

Executive Summary

Political parties are central to the survival and success of democracy.

In order to perform their duties, parties require financial resources. It is important then that there are clear and enforceable rules governing political finance to

1. Ensure that parties and their members are held accountable.
2. Promote political credibility and public trust in political parties as political institutions.

Author Dr Stefan Melnik begins by explaining what political financing is; the sources of direct and indirect funding as well as the scope for laws on political financing. Political financing is key, as in all forms of democracies, competing parties must be protected by the law and have real chances of being elected into power.

Three key principles of political financing are outlined in the paper namely the rule of law, fairness and transparency, accountability and ownership by the electorate. These are supplemented by key two areas that should be considered when forming legislation on political financing - checks and balances on power and the ability of electorate to exercise their political and civil liberties. Together the five areas which legislators should consider when creating regulations for political financing, and they are elaborated upon below:

01. Presence of the rule of law
 - a. A system of finance which is just is likelier to be accepted by politicians and
02. Fairness for all involved, namely voters and political parties
 - a. Where there is a massive bias towards incumbents and when opportunities
 - b. Large private donations are generally viewed with suspicion as they may
 - c. Public funding could be a viable solution to ensuring greater fairness in
03. Transparency, accountability and ownership by the electorate
 - a. Emphasis on strengthening disclosure, especially on sources of revenue.
 - b. There are three levels of accountability: Within the party, to the state, and to
04. Checks and balances to prevent unlimited power
 - a. An independent permanent body should be established to regulate political
05. Exercise of political and civil liberties by the electorates
 - a. Citizens have the right to elect their government through a peaceful, free
 - b. The above right are fully protected through a fair political financing process.

The paper ends by proposing a set of key questions which should be asked when developing or evaluating a system of political finance, to ascertain whether the values and principles outlined above are being upheld. They include:

1. Does the system of political finance support the proper functioning of political parties as central institutions of democracy?
2. What are the instruments used to ensure transparency and accountability?
3. Are the names of the donors published?

About the Author

Dr. Stefan Melnik is a Public Affairs Consultant stationed in Berlin. He was educated at the University of Cambridge in the United Kingdom and the University of Bochum in Germany. During the initial period of the transition to democracy in central, south-eastern, and eastern Europe, he worked as a political consultant, and has, among other things, produced a short guide on electoral systems and electoral monitoring.