



## *Africa Political Party Finance Initiative*

# *Money in Politics*

## *Supporting the Search for Solutions in Africa*

Political parties play a critical role in democracy. They aggregate diverse interests, provide a structure for political participation and formulate policy options on issues of national importance. In order to perform these tasks, political parties need money to: mobilize supporters during campaigns and in between elections; establish and maintain party offices and administrative structures; conduct issue and policy research; and communicate with members and the public. A series of political scandals around the world have served as a reminder that money can also be used to distort the political process. These scandals have raised concerns about the power of money to influence policy outcomes and gain awards of state contracts or even immunity from criminal prosecution. In some cases, internal party decisions such as nomination procedures for party and public offices have been determined by money rather than transparent and democratic processes. In developing and developed countries alike, concerns persist about the link between party financing practices and corruption. Certain party finance practices also have the potential to drown out the voices of the poor, undermining one of the central concepts of democracy: the principle of one person one vote. Where money plays such a determining factor in politics, public confidence in the political process is eroded and prospects for policies that will promote the interests of the most vulnerable members of society are reduced.

In established democracies, reform-minded political party officials, civic groups and elected representatives have sought various ways to mitigate this important problem. The first instinct of some reformers is to turn to legal initiatives, yet such initiatives have only provided a partial solution. The most successful models for reform have included a combination of legal reform, proper enforcement of laws, political party commitment to internal reforms, and monitoring and reporting by civic advocates and other watchdog groups.

With the return to multiparty democracy in Africa, many states have joined the community of countries willing to address the thorny question of party financing and corruption head-on. While some countries on the continent provided for state funding of parties in their newly-adopted constitutions in the 1990s, others are now hoping to introduce public subsidies as a means of mitigating the role of wealthy individuals and big business and to reduce parties' dependence on illegitimate or illegal funding sources. A handful of countries experimented with public funding and now search for additional ways to address the limitations of their current systems by improving transparency in private funding, reviewing how parties are registered and managed, and urging parties to strengthen internal democracy.

In addition to country-specific efforts, there is also growing recognition by the continent's regional bodies of the need to find appropriate solutions to the negative impact of money on politics. Article 10 of the African Union Convention on Preventing and Combating Corruption calls upon signatory countries to ensure transparent funding of parties. In a recent report - *Striving for Good Governance for Africa* - the United Nations Economic Commission for Africa ([www.uneca.org](http://www.uneca.org)) calls for measures to prevent African political parties from being "hijacked by the rich and influential." Under the New Partnership for Africa's Development, the Africa Peer Review Mechanism's (APRM) second objective includes "periodic political competition and opportunity for choice." The APRM questionnaire that serves as the terms of reference for country assessments demands that respondents review "membership, policies and resource allocation for political parties," thus providing an opening to incorporate party finance issues into the review process. In working toward the achievement of these goals, Africa expects to draw upon lessons from other regions' successes and failures and, even more importantly, to draw upon lessons learned from reform efforts on the continent.

Under the Africa Political Party Finance Initiative (APFFI) the National Democratic Institute for International Affairs (NDI) is supporting the efforts of civic groups in Ghana, Kenya, Senegal and South Africa to increase awareness about the need for transparent and accountable party funding and to promote reforms appropriate to their respective country contexts. It is hoped that lessons learned from the four pilot projects will inform reform efforts elsewhere on the continent. Following is a brief description of APFFI partner activities in each country.



## GHANA

In Ghana, political party leaders have long argued for public funding of political parties, however little has been done to formulate concrete recommendations for how such subsidies would be paid for, administered and distributed. Even less has been done to engage the public on party funding issues. Existing legislation requires parties to disclose their funding sources and expenditures and bans foreign sources of support, yet is poorly enforced, suggesting that strategies for strengthening enforcement must be part of further discussions about reform. With NDI support through the APPFI, the Ghana Center for Democratic Development (CDD, [www.cddghana.org](http://www.cddghana.org)) is working to broaden the debate on party finance reform. A recent survey conducted by the Center shed much needed light on how the average Ghanaian views political parties and their funding issues. In addition to polling 700 randomly selected Ghanaians, the survey interviewed 90 elites (political party officials, journalists and public servants) across the country. The findings include:

- There are high levels of concern (80 percent of respondents) about corruption in political parties;
- A disturbingly large number of mass survey respondents (54 percent) indicated that the primary motivation for donating to political parties is the expectation of personal individual benefit;
- The nation is divided on whether parties should receive public funding, with 53 percent of respondents in favor of subsidies;
- When asked about how to fund state subsidies (either through additional taxes or setting aside a percentage of the national budget), none of the options secured the support of a majority of the sample; and
- There is overwhelming public demand (79 percent of respondents) for disclosure of party funding sources.

The survey findings were distributed widely in Ghana and commented on extensively by the media. Based on the survey conclusions, CDD has recommended:

- Increased public education on the role and function of political parties to address widespread misconceptions;
- Internal party reforms to increase transparency in party operations and public confidence in political parties; and
- Action to limit the abuse of incumbency, thereby enhancing prospects for a level playing field.

CDD sponsored five public forums to address these issues. Plans are underway to sponsor a stakeholders' roundtable to discuss the financial implications of state funding of political parties.

## KENYA

Since the early 1990s, Kenyan parliamentarians and civic activists have pushed for reforms in political party financing. Problems such as abuses of incumbency and the use of ill-gotten gains to finance politics during the Moi era led reformers to argue for public funding as a means of leveling the playing field and reducing parties' dependence on corrupt sources of funding. Beginning in 1999, a series of Center for Governance and Democracy (CGD)-sponsored fora informed the development of a draft bill to regulate the creation, administration and disbursement of state funding to political parties. Despite a motion introduced in the Kenyan Parliament by then - opposition Member of Parliament (MP) Hon. Musikari Kombo no further action was taken by the legislature. The National Rainbow Coalition's (NARC) victory in the 2000 elections led to the appointment of some of the key proponents of anti-corruption reforms as members of government. Increasingly, the question of party finance became an integral part of the discussions about reforming the country's political system. A draft constitution, currently under review, provides for public subsidies.

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*Each State Party shall adopt legislative and other measures to: (a) Proscribe the use of funds acquired through illegal and corrupt practices to finance political parties; and (b) Incorporate the principle of transparency into funding of political parties.*

- *Article 10, AU Convention on Preventing and Combating Corruption and Related Offences.*

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With APPFI support, CGD has sponsored a series of roundtables to broaden the debate on how best to address Kenya's party financing problems. Participants at these events recognized that party finance reform must be part of a broader discussion about how to foster more accountable and internally democratic political parties. CGD's series of workshops culminated in an August 2004 party finance stakeholders' forum where political party, election administration and civil society representatives reviewed the outcome from previous CGD activities and formulated proposals for reform. Forum recommendations include: party finance legislation should address provisions for state subsidies as well as the need for transparency in private funding; civil society groups should constructively engage political parties in the movement for reform; and party finance reform should be seen as part of an effort to reform the entire political system with a view to making it more transparent and more accountable to the public. As the Kenya Law Reform Commission develops a new bill governing how political parties are registered and financed, CGD and other civic groups are mounting an advocacy campaign to ensure that the forum recommendations are reflected in the draft legislation. CGD has also sponsored research into the extent to which money has influenced party nomination procedures in Kenya.

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*"It is now becoming obvious that what is needed is not to ostracize money from politics, but rather to ensure that money is used transparently in politics. This can only be possible if the sources of money into politics are well known and usage properly documented and, therefore, accountable... There is a need for a shift in the mindset of citizens and political leaders alike. Leaders should avoid bribing voters and learn to contest elections on the basis of issues rather than ethnicity and/or regionalism. Likewise, citizens must cease to offer themselves to the highest bidder... for this shift to occur, civil society organizations must work together to raise awareness of the problem and educate citizens about the solutions. Political parties must also reform their structures and practice internal democracy."*

*- Hon. Musikari Kombo, Minister for Local Development, Kenya and Member of the APPFI Senior Advisory Committee.*

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## SENEGAL

Despite a 1999 study on party finance reform commissioned by then-President Diouf, progress toward reform on the financing of parties in Senegal had stalled until recently. In June 2004, President Wade unexpectedly announced plans to introduce legislation for public funding of political parties by 2005. While welcoming the initiative, Senegalese party finance expert El Hadj Mbodj, a university professor who authored the 1999 report, recommended that any such reforms be preceded by a broad-based public debate on solutions to the country's party financing problems. The Réseau Africain pour le Développement Intégré (RADI, [www.radi-afrique.org](http://www.radi-afrique.org)) activities aim to contribute to such a process.

RADI is sponsoring a series of radio discussion programs on various aspects of party finance problems in Senegal. The programs are broadcast on local stations and provide a forum for exchanging ideas and educating the public about the advantages and disadvantages of public funding, links between party funding practices and corruption, the quality of governance and the constant shifting of political loyalties practised by several personalities, popularly referred to in Senegal as transhumance. Many Senegalese believe that money and the desire to obtain immunity from criminal prosecution are among the principal motivating factors for this practice. They are also concerned about the extent to which the practice is undermining confidence in political parties and appreciation of their institutional value. RADI is also conducting a poll of public perceptions of Senegalese political parties and how they are financed. Through a mass survey of 700 randomly selected citizens of voting age and interviews with political party and civil society representatives, the network is gathering public views on issues such as the extent to which money is felt to play a determining role in Senegalese politics, whether public subsidies should be introduced and, if so, how funds should be distributed. Results will be shared with the Presidential Commission created to shape the government's public funding proposal. The Network also plans to sponsor a roundtable where various stakeholders can discuss survey results, review other countries' efforts at party finance reform and formulate recommendations to inform the work of the Presidential Commission and, eventually, the anticipated legislation.



## SOUTH AFRICA

Despite the introduction of public funding of political parties in 1994, concerns have continued over the potentially corrupting influence of undisclosed private party funding sources. The problems raised thus far in South Africa are eerily similar to those of other African countries that now look to state subsidies as the potential solution to their party funding problems: for instance, allegations that donations have influenced government action in the award of contracts and development permits and the fear that the political process has been hijacked by the wealthy. Although initial efforts to include disclosure provisions in the Prevention of Corruption Act failed, civil society groups such as the Institute for Democracy in South Africa (IDASA, [www.idasa.org.za](http://www.idasa.org.za)) continue pushing for reforms. In a recent survey made possible by APPFI support, IDASA found overwhelming public demand (87 percent of respondents) for increased transparency in private donations to political parties. There was also significant public support (81 percent) for regulating private donations to political parties. Also with APPFI support, IDASA produced a radio program – *Money in Politics* – which makes a compelling case for change. Reform-minded representatives from political parties, the corporate sector and civil society contributed to the program, which has been distributed to a network of community radio stations across the country with a combined audience of approximately 1 million South Africans.

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*In a country as unequal as South Africa, allowing the wealthy to buy influence by donating as much, in secret, as they wish, may well result in the “drowning out” of the voices of those unable to buy influence...The right of citizens to equality should mean all groups, including the poor and marginalized, should have equal opportunity to influence the political process.*

*- Judith February, Political Information and*

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An innovative aspect of IDASA's work involves engaging the corporate sector on the need for reform. One of the principal targets of the Institute's outreach has been the Johannesburg Stock Exchange's (JSE) Social Responsibility Investment Index (SRI) Initiative. Under the Initiative, a list of criteria were established by which companies in the JSE all share the Index's commitment to the triple bottom line – environmental, economic and social sustainability, as well as good corporate governance practices – can be measured. Companies that qualify based on the rules are publicly listed on the SRI Index – a ready-made listing of corporations who would appeal to investors looking for socially responsible trading options. Fifty-one companies qualified to be listed on the first SRI Index, published in May 2004, including large corporations such as ABSA Group, AngloGold Ashanti, Standard Bank Group and Telkom SA, as well as small and medium-scale enterprises. While participation is voluntary, the SRI Index is becoming increasingly influential and many companies choose to be assessed in exchange for the prestige of securing a place on the Index. IDASA recently secured the addition of a new criterion to the list: “Regular, clear and comprehensive disclosure of major facts relevant to the company, including [company] objectives and performance against these, as well as of matters of public interest, such as donations to political parties.” This new addition is being applied in the assessments to identify companies to be included in the second SRI Index qualification process, currently underway. Working with reform-minded corporations, the Institute is continuing efforts to expand corporate sector support for voluntary or legally-required disclosure of donations to parties.

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