for violations of election law. As for mitigating risks related to public contracting, 74% of OECD countries ban donations from corporations with government contracts or partial government ownership to political parties (Figure 2.10). In the United States, it is prohibited for a contractor that provides goods and/or services to the federal government or any affiliated department or agency to make any contribution to any political party, political action committee or candidate in connection with a federal election.

Figure 2.10. **OECD countries that ban donations from corporations with government contracts or partial ownership to political parties**



Note: The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source: Adapted from IDEA (n.d.), *Political Finance Database*, www.idea.int/political-finance/ (accessed on 27 October 2015).

Much variation also exists in terms of regulatory scope to ban donations from these corporations. Austria prohibits donations from corporations if the state holds a share of at least 25%. In Chile, a ban applies to cases where the amount of the contract represents more than 40% of the annual revenue of the corporation.

It is interesting to note that the combination of spending limits and the abuse of state resources may lead to unintended consequences. If there is a limit on permitted spending by candidates in parliamentary election campaigns and if incumbent legislators are able to use public funds supposedly to carry out their duties to their constituents, but in practice to campaign for their votes, there will be a double unbalanced effect. First, incumbents will obtain public funds while the challengers will not; second, the incumbents will be able to escape the spending limit by funding activities designated as “carrying out their legislative duties” while challengers will be unable to spend in parallel even if they are able to raise the funds to do so (Pinto-Duschinsky, 2013).

The issue of the use of public resources for partisan purposes reaches beyond central governments to legislatures, local government authorities and elected mayors and councillors, and other public bodies as well as state governments in countries with federal systems. Underlying facts related to privileged access to state resources still need to be understood, such as the incumbency factor or incumbency advantage which entails that political parties have privileged access to certain public resources, thus distorting the level playing field among all parties and candidates.

Notes

1. For a more detailed discussion on political finance regulations in OECD countries, see OECD (2013).
2. Recommendation i. “GRECO recommended to take appropriate measures to ensure that loans granted to political parties are not used to circumvent political financing regulations” (Paragraph 74).

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