

A hand holding a fan of US dollar bills over a map of Africa. The background is a collage of green and blue patterns, including a map of Africa and various US dollar bills.

TRANSPARENCY INTERNATIONAL
the global coalition against corruption

THE
CARTER CENTER



Waging Peace. Fighting Disease. Building Hope.

The **Crimis** project

Money in Politics, Everyone's Concern.



Money is vital in democratic systems. It enables citizens to organize political parties, helps to train new leaders and is used to present government proposals in election races. Without money in politics, those in power would have an advantage over potential new competitors, thereby minimizing the chances for another party to take office.

The Crinis project is based on the acceptance of money as a necessary element for democracies and parties to run smoothly as long as financing is transparent, properly accounted for, fully publicly disclosed and subject to effective state and social oversight mechanisms.

When is money in politics a problem?

Money may come into conflict with the democratic principles of civic equality and fair competition in elections and can also undermine political representation.

For example:

- ▶ When the availability of resources, instead of the candidates' proposals, becomes the decisive factor to win elections.
- ▶ When money invested in political campaigns defends primarily private interests, while those parties and candidates who represent collective interests do not have a chance to convey their ideas.
- ▶ When the incumbent party uses state resources to benefit its candidate's electoral campaign.
- ▶ When companies contribute to electoral campaigns in exchange for future favors from elected representatives.
- ▶ When illicit groups, such as organized crime, drug trafficking and other armed groups, support candidates who will later on represent illicit interests.
- ▶ When resources used to fund electoral campaigns are gathered individually by candidates and not by their parties, creating the risk of a personal commitment between the candidate and his or her donor.
- ▶ When candidates use their economic resources in illicit ways, such as vote-buying or inducing other forms of unfair competition.
- ▶ When elected representatives have, in general, a deeper commitment to donors than to citizens.
- ▶ When representatives use their post and public resources associated with it to seek reelection.
- ▶ When citizens' equality, reflected in the principle of one person one vote, is undermined by the unequal access to economic resources in politics.

These conflicts affect the legitimacy of elected representatives as well as their ability to develop rules to benefit the public. The negative impact of such on the quality of life of the people multiplies and the democratic system as a whole stands to lose credibility.



How do transparency and accountability help counter this problem?

Shedding a light on political financing is the best way to clean house. To the extent that parties and candidates account for the resources used to finance their activities, both during electoral campaigns and generally, scrutiny of illegal funds and influence peddling in politics is facilitated.

All politicians as well as the parties and groups that support them are either legally or morally required to be accountable towards the public. The accuracy and usefulness of their reports will increase to the extent that they are broadly disseminated to the public and to the media: reports should be clear, complete, presented on time and reliable.

It is no coincidence that the transparency of resources linked to political financing is recognized as a universal principle in the United Nations Convention against Corruption (UNCAC).

Why should citizens be informed about political financing?

Knowing the sources of funding used to finance electoral campaigns enables citizens to determine the financial interests that support candidates. This way, citizens are better equipped to cast their vote and monitor the activities of their representatives once elected. During the electoral process, citizens can reject any candidates whose campaign relies on a donor with a given profile, such as, for example, if funds are contributed by polluting industries. It is therefore important for such information to be made public prior to elections. At the same time, it will be easier after the elections to determine if a donor company is being favored, for example, in public contracting processes.

Ultimately, voters should seek to stay informed about the sources of funding for political parties and candidates. Only by doing so will they ensure that their interests are better represented.





What can citizens committed to democracy do?

Transparency is the cornerstone of civic involvement to monitor the effects of money in politics. Citizens must demand greater transparency from political parties and candidates in their funding practices and greater commitment from electoral oversight bodies in performing their duties. In other words, citizens must demand transparency and use their votes to punish those who fail to disclose.

In countries with an Access to Information Law or a law governing political parties and campaign financing requiring the public disclosure of information, citizens have a legal right to know about party and candidate funding. Nevertheless, this does not guarantee that access to information exists in practice. Every country must have media committed to covering this issue, specialized non-governmental organizations and an active citizenry that request this information from authorities exerting pressure for the system to become more transparent.





The Crisis project

What is the Crinis project?

Crisis –ray of light in Latin– is a joint project of Transparency International and The Carter Center to promote transparency and accountability in political financing in Latin America. With this objective in mind, it engages in different types of activities:

Crisis meticulously evaluates the levels of transparency built into current legislation and political financing practices of political parties and candidates during election campaigns, as well as the financial activities of parties in non-election years, thereby detecting weaknesses and strengths in a given country's system. It develops awareness-raising and advocacy activities to promote transparency in political financing by working with parties, electoral authorities, corporate donors, voters and other key national and international stakeholders in this area. The Crinis Index allows for a thorough evaluation of the current situation in each country under review and for comparisons between countries. It also helps to identify and share best practices. The project recommends reforms based on a diagnosis of each country where Crinis has been applied.

The goal of Crinis is to help increase public trust in democracy and political parties by promoting transparency and accountability in political financing.

What are the results of the project?

Transparency International and the Carter Center implemented the Crinis project in eight Latin American countries during 2006. The countries covered are: Argentina, Colombia, Costa Rica, Guatemala, Nicaragua, Panama, Paraguay and Peru. The results in the table below indicate the areas in which reforms are most needed in each country.

The findings of Crinis indicate that several of the countries studied already have proper legislation in place. Others are in the process of developing legislation and practices on political financing. This notwithstanding, in key areas, it continues to be worrisome that:

► **Citizens lack sufficient access to information:** Despite the existence of modern information technology, the public disclosure of information regarding the financial transactions of parties and candidates is the indicator that scores worst in the Crinis Index. In Paraguay, Nicaragua and Guatemala, stakeholders did not provide any of the information requested by the Crinis research teams.

► **Candidates fail to account for their funds:** In six of the eight countries, candidates are not required to account for the funds they raise independently from their parties. Considering that in many countries it is the candidates, and not the parties, who raise a significant part of campaign funds, large sums of money bypass the oversight mechanisms put in place by government authorities and the public. Only Colombia and Panama have some regulations in place that require candidates to render accounts separately from parties. In Peru, candidates are required to render accounts to their parties.

NICARAGUA
PARAGUAY
PERU
COLOMBIA
PANAMA
COSTA RICA
GUATEMALA

Dimensions

	Regional average	Argentina	Paraguay	Peru	Colombia	Panama	Costa Rica	Nicaragua	Guatemala
1. Internal bookkeeping	L	●	●	●	●	●	●	●	●
2. Reporting to the electoral management body	P	●	●	●	●	●	●	●	●
3. Disclosure of information to the citizenry	L	●	●	●	●	●	●	●	●
4. Comprehensiveness of reporting	L	●	●	●	●	●	●	●	●
5. Depth of reporting	L	●	●	●	●	●	●	●	●
6. Reliability of reporting	P	●	●	●	●	●	●	●	●
7. Prevention	L	●	●	●	●	●	●	●	●
8. Sanctions	L	●	●	●	●	●	●	●	●
9. State oversight	P	●	●	●	●	●	●	●	●
10. Social control	P	●	●	●	●	●	●	●	●

▶ **Casting an informed vote is difficult:** Only in Argentina does the law require parties to submit reports on how they finance their campaigns before the elections. In Costa Rica, political parties are legally required to report on their financial transactions on a monthly basis, and in Peru on a bi-monthly basis, during the electoral process. In all other countries, information submitted beforehand on party and candidate financing is completely absent or limited to an estimated budget submitted by parties and/or candidates, thereby denying the public the ability to take this information into account when casting their votes.

▶ **Private donations remain hidden:** Private contributions, which tend to account for the largest share of funds mobilized in election campaigns, are excluded from the information disclosed to electoral authorities. In Panama and Guatemala* parties only report on funds proceeding from the public budget. In Costa Rica, Paraguay and Nicaragua, government bodies only register reports on private donations. These reports are not reviewed or audited as state control exclusively focuses on the proper use of public resources.

▶ **Reports submitted are not reliable:** In all countries, experts confirmed that reports submitted by candidates and parties to electoral bodies regarding their finances are incomplete or unreliable. In Argentina, Paraguay, Colombia, Costa Rica and Nicaragua, experts estimated that in general less than 50 percent of funds raised are actually reported.

▶ **Ineffective Government oversight:** In five of the eight countries studied, the experts surveyed agree that sanctions currently in place are inadequate. In Costa Rica, fines cannot be imposed in the event of violations and in Panama and Guatemala, the possibility of cutting government subsidies as a consequence of irregular reporting does not exist. Only the electoral oversight bodies in Colombia, Panama and Costa Rica have a right to review bank accounts and transactions of parties and candidates, an important measure that can be used to verify the accuracy of reports submitted. The effectiveness of such measures depends in turn heavily on the capacity of oversight bodies to exercise them.

According to the study's findings, several of the areas analyzed (see table) have not yet been included in legislation or put into practice in all countries. As such, Transparency International and The Carter Center believe it is imperative that political financing become a priority on the region's agenda for political reform. The irregularities caused in this area have a direct and negative impact on democracy and the quality of life of citizens.



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Although the project identifies best practices and issues recommendations for reform, Crinis recognizes that specific proposals for each country must adapt to the social, political-institutional and economic local characteristics. To access the complete reports submitted by each country under review in the first round of the Crinis project, as well as the methodology and a comparative analysis, visit www.transparency.org/tilac or www.cartercenter.org.

Who is behind Crinis?

Transparency International (TI) is the global civil society organization leading the fight against corruption. Through approximately 90 national chapters and its international secretariat in Berlin, Germany, TI raises awareness about the harmful effects of corruption. For more information about the organization and its projects, please visit: www.transparency.org.

The Carter Center is a non-governmental, non-profit organization that helps alleviate human suffering in over 65 countries by working in the areas of conflict resolution, human rights, economic opportunity and disease prevention. The Carter Center was founded in 1982 by former US President Jimmy Carter and his wife Rosalynn. For more information about the organization and its projects, please visit: www.cartercenter.org.



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