

Political Parties: Money, Power and Anti-Corruption Measures

Introduction

In Europe, the political parties are defined as the least transparent among all the public sector institutions. In most European countries, political parties are rated worse than courts, legislative or executive government institutions. Based on a research called “The Lithuanian Map of Corruption 2011”, the political parties in Lithuania (according to residents and civil servants) fall into the top three most corrupt institutions along with the Parliament and courts.¹ General trust rate is also very low – only 6,4% of Lithuanian residents declare that they trust political parties.²

Lack of transparency in the system of political parties does not only create an environment for illegal influence, ethics violations and corruption but also contributes to general distrust of government. Bearing this in mind, it is very important to ensure that the legal framework and practice of the political parties would ensure maximum resistance to corruption.

In general, corruption is the abuse of entrusted power for private gain.³ It is widely recognized that if the areas of public life that are most sensitive to corruption are not identified, it is more complicated to choose the most effective methods and measures to fight it.⁴ In 2010, the Lithuanian integrity system study was started to develop as part of the regional project “National Integrity Systems” (NIS.) A National Integrity System assessment evaluates the principal institutions and actors that form a state, including all branches of government, the media, the public and private sectors, and civil society. The purpose of such a study is to identify the risk factors in a given country that foster corruption as well as medium and long term solutions to help reduce those risks. Lithuanian study covered thirteen most relevant areas of the public life including, among others, the political parties.

¹ Research “Lithuanian Map of Corruption“ 2011, http://www.stt.lt/documents/soc_tyrimai/Korupcijos_zemelapis.pdf [retrieved 2012-12-15]

² Questionnaire “Trust in Lithuanian Institutions”, “Vilmorus” (December 2012), http://www.vilmorus.lt/index.php?mact=News.cntnt01_detail.0&cntnt01articleid=2&cntnt01returnid=20 [retrieved 2012-12-15]

³ “Transparency International”. *Transparency International Plain Language Guide*. P. 14, 2009,

http://www.transparency.org/whatwedo/pub/the_anti_corruption_plain_language_guide [retrieved 2012-12-15]

⁴ Fletcher C, Herrmann D, *Corruption: an international interdisciplinary and multi-sectoral reader*, 2012, p.16;

1. Establishing and financing political parties: challenges for transparency

The environment created by the Government for the establishment and competition of political parties is very important for smooth and efficient work of political parties on the country level. Based on international best practice, related legal framework must be objective, clear and transparent, while all the related legal acts must be public and easy to access.⁵

In general, the Lithuanian legal framework is favorable and sufficient to regulate these issues. There are no unjustified restrictions for the establishment of political parties. Equally important, decisions of the Ministry of Justice to decline the request for registering a political party can be challenged in courts (e.g., *Žemaičių partija* used this right in 2008). Generally, national laws do not allow unjustified financial privileges, but it is also acknowledged that the current principles for allocating budgetary contributions create a more favorable environment for the more popular parties making the establishment of new parties complicated due to various legal restrictions. This became especially relevant after the prohibition for individuals and legal persons to donate for political parties and the prohibition for legal persons to donate for political campaigns.⁶

By prohibiting donations from legal persons and restricting donations by individuals to the independent members of political campaigns only, it was expected to decrease the illegal influence of business to the politicians.⁷ Similar approach to curb political corruption was chosen in Poland, Portugal, France and Belgium. Even though it is recognized as a way to increase integrity of political parties financing, there is no empirical data proving that this prohibition itself decreases corruption.⁸ Therefore, it is crucial not to limit the policy amendments to this prohibition but continue developing the system holistically.

As highlighted in the GRECO Compliance Report on Lithuania "Transparency of Party Funding", it is very important that political parties would not use the so called "indirect funding" through third parties/subjects that are directly or indirectly related.⁹ Such situations occur when, for example, a pro-political subject registered as a non-profit organization engages in activities that *de facto* mean contribution to electoral campaigns, indirectly providing benefit to a political party or a politician. An illustrative example for this is the case of Latvia. During the *Saeima* election in 2006, the Latvian People's Party used the organization "Society for Freedom of Speech" to exceed the legal financial threshold for an electoral campaign by more than 0,5 million Lats (the organization spent this money for

⁵ Van Biezen, I. *Financing political parties and election campaigns-guidelines*. Council of Europe, 2003.

⁶ The Republic of Lithuania Law on Funding of, and Control Over Funding of, Political Parties and Political Campaigns, Art. 10 http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=429445; [retrieved 2012-12-15]

⁷ There have already been potential examples of such links. In 2008 Lithuanian Parliamentary election, the company UAB „Merko statyba“ supported the party "*Tautos prisikėlimas*" with a donation of 39 000 LTL. Afterwards, the CEO of this company G.Kazlauskas was appointed to be the minister of environment. Further reference: declaration of "*Tautos prisikėlimas*" annual financial activities. <http://www.vrk.lt/lt/pirmas-puslapis/pppkfk/politines-partijos/2008-veikla.html> [retrieved 2012-12-15]

⁸ *The Impact of Banning Legal Entities' Donations to Political Parties*, „Transparency International“ secretariat experts reply to „HelpDesk“ request, 2011

⁹ GRECO Compliance Report on Lithuania: "Incriminations (ETS 173 and 191, GPC 2)". "Transparency of Party Funding", [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2011\)7_Lithuania_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2011)7_Lithuania_EN.pdf) [retrieved 2012-12-15]

indirect political advertising in favor of the party).¹⁰ In Lithuania, for example, most of the parties have established pro-political youth organizations and the question therefore remains whether such organizations are not used for electoral campaigns.

Another important issue is related to the question if the system of different types of donations is properly regulated and, in particular, if non-cash donations (gifts in kind) are adequately controlled in Lithuania. Based on the Law on Funding of, and Control Over Funding of, Political Parties and Political Campaigns, the donations in a form of services are not regulated explicitly. Such legal indeterminacy potentially creates space for abuse by lowering the actual value of such services, even though the market value of the service can be determined using market price analogies.¹¹ Similar problems also exist with other non-cash donations¹², and judging by the publicly available annual political parties financial reports, the parties scarcely declare such donations at all.

It is also very important to ensure effective supervision and responsibility mechanism. It is still an open question in Lithuania how sufficient are the institutions which monitor political parties in ensuring that political parties are transparent and accountable. Even though the regulations of control mechanism are comprehensive, in practice the control does not involve all kinds of financing (e.g., the above mentioned example about financing by third parties). Even more importantly, it is unclear whether the controlling institutions have enough financial resources and enough qualified staff. For example, it is often stated that media monitoring is conducted better by professionals than the Central Electoral Commission staff but the service of such companies is usually too expensive.¹³ Furthermore, as highlighted in the GRECO report, it is necessary to review the system of sanctions for violations of the Law on Funding of, and Control Over Funding of, Political Parties and Political Campaigns clearly defining what sanctions and what procedures are applicable when particular violations are made. It is important to ensure that actual sanctions would be applied for violations, fines would be adequate and would effectively deter from violations.¹⁴ Currently, it is not completely clear, to whom and how should the responsibility for violations be applied and how, for example, to sanction a person or a subject who used his third party status to indirectly finance a political party.

II. Transparency and Accountability of Political Parties: theory and practice

Based on current regulations, political parties must submit their annual financial reports compilation (comprising of a balance sheet, report on activities results and explanatory notes) and a report of the usage of state budget allocation to the Central Electoral Commission. However, the sanction for not submitting these financial reports is only the cut of financial

¹⁰ The report “Political Parties and Political Campaigns Financing and Control Updates” by Elena Masnevaitė, PhD in a conference organized by the Central Electoral Commission in the parliament, 19th January, 2011 http://www.vrk.lt/dynamic/files/1842/e_masnevaite.pdf [retrieved 2012-12-15]

¹¹ *Ibid.*

¹² Pečkys, V. Financing of Political parties: updates and problems. Social science, University of Mykolas Romeris 2011, 3(2), p. 443–458: P. 452

¹³ The report “Political Parties and Political Campaigns Financing and Control Updates” by Elena Masnevaitė, PhD in a conference organized by the Central Electoral Commission in the parliament, 19th January, 2011 http://www.vrk.lt/dynamic/files/1842/e_masnevaite.pdf [retrieved 2012-12-15]

¹⁴ *Ibid.*

allocations from the state budget and no other strict sanctions exist.¹⁵ A detailed financial report on the income and costs of political campaigns as well as a report of liabilities along with a list of donations and donors has to be submitted to Central Electoral Commission in 25 or 85 days after the results of elections are announced (depending on whether audit is needed for large donations). Rather strict provisions of financial accountability ensure that the current arrangement fully defines regulations for political parties and campaigns accountability, some shortages still exist.

In practice, the challenges of the publicity and accessibility of such information exist. Even though the reporting documents of political parties and campaigns are publicly accessible, they are presented in a hardly understandable form and with a lack of data analysis. Furthermore, it is necessary to highlight two aspects that create barriers for transparency. First of all, the expenditure in these reports is grouped in very broad categories (different regulations apply only to expenditures made from the budgetary allocations). This potentially creates conditions for violations where parties are financed indirectly by applying disproportional discounts, etc. Moreover, financial reports of political campaigns are announced long after the elections what often determines decreased interest in this data. It remains unclear, if the requirement to submit the reports earlier would really create excessive administrative burden, as it is stated now.

Another potential problem in practice is that the party membership fee is not regulated in any way in Lithuania. This potentially allows parties to finance themselves by disproportionately large membership fees. The lack of these regulations is not necessarily a problem itself (membership fees make up the biggest part of political parties budgets only in the Netherlands¹⁶). However, it is important to note that none of the Lithuanian parties publicly declares the rates of its membership fees. Now this, bearing in mind the fact that there is no threshold for membership fees in the first place, creates an environment for lack of accountability and transparency. Similarly, special membership fees have no regulations or restrictions in Lithuania¹⁷, so the lack of publicity also creates conditions for abuse in this regard.

III. Activities of Political Parties: Anti-corruption Commitments

As noted in the “National Integrity Study”, work on anti-corruption commitments declared in the political programs of parties is mostly active during the election period. In contrary, transparency in the daily activities of these parties does not seem to be a core value.

Before the 2012 Parliamentary elections, “Transparency International” Lithuanian Chapter submitted questionnaires about anti-corruption plans for twelve parties that were running in elections (selected based on sociological survey results that showed the popularity and publicity of these parties). Out of these, ten parties submitted their answers. Based on these answers, a conclusion can be made that most of these parties only replicate anti-corruption measures from the current national anti-corruption program and do not pay attention to, for example, safe citizen engagement into anti-corruption activities in the health care system or in the private sector. In most of the cases, parties provided abstract promises and suggested

¹⁵ “National Integrity Study”, “Transparency Internatioal” Lithuanian Chamber. „Eugrimas“, Vilnius, 2011

¹⁶ Masnevaitė, E. “Legal Regulation of Political Parties and Political Campaigns Financing in Lithuania”. PhD thesis, P. 42. Vilnius, 2010.

¹⁷ *Ibid.*

little amount of innovations and it is also unlikely that the parties could ensure measurable results of all of their proposals. Generally speaking, there is a lack of consistent anti-corruption policy.¹⁸

Recommendations

- Reikia siekti, kad būtų aiškiai reglamentuotos nevyriausybinės organizacijos, taip siekiant jas atskirti nuo pro-politinių organizacijų ir sumažinti riziką, kad per tokias organizacijas bus netiesiogiai finansuojamos politinės partijos ir kampanijos;
- Reikia numatyti privalomą kiekvienos partijos savifinansavimo šaltinių skelbimą, skelbiant nario mokesčio, kitų specialių politinių partijų narių mokesčių, dydį aiškiai ir viešai;
- Reikia siekti, kad politinių partijų finansinės ataskaitos būtų skelbiamos lengvai prieinamais ir suprantamais būdais, pateikiant galimybę peržvelgti tendencijas ir nesudėtingai rasti ieškoma informaciją;
- Rekomenduojama atlikti analizę dėl galimybės skelbti detalesnes politinių partijų ir kampanijų sąnaudų išsklaidines ir svarstyti su tuo susijusių teisės aktų pakeitimus;
- Skatinti politines partijas savanoriškai skelbti detalias savo finansines ataskaitas savo tinklalapiuose;
- Rekomenduojama numatyti principus ir aiškius kriterijus, kuriais vadovaujantis būtų apskaitomos nepiniginės aukos;
- Būtina užtikrinti, kad politinių partijų veiklą prižiūrinčios institucijos būtų tinkamai aprūpintos materialiais ištekliais, o jų funkcijos būtų aiškiai apibrėžtos;
- Peržiūrėti sankcijų, taikomų Politinių partijų ir kampanijų finansavimo ir kontrolės įstatymo pažeidimų atvejais, sistemą
- Rekomenduojama svarstyti galimybę paankstinti politinių kampanijų finansinių ataskaitų skelbimo terminus;
- Siūloma skatinti politines partijas rengiant kampanijoms savo politines programas kiek įmanoma detaliau numatyti planuojamas antikorupcinių veiklų kryptis, siekti, kad progresą šiose srityse būtų galima pamatuoti tyrimais ar kitais objektyviais rodikliais, skirti dėmesio piliečių įtraukimui, konkreitiems su privataus sektoriaus įtraukimu į antikorupcines veiklas susijusiems planams.

Sources:

Research “Lithuanian Map of Corruption“ 2011, http://www.stt.lt/documents/soc_tyrimai/Korupcijos_zemelapis.pdf [retrieved 2012-12-15]
Survey “Trust in Lithuanian Institutions”, “Vilmorus” (December 2012), <http://www.vilmorus.lt/index.php?mact=News,cntnt01,detail,0&cntnt01articleid=2&cntnt01returnid=20> [retrieved 2012-12-15]
"Transparency International". *Transparency International Plain Language Guide*. P. 14, 2009, http://www.transparency.org/whatwedo/pub/the_anti_corruption_plain_language_guide [retrieved 2012-12-15]
Fletcher C, Herrmann D, *Corruption: an international interdisciplinary and multi-sectoral*

¹⁸ Data and conclusions of the research:

[http://www.transparency.lt/new/images/tils_klausimynas_politines_partijoms+atsakymai\(1\).pdf](http://www.transparency.lt/new/images/tils_klausimynas_politines_partijoms+atsakymai(1).pdf)

reader, 2012, p.16;

Van Biezen, I. *Financing political parties and election campaigns-guidelines*. Council of Europe, 2003.

Law on Funding of, and Control Over Funding of, Political Parties and Political Campaigns, Žin., 2004, Nr. 135-4894. http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=429445; [retrieved 2012-12-15]

Annual financial reports of political parties, 2008. <http://www.vrk.lt/lt/pirmas-puslapis/pppkfk/politines-partijos/2008-veikla.html> [retrieved 2012-12-15]

The Impact of Banning Legal Entities' Donations to Political Parties, „Transparency International“ secretariat experts reply to „HelpDesk“ request, 2011

GRECO Compliance Report on Lithuania: „Incriminations (ETS 173 and 191, GPC 2)“. „Transparency of Party Funding“, [http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2011\)7_Lithuania_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2011)7_Lithuania_EN.pdf) [retrieved 2012-12-15]

The report “Political Parties and Political Campaigns Financing and Control Updates” by Elena Masnevaitė, PhD in a conference organized by the Central Electoral Commission in the parliament, 19th January, 2011 http://www.vrk.lt/dynamic/files/1842/e_masnevaite.pdf [retrieved 2012-12-15]

Pečkys, V. Financing of Political parties: updates and problems. Social science, University of Mykolas Romeris 2011, 3(2), p. 443–458: P. 452

Transparency International Lithuanian Chapter. „Lietuvos atsparumo korupcijai studija“. Vilnius. „Eugrimas“, 2011

Masnevaitė, E. “Legal Regulation of Political Parties and Political Campaigns Financing in Lithuania”. PhD thesis, P. 42. Vilnius, 2010.

Data and conclusions of the Transparency International Lithuanian Chapter survey on the anti-corruption plans of political parties:

[http://www.transparency.lt/new/images/tils_klausimynas_politinems_partijoms+atsakymai\(1\).pdf](http://www.transparency.lt/new/images/tils_klausimynas_politinems_partijoms+atsakymai(1).pdf) [retrieved 2012-12-15]

This policy paper was drafted by Transparency International Lithuanian Chapter. This is a part of publications prepared in the framework of the project „Evidence based fight against corruption: National integrity systems“. Integrity systems of 25 European countries were assessed during this project, the full online copy of the „Lithuanian Integrity Study“ can be downloaded here: http://media.transparency.org/nis/cogs/assets/lt/pdf/Lietuva_NIS.pdf



With the financial support from the Prevention of and Fight against Crime Programme of the European Union

European Commission - Directorate-General Home Affairs