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An Interview with Dr. Magnus Ohman: Why Public Funding of Parties Should Be Seen as Part of the Cost of Democracy?



Dr. Magnus Ohman

BILI is a partner organization for Bulgaria in the international project "Effective Combat Against Corruption. Supporting Stakeholders in Implementing Anti-Corruption Standards." The project is implemented by the International Foundation for Electoral Systems (IFES) and CEELI Institute Prague with the support of DoJ-INL. The project is implemented in Bulgaria, Romania and Montenegro.

In the light of the current events related to party financing, we have spoken with Dr. Magnus Ohman. Dr. Magnus Ohman is the director of the IFES Regional Europe Office in Prague, the Czech Republic. He has worked on political finance issues since the late 1990s, specializing in effective disclosure and oversight, public funding systems and sustainable solutions. Ohman holds a Ph.D. in political science from Uppsala University, Sweden. Read his full biography [here](#).

BILI: We all know that the political parties are the "necessary evil" in a liberal democratic system, however do you think that there is a trend for a negative attitude towards the political parties in the recent years?

MO: The level of trust in political parties has been declining for decades, so this is nothing new. In the latest Eurobarometer, based on a survey from November 2018, only 18% argued that they have trust in political parties (11% in Bulgaria). See pg. 39 in the source below.

BILI: Do nations and societies differ in their attitude to the political parties?

MO: Yes, this varies widely. For recent data see page 45 on:

<https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/ResultDoc/download/DocumentKy/86437>.

BILI: In 2016, in Bulgaria a nationwide referendum was initiated along with presidential elections. Approximately 3.5 million people casted their vote on the question if the state subsidy for political parties shall be reduced to 1 BGN per vote (from 11 BGN). 72% of those who voted supported the idea and voted in favor of that proposal. What is your comment on this outcome?

MO: When the public has been asked about their view of public funding in different countries, they have normally been negative. This is understandable, as public funding means that taxpayers' money that could go to building hospitals or schools are instead given to political parties that the people do not trust (see above). It should be considered however that maybe public funding of parties should be seen as part of the cost of democracy, if it can help to level the playing ground and reduce the influence of wealthy interests over the political process. It can be noted that in recent years, some European countries such as Italy, have significantly reduced the public funds provided to political parties, while others, such as North Macedonia and Romania, have significantly increased public funding in recent years.

BILI: There has been a recent scandal in Bulgaria regarding the state subsidy for political parties. It occurs that those who fulfill the eligibility criteria, have received approximately 13 BGN per vote rather than 11 BGN as it is prescribed in the law. That triggered a public debate on the mechanisms for financing of political parties. Can you say what are the most important principles that govern political financing in general?

MO: It can be argued that the most important principle in European political finance regulation is transparency in how those wishing to run the country raise and spend money. The implication of this is the need for detailed financial reports that are made available to the public in a timely manner and in user-friendly formats. Different regulations are used in different countries to reduce the influence of wealthy interests and to level the electoral playing field. These regulations include donation and spending limits as well as public funding, though it should be noted that there is no European consensus on the use of such regulations. The most common of these regulations is public funding of political parties, used now in all European countries apart from Belarus, Italy, Malta, Monaco and Switzerland (and it supposed to be introduced in Malta).

BILI: How to decide on the exact amount?

MO: The exact amount should be determined based on the goal that the public funding is set to achieve, and the current practices and levels of income and spending.

BILI: There has been a political dispute on the issue. The right-wing ruling party, GERB, suddenly decided to act according to the referendum's results three years earlier and now they support a state subsidy of 1 BGN per vote. Other political parties went even further proposing zero state subsidy but opening political parties financing to natural persons and companies without limits. They claim that this is the "American model."

MO: Such a model would differ significantly from that in the US. There, private persons are not allowed to donate more than USD 200 to an electoral campaign, and corporate donations are banned. What is being referred to, is presumably donations to third parties engaging in election campaigns. In the US system, these are normally regulated as

Political Action Committees (PACs), and so-called Super-PACs are allowed to receive almost unlimited donations (though it should be noted that such Super-PACs are banned from coordinating their campaign activities with parties and candidates. There is nothing specific about this model though, as donations to so-called third parties are unregulated in most European countries. The main way that party funding in the US differs from that in Europe is the absence (almost) public funding in the US, while public funding is the main source of party income in most European countries. There are exceptions in Europe however, with the UK, and recently Italy, being the main examples.

BILI: Is there a best model how to finance political parties?

MO: There can never be one "best model", as each country must adjust its regulations both to its political and economic situation, but also with the perceived goals and views of the democratic process.

BILI: What are the risks of introducing private donations to political parties? Can this threaten the legislative process?

MO: With some very rare exceptions (normally in un-democratic countries), private donations are allowed to political parties and election campaigns.

There is always a risk that private donations can interfere with governance, for example regarding what laws that are passed or the public procurement process. Donation limits can play a role in limiting this risk, though transparency in where the money for campaigns is coming from is arguably more important.

BILI: According to the Bulgarian law, political parties can spend the state subsidy for "political activities", however, the law lacks a clear definition what political activities include. Do you think such definition is necessary?

MO: Most countries do not regulate the use of public funding, other than that, like all public funds, it cannot be used for personal enrichment. Whether a definition should be used, and what in that case it should be, depends on the goals that the public funding is set to achieve. Some countries earmark a part of the funds for goals considered especially important, such as for activities to increase gender equality within political parties and in the political process.

BILI: It is of common belief that political parties in Bulgaria have the so called "black safes" and that they gather and distribute money from oligarchs which are not officially accounted and declared. How can this be investigated and how to perfect the control and sanctioning mechanisms?

MO: A comprehensive approach is needed to monitor potential flows of illicit funds into politics. The formal political finance oversight structures have an important role to part in this, but this will never be sufficient. In-depth work by financial sectors of the police force is essential, as normally only they have the resources to track financial flows in a manner that may be necessary. Specific due diligence requirements for banks dealing with politically exposed persons and institutions connected with political parties and election campaigns may also be necessary, as will be an effective whistle-blower protection system. In addition, investigative journalism can play a crucial role in tracking financial flows and make scandals known to the public, together with civil society organizations working in various related areas.

BILI: According to GRECO's reports, Bulgaria fails to secure that political parties and candidates do not abuse state resources for their activities, including during election campaigns. Although, the Electoral Code was amended and now there is a prohibition of such abuse, there are many examples for abusing state resources by politicians. How this can be changed?

MO: Abuse of state resources has proven one of the most pervasive political finance problems in many European countries. Addressing it requires a combination of efforts. Legislative bans on supporting certain parties with public resources are useful, as are bans on increasing public spending ahead of elections aimed at increasing support for the government, and through that for the government party or parties. However, legal provisions will not be enough (especially as they are seldom enforced in practice). It is also important to build a sense of professional pride in the civil service, meaning that people in the public sector will refuse to obey requests to use the resources under their control for political purposes. This must be supported by media and civil society monitoring, so that cases where people in the public sectors being punished for refusing to abuse state resources are brought to the attention of the public. Ultimately, the goal is a situation where the electorate is not impressed by abuse of state resources. The resources of the state are the resources of the people, and abuse of state resources therefore effectively means that the people are bribed with their own money. People should react with anger when roads are fixed shortly before an election, since that means that road maintenance is done accordingly to the traffic needs of the people, which means a waste of public resources. When people are no longer impressed by such efforts, abuse of state resources will become an ineffective approach, and will gradually go away. Of course, reaching this situation may take a long time.

BILI: All parties that receive any kind of support by the state are subject to an independent financial audit, apart from the checks that the National Audit Office conducts. However, the conclusions from those financial audits are very vast and shallow and fail to provide enough information to the wider public. Are there any specifics in auditing political parties?

MO: Audits of political party and campaign accounts can be an important part of increasing transparency to political finance and ensuring compliance with regulations. To do this, national auditing standards should be followed strictly. There is however sometimes a misunderstanding about what audits can add to the process of political finance oversight. Auditors are legally required to follow strict rules in their work – they are often not required, sometimes not even allowed, to broadly look for information and to investigate potential links. In an audit of a campaign account, for example, the auditor would normally not look at financial flows formally unconnected to the election campaign that may have benefitted it electorally. As a consequence of this, auditing of financial reports can only be one part of wider oversight of political party or campaign finance.

BILI: Why should people care about political finance – how is the role of money in politics relevant for the everyday life of ordinary people?

MO: Political finance is important to the everyday life of ordinary people because it relates directly to how elected politicians behave. Do politicians act in the interest of the people, or do they seek to give favour to those who supported them in the last election campaign? Do public contracts for road maintenance go to the company that can do the

best job using the minimum amount of tax funds, or do such contracts go to companies with close ties to involved politicians? The temptations to engage in corruption will always be present, and the risk of politicians acting against the public interest can never be removed completely. However, efforts to increase transparency in political finance and enhance compliance with political finance regulations can reduce these risks and strengthen accountability in politics.

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