

## **Statement of the Council of Presidents and Prime Ministers of the Americas**

### **“Financing Democracy: Political Parties, Campaigns, and Elections” The Carter Center, Atlanta Georgia March 19, 2003**

*The Carter Center convened the conference “Financing Democracy: Political Parties, Campaigns, and Elections” in collaboration with the Organization of American States’ Inter-American Forum on Political Parties. A group of government and political party leaders, prominent scholars, policy experts, private sector representatives, civil society leaders, media professionals and international organizations from the Western Hemisphere met for two and half days in plenary sessions and working groups to discuss the dilemmas of political financing. They offered their advice to The Carter Center’s Council of Presidents and Prime Ministers of the Americas, a group of 35 leaders, ten of whom participated in the conference and another one of whom sent a representative. Based on the group’s findings, the Council now offers the following conclusions and recommendations.*

#### **I. INTRODUCTION**

Politics matters for improving the lives of all of our citizens. Political parties are a vital component of our democratic politics, and they need money to function. Largely because of many improper practices in financing campaigns and corruption scandals, politics unfortunately has become a discredited activity to many people. Confidence in democratic institutions is falling. We need to reverse this perception. We need to be investing in the capacity of our political parties to inform and inspire citizens, not spending millions on negative campaign ads. We need to be encouraging participation of all citizens, not just the richest or those looking for special favors. We need to find ways to restore confidence in democratic institutions by ensuring clean, fair, and competitive elections and governance.

The hemisphere is making progress, but not with the necessary pace and energy. Mandates from the Quebec Summit of the Americas led to the creation of an Inter-American Forum on Political Parties to address these issues, and through that Forum the OAS has begun an effort to catalogue existing legislation and practice. Citizen watchdog groups are monitoring campaign expenditures in an attempt to hold their leaders accountable. We are ready to address the next stage of regularizing, monitoring and

enforcing standards of political financing to reduce corruption, promote citizen participation, and enhance political legitimacy of our democratic institutions.

There is no single formula on political financing that will solve the problems permanently and for all countries. Indeed the struggle to improve the democratic process is a continuous one requiring the active involvement of all of civil society. Based on work done by the OAS Inter-American Forum on Political Parties, International IDEA, Transparency International, USAID and others, we have identified a set of Principles for Political Finance. **We urge our governments to endorse these principles, and our citizens to watch carefully to ensure that they are implemented.**

We strongly encourage the development of a democratic political culture, moral commitment and ethical standards that will provide an atmosphere conducive to the implementation of these measures.

## II. PRINCIPLES FOR POLITICAL FINANCING

Rules on financing of political parties and campaigns will differ for each national context, but they should all promote the following basic principles:

### Principles

- **Fostering stronger representative and accountable political parties:** In their representation and participation functions, political parties need access to adequate resources to function effectively and ethically.
- **Ensuring effective electoral competition:** Parties and candidates must have a fair chance to campaign for their ideas; access to the media and adequate resources is crucial. Unfair incumbency advantages should be addressed and the use of state resources for campaigns strictly prohibited.
- **Promoting political equality and citizen participation:** Citizens, rich or poor, must have equal opportunity to participate in the political process and to support candidates or parties of their choice. Financial contributions are a legitimate form of support. Inequalities related to gender, race, ethnicity or marginalized populations should be compensated. The principle of one-person, one-vote must be preserved.
- **Preserving the integrity of the electoral process through transparency:** Voters need to be empowered to choose as autonomous and informed citizens, free from pressures, intimidation or seduction through economic benefits, and informed about the resources and support for candidates and parties.
- **Enhancing accountability and eliminating corruption:** Elected officeholders should represent their constituents as a whole and be free from financial dependence

on a few. Donations should not be used to buy access to politicians or civil servants, personal favors (contracts, tax breaks, etc), or policy favors.

- **Strengthening rule of law and enforcement capacity:** There must be assurances of timely justice and an end to impunity in abuses of political financing. The enforcement of political finance laws and regulations requires the existence of independent oversight authorities and an effective system of sanctions to end impunity.

We recognize that each country has a different starting point, but all countries should move at an appropriate pace to achieve the following objectives and tools, derived from the principles.

### **Objectives and Tools**

- **Invest in the democratic character of parties rather than long or negative campaigns.** The pressures of fundraising should be reduced by controlling the factors that escalate campaign costs. Measures could include limiting spending; shortening campaigns; providing equitable access to the media including free media time to the candidates during prime time; banning or capping paid political advertising; promoting public financing, eliminating inflammatory ads; adopting and enforcing prohibitions against vote-buying.
- **Improve transparency and reduce the influence of money by requiring disclosure of donations and expenditures.** Parties and candidates should be required to publicly disclose itemized donations above certain amounts and their sources, including in-kind contributions, before and after the elections so that future undue influence by the donor could be assessed. Parties and candidates should make public auditable reports of itemized expenditures on a regular basis, including in-kind expenses, with all funds flowing through identified bank accounts managed by specified individuals who can be held accountable. Media should be required to disclose standard advertising rates and to report discounts as political donations, and maintain advertising rates that do not exceed the commercial rates used between campaigns. Campaign contributions from foreign sources should be prohibited, with the exception of citizens living abroad, if allowed by national law. Campaigns and candidates should refuse donations from organized crime or drug trafficking.
- **Promote equity, participation and competition.** Mixed funding systems with a substantial public component are recommended. Public funds should be provided as a substitute for or a complement to private donations at all phases of the political and electoral process. Public funding for ongoing party activities and campaigns should be allocated by a mix of proportional rules and flat subsidies to all parties that meet reasonable thresholds. Large individual donations, including self-financing, should be limited; small donations that the average citizen can afford should be encouraged,

perhaps by offering tax credits; and voluntary media standards for balanced media coverage should be developed.

- **The institutions responsible for enforcement should provide both incentives and sanctions.** Oversight entities, whether electoral management bodies or judicial organs, should be independent, non-partisan, and equipped with sufficient human and financial resources and authority to enforce the country's laws. Without this, none of the other measures suggested here will be effective. Enforcement capacity should be developed for effective monitoring, investigating, and prosecuting, and include subpoena powers, whistleblower protection, and access to bank accounts. Sanctions should include remedial actions, fines, criminal prosecution, and denial of office and/or future access to public funding.

### III. SUPPORTIVE MEASURES

In improving the financing of democracy, citizens' groups and international organizations have an important role to play in helping achieve these principles. We urge the following:

#### **Roles for International Organizations**

1. The OAS Inter-American Forum on Political Parties, other international organizations, multilateral banks, and universities should sponsor research to help us better understand the contributing factors of campaign costs, the effectiveness of potential tools to control those costs, and the impact of new technology such as the internet and direct television programming. For example, conflicting information exists with regard to whether and how fast campaign costs are rising relative to GDP, and what the sources may be: television and radio advertising costs in modernizing campaigns; taxation systems; patronage politics and vote-buying in more traditional campaigns; internally democratizing parties; length of the campaign; the nature of the electoral system.
2. Hemispheric governments should adopt the Basic Principles on Political Financing at the next Summit of the Americas, as a concrete measure to implement Article 5 of the Inter-American Democracy Charter.
3. Non-governmental organizations such as The Carter Center and Transparency International should work in collaboration with multilateral organizations such as International IDEA to develop a set of standards and benchmarks to assess progress on implementing these Principles.
4. The OAS and other organizations active in the region should provide assistance to member states to apply the Principles adopted, such as in the form of best practices

and model laws, and advice from the OAS Special Rapporteur for Freedom of Expression and other entities.

5. International party foundations and other organizations should continue to provide training and education for party members and electoral workers, but only in a manner consistent with national laws.
6. Governments should cooperate to help in tracing the international money trail of illicit political donations through off-shore tax havens, money laundering, and organized crime, and cooperate with each other to bring violators to justice. International assistance in training and capacity-building to trace illicit money is needed. Governments should codify these types of cooperation in international agreements. Governments should also amend money laundering legislation to require disclosure of cash transactions over a specific amount.
7. International agreements such as the OECD Convention Against Bribery and the Inter-American Convention Against Corruption should include corollaries or additional protocols prohibiting the bribery of political parties and candidates, and prohibiting foreign donations when they are illegal in domestic law.
8. International election observer missions should incorporate political finance as an element to be monitored.
9. Multilateral lending institutions should include political financing as an element within their rule of law and anti-corruption programs. Bilateral and multilateral organizations should expand efforts to help election management bodies, political parties, campaign contributors, and election monitors to comply with political finance laws.

### **Roles for Civil Society and Political Parties**

1. Businesses should voluntarily adopt codes of conduct to disclose donations where laws do not yet exist requiring them to do so, or to disclose more fully where laws require only narrow disclosure.
2. Political parties and candidates should voluntarily adopt codes of conduct to fully disclose donations and expenditures where laws do not yet exist requiring disclosure, or to disclose more fully where laws require only narrow disclosure. Civil society organizations can encourage such codes.
3. The media should voluntarily adopt a code of ethics and norms that guarantees equitable treatment to the parties and candidates in electoral campaigns.
4. Civil society organizations and media should have independent and critical roles in monitoring campaign finance rules and publicizing violations, including monitoring

expenditures and media coverage of campaigns, generating information and encouraging public debate.

5. Watchdog groups should explore the potential to use Access to Information laws to request information on donations and expenditures from political parties and corporations, and to ensure transparency in the use of state resources.
6. So that the media may support enforcement, expose corruption and produce transparency, libel laws should be amended to follow the principles laid down in the *New York Times v. Sullivan* case, insult laws should be repealed, and the assault or murder of journalists should be investigated immediately and prosecuted to the fullest extent of the law.