

FINANCING POLITICAL PARTIES IN GHANA: POLICY GUIDELINES



CDD - GHANA

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LIST OF ACRONYMS

APFFI:	Africa Political Party Finance Initiative
BNI:	Bureau of National Investigations
CDD:	Ghana Center for Democratic Development
DFID:	Department for International Development
EC:	Electoral Commission
IEA:	Institute of Economic Affairs
IRS:	Internal Revenue Service
IPAC:	Inter Party Advisory Committee
MP :	Member of Parliament
NGOs:	Non – Governmental Organizations
NDI:	National Democratic Institute
SFO:	Serious Fraud Office
UK:	United Kingdom

PREFACE

The proposed policy guidelines for financing political parties in Ghana are informed by an analysis of the results of a nationwide study, supplemented by insights from public forums, a media campaign, political party debates, and a workshop on the financial and legal implications of party financing. The document offers broad policy guidelines and recommendations regarding internal party reforms and party governance, including the need to strengthen transparency, accountability, and financial disclosures by political parties as well as stricter enforcement of existing regulations.

The core of the guidelines is a series of carefully reasoned recommendations. Action on these recommendations is considered essential to creating an environment conducive to the development of public confidence in political parties and support for their financing arrangement that reflects a partnership between the state, political parties, the public and civil society. This is complemented by the elaboration and critical analysis of a number of policy choices that essentially respond to the issue of *who gets what, when and how*.

It is important to note that the recommendations are aimed not just at government and relevant agencies but also at political parties and other key stakeholders such as Parliament, civil society, the media and Ghana's development partners. In short, these guidelines are intended to inform eventual legislation and policies on political party financing in Ghana.

Chapter One: INTRODUCTION

Multiparty democracy in Ghana's post-independence era that began in 1957 was undermined steadily and effectively replaced by the promulgation of the first Republican Constitution of 1960 that imposed a one-party state, and by the subsequent military interventions in the nation's politics. Between 1966 when the first military coup occurred and the adoption of the Fourth Republican Constitution of 1992, five military regimes ruled the country, punctuated by two brief periods of elective politics in 1969-1972 and 1979-1981. The twelve-year long uninterrupted democratic governance in Ghana, beginning in 1993, is a major political achievement that seems to herald a renaissance in party politics.

The extended periods of military dictatorships stunted political party development in Ghana. Not only were the parties proscribed during these periods, but also other sectors of society that nurture political development were equally suppressed. For example, the proscription of political parties included restrictions on the fundamental political right of free association, speech and assembly. Media freedoms were curtailed, the state-owned media were strictly controlled and draconian libel laws dampened the few independent media that existed. Civil society organizations were either co-opted, pliable or disbanded outright if they did not conform. Consequently, viable political parties capable of sustaining multiparty politics were slow to develop and be institutionalized and nurtured.

Adding to the problem of political party development is the domination of parties by a few individuals, weak internal structures, and the generally poor organizational capacities. Strong individual personalities, usually termed "founding fathers," who invariably treated the parties as personal fiefdoms have dominated the political party process. In the event, the internal structures of the parties have been weak, having lacked internal democracy, transparency and accountability and the dynamism capable of creating strong bonds with their supporters. These conditions have weakened the capacity for policy formulation, broad-based interest articulation, representation, and membership mobilization for the generation of funds for party work.

Inadequate funding or lack of finances is largely to blame for the weaknesses of political parties in Ghana and the problem is worse for parties in opposition. While ruling parties take advantage of the power of incumbency in the absence of laws or regulations that distinguish between the party and the state, the opposition parties suffer the consequent uneven political playing field. The Constitution of 1992 addresses the problem but only partially by guaranteeing all political parties equal access to the state-owned

media during election seasons. Additional support has come from the state to the parties through the Electoral Commission that provides a limited number of vehicles. Indirect support for the parties has also come through tax exemptions and some nongovernmental and donor organizations that offer training and logistics support.

To date, political parties in Ghana have resorted to four principal sources to generate revenue. These are: (1) seed money provided by the founding members of the party, (2) membership dues, (3) donations by well-wishers and (4) fund raising activities. The general consensus is that these sources of funding are inadequate. Indeed, the political parties themselves, especially those in the opposition, routinely trumpet insufficient funding as the main problem facing them. Seemingly, the financial weakness of the parties accounts for the lack of political party dynamism and encourages the abuse of incumbency, political patronage and corruption that, in turn, undermine political party competitiveness, thereby undermining the entire system of alternating governments through democratic elections.

The Background

Several forums have been held to debate the financing of political parties since the 1992 elections. The key concerns have been how to build viable parties in order to sustain multiparty democracy and whether state funding is desirable. An important milestone in the debate was reached in 2003 when in an address to leaders of the registered political parties and other stakeholders the President of the Republic, Mr. John Agyekum Kufuor, endorsed the view canvassed by many that political parties must be partially, if not fully, funded through budgetary allocations. He hastened to add, however, that the real challenge remained “when, how and how much.”

In addition to the unresolved issues of when, how and how much, are significant questions regarding public support for state funding of political parties. The apparent acceptance of the need for state funding seems to be largely confined to Ghana’s political class in general and party leaders in particular. It would be misleading to assume that the average Ghanaian would agree that it is the business of the state to finance political parties. Indeed, some have argued that the time is not ripe for state funding, given the chronic huge gaps in financing the nation’s key social sectors such as education, health and utilities, not to mention the current levels of perception of corruption in the country in general and within political parties in particular.

It is to contribute to the debate and provide informed data for policy-making that the Ghana Center for Democratic Development (CDD-Ghana)

participated in the Africa Political Party Finance Initiative (APFFI) pilot project in 2004. The project sought to achieve five major objectives:

- To promote good governance and a sustainable democratic political system.
- To raise awareness and promote debate on the issue of political party financing.
- To identify the gaps, challenges and solutions to the issue of political party financing.
- To help build a national consensus regarding the best approaches to financing political parties in Ghana.
- To enable the political parties to function effectively and competitively on an equal and equitable basis under good governance principles.

To achieve the stated objectives, two parallel surveys, the elite¹ and the household (mass), were conducted during the month of May 2004. The elite survey included 92 respondents comprising party executives at the national, regional and constituency levels, Members of Parliament (MPs), and public servants selected nationwide. The household survey comprised a national randomly selected sample of 600 respondents aged 18 years and above.

As indicated earlier, one primary objective was to increase awareness and promote informed national discussion on the issue of political party funding. To meet this objective, a Civil Society Coalition was formed, bringing together representatives from twenty-four (24) groups including human rights organizations, organized labor, gender advocacy groups, teacher organizations, student and youth organizations, legal and professional bodies, business associations, and religious organizations to advise on the project. Under the auspices of the Coalition, five regional forums were held in Bolgatanga (Northern and Upper East Regions), Wa (Upper West Region), Ho (Volta and Eastern Regions), Kumasi (Ashanti and Brong Ahafo Regions), and Takoradi (Western and Central Regions). A media campaign to increase public awareness and debate, and a workshop to address the financial and legal implications of public financing, were also conducted.

The project benefited from the findings of the consultative forums on financing political parties and the electoral process in Ghana sponsored by the Electoral Commission in collaboration with the KAB Governance Consult in 2003. The findings of the pre-election and abuse of incumbency monitoring

¹ Individuals considered well informed and knowledgeable about the subject matter and whose views are generally respected and could influence public opinion.

of the 2004 elections also informed the project. Finally, the project gained from the growing body of academic literature on the subject of political party financing worldwide, including IDEA's *Handbook Series on Funding of Political Parties and Election Campaigns*.

Chapter Two: KEY ARGUMENTS FOR AND AGAINST PUBLIC FUNDING²

What are the central arguments for and against public funding of political parties in a democratic system? Advocates of public funding put forward three broad arguments. They are:

- *Reduction in inequality* – Public funding provides a more even “playing field” for the parties. The advantages of incumbency and greater financial resources for the ruling party are reduced; all the candidates and parties would therefore have the political space to concentrate and offer their views on how to solve the problems facing the country.
- *Reduction in corruption* – Partly because of accounting and reporting requirements, public funding reduces the temptation for political parties to accept illegal contributions, to accept donations in exchange for favors, to use money for activities like vote-buying, to use state resources in conducting election campaigns, or any number of corrupt political practices.
- *Reduction in special interest influence* – Public funding reduces the temptation for political parties to accept “interested money,” by which a party becomes disproportionately influenced by a small minority of people. By reducing the influence of special interests in a political system, the interests of the majority are better represented.

By contrast, OPPONENTS of public funding of political parties argue as follows:

- *Inappropriate use of public resources* – It is inappropriate for the government to spend large sums of money on political parties when there are pressing social needs that remain unmet, such as poverty, health care, nutrition, basic education, and so on.
- *Some Parties might become complacent and atrophy* – After they receive public funding, political parties will cease to actively seek new members and funds from the voting public. The parties will no longer feel a need to perform their activities, since funding will be comfortably provided by the state. This complacency will cause the parties to atrophy and lose their efficacy and influence.

² State and public funding are often used interchangeably. We will follow this convention unless otherwise clearly indicated.

- *Reduce the influence of money by restricting money flow* – The political parties have access to enough money already; they need to learn how to manage what they have better and use it more wisely. They have a fiduciary responsibility to be more frugal with the public’s money. The best way to reduce corruption in politics would be to minimize the influence of money by restricting the amount of money flowing into the political system generally and the electoral system in particular.

There are indications of a growing trend toward state subsidy of political parties and political candidates globally. According to Michael Pinto-Duschinsky³, a significant majority of countries (84 out of 143 countries, i.e., 59%) rated as “free” or “partly free” by Freedom House have laws providing for some direct public funding of parties or candidates. The sizes of these subsidies vary greatly, however, and in some poorer countries the subsidies have been discontinued, despite legal provisions mandating them. It is interesting to note that these subsidies have had little impact in practical terms, despite the claims of both proponents and opponents, according to the same study. Parties looking for a competitive advantage know their opponents have equal access to public funding and, therefore, still search for ways to acquire more resources than their competitors. On the other hand, public funding has not impacted negatively on the parties, contrary to the fear of some observers.

³ Pinto-Duschinsky, Michael 2002: Financing Politics: A Global View, *Journal of Democracy*, 13 no. 4

Chapter Three: POPULAR VIEWS INFORMING THE POLICY GUIDELINES

The combined mass and elite surveys as well as the focus group discussions yielded a wealth of interesting findings that have informed the policy guidelines and the related recommendations that are contained in this document. We highlight here some of the key research findings that are critical to an enhanced understanding of the general thrust of the policy guidelines.⁴

According to the study, an overwhelming majority of Ghanaians (87%, this includes 31% of respondents who strongly agree) are of the opinion that in order to advance our democracy, political parties must perform their functions effectively. Although awareness of the actual democratic functions of political parties is low, Ghanaians strongly believe that political parties play an important role in the country's democracy.

Nearly two-thirds of respondents (61%) either agree or agree strongly that political parties in Ghana are weak because they lack financial resources. An even higher proportion (70%) recognizes that political parties would perform their roles more effectively if they were well resourced. And yet, the research has also revealed that public support for state funding of political parties in Ghana is not very strong (53% in favour). Many Ghanaians feel that state funding is neither the best answer to parties' funding problems, nor is it an adequate means of ensuring financial parity among political parties. Indeed, personal funding by party leadership (21%) and membership dues (15%) were the preferred sources of funding for the parties.

The public's objection to state funding is perhaps influenced by the strong perception of corruption and the lack of openness in party affairs. High levels of corruption and low levels of transparency and accountability amongst political parties are perceived by as much as 80% of Ghanaians. Not surprisingly, the first reason cited by respondents for donating to parties is for the individual to gain personal favors (54%), kickbacks, win government contracts (31%), and gain political appointment (17%). A majority (62%) of respondents believe that donations made by people have some effect or influence on political decisions and on public policy.

Perhaps acting on some of the above perceptions, the public has also exhibited a susceptibility to corruption through vote buying or vote selling. Almost one-third (31%) of respondents confessed that they would take cash or goods offered to influence their vote while 12% of respondents admitted

⁴ For more on these findings, see CDD-Ghana Research Papers No. 13 (2005).

receiving cash or goods in exchange for their votes. Interestingly, slightly more than half of respondents (53%) do not expect state funding to reduce political corruption.

Other findings point to very high levels of popular party identification (71%), but low card-carrying membership of parties (26%). The public's understanding of the true role and functions of political parties is very weak. Currently, public education (22%) and membership mobilization (20%) are the most important party functions identified by respondents.

Assuming the availability of funding, who qualifies and what would be the appropriate formula for disbursement? Almost half (47%) of respondents considered that total votes won by each party in the previous general election should be the basis for a disbursement formula. Nearly 60% (6 out of 10 respondents) want independent candidates excluded from state support. A little over half (51%) feel that funding should be provided only in election years. The research shows that there is very little support (19%) for direct (cash) funding of political parties. A majority (62%) is of the view that political parties should be allowed to receive contributions from foreign sources.

And while close to half of the respondents (45%) believe taxes (indirect and other levies) could be raised to support political parties, a majority (64%) finds it unacceptable to be asked to pay more taxes to support political parties. Close to a third (29%) of the respondents favored re-directing resources from other sectors to support political parties. But, in return, and irrespective of the sources of funding and funding formula, there is high demand for political parties' financial transparency, accountability, and full disclosure (funds received [78%] and expenditures [79%]). As for the management of the fund, the Electoral Commission is the most preferred institution (32%) to disburse such public funds to political parties.

Chapter Four: BROAD POLICY GUIDELINES

In spite of the recognition of the importance of political parties to multiparty democracy, the Ghanaian public is still reluctant to support state financing. Instead, there is a clear preference for personal funding by party leaders. This orientation must be countered because it will otherwise encourage political corruption and the rich to control the parties. It will reinforce the personalization of parties rather than their institutionalization. Combined with the already strong perception that there are high levels of corruption among political parties, such a development will have a chilling effect on popular demands for accountability and transparency.

Public confidence in parties must be built: As the findings indicate, public support for state funding of political parties is rather soft. Public confidence for funding needs to be built, and the perception that politics is a moneymaking exercise is not helpful and needs to be somehow overcome. Presumably, Ghanaian political parties have a vested interest in the idea of good governance. Good governance requires transparency and accountability, particularly in the area of financial management. To that end, political parties must be willing to disclose sources of income and expenditure and adhere to reporting requirements as required by law. This will promote equal access to resources, and public confidence in the funding of political parties. They should also adhere to codes of conduct and ethics, particularly during election campaigns; they should be held accountable for any breaches of conduct.

Parties must cooperate with relevant integrity agencies: Parties need to cooperate with the Electoral Commission to meet the mandate to review and publish their audited accounts. Monitoring of the parties by the EC and civil society should be strengthened to ensure compliance with existing laws. It must be stressed that the strengthening of financial regulations and, in particular, the implementation and enforcement of these regulations, is absolutely essential. There is a need for the state to deploy all its investigative, regulatory, and enforcement agencies including the Bureau on National Investigation (BNI), the Serious Fraud Office (SFO), the Internal Revenue Service (IRS) in a collaborative effort not only to demonstrate a new resolve and to act as a deterrent to illegality but also to provide an incentive to ensure political party compliance. The Ghanaian media has an important role to play in this regard by publicizing acts of corruption, abuse of incumbency and other violations of democracy as well as best practices by political parties. The media's role would be facilitated and greatly enhanced by the passage of a genuine Freedom of Information bill. Stakeholders of Ghana's democracy can reduce the funding handicap by working actively with public and non-public anti-corruption institutions currently monitoring

and checking over-exploitation of incumbency (abuse of state resources) and the abuse of resources in general by political parties and their officials. If successful, such efforts will help to equalize opportunity and access to resources vis-à-vis the ruling party.

Internal party reforms are necessary: The current situation where high level of popular party identification but low card-carrying membership exists is a worrisome one. It connotes weak actual commitment of Ghanaians to political parties. Apparently, the political parties have a lot to do in terms of self-help before they can expect to translate the vast latent support into actual and active support. Successful cultivation of genuinely active support for political parties will obviously facilitate the mobilization of resources through membership dues and other contributions. At the moment, such a task is made more daunting by the fact that the public perceptions about the parties' internal organization and conduct are less than favorable. Quite clearly, future public support will hinge on serious internal party reforms.

Parties must collaborate with Civil Society for effective public education: The current state of public understanding about how parties should operate and survive financially poses a real dilemma. On the one hand, it may be informed by the public's experience with the realities on the ground. On the other hand, it may reflect a failure of Ghanaian political parties to clearly articulate what they are about or what they represent. In order to create a conducive environment for public support for and confidence in state funding, it is recommended that the political parties team up with appropriate public and civic bodies to educate the public on the broad range of functions and roles that they are capable of performing given improved resources for capacity enhancement in information gathering, policy analysis, dissemination and outreach, advocacy, recruitment and so on. In short, political parties need to press for increased state resources in exchange for greater responsibilities and efficacious delivery of services.

Parties must impress the public with positive behavior and attitudes: It is important for the public to appreciate that competitive and viable political parties are crucial to the sustainability of democratic values and good governance of the country. Here, too, a clear demonstration of increased transparency and accountability on the part of political parties and a willingness to initiate measures to stamp out corruption within their ranks would enhance public confidence. There needs to be a positive shift in behavior and attitudes amongst both the public and the political parties. Taking together the weak public enthusiasm for direct state funding and the expectation that party leaders should take responsibility for funding their respective parties, it is abundantly clear that parties have a lot of work to do in order to convince a skeptical public that state funding is not a ploy to allow

them to feed at the public trough. This situation could be mitigated if parties signal to the public, through their own actions and public education campaign, that they are making serious efforts to be self-financing through legitimate fund-raising. This also suggests the need for pro-active efforts at widening their membership base.

Explore other legitimate means of funding: Given the reluctance of the public to endorse the redistribution of funds from social services towards party financing, it is also unlikely that the public would favor state funding of parties if it entails direct trade-offs with spending on vital social sector needs. Suggestions by elites that revenue could be raised to fund parties through additional taxation might meet significant popular resistance. There is therefore the need to explore other legitimate means for sourcing state financing. Since the public is sympathetic to the idea of foreign funding, it may be worth considering a review of the current law that excludes non-Ghanaians from contributing to party funds. The political parties and advocates of increased funding for parties may be able to capitalize on this public sentiment by getting parliament and the government to draft a new law that is more permissive of access to external funds – subject to full disclosure of sources and amounts, and the possible institution of ceilings and other conditions. This can also clear the way for international donors (private and multi-lateral) to contribute funds into a multi-donor basket to support parties.

Chapter Five: POLICY OPTIONS – SOURCES OF FUNDING

In the preceding section, we highlighted some of the most salient findings of the research. We pointed to some areas of concern and offered some broad policy guidelines requiring the attention of various stakeholders, in particular political parties themselves. We posited, among other things, that viable political parties and competition for power are essential for sustainable democracy and good governance. Ideally, political parties should act as interlocutors and representatives of the people through their leaders and members of Parliament, ensuring that the popular will is manifested in government policies, and form a bridge between the people and the government.

Any enhancement of the performance of political parties involves huge transaction costs. It requires financial and other resources that are currently beyond the means of most political parties and even their ardent supporters. Meanwhile, the consolidation of Ghana's democracy requires the institutionalization of a handful of viable political parties (perhaps three or four) and the stabilization of party politics.

To this end, and subject to implementation of many of the clear policy guidelines we have identified, in particular, the need to democratize political parties and make them accountable to their members, to overhaul current practices so as to overcome ongoing disillusionment with the primary system, especially the practice of vote-buying or vote-rigging, practical demonstration of genuine representation of voters, transparency of party financial records, enforcement of current laws governing reporting and accountability such as asset declaration by parties and candidates, we propose the following policy options for the funding of political parties. In short, for political party financing to be acceptable to the general public and for it to contribute to the reduction of inequality, corruption, and special interest influence, it must form an integral part of a broader package of political reforms.

Assuming that the decision is made by the state in collaboration with other stakeholders to institute political party financing in Ghana, where would the funds come from? The potential sources of funding and related policy options include the following:

Option 1: Private Financing (Private Initiative).

One option is a “regulated” fund for parties that is established by statute or by law but which is not financed by the state. The fund is generated in its entirety through donations and contributions by private sector businesses, organizations and individuals. This may be considered a private sector

initiative and amounts to private funding of political parties. Political parties could, individually and/or collectively, solicit funds from the above sources for the fund, as could the fund administrator. In short, it is the collective responsibility of all parties and the fund administrator to ensure that the fund is reasonably well resourced.

The evolution (growth and decline) of the fund over time may provide a good barometer of changing public perceptions of and attitudes toward political parties. This could force political parties to take corrective measures to ensure continued public support and financial contributions. However, in the short- and even medium-term, such a Fund may fall far short of what political parties require for institutionalization and effective performance, the very results that are necessary to ensure generous contributions from the public. Moreover, the public and especially committed card-carrying members are more likely to contribute directly to the coffers of preferred political parties rather than pay into a general fund for political parties. If selected, this option will be an innovative experiment since we know of no country that currently operates this policy.

Option 2: State Funding (State Initiative).

This appears to be the dominant mode of public financing. Under this option, the state plays a catalytic role in setting up the Fund and provides an annual budgetary allocation to it. This level of state involvement establishes much stronger legal and regulatory bases for party financing. On the one hand, it establishes levels of state support for political parties that are both guaranteed and transparent rather than the current unreliable practices that depend on the indulgence or goodwill of the incumbent government. On the other hand, state involvement does strengthen the regulatory power of the state and its moral authority to demand accountability and/or to impose sanctions for non-compliance such as the withdrawal of state funding.

Option 3: Common Funding (State and Private Partnership).

As the name implies, this Fund is envisaged as a common (pooled) fund consisting of annual state budgetary support as well as private contributions or donations from individuals, corporate bodies, businesses, (and foreign governments?) This option reflects a shared partnership and shared sacrifice between the state and citizenry in promoting and strengthening institutions whose success is widely perceived to be important to the health of Ghanaian democracy. This kind of burden-sharing also minimizes the load that the state has to carry in order to ensure the viability of the multi-party system.

It must be noted that the Options 1 through 3 require the formal creation of a Fund, although how such a Fund might be constructed could take several forms as presented. However, given the rather strong public antipathy toward state financing of political parties at this time, Option 2 (state financing) may be the least palatable. With proper public education, Option 3 (a partnership between state and private citizens and other private actors) may be feasible. However, it will require the implementation of the package of political reforms identified earlier in order to cultivate public support and, more importantly, to assuage public anxiety over the two Ts – taxes and tradeoffs – that may be required for its creation. Option 1 (a privately created Fund) may be too novel an idea whose time has yet to come.

If under current conditions state or private financing is a tough sell, then what other options are available for financing Ghanaian political parties?

Option 4: Maintain Current Practices.

This is a minimalist alternative to the previous options. It envisages the continuation of the current practices whereby political parties and presidential candidates are granted access to the state-owned media as required by the 1992 Constitution although the degree of equality of access is often disputed by opposition parties; the EC makes a limited number of vehicles available to political parties close to election time although this is not mandated by the Constitution; the government indirectly supports political parties through exemption from payment of income tax; and donors provide computers, accessories, and training to political parties, through a process managed by the EC.

The fourth option imposes minimal financial obligations on the state. From the point of view of an incumbent government having to juggle competing claims for limited state resources, this option may be more manageable and therefore preferable. Its main drawback is that it leaves the extent of support, if any, for political parties much more to chance and to the discretion or goodwill of the government of the day. Moreover, the current practices also create expectations that, if unfulfilled, could create tensions between the incumbent government and opposition political parties. In the context of competitive elections, such tensions could escalate into real conflicts that could potentially undermine peaceful elections and the peace and stability of the country.

Perhaps when and how these resources are provided could benefit from greater rationalization or streamlining. Timely release of resources and slightly more help with party capacity enhancement in the areas of research, dissemination of research findings, public relations and education, might mitigate some of the drawbacks.

Option 5: Matching Funds.

Another potential source of financing worth contemplating is that of matching funds. The idea is for the state to match the funds that each party is able to generate on its own through its fundraising efforts. The extent of the matching will obviously be determined by the overall government budgetary allocation for political party financing. However, a matching fund ceiling of 900 million cedis or roughly \$100,000.00 per party could be instituted as a reasonable target. Parliament could subject this level of state funding to periodic review and upward revision as circumstances warrant.

Matching funds are worth pursuing as a financing option because they imply shared responsibility and party-state partnership. The state is called upon to lend a helping hand in recognition of the centrality of viable and effective

political parties to the deepening of Ghanaian democracy. At the same time, they ensure the relative autonomy of political parties because they are forced to be more proactive in mobilizing support from their members and other private sympathizers in order to enjoy those matching funds. Successful fundraising by the parties themselves would reduce the pressure on the state to meet most of their financial needs or all their election expenditures.

It must be recognized, however, that this option produces the same effect as most of the other financing arrangements articulated above because, like the others, it tends to reward larger, more successful parties. As such, it may widen the financial gap between unequal political parties rather than level the playing field for all political parties.

Option 6: Other Funding Sources.

(a) Foreign Funding. It might be recalled that the public endorsed the idea of foreign funding. By contrast, some elites are concerned about the dangers of opening up our electoral process to foreign involvement. They caution that the problem of accountability may become more vexing with such vertical linkages. It is also a matter of national pride that Ghanaians should be able to create fundamental institutions of governance and finance them without running to foreigners with cap in hand for assistance.

If the idea of foreign funding is embraced, it will require amending the constitutional provision that currently stipulates: "Only a citizen of Ghana may make a contribution or donation to a political party registered in Ghana." The odds may be against amending the Constitution to allow for non-Ghanaian involvement in our elections through direct or indirect contributions to political parties at this stage.

(b) Foreign Contributions to the Common Fund. A reasonable compromise might involve maintaining the current ban on foreign funding so that NO foreign governments, their aid agencies, other institutions or, for that matter, foreign nationals are permitted to donate to individual candidates or parties. Instead, all such donations by foreign governments or nationals are channeled into any of the Funds created under Options 1 to 3, assuming the existence of any of them. Such donations may be solicited by the government of Ghana or proposed by the donor government, agency or institution. The prohibition of direct donations to political parties by foreign governments serves a vital political purpose and is not likely to be jettisoned easily. It ensures that parties are accountable to the Ghanaian voters and not to foreign donors who may seek to influence their policies through such donations.

(c) Intensify party fundraising efforts. This option would rather have political parties intensify their own fundraising efforts from Ghanaians living at home and abroad. The parties will have an interest in pursuing private sources of funding because they get to exercise control and discretion over the use of available funds, subject only to disclosure laws and other regulations that are mandated by the Political Parties Act. This option is promising because it gives political parties the freedom to undertake additional fundraising activities and rewards them for their success. To achieve a modicum of success, political parties have to sell their programs. Thus, fundraising provides another important venue for policy dissemination and interest aggregation. An additional benefit is that successful fundraising will wean parties away from over-dependence on state funding or state-directed Common Fund alone. This will take some of the pressure off the state to provide ever-increasing amounts of budgetary allocation to the Fund. The downside is that we run the risk of widening the financial gap between the stronger and weaker political parties. Rather than contributing to a leveling of the playing field for political parties, this kind of freelancing for funds might increase the financial advantages of the larger and better organized political parties over their smaller or weaker counterparts.

Chapter Six: POLICY OPTIONS - ELIGIBILITY CRITERIA, FINANCIAL DISCLOSURE AND SANCTIONS

Assuming that some kind of political financing is eventually adopted, the next critical question is: Who or what is eligible for financial support? There are two primary options available.

Eligibility of Political Parties

As the name implies and as this document has argued all along, political party financing in Ghana is intended, first and foremost, to enhance the capacity of political parties to perform their functions effectively in order to contribute to the consolidation of Ghana's democracy. Thus, political parties are the primary intended beneficiaries of party financing. However, not every political party will be financed under the proposed guidelines. To be eligible for funding, a political party must have:

- garnered not less than 5 percent of the valid votes cast in presidential election; or
- won 5 or more seats in the parliamentary election in at least three regions (to mitigate sectionalism).

The research findings seem to suggest that Ghanaians would like political party financing to be used as a tool to encourage serious candidates and parties and discourage frivolous candidacies and interest or sectional groups masquerading as political parties. In the Ghanaian context, this option makes more sense especially because it will strengthen the emerging two-party system without undermining the development of one or two smaller parties to complement the two larger ones. The growth of such a two-party or two-plus party system will augur well for Ghana's democracy because such party systems (as opposed to a "mass" multiparty system) tend to promote political and governmental stability. They allow ruling parties or governing coalitions to actually govern and complete their terms of office with relative ease. Since ruling parties are able to govern without undue hindrance by opposition parties, voters are better placed to judge the performance of an incumbent government. Such stable party systems make it very difficult for ruling parties or governments to shift blame to opposition parties when they fail to deliver on their campaign promises.

The main drawback of this option is that political parties are first required to prove themselves as viable entities in an election before they can expect to be assisted in the post-election period. In other words, when they might need it the most, such assistance would be denied by the proposed rules of eligibility.

Should Independent Candidates be eligible?

Notwithstanding the criteria proposed above, it is possible to structure eligibility in such a way as to give due recognition to the accomplishments and large support bases of independent candidates. At the parliamentary level, independent candidates who receive at least 25 percent of the constituency votes could get a portion (25 percent for example) of their campaign expenditures reimbursed. Similarly, a presidential candidate who managed to get 10 percent of the national votes could be reimbursed for a portion (10-20 percent) of campaign expenses. We acknowledge, however, that there is not much public appetite for funding independent presidential or parliamentary candidates. As one opinion leader argued, independent candidates should use their resources to convince others to join them to form a political party if they feel that existing parties are not doing a good job of representing the electorate. Thus, while there is broad support for Option 1, the public has yet to be sold on the idea of financing independent presidential or parliamentary candidates (Option 2).

Financial Disclosure

Over and above the level of electoral strength, it seems abundantly clear that Ghanaians would like political parties to exhibit greater transparency and accountability before state funds could be used to support their activities. They would also like stricter controls imposed on the use of such funds. Eligible political parties would have to publicly disclose all their assets, sources and levels of income, and expenditures as prescribed by current laws.

These disclosures are expected to be published in the *Gazette* and in the national newspapers within 90 days of the issuance of a certificate of eligibility. In short, Ghanaians would like the enforcement powers of the Electoral Commission considerably strengthened, and the provisions of the Political Parties Act closely monitored and strictly enforced. In this regard, civil society groups and other interested parties should insist on compliance with existing laws.

It is recommended that the Auditor General's department should be given a role in monitoring political parties. Also, a quarterly financial reporting policy should be instituted for the parties and the AG's office should be empowered to conduct unannounced or random audits in order to ensure accountability. The Political Parties Act of 2000 requires political parties to submit detailed statement of expenditures within six months of an election. It is proposed that the requirement be changed to three months to allow for more timely reporting and monitoring so that the trail does not get too cold before any investigation into wrongdoing could be launched. Again, such financial and other disclosures promote transparency and accountability in

party business. Disclosure will ensure that no unauthorized persons or entities make contributions to political parties or candidates.

Some concern has been expressed about the potential chilling effect that disclosure might have on the willingness of Ghanaians to contribute to political parties. Particularly lucrative or generous sources may be afraid of becoming unwelcome targets of opportunity for other parties to make similar requests for funding. In the worst case scenario, such sources may either be victimized by the ruling party (where opposition parties are perceived to have been favored) or by the eventual winner whose solicitation had been ignored or rebuffed.

Sanctions. The public is concerned about the apparent lack of enforcement of financial disclosure and other regulations and would like to see a more robust enforcement of all existing laws governing political parties before it is willing to embrace fully the financing of political parties. In particular, Ghanaians would like:

- Anti-corruption institutions like the SFO empowered for effective monitoring and prosecution of lawbreakers.
- A serious crackdown on abuse of incumbency
- To see compliance with existing accountability and reporting requirements
- Tough sanctions imposed for violations of the Political Parties Act

The only options open for consideration are the type and severity of sanctions. At a minimum, sanctions should include cancellation of a party's registration, withholding of financial and material support, as well as fines and jail terms for more egregious offenses or crimes.

Chapter Seven: FUNDING FORMULA, DISBURSEMENT AND USE OF FUNDS

The Formula: A proposed funding formula is that 0.2 percent of national revenue should be earmarked for the purpose and should be disbursed according to the following proposed formula:

- 5% to cover the EC's administrative costs
- 5% to the Inter-Party Advisory Committee (IPAC)
- 60% disbursed to political parties based on their electoral performance
- 30% disbursed equally to all eligible political parties

This formula could serve as the basis for further negotiations between the Government, Parliament, political parties, and other stakeholders. Once agreement is reached on the percentage of national revenue that should make up the Fund (this could range anywhere from 0.1 to 0.5 percent), government could then bundle several sources of funding (such as private and state contributions) to meet its funding obligations.

Use of the Funds: Ideally, qualified political parties or candidates must be given some flexibility in determining the level of spending in the different areas of political activity. In other words, parties must be able to exercise control over how and in what areas the funds are used. However, bearing in mind that the Ghanaian public is adamantly opposed to direct (cash) funding, we have identified those key operational, administrative and research expenses that can be supported by funding. There is a national consensus that the following are legitimate party expenses:

- Direct and verifiable operational and administrative expenses of political parties (for example, rent payments for party offices).
- Standard maintenance support such as wages and stipends for key national to district level officials in each eligible political party. (Parties should maintain their constituency offices at their own cost).
- Training of research officers.
- Core election expenses of eligible presidential and parliamentary candidates (for example, advertising and publicity) subject to predetermined ceiling.
- Political education campaigns for the public especially in rural areas where access to mass media systems is limited.
- Training costs and stipends for polling agents during general elections.
- Such office equipment as may be deemed essential by the EC or designated management body.

Disbursement Options and Procedures

When can eligible political parties and their candidates expect to have access to resources provided under the political financing arrangement?

The answer to this funding cycle question depends partly on the amount of funding involved and the degree to which Ghana wishes to live with political parties as election wonders (part time organizations) as opposed to permanent institutions. If the funding is reasonably large and political parties are expected to play an ongoing active role in the political life of the country, then quarterly or tranche disbursement is the best option. On the other hand, if only periodic funding is envisaged because of financial constraints then continuous releases restricted to election periods may be more helpful. With the foregoing in mind, two possible options are available to Ghanaian lawmakers.

Option 1: Election Year Disbursement.

The disbursement option most suited to election year financial assistance to political parties is one in which disbursements are effected throughout that year and within three months from December 31 after the general election. This last provision envisages an amendment to the Political Parties Act of 2000 (Act 574). Currently, Section 14 of Act 574 requires submission of a detailed statement of all expenditures incurred for a general election to the EC within 6 months. It is proposed that the requirement for submission be changed to within three months, to allow for more timely reporting and monitoring.

Option 2: Quarterly Tranche Disbursements.

Alternatively, where political parties are actively engaged irrespective of the election calendar and therefore their legitimate political expenses have to be covered even during the off-season, then funds should be released in quarterly tranches each year. Each release is to be made conditional to satisfactory compliance with all financial disclosure and other accountability requirements. The release of the final tranche in each year should be made contingent upon satisfactory auditing and reporting.

Analysis of the two options: From the standpoint of the state, Option 1 may be more appealing because it minimizes the state's financial obligations. This may make budget support more manageable and perhaps a bit more substantial since it will be confined to the election season when political party activities are likely to multiply and intensify. On the negative side, it might contribute to a situation in which political parties go to sleep and only wake up during election years. Such a situation would not bode well for the development and institutionalization of political parties.

By contrast, on the positive side, Option 2 ensures that political parties have enough resources to remain actively engaged throughout in carrying out all the functions and activities that are normally associated with vibrant and dynamic political parties. As a result, this option is recommended. However, it will require greater vigilance in monitoring and auditing to ensure accountability and transparency. One potential abuse that has to be guarded against is the use of resources (just because they are available) for questionable political activities during the off-season (that is, during non-election years).

On the positive side, these disbursement modalities are permissive of close monitoring to ensure financial accountability by the political parties. They might inspire public confidence in the political parties and make future battles over budgetary allocations to political parties less acrimonious. The obvious drawback is that they may add to the reporting burdens of the political parties, especially the weaker ones that often lack the capacity to meet reporting requirements so easily. Part of the in-kind assistance to such parties might take the form of assistance with accounting and reporting requirements.

What Agency should disburse the Funds?

Who should be given overall responsibility for managing the funds designated for the political parties? Two options are identified: one represents the majority view; the other reflects an alternative vision.

Option 1: Use of Existing Infrastructure: The Electoral Commission.

The Electoral Commission is the most preferred management agency for any Fund that may eventually be established, even though it did not receive anything like a ringing endorsement. Nevertheless, this option is consistent with the expressed wishes of respondents in the mass and elite surveys and in focus group discussions.

The Electoral Commission has advantages that the alternatives simply lack. It already has the constitutional mandate to execute various election-related tasks under which this new responsibility could be easily subsumed. Moreover, it has demonstrated considerable impartiality, credibility, and fairness. As a result, it comes to the task of managing the Fund for political parties with greater legitimacy, a necessary ingredient for getting the cooperation of the leadership of the various political parties.

There is some concern, however, that the Commission may already have too much on its plate and that such a management responsibility will only increase its already onerous burden. Moreover, it has placed on record the

government's tardiness in releasing funds that often constrains its operation. It would be unfortunate if delays in releasing party funds embroiled the EC in squabbles with political parties since this might adversely affect the execution of its other vital functions. It is therefore argued that the best way to address any weaknesses or difficulties of the EC is to strengthen it by ensuring that it has the powers (to monitor and regulate), the independence, and the resources it needs to get the job done rather than to create another bureaucratic institution.

Option 2: Create a New Agency.

As suggested above, it is possible to envisage the creation of a new independent body to administer the Fund. Again, such an alternative option involves the creation of something new, with all that implies for exhilarating involvement by all stakeholders in delineating the powers of the new body, the working out of its composition, organizational structure, and decision making authority. The involvement of the various stakeholders might endow the new body with goodwill and legitimacy. Moreover, the scope of the new agency's functions will be more delimited, enabling it to concentrate its institutional mind primarily and exclusively on the administration of the Fund.

The inherent disadvantage of this option is that the new agency is likely to have a steep learning curve that may challenge the skills and tenacity of its members. Moreover, some parties may want to test the extent of its legal reach and powers of resolve by opposing some of its decisions, actions, and inactions. Depending on their intentions and how far such parties are willing to travel to politicize their differences with the new body, the efforts and activities of the latter could either be strengthened or undermined.

All things considered, an adequately resourced and empowered EC may still be a better option.

Chapter Eight: CONCLUSIONS

In the nearly 50-year history of the Republic of Ghana, only the last twelve years have witnessed uninterrupted competitive multiparty elections and civilian democratic governance, suggesting a renaissance in party politics. Ghanaians expect political parties to play an important role in the emerging good governance and democratic consolidation. They recognize the need to enhance the viability of the political parties in order to ensure the future survival of the democratic political system.

The energetic and enthusiastic participation of Ghanaians in the political party-financing project (in the mass and elite surveys, focus group and workshop discussions), attest to the importance of the issues and their willingness to ensure the success of multiparty politics. Notwithstanding the difficulties involved in arriving at a popularly acceptable funding level and formula, the failure of the earlier attempts at entrenching party politics coupled with the fragility of the current experiment, make it imperative that some reasonably effective and sustainable solution be found to the financing dilemmas facing Ghanaian political parties. At the very least, a way must be found to reduce the financial burden of eligible political parties by gradually increasing state support to them.

However, as the research has shown, public confidence in funding is low. It needs to be built. The popular perception that politics is all about making money is not helpful. To be sure, Ghana has entered the era of good governance. Good governance requires transparency and accountability, particularly in financial management. Political parties could help their cause (that is, their quest for public financing) by initiating serious internal reforms, including paying attention to internal party democracy, and by demonstrating a greater willingness to disclose sources of income, expenditures, and adhering to reporting requirements as mandated by law. The public is demanding the adherence of political parties to codes of proper conduct and ethics, particularly during election campaigns, as well as greater financial transparency and accountability. The public also demands vigorous prosecution for any breaches of political party laws.

Political parties must consider it in their interest to facilitate the auditing and publication of party accounts by the Electoral Commission or a designated agency. The strengthening of financial regulations and their implementation and enforcement are equally essential preconditions for political party financing. Prior to funding, the state must ensure that all its investigative, regulatory, and enforcement agencies, including the Bureau on National Investigation (BNI), the Serious Fraud Office (SFO), and the

Internal Revenue Service (IRS), are adequately resourced and empowered to ferret out and punish illegality and noncompliance.

Finally, the Ghanaian media has an equally important role to play in this regard by publicizing acts of corruption, abuse of incumbency and other violations of democracy as well as best practices by political parties without fear or favor. The role of the media and other civil society watchdogs would be greatly enhanced by a genuine Freedom of Information as well as Whistleblowers Protection legislation. Indeed, the passage of such twin legislation must be made a major prerequisite of political party financing in Ghana.

The general expectation is that no political party financing of any kind would be countenanced unless serious consideration is given to the package of reforms proposed in this document and concrete action is taken by the parties themselves as well as by other stakeholders to put them into practice.