

Political Party Finance Best practices

I. Introduction

The area of political party financing, including campaign finance, is widely known to be centrally important from the point of view of corruption and anti-corruption policies. On the one hand, vibrant, genuinely competitive democratic politics is not possible without well-functioning and socially well-embedded parties, and well-functioning political parties require substantial financial resources. On the other hand, in light of the fact that parties compete for governmental power and political influence, it is a quite natural expectation that those who donate money to political parties expect and – and are sometimes promised and given – favorable treatment in political decisions. In other words, it is extremely difficult to eliminate the possibility of illicit *quid pro quo* and influence buying in political finance. Campaign finance related corruption scandals are frequent in all democracies, whether old and well-established or new and fragile. Given that such scandals can undermine public trust in the working of democratic institutions (in addition to the direct harms of corruption), it is essential for every well-functioning democracy to develop a party finance regime that is capable of at least reasonably mitigating the threat of corruption in this crucial area.

In what follows, we will first outline the relevant policy areas of campaign finance, and identify the main risks and opportunities. Next, we will develop the criteria for selecting countries with best practices. Finally, we will describe in some detail two selected countries that we find as best in light of the selection criteria and the interviews conducted with actors with relevant field knowledge in the target countries.

II. Political party finance: the main issues

1. Sources of funding

As mentioned in the introduction, well-functioning political parties are not possible without adequate financial resources. In regulating the permissible sources of party funding, decision makers ought to weigh and balance a number of different and sometimes competing considerations. First, in order to make sure that parties are adequately funded, it is desirable, other things being equal, to make it possible that various sources of funding are available for parties. Second, in order to reduce the opportunities for *quid pro quo*, as well as to prevent dependence of parties on a few wealthy donors, it is desirable to establish some system of public funding, and to limit or abolish specific sources of private funding. In addition, third, in order to ensure some measure of transparency of funding, it is often desirable to limit funding by corporate entities, foreign actors, and abolish anonymous donations, at least above a certain amount. At the same time, fourth, it is also desirable to prevent extensive reliance of parties on public funds, both to foster social embeddedness and to block the possibility of manipulation by decision-makers. These considerations, taken together, call for a well-balanced funding regime that includes a robust public component, encourages fundraising from individual donors, and limits or abolishes corporate, foreign, and large anonymous donations. In addition, caps on individual and corporate donations are also advisable.

2. Spending limits

Contemporary election campaigns are very expensive. Competing parties have to reach millions (sometimes tens of millions) of voters over a period of several months. This is not in and of itself objectionable, and indeed is part and parcel of democratic

competition. However, campaign spending can be excessive, from two different points of view. First, unlimited spending may result in an uneven playing field, to the extent that parties with wealthier voters may simply drown out the voice of political actors representing less wealthy social groups. Therefore, some degree of limits on campaign spending may be desirable from the point of view of equality of opportunity. Second, capping campaign-related expenditures may have the benefit of reducing the demand for political donations, and thus also the possibility of *quid quo pro* and reliance on potentially risky sources of funding. Therefore, an ideal campaign finance regime will cap spending at some level that is high enough to allow for vigorous competition, but that is at the same time low enough to protect equality of opportunity and to reduce the risk of corruption.

3. Oversight, enforcement and sanctions

Needless to say, even the best party finance rules are toothless without governmental agencies that are empowered to oversee parties' activities and to enforce compliance with the regulations. In the areas of enforcement, it is more difficult to identify formal criteria for best practices, given that so much depends on the ability, competence and willingness of particular regulators and agency officials to actually perform their duties well. Moreover, even the best designed and most competent regulatory agencies may be underfunded and understaffed, making it difficult for them to properly do their job. These kinds of circumstances are hard to identify simply by looking at the text of the law and require reporting from people with extensive field knowledge. With that in mind, it is still possible to outline practices that hold out more promise for

effective enforcement than others, other things being equal. For instance, it is, as a general matter, favorable if the agencies that are responsible for oversight and enforcement have some degree of independence of the executive and legislative branches of government, so as to diminish influence from the very elected officials whose parties they are expected to oversee. At the same time, executive agencies are often better funded and staffed than independent institutions, which may be advantageous for performing oversight and enforcement effectively. Similarly, there are some advantages inherent in having multiple agencies exercising oversight and enforcement that act on their own, independent of one another. In this way, effective enforcement is not held hostage by the variable ability and/or willingness of a single agency to do its job. If one regulatory agency fails, there may be others to step in its place. At the same time, having multiple agencies exercising oversight has its drawbacks as well, since it may allow each of them to try to shirk its responsibilities and shifting the blame to the others. Overseeing powerful parties and their leaders is an inevitably risky and confrontational activity, and bureaucracies often try to avoid conflicts, especially with actors on whose benevolence they depend for funding. That explains the frequent reluctance of regulators to confront actual violations of the rules. Therefore, having multiple overseeing agencies may encourage each to wait for the other, in turn actually making enforcement less effective. In light of all these considerations, the best practice may still be to have multiple oversight mechanisms that are part of different branches of government.

When it comes to sanctions for violations of the rules, once again two seemingly contrary considerations have to be weighed simultaneously. On the one hand, sanctions must be heavy enough to be able to actually deter violations. On the other hand, it is a

well-known phenomenon that too heavy-handed sanctions are rarely enforced and therefore do not represent credible threats to potential violators. Sanctions must be such that the relevant actors know there is a high probability that they will be actually enforced in the case of rule violations. Therefore, the best approach may be to have a large variety of sanctions for various violations, ranging from the very heavy to ones that are lighter but still possess sufficient deterrence power.

III. Criteria for selecting best practices

In light of the various considerations presented in the previous section, the two best practice countries were selected on the basis of scores in the three areas of sources of funding, spending limits, and oversight and enforcement. To be sure, each of these three areas are internally complex, and it may not be realistic to expect that any one country will achieve very high scores in all three of them. Furthermore, there has been no attempt to attach particular weights to the three areas: in other words, they were treated as of roughly equal importance in determining the quality of overall practice in a given country. This has inevitably lead to a somewhat intuitive selection procedure among countries that fared relatively well on most of these issues. Below is a list of the practices that were looked for in identifying overall best practices.

Sources of funding; the countries to be selected should have a generous public funding regime for political parties, with an equitable formula of funding that does not disproportionately favor large parties. It is well-established in the relevant political science research (for summary, see Charles Beitz, *Political Equality*, Princeton University Press, 1989) that from the point of view of democratic accountability of the

incumbent party or official, it is more important that the challenging party has effective means at its disposal than to limit overall spending. For this reason, having a robust public finance component is of crucial significance. The party finance regime should allow for and encourage private funding by individuals, preferably providing some sort of incentives for individual donations. A cap limiting very large individual donations is an advantage. At the same time, the regime should reasonably limit donations from corporate entities and preferably from other legal entities as well. A ban on foreign donations is preferable, while a ban on anonymous donations is strongly weighted as a selection criterion.

Spending limits; party finance regimes that stipulate a specific limit on the amount that parties can spend on campaigning in each election season. Sensible spending limits take into account the size of the constituency that is the subject of the campaign, the length of the official campaign period, the prices that prevail in the media market, and so on. Moderate caps are preferred to unrealistically low caps that either stifle vigorous political competition or are routinely ignored and violated. It is also considered as an advantage if a country's campaign regime provides for free television and radio time (and possibly billboard space) for parties that meet certain qualifications.

Oversight and enforcement; in these interrelated areas, preference was given to countries that have multiple enforcement agencies drawn from different branches of government, with at least some of them independent of the elected branches (the executive and the legislative). In determining the quality of enforcement, much weight was given to the responses received from local experts in the interviews conducted via email. In terms of sanctions, countries with various kinds of sanctions were given

preference. More specifically, sanctions of a ‘political type’ (loss of elected office, loss of eligibility for public funds, exclusion from the right to run for office for a specific period, etc.) were given priority over criminal sanctions (prison terms, fines) and administrative ones.

There was one additional general circumstantial consideration that has been taken into account in selecting best-practice countries. Some of the EU-member states with the least amount of political finance-related scandals cannot not serve as adequate models for the CEE countries, and for the following reason. Some countries with traditionally low levels of corruption are also the ones with the most under-regulated regimes of party finance—such as the countries of Scandinavia, for instance. As these countries have historically low levels of corruption and scandals in the area of political finance, there has never been an urgent need to enact detailed regulations. But it is clear that in these cases the relative rarity of scandals is more a function of other fortunate historical and social factors and less the result of the lack of regulation, as is evidenced by the scandals of other, also loosely regulated nations. Therefore, paradoxically, some of the countries with the least amount of party finance-related corruption simply cannot serve as best practices for the purposes of reform in Central and Eastern Europe, as most of these countries have to deal with the challenge of generally high levels of corruption within and outside the domain of party finance.

For these reasons, a central guideline during the selection of best practices was not the absolute levels of party finance-related corruption, but rather the incidence of relatively recent and successful reforms attempting to curb abuses in the area of political finance. Therefore, the countries selected are not the ones with the best overall outcomes,

but the ones with reasonably successful recent reforms that achieved positive changes in the relative situation of these countries. These cases may provide more insights for the CEE countries contemplating similar reforms.

Belgium

I. Background

Belgium has a federal political structure with three regions and three communities that have their own government and legislature. Therefore, legislative elections are held both at the federal level and at the subnational level. Political party finance is regulated by federal law (except for municipal elections), but monitoring responsibility is shared with the regional governments. The current regime of party finance in Belgium has largely been developed in response to a number of very highly publicized corruption scandals in the late 1980s and early 1990s. The best known of these was the so-called Agusta-Dassault scandal, in which the government purchased military helicopters from the manufacturers Agusta and Dassault, after, as it turned out, the lobbyists of the two companies bribed several leading politicians and government officials. The case led to several criminal convictions, as well as to a huge public backlash, which forced decision-makers to initiate reforms of the party finance system as well as the public procurement regime. Prior to the Act of 4 July of 1989 on party expenditures, political finance was extremely loosely regulated, with parties largely dependent on businesses for their revenues, and predictably the donations from the business sector had come with strings attached, mainly in the form of pledges regarding favorable regulation or government contract. The new regime is generally seen as a very significant improvement as compared to the pre-1989

period, though of course various problems still arise, especially at the subnational levels. The Act of 4 July of 1989 was followed by similar acts regulating election spending at the regional level and for the European Parliament. In addition, the various regions and communities also issued their own directives regarding political finance.

1. Public Funding

One of the most significant aspect of the reform of 1989 was the introduction of a public finance component within the regime, in order to reduce the dependence of parties on business donations that was seen as the main source of the scandals that triggered the reform. The public financing regime uses the following formula. Each party that has at least one elected member in any of the two chambers of the federal legislature (Chamber of Representatives and the Senate) is to receive a lump sum of 125.000 Euros annually, plus 1.25 Euros for each valid vote cast for the party list and for its candidates. (A condition of eligibility for public funding is that parties must pledge to respect the European Convention of Human Rights). In addition, regions may and do provide further funds using similar formulae, and the federal government provides administrative assistance and staff to the parliamentary groups.

During election seasons, parties are entitled to in-kind subsidies such as exemption from postal fees for mailings, free air time in televisions and radios, and reduced fees for billboards. Local authorities may provide free space for billboards.

2. Private funding

In addition to the introduction of extensive public funding, the single most significant change brought about by the reform of 1989 was the abolition of all donations from legal persons of any kind. That is to say, parties must not accept any contributions,

cash or in-kind, from corporations, foundations, trade unions or any other entities that are not natural persons. Individual candidates of course can receive funds from the party that nominates them. There is also a cap on individual donations. Each year, individuals may donate only up to 500 euros for a party (they may contribute to more than one party but not more than 2000 euros per year), and anonymous donations are capped at 125 euros per year per party. The same rules apply at the regional and subregional levels.

3. Spending limits

The Act of 4 of July of 1989 has introduced spending limits only with respect to federal elections. Separate laws apply at the regional level. At the federal level, each party may spend up to 1,000,000 euros in each election season, and in addition to this sum, individual candidates' campaign expenditures are fixed using a complex formula that takes into account the size of the constituency in which he or she is running, as well as his or her ranking on the list of the party that nominates him or her.

4. Transparency

The Act of 1989 requires that all parties receiving public funds must submit an annual financial report. These reports must include the list of donors contributing over 125 euros, the accounts of expenditures, liabilities and revenues,, and an auditor's report. In addition to the annual regular reports, parties must also submit an account of campaign spending and donors within 45 days of the federal and regional elections. Parties and their candidates must publish only a summary of their accounts, but in practice more extensive reports are made available. The reports must also include expenditure by third

parties on behalf of political parties or candidates. Parties are required to preserve their documents for two years after the election.

5. Monitoring and enforcement

Until 2001, overseeing compliance with the financial regulations was entirely a federal responsibility. The federal control commission was solely responsible for monitoring parties. The federal control commission is a joint committee of the two chambers of the federal legislature, with each chamber having ten members, and the commission is co-chaired by the speakers of each chamber. The control commission examines the reports of the parties and may consult external experts, but it does not have an extensive staff of its own; its work is assisted by a few lawyers. In 2003, regional control commissions were established, modeled after their federal counterpart. In addition to the various control commissions, parties' finances are also scrutinized by the court of auditors, which is an autonomous organ of the Parliament. Members and the chair of the court of auditors are appointed for six years by the Chamber of Representatives, but can be dismissed at any time. However, the court of auditors does not have access to documents other than the report submitted to it, and cannot examine its accuracy by assessing independent evidence. It has one month to issue its opinion.

In addition to the court of auditors and the control commission, the general public has some role in oversight, as parties and candidates must deposit, for a period of fifteen days, their account at a publicly accessible institution.

The enforcement mechanism of political party finance relies on a system of fines and other penalties. If the commissions or the state prosecutors launch proceedings for some violation of the regulations, sanctions may range from fines (ordered by ordinary courts, disqualification from office (ordered by the administrative courts), cessation of public funding (ordered by the relevant control commission), to imprisonment ruled by criminal courts. If a party exceeds the spending limit during a campaign season, it may lose federal funds for up to four months. For accepting illegal funds (mainly, from corporations), individuals are liable to fines of up to 100.000 euros and parties may be fined for up to twice the amount of the illegal contribution. Failure to provide an accurate list of donors makes the party liable to loss of public funding for up to four months, and the responsible individual to a fine of up to 100.000 euros. Donors that act in breach of the relevant regulations are also liable to fines of up to 100.000 euros.

According to publicly available data, the federal control commission imposed various sanctions on seven occasions since 1989 for various rule violations, four of which involved loss of federal funding for some period. At the regional level, the control commission of the Flemish region disqualified one candidate who was leading his party's list. This finding was later overturned by the highest administrative court. In the Brussels region, the control commission's probe in one case led to the decision to remove from office one municipal elected official.

6. Evaluation of the Belgian practice

As noted in the introduction, the current political party finance regime in Belgium was developed in response to a number of highly publicized scandals involving high-

level government officials apparently steering decisions in a manner favorable to their former campaign donors. As a consequence, the main thrust of the new regulation is to eliminate corporate influence from political finance.

Strengths

The Belgian regime's main strengths are threefold. First, its nearly blanket ban on corporate donations or contributions from any legal persons go a long way to ensure that the political process cannot be captured by well-financed and -organized special interest groups. Based on expert reports (e.g. the comprehensive analysis of the GRECO report from 2008) and interviews with local watchdog organizations (TI Belgium), this aspect of the Belgian regime appears to work well in practice as well. One loophole needs to be mentioned, though. Even though the existing rules prohibit both cash and in-kind contributions from corporations and other legal persons, they do not ban "sponsorship", i.e. parties or candidates may publicize in their leaflets etc. the paid services delivered to them by companies, and they can get paid for such publicity, which is an indirect financial contribution.

Second, the spending and contribution limits established by the current rules appear to be realistic and in line with prevailing market prices, and therefore do not force parties and candidates to illegal channels. At the same time, the caps are specified at a level that can exert meaningful constraints on excessive spending. Third, the current regime specifies a number of different sanctions (loss of public funds, removal from elected office, fines and prison terms) that seem to be well-suited to deter noncompliance, and proportionate to a large variety of violations. Specifically, the sanction of

withholding public funding looks like the kind of measure that creates incentives to increase the level of compliance.

Weaknesses

All of the main weaknesses of the current Belgian regulatory system concern gaps in the enforcement mechanism in place. The first such gap is that of the various agencies that have a role in enforcing compliance, the apparently most important ones, the control commissions have neither the right kind of structure nor the appropriate powers to function as effective watchdogs. Regarding structure, it is a glaring weakness of the regime that the control commissions are composed only of delegates of the very political parties that they are supposed to monitor and sanction, with minimal expert staff and virtually no independence of the parties. It is no surprise that this issue was mentioned both in the 2008 GRECO report and in the interviews conducted by EKINT for this analysis. This structure means in effect that the parties are policing themselves or, even worse, the more powerful parties can police the weaker ones while possibly getting away with rule violations themselves with impunity.

Regarding proper powers, the control commissions are well-placed to sanction violations once they are established, but they have very limited means for conducting genuine probes into the activities of the parties. For instance, in overseeing compliance with spending limits, the control commissions have no access to the documents of the parties but instead must rely on the accounts that are submitted to them each year and after each election campaign. Similarly, they may not rely on independent external evidence in order to check actual spending levels. In the words of one respondent to our

questions to TI Belgium, this lack of independent powers of investigation means that the control exerted by the control commissions is almost purely formal. Therefore, in spite of the fact that there are multiple oversight and enforcement agencies responsible for ensuring compliance, there can be little guarantee that the rules indeed work as intended. The very low number of cases when significant sanctions were imposed may illustrate this problem quite well. It is highly unlikely that the actual number of violations is well-reflected in the handful of cases when sanctions such as withholding of public funds were levied.

SPAIN

1. Background

Spain has been a relatively consolidated constitutional democracy since its transition from the Franco-dictatorship in the 1970s. It has a two-chamber legislative body at the national level, as well as seventeen autonomous communes with their own executive and unicameral legislative body. Political party finance is regulated by two separate laws. General election campaigns are under the application of the Organic Law of 1985, while routine operational expenses are covered by the Organic Law of 2007.

2. Public funding of political parties

Political parties in Spain receive public funds from various sources and for various purposes. They receive general funds from the national budget for operational expenses, security, and for election-related goals such as advertising, and they may receive funds from municipalities to the extent that they participate in local government

elections. The general formula for national subsidies for routine operational expenses is that only parties that hold at least one seat in the legislature or in the legislative bodies of the autonomous regions are entitled to subsidy in proportion of the votes received and the seats gained. The amount of this kind of direct subsidy is quite substantial: in 2008, the total funds allocated to parties from this source has been 78,100,000 EUR for operational costs and an additional 4,000,000 for security (this is explained with reference to the threat of terrorism that has been present in this nation in past decades).

In addition to direct funds received in cash upfront, political parties also receive indirect subsidies in the form of free advertising time in the public broadcasting system, free space for billboards and subsidized postage. Free airtime is allocated on the basis of votes/seats received in the last elections, but even parties without representation get ten minutes of free airtime. An important restriction is that the government cannot carry out public information campaigns during the campaign period.

3. Private funding

As far as private contributions to political parties are concerned, the Organic Law of 2007 permits contributions from individuals, both citizens and foreign nationals, and from legal persons. However, numerous restrictions apply to donations. The most important of these are that parties are not permitted to accept donations from anonymous sources, from public sector entities, and from private legal persons that have legal contracts with the public sector or with businesses with a majority stake controlled by the government. In addition, donations from all foreign legal persons – governments, public sector entities or private corporations – are also banned. Donations made by private

corporations must be approved by the board of directors of the relevant entity. At the same time, quantitative caps apply to donations: individuals and corporations are not permitted to donate more than 100,000 per year, or more than 6,000 during election years.

Another restriction is that political parties must not engage in commercial activities aiming at generating profits. Private donations that are made to the foundations or associations that are related to political parties with representation in the parliament are under the application of the same restrictions. The Spanish party finance regime provides incentives for private donations to the extent that donations to political parties are tax deductible up to 600 EUR a year. As far as it could be determined, corporate donations are not deductible from the corporate tax.

4. Spending limits

In addition to various restrictions on financial donations to political parties, there are also specific caps related to the amount they are allowed to spend on election campaigns, as specified by the Organic Law of 1985. The formula is based on the number of residents in the relevant districts where the parties are setting up their lists. The pertinent sum is 0.24 EUR per resident for national legislative elections, 0.12 EUR per resident for European Parliamentary Elections, and 0.07 EUR per resident for municipal elections. There are also restrictions regarding the types of activities in connection with which parties can incur costs, but they do not exclude any of the conventional activities associated with electoral campaigns.

5. Transparency

The Organic Law of 2007 provides for the accounting and disclosure requirements as they apply to political parties. For instance, parties must have separate bank accounts for party membership fees and for other private donations. Separate financial accounts and statements are required for routine operational expenses and for electoral campaigns. An important requirement is that each party participating in elections must set up a separate bank account exclusively for the purposes of election-related expenditures and revenues, so that all such payments and income must be made to and from this account. This is an important tool for making it possible to track whether parties are operating within the legal rules, such as complying with spending limits and donation caps.

Similarly, disclosure rules require that separate reports are made about routine operating expenses and campaign-related costs. The reports on routine activities must be broken down to several specific categories, and contain specific information, together with explanatory notes, about the identities of the donors and the amounts they donated. The report about election campaign related expenditures must include, in addition to the sum total of all expenses, the breakdown of costs in accordance with specifically enumerated categories such as advertisements, paper, rent, salaries, transport, mailing, etc. The report must contain supporting evidence.

These reports are accessible to the relevant law enforcement agencies and tax authorities. However, parties do not, as a general rule, fall under the freedom of information act. Only summary statements are made available to the general public.

Oversight and enforcement

Parties' compliance with the various campaign finance rules are overseen by multiple distinct agencies. One of these is the electoral commissions, while spending by the parties is monitored by the auditing agencies. The Court of Audit has general oversight responsibility, and all the autonomous regions have their own audit agencies that enjoy broad independence. Importantly, the audit agencies have extensive investigative powers that make it possible for them to go beyond merely formal monitoring of compliance. Political parties and third parties that have commercial relationship with them are under a general obligation to cooperate with the audit agencies. The electoral commissions are also professional, nonpartisan and independent bodies that exercise specific oversight tasks during election periods.

The Court of Audit has the authority to impose sanctions in case any of the regulations are violated. For instance, it may impose a fine for illicit campaign contributions equaling twice the amount of the illegal donation. In case of violations of reporting duties, the sanction could be the withholding of public funds. Party officials also bear criminal and administrative liability for violations. Prison sentences are possible for violations of reporting and accounting responsibilities, and party officials may lose the right to vote in legislature or to run for office.

These various sanctions have been unevenly practiced in the past. By far the most frequent form of sanctions are fines and withholding of public funds. One analysis shows

that during the 2007 elections, the Court of Audit ruled for withholding of public funds in 35 cases, to the tune of 650,000 Euros. This seems to show that the Court is not reluctant to use its broad powers.

Evaluation of the Spanish regime

Strengths

The main strengths of the Spanish party finance system are related to various aspects of the funding mechanism and certain features of the enforcement regime. The Spanish system provides for generous public funding, which is, according to the relevant empirical literature, one of the key prerequisites of democratic accountability. As incumbent parties and officials are usually at an advantage in the electoral competition, accountability works effectively only if the challengers have adequate funds. Public provision of campaign funds appear to be essential in this respect. At the same time, the Spanish regime also provides incentives for the collection of private donations, which lays down the foundations of a balanced funding system.

A further strength of the system is that enforcement and oversight is vested into multiple professional and independent bodies, most of all the Court of Audit and also the electoral commissions. The Court enjoys broad independence as well as real investigative authority, which is effectively exercised in practice. The sophisticated and varied system of sanctions ranging from fines to withholding of funds to prison and loss of political rights also appears well-designed for the system to respond adequately to various violations and thus to provide incentives for the parties for more compliant behavior.

Weaknesses

The Spanish regime also exhibits a number of potential weaknesses. The legal possibility for corporate donations is such a channel that opens up the possibility of quid pro quo. As the fundamental subjects of the political process are natural persons, it appears desirable that only natural persons should be able to make donations to parties. The possibility of donations by foreign persons is also questionable.

In the transparency and enforcement area, the otherwise adequate system appears not to be applied to the local branches of the parties, which is a significant loophole that could be closed by making law enforcement more consistent, without having to change the law. At the same time, there is evidence that the Court of Audit is understaffed and underfinanced, which impedes its ability to pursue adequate investigations.

Conclusion

There are a number of different considerations that should be taken into account in designing a system of political party financing. Considerations of fairness, democratic accountability and anti-corruption are just some of the most important ones. The present analysis focuses on the problem of preventing or minimizing corruption in the area of political finance, and its more narrow aim is to identify effective enforcement mechanisms. However, party finance regimes operate as integrated systems, and for this reason the question of the sources of funding and of various limits applicable to spending by parties cannot be wholly separated from the issue of enforcement. Quite clearly, a regime that relies exclusively on public funding requires quite different monitoring and enforcement measures than one that is dominated by private funding. It is for this reason

that the current analysis addresses those problems as well. Different funding mechanisms have different enforcement needs, and some are more likely to succeed in the Central Eastern European context than others. Therefore, the selection of best practices that can potentially serve as examples for the CEE countries relied on considerations about the funding mechanisms as well.

Arguably, the best test of whether an enforcement mechanism is effective or not is the results it produces, i.e. the prevalence of corruption cases under a specific enforcement regime. However, the general prevalence of political corruption we observe in any particular country is the function of a huge number of underlying factors, the political party finance regime and its enforcement mechanism being only one of these. Therefore, the low incidence of political corruption in a country tells us very little about the role of party finance enforcement in producing that result. Therefore, the best we can do in identifying effective mechanisms is to focus not on absolute levels of party finance-related corruption but rather on *changes* in that level that roughly coincide with reforms implemented in the party finance area. If we observe roughly simultaneous improvements in corruption and changes in the legal environment, then, other things being equal, we have reason to infer that the improvements are caused by the changes in the regulatory environment.

Therefore, the selection of best practices followed the methodology of identifying formerly high-corruption countries that introduced large-scale reforms in recent decades and reported significant favorable changes, even if the countries in question still face significant problems in the area. Two countries with that profile are Belgium and France, both of which had high-profile corruption scandals related to party finance, and both of

which undertook significant reforms in response, with reportedly good (though far from perfect) impact. Both nations have a significant public finance component, which reduces the dependence on wealthy interest groups, and both have some (though different) limitations on private donations. In the monitoring and enforcement area, both countries rely on multiple agencies to oversee compliance with the rules, and both have adopted a broad spectrum of sanctions ranging from fines and withholding of public funds through limits on political rights to imprisonment.

The Belgian system appears to be superior in regulating private donations by excluding corporate donations, while doing worse in the enforcement area, given the limited independence and lack of investigative powers of the control commissions. The Spanish system looks superior in the enforcement domain, with the Court of Audit having well-established independence and investigative authority (though deficient in funding), but at the same time looks weaker in the area of regulating donations by allowing corporate donations. Ideally, an optimal regime would combine these strengths.