



Summer University of Schools of Political Studies  
Strasbourg, July 2006  
Workshop on political finances

## Corruption and democracy in Europe - Regulating political finances -

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### Corruption in Europe

**Perceived as most corrupt institutions:**

**Political parties in 2/3 of European countries**

**Impact of corruption:**

**on political life highest in 75% of European countries (compared to business or personal life)**

(TI Global Corruption Barometer 2005)

**Corporate illegal corruption:**

**in half of the European countries by >50% of companies**

**Corporate legal corruption:**

**in 2/3 of European countries by >50% of companies**

(Daniel Kaufmann based on EOS 2004 of World Economic Forum)

**= Political corruption is the main corruption problem in Europe**

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## Corruption and democracy: critical issues

Political corruption is the main corruption problem in Europe

Critical issues:

- 1 Political finances
- 2 Lobbyism
- 3 Conflicts of interest, patronage and revolving doors
- 4 Abuse of justice system
- 5 Corruption control

Corruption of democratic principles and processes

- Political equality
- Political competition and elections
- Accountability
- Transparency
- Rule of law
- Separation of powers
- Government for common good/public interest

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## Political finances and democracy

Politics/democracy needs money

Unregulated political finance

Corrupt political finances

Improper financial operations for political gain:

- Violation of regulations
- Political contributions in exchange for favours, contracts or policy change
- Illegal expenditure (e.g. vote buying)
- Selling access, appointments
- Abuse of State resources
- Extorting private sector contributions

Distortion or corruption of democratic principles

- Political inequality
- Uneven playing field
- Distorting elections
- Unequal access to office
- Unequal access to law and decision makers
- Coopted politicians
- Evasion of transparency and accountability
- Corporate democracy
- Criminalisation of democracy

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## Common European rules on political finances

**Common rules against corruption in the funding of political parties and electoral campaigns (Recommendation Rec(2003)4), April 2003**

**GRECO monitoring**

**Transparency (disclosure)  
+ accountability  
+ independent monitoring  
+ enforcement**

- I. External sources of funding**
  - Public and private funding
  - Principles on donations
  - Donations by legal entities
- II. Sources of funding for elections**
- III. Electoral campaign expenditure**
  - Limits
  - Records
- IV. Transparency**
  - Accounts
  - Records of donations
  - Obligation to make public accounts
- V. Supervision**
  - Independent monitoring
  - Specialised personnel
- VI. Sanctions**

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## Regulations in place in European countries

**Rules regulating political finances in > 80% of European countries**

**In majority of countries: mixed system of public subsidies and private funding**

**In most countries: rules on disclosure of contributions and expenditure**

**In minority of countries: ban on corporate donations**

**Issues:**

- Effective disclosure
- Level of transparency
- Enforcement/supervision
- Sanctions

**In new democracies:**

- Lack of diversity of resources - external dependency on large donors
- Small membership subscriptions - weak roots of parties in society
- Public subsidies - too close to State

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## Regulations in Kosovo

### UNMIK Regulation no. 2004/11 (5 May 2004) on the Registration and Operation of Political Parties in Kosovo

#### Chapter 4: The finances of political parties

- Section 16 Funding of political parties
- Section 17 Public funding of registered political parties
- Section 18 Financial representative
- Section 19 Bi-annual financial reports
- Section 20 Records
- Section 21 Audit of financial records

How effective is this regulation?

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## Key issues

- Democracy needs money, but such money needs to be regulated by clear and realistic rules
- Need for independent monitoring and enforcement of regulations, including sanctions
- Monitoring/supervisory bodies must have the necessary independence, powers and resources
- Need to ensure that all types of contributions and expenditure are covered
- Public funding helps institutionalise political parties (particularly important in young democracies)
- Need to prevent a criminalisation of democracy, that is, criminal money from infiltrating the democratic process (see article 16.1(a) of UNMIK regulation 2004/11)
- The control of political finances carries risks: may restrict political competition, exclude competitors, be used to control opposition, limit freedom of expression, favour those in power. Handle with care!

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**Octopus Interface Conference**

**Corruption and  
Democracy**

**Strasbourg  
20 - 21 November 2006**

