



*Money, Politics
and Transparency*

The Money, Politics, and Transparency Campaign Finance Indicators:

*Assessing Regulation and Practice
in 54 Countries across the World in 2014*

A PROJECT BY:



THE ELECTORAL INTEGRITY PROJECT
WHY ELECTIONS FAIL AND WHAT WE CAN DO ABOUT IT

Table of Contents

ACKNOWLEDGEMENTS	1
INTRODUCTION	3
FEATURES OF THE MPT DATA.....	6
Comprehensiveness.....	6
Depth and Context-Specific Granularity	6
Local Expertise.....	7
Methodological Rigor	7
USING THE MPT CAMPAIGN FINANCE INDICATORS.....	8
The Dataset	8
Understanding MPT Scores.....	8
Using the Data.....	9
SUMMARY OF FINDINGS	10
TRENDS IN THE DATA	14
Economic Performance and Campaign Finance Regulation and Enforcement	14
Corruption and the Enforcement of Political Finance	16
Freedom and the Enforcement of Political Finance	18
FINDINGS	20
Disjunctions between <i>De Jure</i> Frameworks and <i>De Facto</i> Realities.....	20
I. Direct vs. Indirect Public Funding	27
II. Contribution and Expenditure Limits.....	32
III. Reporting and Public Disclosure	37
IV. Third Party Actors	45
V. Monitoring, Enforcement, and Independent Oversight Bodies.....	50
CONCLUSIONS	57
METHODOLOGY	61
Introduction	61
Research Team Members and Roles	62
Fieldwork.....	63
MPT Campaign Finance Indicators Scorecards	63
Generating an Integrity Scorecard	64
Peer Review	67
Consistency and Comparability	68

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More information on MPT is available at:
www.moneypoliticsandtransparency.org
www.globalintegrity.org

Introduction

The role of money in politics is of increasing relevance all across the world. Campaigns are an integral part of the political arena. At the global level, elections occur more frequently today than ever before. More elections mean that more money is needed for campaigning. Consequently, money's role in the electoral space is increasingly prominent. Recent elections in countries as diverse as the United States, Malawi, Bangladesh, and Venezuela have been affected by inflows of money of uncertain provenance. Who is funding campaigns? Is campaign financial information available to the public? Are state resources illegally deployed for electoral benefit? What role do third party actors play? Are oversight bodies legally and practically capable of monitoring political finance and enforcing relevant legislation?

The Money, Politics, and Transparency Campaign Finance Indicators (MPT) provide locally sourced, evidence-based answers to these questions. Researched between July and December 2014, MPT deployed a team of local experts to systematically investigate and review political finance issues in 54 countries across the world. MPT examines the existence and enforcement of campaign finance legislation at the country level.

There are extensive data repositories already in existence that document the laws and legal mechanisms regulating country-level political finance. Most notable among these is the International IDEA Political Finance Database, an invaluable resource for comparing the different regulations in place in different countries. Existing data, however, focuses exclusively on *de jure* legal frameworks, and does not assess the extent to which or how, in practice, those frameworks are *de facto* regulated. The MPT research fills this gap, providing exceptionally granular, evidence-based information on *both* relevant legal instruments *and* the efficacy of enforcement in 54 countries across the world.

The MPT dataset is composed of 54 country scorecards, each of which contains 50 indicator questions split into five broad categories. Each

category addresses issues integral to the effective, transparent regulation of political finance. Global Integrity worked closely with a carefully selected group of international campaign finance experts to develop these categories and the indicators of which they are composed. The categories are:

1. Direct and Indirect Public Funding
2. Restrictions on Contribution and Expenditure
3. Reporting Requirements to the Oversight Entity and Public Disclosure
4. Regulation of Third-Party Actors
5. Monitoring and Enforcement

Each country scorecard assesses each of these issue areas, providing detailed data that enables reformers and policymakers to better understand the relative strengths and weaknesses of systems within and across countries. Crucially, the explanatory comments written for each indicator provide a wealth of information about the context-specific aspects of regulation in given countries. As such, the MPT dataset is a tremendously useful tool, capable of informing policy debates regarding the role of money in politics at country, regional, and global levels.

Note that Global Integrity has not compiled an index in which countries are ranked relative to one another in terms of their performance on the MPT scorecard. An index has been avoided for two primary reasons:

First, the complexities of political finance issues are such that they resist easy categorization. In papering over the highly contextual realities inherent in each country covered, an index would be somewhat reductive, and would likely lead to casual country comparisons that fail to capture the ways in which different features of political finance vary in relevance across countries and regions;

Second, an index would likely induce readers to emphasize quantitative scores rather than digging into the explanatory comments and sources that make up the primary components of each indicator. Quantitative scores are certainly useful for basic categorization, and may be of particular utility

when making broad comparisons. However, by unpacking the particulars of situations within countries, and using evidence to thoroughly explain both country context and chosen scores, the explanatory comments within the dataset are a veritable goldmine of information for reformers and policy makers seeking to understand different approaches and realities at the country level.

Features of the MPT Data

The MPT dataset has several qualities that distinguish it from other repositories of information on political finance issues. These qualities enhance MPT's cross-country comparability and applicability.

Comprehensiveness

By measuring the scope of the legal framework and assessing on-the-ground realities of political finance systems, and doing so systematically and comparatively, the MPT research delivers a detailed, comprehensive assessment of the role of money in politics, especially during campaigns.

Depth and Context-Specific Granularity

MPT scorecards are composed of 50 indicator questions. 43 of the indicator question have three components:

1. A quantitative score, which is selected in accordance with strict scoring conditions attached to each indicator to ensure the comparability of the information presented;
2. An explanatory comment, in which the researcher and peer reviewers thoroughly explain local country context, and refer to the evidence that supports chosen scores;
3. A list of sources that provide the evidence upon which the score and comment are based.

These components mean that a given scorecard presents a wealth of information. Scores allow for comparisons across countries, while sources and comments provide a unique window into the realities of regulation and enforcement in each country.

Each scorecard also incorporates seven non-scored open text indicator questions. For these indicators, researchers write evidence-based explanatory comments in response to a series of prompts and sub questions. Open text indicators dig deeply into the specific context of

political finance in the relevant countries, generating rich data on issues too complex to fit into tightly defined scoring criteria.

These features enable the MPT research to provide some of the most detailed information ever collected on comparative political finance, especially regarding practical enforcement.

Local Expertise

Each MPT scorecard was thoroughly researched, written, and reviewed by in-country experts familiar with the nuance and complexity of local political finance systems. The expertise of researchers and reviewers, and their expansive network of contacts within the country ensures that the data collected is accurate, highly relevant, and founded on pertinent research. As a result, the MPT research is contextually rich and firmly anchored in on-the-ground realities.

Methodological Rigor

Global Integrity's methodological approach seeks to guarantee that the collected data is high quality and founded on current evidence. The peer review and quality control processes deployed throughout the research facilitate accuracy and completeness, while partnerships with locally based researchers and reviewers layer even more precision into the collected information. The dataset thus reflects the most current, fact-based knowledge available on trends and issues confronting the regulation of political finance in each of the countries covered in the research.

The pages that follow introduce some key findings from MPT scorecards. Though by no means a comprehensive assessment of the MPT data, this report flags several of the most notable comparative results, and can serve as a springboard for in-depth analysis in the future.

Using the MPT Campaign Finance Indicators

The Dataset

As noted in the previous section, the MPT Campaign Finance Indicators provide richly detailed country level snapshots of the particulars of campaign finance regulation and enforcement in 54 countries all across the world.

Because the same scorecard and methodology are applied in each country, the data generated by local researchers and peer reviewers is broadly comparable, and allows users to systematically review the existence and implementation of political finance regulations across countries at the indicator level.

Understanding MPT Scores

43 of the indicators in an MPT scorecard are given quantitative scores. Possible scores for in law (*de jure*) indicators are 100 (Yes), 50 (Moderate), and 0 (No). For in practice (*de facto*) indicators, 100, 75, 50, 25, and 0 are the available score choices. In every case, chosen scores correspond to rigorously defined scoring conditions, making scores broadly comparable across countries. Each indicator score is thus standardized on a scale from 100 (high) to 0 (low).

Individual indicator scores are aggregated at the subsection and section level to generate subsection and section scores for each country scorecard. Aggregate subsection scores are the average of all the indicator scores within that subsection, and section scores are the average of the relevant subsection scores. This means that each subsection is weighted equally in the creation of overall section scores.

Each country scorecard also receives an overall aggregate score, which is the average of all five section aggregate scores. As such, each section is

equally weighted. Note that overall aggregate scores are very limited in their usefulness -- their generality is such that they provide little information about the contextual strengths and weaknesses of a given political finance system. Referring to section and subsection scores, and to individual indicator scores, as well as the explanatory comments included with each indicator, will be of much more use for practitioners and reformers hoping to better understand the nuances of political finance regulation and enforcement at the country level.

Countries also receive in law aggregate and in practice aggregate scores. In each case, the aggregate is the unweighted average of all relevant (in law or in practice) indicators across the scorecard.

Using the Data

To best grasp the characteristics and context of campaign finance systems, users of the data should make sure to go beyond aggregate scores. The explanatory comments on each indicator illustrate the rich, contextual nature of political finance systems, and readers should always refer to the comments and sources in order to best understand the full range of information presented within a country scorecard.

Data users should use caution when comparing aggregated scores on MPT scorecards. Individual indicators are comparable, as are section and subsection scores, to some extent. Overall scores, however, though useful for understanding the broad sweep of a country's campaign finance system, are too reductive to yield a great deal of information likely to be of use for reformers or policy makers. GI highly recommends that readers always reference indicator comments and sources, and that they pay special attention to open text indicators when reviewing the dataset. By focusing on section, subsection, and indicator level scores, and carefully reading through the comments on each indicator, users will improve the extent to which they can grasp the particular salience of specific issues within a country's system.

Summary of Findings

The main findings of the MPT research are briefly summarized below. For further detail, please refer to later sections of this document.

1. De facto realities often fail to align with de jure legal frameworks.

- Disjunctions¹ between in law frameworks and in practice realities are common throughout the MPT sample. In some cases, an absence of regulation does not necessarily result in widespread misconduct. In others, established legal frameworks are routinely violated. At the same time, some countries score more highly on in practice questions than on in law indicators. These divergent outcomes highlight the extent to which political traditions and particular contexts inform the effectiveness and needs of a given regulatory system.
- Violations of regulatory frameworks are the norm in the MPT sample, not the exception. In fact, only four countries – Uruguay, Trinidad and Tobago, Rwanda, and Germany – avoided any violations during the most recent elections. Note, however, that in Trinidad and Tobago and Germany, the regulatory framework is quite sparse, meaning that violations would be difficult to capture. In Rwanda, the retrenchment of electoral authoritarianism reduces contestation, and as such, there are few incentives or opportunities for political finance violations. This underlines the fact that the relevance and scope of political finance legislation varies hugely throughout the sample.²

¹¹ In previous work, Global Integrity has used the term “gap” to describe misalignments between in law and in practice situations. However, because of the structure of the MPT

² These countries also make it clear that users of the MPT Campaign Finance dataset should make sure to read through a scorecard in its entirety, including indicator comments, to better understand the context of a country situation.

2. State resources are regularly deployed for electoral advantage during campaigns.

- 37 countries in the sample prohibit the use of non-financial public resources for campaign purposes. However, in practice, non-financial state resources, including vehicles, cars, buildings, and staff, are often directed towards political ends. The MPT evidence indicates that only three countries – Austria, the United Kingdom, and Sweden – avoided the abuse of public resources during the most recent election campaign. Later sections of this report include further discussion of the various ways in which direct and indirect public funding affect the role of money in campaigns.

3. Violations of restrictions on contribution and expenditure occur more often than not.

- Many countries have laws that regulate who may donate, how they can do so, and how much may be spent during elections. In practice, however, those regulations are frequently violated – parties, candidates, and their supporters frequently find inventive ways to subvert existing legal frameworks, channeling money into campaigns while bypassing oversight mechanisms.

4. Legal requirements mandating the reporting and disclosure of political finance information are inconsistently applied. Despite extensive requirements in many countries, details on campaign contributions and expenditure are rarely publicly available and/or comprehensive.

- 83% of countries in the sample require parties and/or candidates to submit financial reports that include information on contributions and expenditures annually or within the campaign period. In practice, however, monthly reporting of such information during campaigns is markedly infrequent. Of all countries in the sample, Costa Rica and Korea are the only two in which relevant political actors report itemized financial information on a monthly basis during campaigns.

- The regular omission of some types of contributions from submitted financial reports is a persistent issue—indeed, the evidence in 47 countries indicates that some contributions go unreported. This means that, not only do many political actors fail to submit timely information, very few provide complete reports on their contributors. As a result, comprehensive political finance information is largely unavailable.
- The public is unable to easily access much of the financial information that is reported to oversight authorities. Despite legal requirements enshrining the public availability of political finance information, only two countries – Australia and the United States – make all reported information available online in machine-readable formats. Many other countries provide some limited information, or publish details in less accessible formats. Magnifying these issues is the lack of standardization in publicly available financial reports. Only 13 countries provide relevant information in fully comparable formats.

5. Third party actors are subject to very little regulation.

- In the majority of countries, third party actors, defined as non-political party, non-candidate electoral actors who solicit contributions and make expenditures directly related to an electoral campaign,³ are able to exercise untrammelled influence within campaigns, and are subjected to little, if any oversight, of their electoral activities. Only 11% of the sample either prohibits third party actors from all political activity or legally requires them to report their independent political expenditures and contributions to the electoral oversight authority. As such, it is exceptionally difficult for citizens to obtain accurate information on the electioneering activities of such organizations. However, the salience of third party actors varies hugely from country to country.

³ Examples of third party actors include political action committees, unions, and certain nonprofits. The term has been defined as generally as possible to capture the broadest range of specific vehicles acting as third parties in different countries.

6. *Oversight authorities usually exist, but their effectiveness is highly restricted due to a lack of merit-based, independent leadership. Capacity constraints and operational opacity also restrict the extent to which monitoring bodies are able to effectively and transparently regulate financial flows during campaigns.*

- Though oversight bodies are common, only 7 countries, in practice, make merit-based appointments to leadership positions in those bodies,⁴ and only 8 fully guarantee the *de facto* independence of appointees.⁵ Further, capacity constraints restrict the efficacy of oversight authorities, and transparency on the part of authorities is rare.
- Two thirds of the sample has an oversight authority with the legal power to impose sanctions, but in only 6 countries do offenders fully comply with sanctions imposed by the enforcement agency.⁶ Despite legal frameworks that attempt to create independent and capable oversight authorities, the MPT evidence clearly shows that the majority of countries within the sample are unable to comprehensively police financial flows during campaigns.

⁴ Including the United Kingdom, Slovenia, and Indonesia.

⁵ Among them, Sweden, South Africa, and Poland.

⁶ South Korea, Japan, and Costa Rica are successful in this regard.

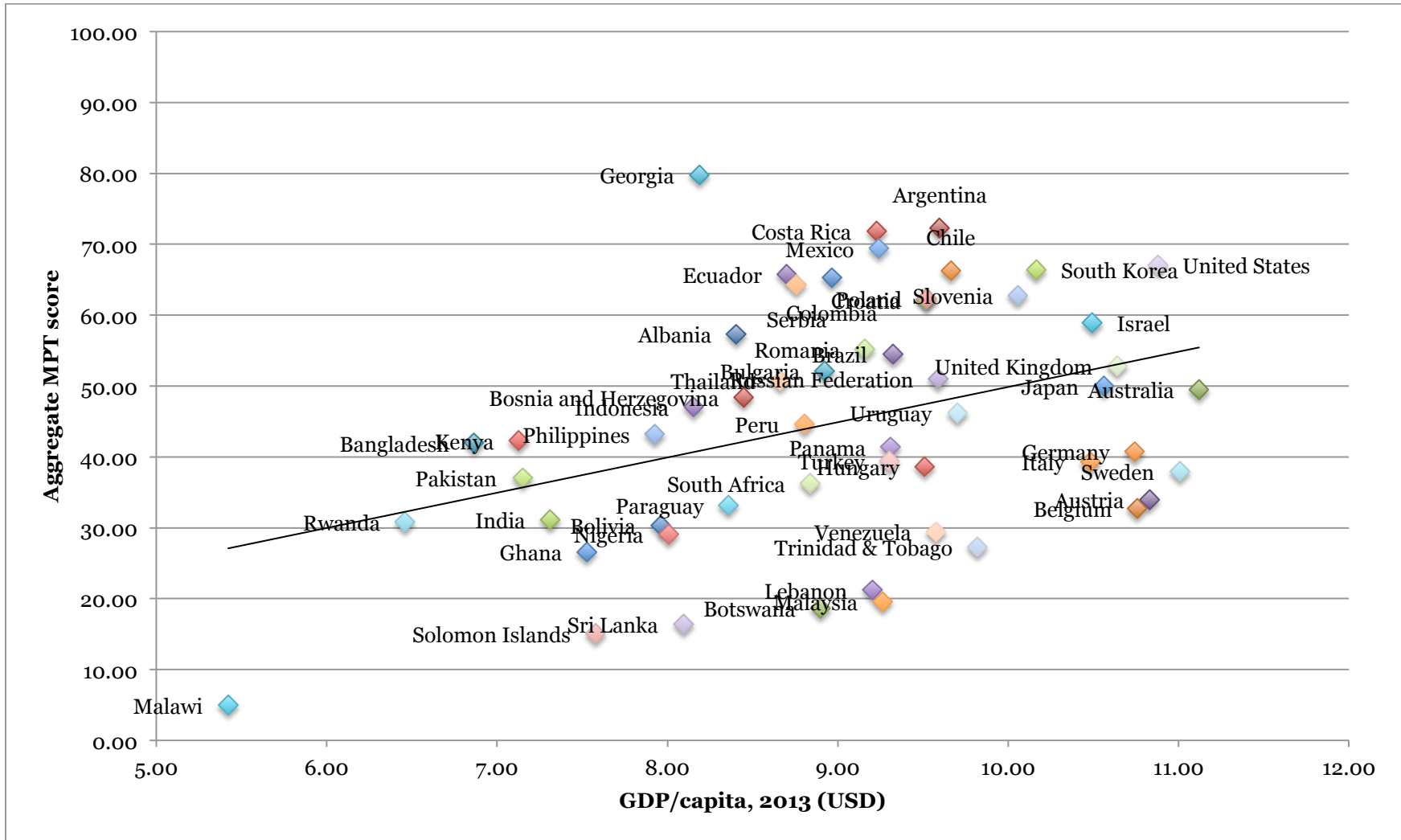
Trends in the Data

Economic Performance and Campaign Finance Regulation and Enforcement

The MPT dataset reveals that the extent to which political finance issues are regulated and effectively enforced correlates moderately, but not perfectly, with GDP per capita. The chart below illustrates this tendency. Rich countries like the United States, Korea, and the UK all score relatively well on MPT, while very poor countries such as the Solomon Islands and Malawi have very low aggregate scores. The relationship between GDP and effective regulation and enforcement, however, is not perfectly linear. Middle income Georgia, for example, has the highest aggregate MPT score, and a number of middle-income countries in Latin America and Eastern Europe also receive relatively high scores. Rich countries like Austria and Belgium, on the other hand, do worse on MPT issues than some less wealthy countries.

The variation in the data suggests that though economic development may have some relationship with political finance regulation, it lacks complete explanatory heft. Indeed, simple correlation analysis provides little substantive insight into the nature of the complex relationship between the regulation of political finance and levels of per capita GDP.

Figure 1: GDP/capita and the Regulation and Enforcement of Political Finance

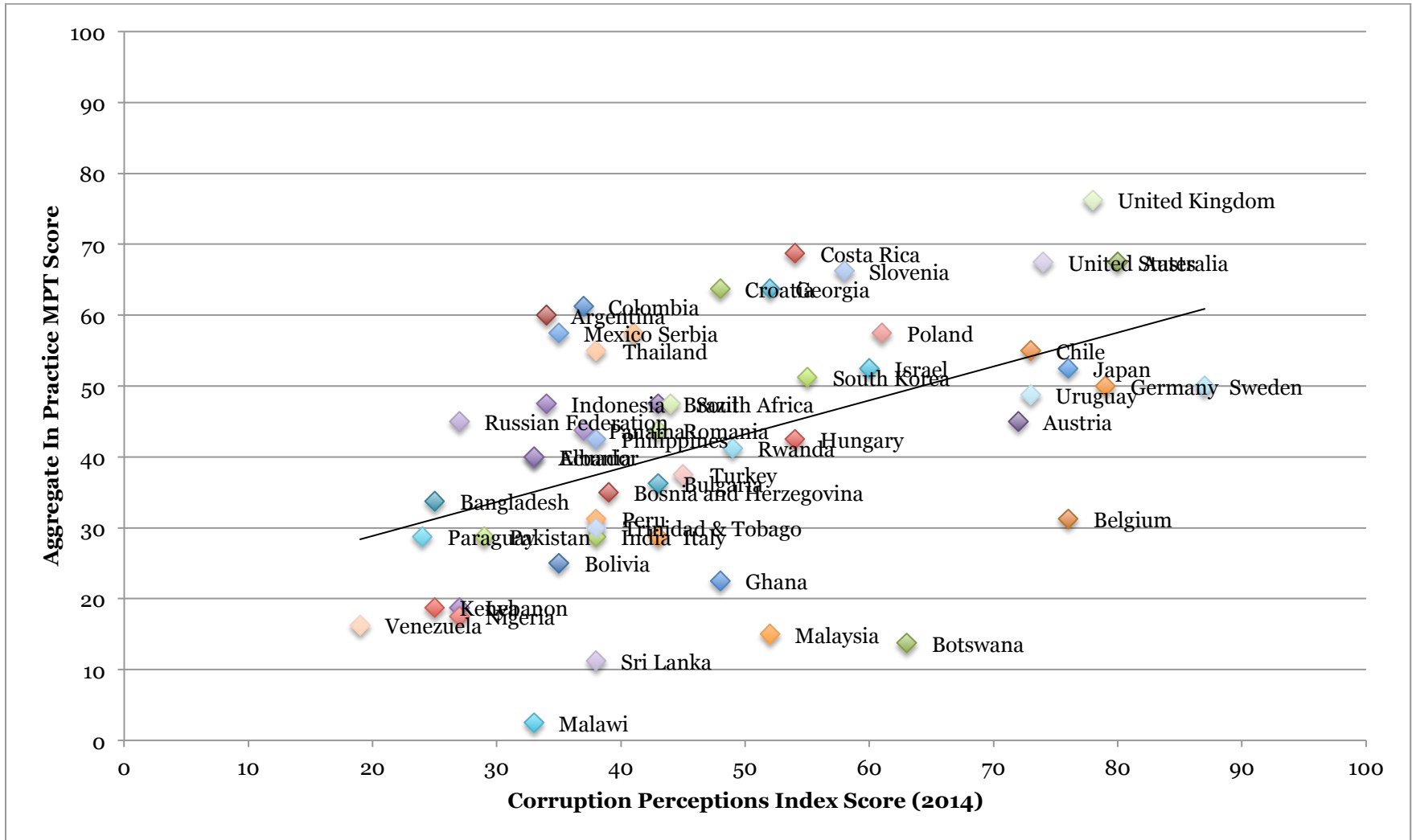


Corruption and the Enforcement of Political Finance

Levels of corruption are a decent predictor of *de facto* realities connected to political finance enforcement, though they cannot completely explain how and whether a country enforces political finance regulations. Figure 2 presents a scatter plot in which aggregate in practice MPT scores are graphed against scores on Transparency International's 2014 Corruption Perceptions Index (CPI). Highly corrupt countries such as Venezuela, Nigeria, and Lebanon also receive a low aggregate score on MPT in practice indicators. At the other end of the spectrum, the United Kingdom, United States, and Australia fare relatively well on both indices.

However, outliers abound, reducing the explanatory power of a simple corruption-based model on political finance in practice. Botswana, for example, a high performer on the CPI, has a low aggregate in practice MPT score. Belgium, one of the least corrupt countries in the world according to the CPI, has a fairly low aggregate in practice score.

Figure 2: Corruption vs. The Enforcement of Political Finance



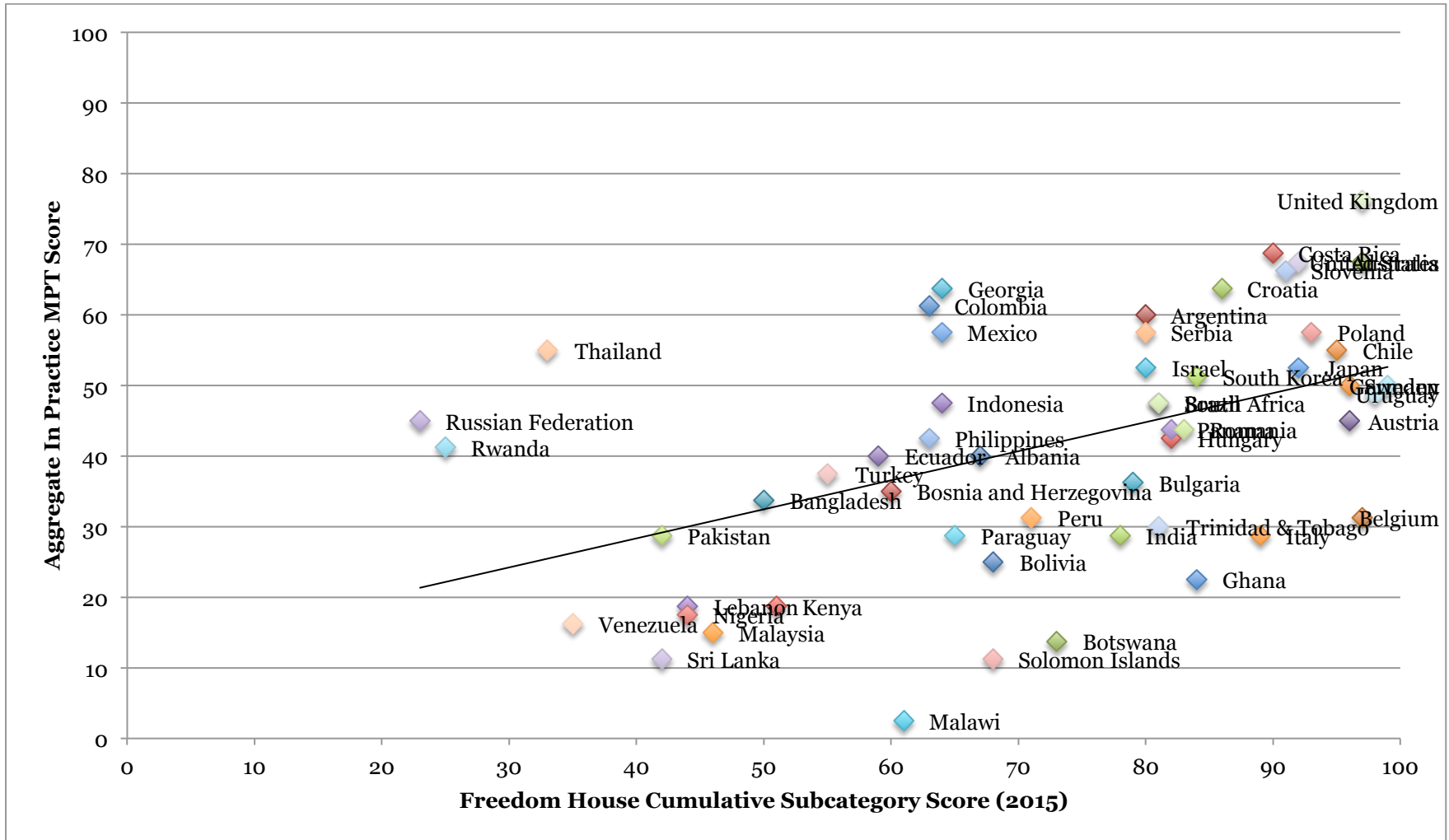
Freedom and the Enforcement of Political Finance

Levels of freedom also fail to correlate perfectly with MPT in practice scores. Figure 3 graphs the summed subcategory scores from Freedom House’s 2015 Freedom of the World index (maximum possible score of 100) onto aggregate in practice MPT scores. As indicated by the line of fit, in some countries, higher freedom correlates with more effective enforcement of political finance – see the United Kingdom’s position on the scatter plot. In others, like Sri Lanka, low Freedom House scores are matched by low levels of performance on MPT in practice indicators.

As with Figures 1 and 2, however, many countries do not follow the expected trend. Georgia, Colombia, and Mexico, for example, all perform well on MPT’s in practice indicators despite having middling scores on the Freedom House Index. Very free countries like Italy, meanwhile, have relatively weak aggregate in practice MPT scores.

Figures 1-3 indicate that understanding political finance systems and their enforcement requires keen attention to contextual, country level factors that go well beyond simple headline measures of wealth, freedom, and corruption. These factors do have some explanatory power, but other issues clearly affect a country’s ability and willingness to legislate for and enforce rules on the role of money in politics. Serious statistical analysis is outside the scope of this report, but this is a highly complex area ripe for further research.

Figure 3: Freedom vs. The Enforcement of Political Finance



Findings

Disjunctions between *De Jure* Frameworks and *De Facto* Realities

MPT illuminates the disjunctions between in law and in practice scores that are common occurrences throughout the sample. Across all 54 scorecards, in law questions average a score of 57 (out of a maximum possible score of 100), and in practice questions, on average, receive a score of 41. These bifurcations cut both ways: in some cases, an absence of regulation does not necessarily result in widespread misconduct; in others, established legal frameworks are routinely violated.

Many of the countries in the sample score fairly well on the in law indicators, but do far worse in terms of implementation. Albania, for example, has reasonably detailed legislation on the books to regulate the role of money in politics. In practice, however, despite the relative strength of the legal framework, Albania fares much worse – political parties consistently circumvent existing regulations, the independence of the electoral oversight body (the Central Elections Commission) is compromised, and *de facto* realities fail to correspond to the legal framework.

Similar issues occur elsewhere: Argentina, Chile, Kenya, and Romania, among many others, exhibit relatively strong legal systems that are undermined by persistent *de facto* infringements. The research on indicator #30⁷ underlines this point. With an average score of 26.4, #30 demonstrates that violations of the regulatory framework are the norm in our sample, not the exception. In fact, only four countries (Uruguay, Trinidad and Tobago, Rwanda, and Germany) receive full marks on this indicator. Further, in two of those cases (Trinidad and Tobago and Rwanda), regulations are so sparse that the absence of violations is

⁷ “In practice, to what extent were there no news reports or other documented incidents of violation or abuse of political finance laws?”

evidence of weak legislation, not effective enforcement. Consider Trinidad and Tobago, which has very lenient reporting requirements – parties are never required to report financial information to the Electoral Commission, and candidates, in law, must only submit reports after campaigns. The law does not insist on any reporting outside of electoral periods. This means that parties can engage in any number of unsavory fundraising practices without actually breaking the law. Because the regulatory requirements are so weak, violating them becomes difficult. The situation is similar in Rwanda.

In some cases, a legal framework that tightly regulates political finance, rather than being evidence of a competitive electoral system, may illustrate the entrenchment of electoral authoritarianism. In Russia, for example, the legal framework is relatively robust – the aggregate in law score is 71.7, indicating strong legal capacity to regulate the role of money in politics. In practice and open text indicators, however, reveal a deeply opaque, discriminatory system in which opposition parties struggle to obtain the funding necessary for meaningfully contesting elections. Flows of dark money are regular features of the Russian political system, and financial reports are actually destroyed rather than being made accessible to the public. Moreover, public funding, allocated proportionally based on the results of the most recent election, combines with tight regulations on the ways in which parties are able to raise funds, to limit the resources available to potential challengers. The purportedly non-partisan Central Elections Commission is packed with political appointees. The CEC has ample power, but typically exercises that power in a partisan fashion—the CEC regularly imposes sanctions on opposition parties and activists, while subjecting United Russia, the governing party, to very little scrutiny.⁸ The MPT research, therefore, shows that in some cases, the regulation of money in politics can actually reduce contestation. Those in power can tailor the rules of the system so as to exclude potential challengers from funding streams, and in doing so, can cement their own dominance.

Conversely, other countries, including Sweden and the United Kingdom, score more highly on in practice questions than they do on in law

⁸ Refer to the comments on the Russia scorecard for more information.

indicators. Sweden is a particularly interesting case. Until the passage of a new bill in 2014, Sweden had very little formal legislation on the books to govern political finance. Despite this lack of codified regulation, parties and candidates informally agreed to present some of their financial information to the public in accessible formats. As such, the public and media had easy access to officially published party financial details, and could avail themselves of that information on a regular basis.⁹ Results such as these underline the importance of the explanatory comments included in the MPT dataset. The indicator comments help users make sense of selected quantitative scores. In the case of Sweden, the comments thoroughly explain how political norms and traditions have more than compensated for the absence of a tight political finance regulatory system, and provide the rich context-specific detail necessary for understanding the role of money in Swedish politics.

Notably, Rwanda also scores more highly on in practice questions than on in law indicators, though it does relatively poorly in both categories. The explanatory comments on the Rwanda scorecard, however, present a system that diverges sharply from the Swedish case. Low in law scores in Rwanda are largely the result of an almost complete absence of restrictions on contribution and expenditure during election campaigns.¹⁰ Other regulations, including formal reporting requirements, are also sparse. Positive in practice scores derive in part from the dearth of political competition in the country—the MPT research demonstrates that opposition parties are dominated by the ruling RPF.¹¹ In consequence, no vote buying or violations of the framework occurred during the most recent elections, as there was very little incentive for such conduct. High scores on in practice indicators #30¹² and #31¹³ thus inflate the country’s overall aggregate in practice rating. As in Sweden, the case of Rwanda firmly demonstrates the importance of the explanatory comments in the MPT

⁹ See indicator #29 on the Sweden scorecard for more details.

¹⁰ Explained in section 2 of the Rwanda scorecard.

¹¹ See indicator #33 on the Rwanda scorecard for more information.

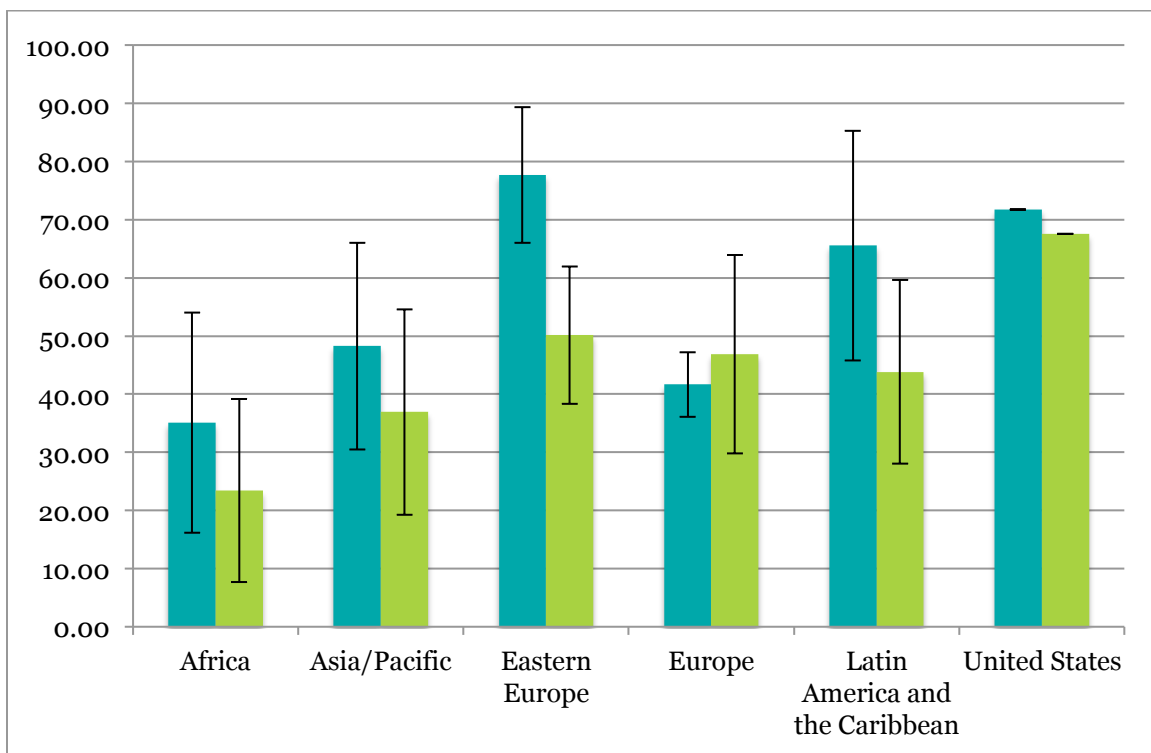
¹² “In practice, to what extent were there no news reports or other documented incidents of violation or abuse of political finance laws [during the most recent elections]?”

¹³ “In practice, to what extent were there no news reports or documented incidents of vote-buying [during the most recent elections]?”

research. *De facto* realities there defy quantitative categorization, and the evidence and sources presented make it amply clear that, in spite of positive scores on some in practice indicators, one should not conclude that Rwanda’s regulation of campaign finance is effective, or that levels of contestation within the country are high.

Disjunctions between the regulatory framework and enforcement persist across various cross-sections of the sample. Figure 4 presents the aggregate gaps on a regional basis. Blue bars represent aggregated in law scores within regions,¹⁴ and green bars are the aggregate in practice scores.¹⁵

Figure 4: De Jure vs. De Facto Disjunctions by Region



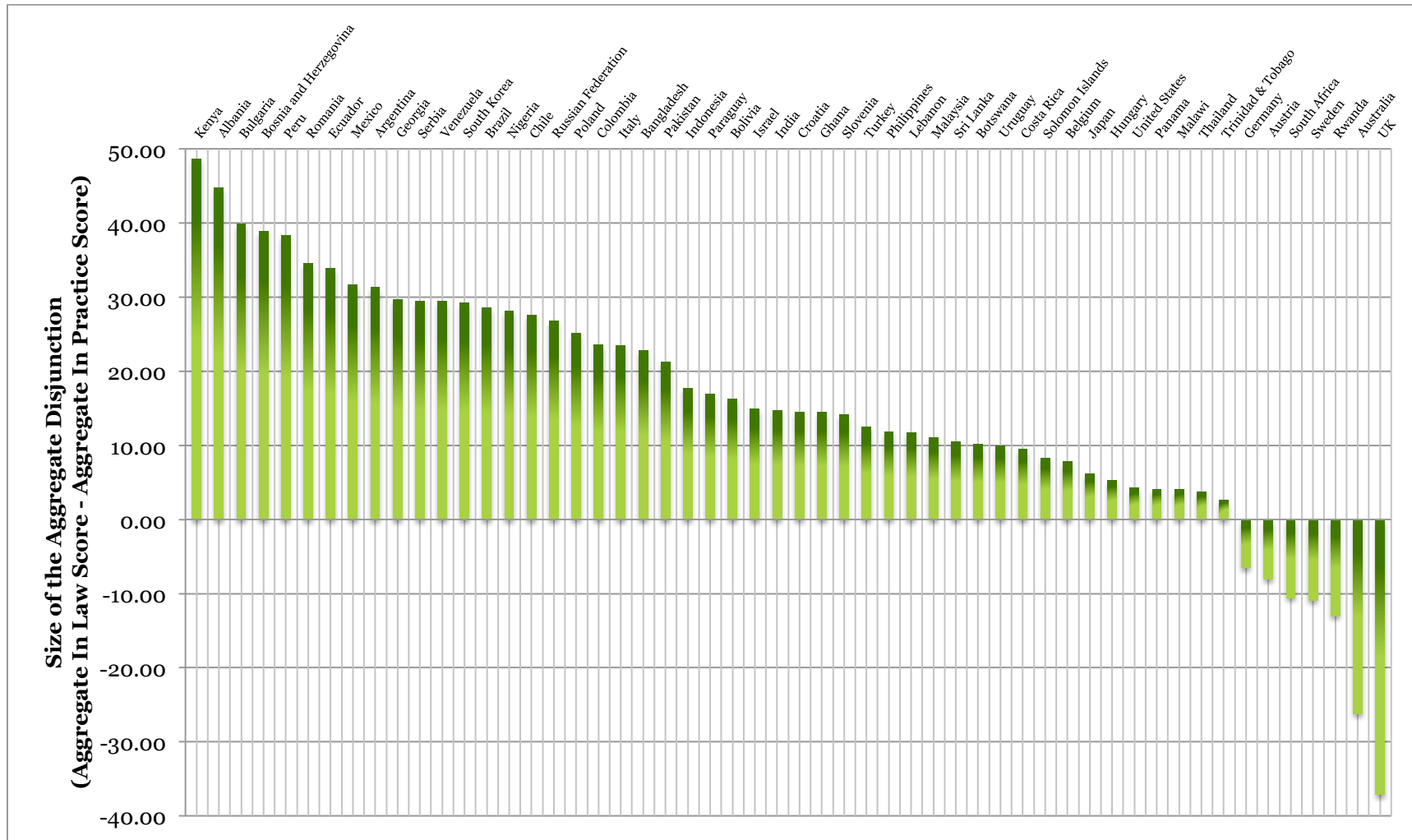
¹⁴ The United States has been included as the only North American country in the sample. This is because of the vast amounts of money spent during American election campaigns, and the public outcry on these issues, which combine to make the US is of special interest in a study on comparative political finance.

¹⁵ Error bars charting one standard deviation from the mean in each category have also been included in Figure 4. The error bars demonstrate that aggregate in practice and in law scores vary widely across countries within regions.

As Figure 4 makes clear, scores on implementation indicators are regularly lower than scores on in law questions. This trend persists across regions, and especially marked in Eastern Europe and Latin America, where highly regulated political finance systems are frequently subverted in practice. Even where relevant legislation has been passed, there are often serious in practice deficits regarding transparency, accountability, and effective enforcement.

These trends persist at the country level. Figure 5 subtracts each country level in practice aggregate score from the in law aggregate score. Positive bars indicate that, though legal frameworks may exist, they fail to correspond with *de facto* realities. The disjunction, therefore, is large. For example, in Kenya, existing laws on political finance are frequently ignored, and as a result, the size of the disjunction is huge relative to other countries in the sample. Negative bars, such as those found at the right of the graph, illustrate situations in which in practice outcomes actually outperform legal requirements. Take the case of Sweden, for example: The disjunction for Sweden is negative because, as mentioned above, despite Sweden's relatively sparse legislation on political finance issues, parties often adhere to norms of transparency, and few if any public resources are abused for electoral gain.

Figure 5: De Jure vs. De Facto Disjunctions by Country



The evidence thus indicates that stringent legal frameworks do not necessarily translate into well-regulated political finance systems, and vice-versa. Unless legal protections are supported by effective, independent institutions capable of conducting sufficient oversight and enforcement, they are likely insufficient for guaranteeing transparent, accountable systems of political finance.

It is also notable that the promotion of good practices, even in systems where formal regulations are less than robust, can generate positive outcomes—as noted, this is evident in the case of several countries, of which Sweden, the United Kingdom, and Australia are the most prominent exemplars. As such, serious thinking on the ways in which a country’s specific political traditions and norms affect the efficacy of regulation and enforcement must be part of ongoing discussions on these topics. The design of effective institutions will of course differ from country to country, but the general principles underpinning that effectiveness – adequate regulatory power, independence, and enforcement capacity – are evident in the MPT sample.

I. Direct vs. Indirect Public Funding

Section I of the MPT scorecard assesses the existence and transparency of systems of direct and indirect public funding present in the researched countries, including the use of non-financial state resources and the provision of subsidized access to advertising during campaigns. This section treats each of these topic areas in turn.

Direct Public Funding

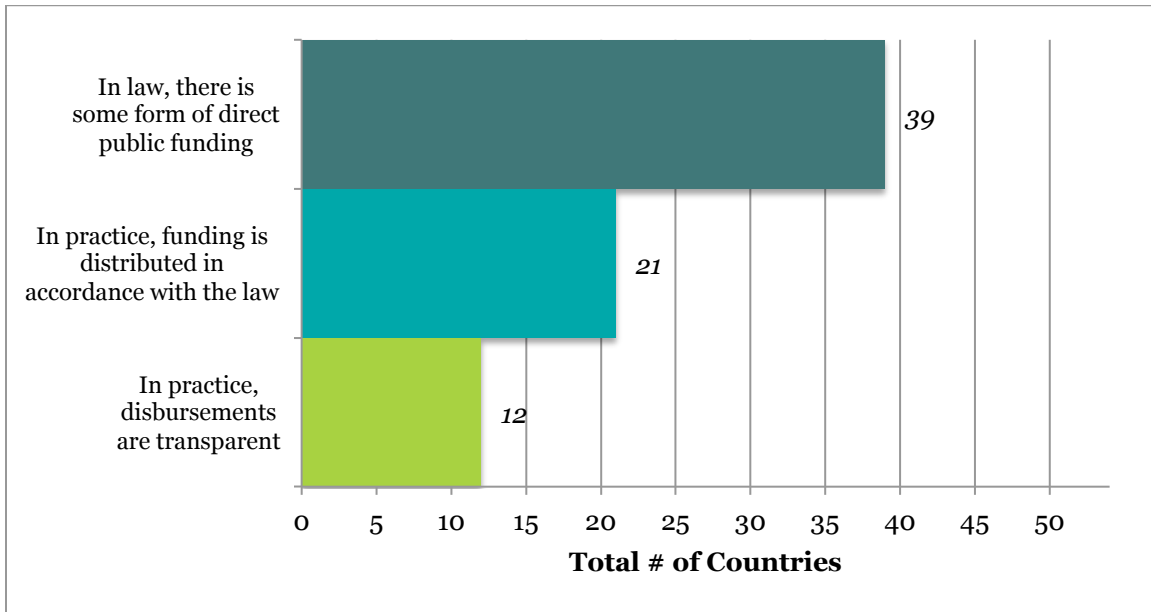
In law, many countries provide direct public funding to parties and candidates during campaigns—39 of the 54 countries in the MPT sample have systems of direct public funding for parties and/or candidates. Of those, 37 have legally defined transparent and equitable allocation mechanisms for allocating public funding. Most allocation mechanisms are proportional, and the amounts received are determined in relation to previous electoral performance.

In practice, however, the allocation mechanisms specified in law are not always adhered to. In Peru, for example, despite a legal mandate from 2007 to distribute public funds to political parties on the basis of the seats held in the legislature, no money has been disbursed.

In other countries, legally provided for funding may indeed be distributed, but the public is not able to obtain timely information on the electoral disbursements that are made to parties and/or candidates. This means that, in these countries, systems of direct public funding are not transparent.

Consider Israel, where parties who won seats in the elections of 2013 received the funding due to them in law, but information on those payments was not published until over a year later. In other countries, such as Indonesia and Germany, complete information on payouts of public funding including dates of disbursement and amounts, are not available to the public in any fashion. Figure 6 depicts the divide between legal requirements and practical realities across the sample: only 23% of MPT countries make public funding disbursements in a fully transparent, easily accessible way.

Figure 6: Provision of Direct Public Funding, In Law vs. In Practice



As shown by Figure 6, even where funding is legally required, clear deficits regarding *de facto* implementation and transparency persist throughout the sample.

Non-Financial State Resources

Serious deficiencies also characterize the abuse of non-financial state resources like cars, buildings, and staff during electoral campaigns. Relevant legislation in the majority of countries in the sample bans the use of state resources for political advantage, or makes exceptions to such prohibitions equally available to all relevant political actors. In practice, however, state resources are often directed towards the political ends of particular parties and candidates. Such practices are prevalent throughout the sample, and persist across regions, income groups, and regime types. For example:

- In Bangladesh, the ruling party used state helicopters to travel to rallies during the 2013-2014 election campaign.
- Hungarian public workers, under the aegis of the governing party Fidesz, actively collected signatures in support of a Fidesz candidate.

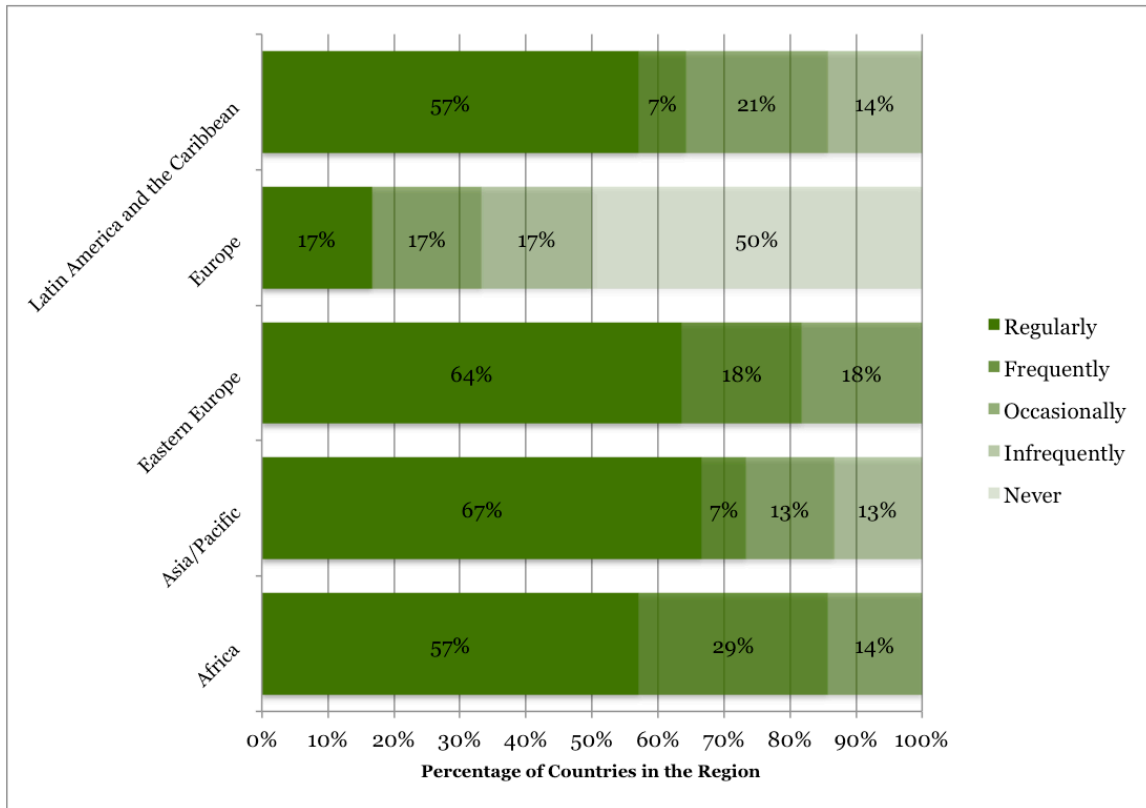
- The resources of the Korean national intelligence agency were deployed to attack the security credentials of particular candidates.¹⁶

Other instances of the abuse of state resources abound: the flouting of restrictions on the use of public resources is a regular occurrence during campaigns in many countries, regardless of region.

Figure 7 illustrates this fact. With the exception of Europe, non-financial state resources are regularly used during campaigns in more than half of the countries within each region covered by the MPT research. In Eastern Europe and Asia/Pacific, over 60% of countries feature the regular abuse of state resources. In Africa and Latin America, the relevant figure is 57%.

¹⁶ For fuller accounting of these examples, please see the comment and sources on indicator #6 in the relevant scorecards.

Figure 7: Percentage of Countries in Which Non-Financial State Resources Are Abused...



Indeed, of all 54 countries covered in MPT, only in a few European countries – Austria, Sweden, and the United Kingdom – does the evidence suggest that no abuses of non-financial resources occurred during the last election campaign. Interestingly, none of these countries have laws that explicitly ban such activity. This demonstrates the role that political norms and traditions play in political finance systems. In Sweden, for example, the MPT research found that the electorate would not accept politicians who abused state resources. Austrians, in large part due to scandals that have occurred in previous elections, also refuse to support such practices. In these contexts, specific bans do not appear to be necessary due to prevailing cultural norms.

Free/Subsidized Access to Advertising

35 countries have laws that grant parties and/or candidates at least some free or subsidized access to advertising during campaign periods. Only 16

of those countries, however, distribute advertising slots in a transparent, equitable fashion. As in other parts of Section 1, the realities of implementation often do not correspond with established legal frameworks. The form in which these disjunctions manifest varies from country to country.

For example, in Serbia, opposition parties complained that, though they received the free advertising slots to which they were entitled in law, those slots were available only after 11pm, well after most of the electorate had gone to bed. This subverted the intent of the law, and resulted in an allocation of advertising slots that strongly favored the ruling party. In another example, the Kenyan Broadcasting Corporation, legally responsible for developing and promulgating the guidelines by which access to media is to be distributed to parties, has yet to do so. This resulted in 2013 elections in which the public broadcaster failed to comply with the legal framework, and no advertising was made available to parties and candidates. Meanwhile, in the United States, relevant legislation does not provide equitable access to advertising. Instead, the two major parties and their supporters dominate an incredibly expensive electoral media landscape. Small parties are almost entirely crowded out of the picture.

In sum, systems of direct and indirect public funding are diverse, with a high degree of variety existing across and within regions. Local context informs the scope and necessity of the regulatory systems in place in countries, and compliance with regulations appears to be a function of a variety of factors, including institutional efficacy, political traditions, and established norms.

II. Contribution and Expenditure Limits

Section II of the MPT scorecard evaluates the legislation in place regulating contributions and expenditures during electoral campaigns. All scored indicators in this section assess *de jure* aspects of the legal framework.

General Rules on Electoral Campaign Contributions

Relatively few countries regulate the role of cash in electoral campaigns. In fact, only four of the 54 countries covered in the MPT research completely ban cash donations. 17 more allow cash donations that fall under a specific threshold. Note, however, that the size of that threshold varies hugely across countries. In Austria, for example, cash donations up to 2,500 Euros are permitted, but in Slovenia, donations in cash may not exceed 50 Euros.

In other countries, such as Mexico, cash contributions to individual candidates are legally prohibited, but parties are allowed to collect such donations. This type of loophole may reduce the efficacy of cash restrictions. Indeed, in the Mexican case, cash transactions, which occur frequently due to Mexico's large informal economy, reduce the transparency of the party financing system.¹⁷

Restrictions on anonymous contributions are more prevalent: 35 countries restrict or limit anonymous contributions. Some, however, nevertheless allow unlimited donations from anonymous sources in certain cases. In Bolivia, for example, the law bans contributions from unidentified sources *except* during public collections, meaning that despite the thrust of the law, shadowy political giving can in fact occur.

47 countries legally require that in-kind donations to parties and/or candidates must be reported to the electoral authority. In 35 countries, *all* such donations must be reported. In others, only those in excess of a certain limit need be disclosed. In Germany, in-kind donations made in a single calendar year may remain undisclosed unless they exceed 10,000 Euros.

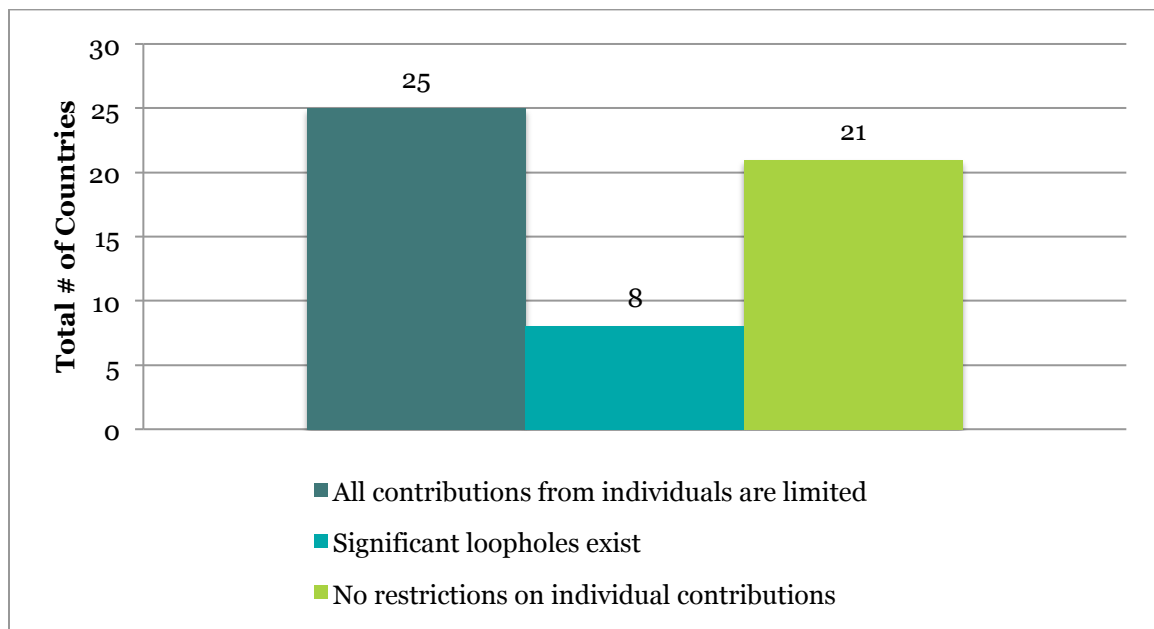
¹⁷ See open text indicator #19 in the Mexico scorecard for additional information.

Loans are less regulated—23 countries require all loans to be disclosed, and 14 more require only parties *or* candidates, not both, to report loans received. Bulgarian parties must report all loans that they receive, but candidates are under no such obligation. Therefore, in practice, candidates, and by extension, the parties of which they are members, may be subject to undisclosed influence. In a system burdened by serious concerns about the transparency of party spending during campaigns, this gap in the legal framework is of particular concern.¹⁸

Limits on Contribution and Expenditure during Campaigns

25 countries restrict the amount that individuals are legally able to donate. Notably, some countries limit the amount that may be donated to candidates *or* parties, but allow unlimited contributions to the other type of actor. Bangladeshi nationals cannot give more than USD 13,000 to parties in a calendar year, but are entirely unrestricted in the amounts they are able to give candidates. Similar systems exist in a number of countries, including Bolivia, Italy, Indonesia, Lebanon, Nigeria, Paraguay, and Turkey.

Figure 8: Restrictions on Contributions from Individuals



¹⁸ See open text indicators #18, 19, and 20 on the Bulgaria scorecard for more details.

In 14 countries, corporations may not contribute more than a maximum amount directly to campaigns. In 24 others, corporate donations are either completely banned or regulated with respect to only political parties *or* candidates. Despite regulations in place, in some countries, corporations continue to play an exceptionally important role during campaigns. In the United States, for example, though corporations may not give directly to parties or candidates, they can fund super Political Action Committees (PAC), organizations ostensibly independent of political actors that can then make independent expenditures in support of a particular campaign. Elsewhere, such as in Turkey, corporations can legally fund candidates, but not parties. The inverse of this situation also exists. These loopholes allow for the subversion of established regulations, and hinder the establishment of a transparent political finance system.¹⁹

In many countries, third party actors, defined as “entities not captured elsewhere in this section...[the definition] includes unions...other non-corporate entities such as private associations, societies, committees, etc.,” may not engage in any political activity, or are limited in the amount they can contribute to political parties and or candidates. Some countries, such as Albania, fold third party actors into general regulations on legal entities that also apply to corporations. Others, like Brazil, explicitly regulate direct and indirect contributions from unions, non-profits with foreign funding, professional associations, civil society actors, and more. Still others, including Botswana and Italy, do not specifically limit or prohibit donations from third parties.

Note that the relevance of these actors is highly context dependent, as is more thoroughly discussed later in this report. For now, suffice it to say that levels of regulation and relevance vary across both countries and regions, but the MPT evidence suggests that developing regulations regarding the political activities of these types of organizations will be fundamental for transparency in political finance.

¹⁹ Indicator #19 on the Turkey scorecard explains the ramifications of this situation in detail—in short, very little information about the sources of funding for parliamentary candidates is available, either to the public or to the relevant oversight authorities.

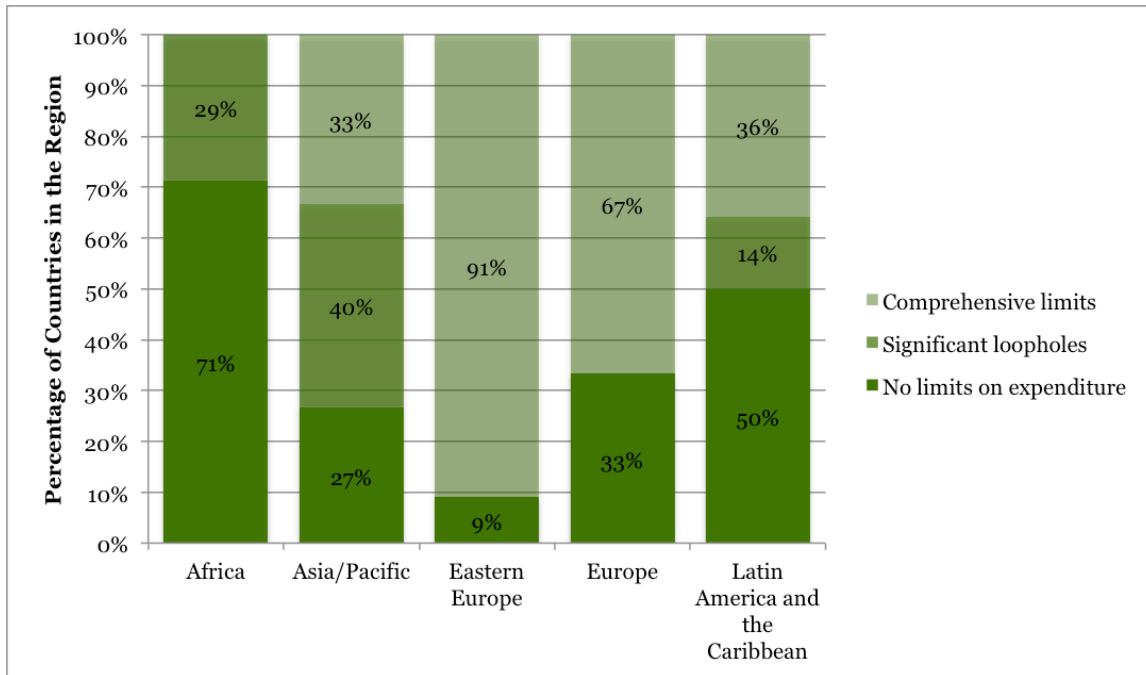
The incidence of limits on expenditure during campaigns varies as well. Only 24 countries restrain spending by all relevant actors during the campaign period. 10 others limit the expenditures of either parties or candidates. When only one such actor is subject to spending limits, the MPT research demonstrates that spending may be funneled through the other, or through third parties, in order to evade spending limits. For example, in India, parties can spend as much as they like during campaigns. Only candidate spending, in law, is capped. This results in a situation in which party leaders frequently undertake campaign activities on behalf of chosen candidates, thus violating the spirit, if not the letter, of the law.²⁰

The remaining countries do not impose a legal cap on campaign expenditures. This includes Brazil, where the electoral authority is charged with setting an expenditure limit during each campaign. According to the law, should the authority fail to impose such a limit, parties are then responsible for setting a cap to which their candidates must adhere. To date, the oversight body has yet to impose a spending ceiling. In consequence, parties routinely set limits that far exceed what is possible to realistically spend. This means that, campaign spending is, in practice, unrestricted.

The figure below plots the percentage of countries, by region, that have comprehensive legal limits on campaign expenditure, limits with significant loopholes, and no limits. Comprehensive limits on spending by both parties and candidates are most common in Eastern Europe, and least common in Africa.

²⁰ See indicator #20 on the India scorecard.

Figure 9: Limits on Expenditure



Finally, violations of expenditure and contribution restrictions are common throughout the MPT sample. In Korea, a ruling party candidate was accused of spending far more than the technical expenditure limit. In Mexico’s most recent elections, numerous parties and candidates appear to have defied expenditure limits. The 2011 presidential elections in Nigeria were marred by corporate contributions that greatly exceeded the limit on allowable donations. Seen in these contexts, establishing an effective legal framework to regulate donations and spending during campaigns is an exceedingly tough challenge. Moreover, crafting legislation that can adequately regulate both national and subnational campaigns is difficult, and variations in the relevant regulations may open a window through which the law can be subverted. Italy provides a compelling example of this point. Federal Italian law pertains only to national elections, and each region develops its own legal framework for regional elections. In consequence, recent regional elections there have been dogged by accusations of opacity, and regulations vary across regions.²¹

²¹ Indicator #18 in the Italy scorecard contains more information.

III. Reporting and Public Disclosure

Section III of the MPT scorecard is divided into two subsections. The first addresses reporting requirements to the oversight entity, and whether, in practice, political actors provide timely, comprehensive information on their finances to the relevant authorities. The second section is concerned with public disclosure: what information, in law, must be available to the public? In practice, what financial details can be accessed, and how frequently do citizens, newspapers, and civil society use that information?

Reporting Requirements

45 of the MPT countries require parties and/or candidates to submit financial reports with some itemized information on contributions and expenditure at some point, be it annually or within the campaign period. 41 countries legally mandate reporting during the campaign season, and 47 insist that either parties or candidates submit reports on an annual basis. Legal requirements differ greatly between countries, as does, perhaps unsurprisingly, the extent to which parties and candidates actually provide the oversight authority with complete, timely financial reports in practice.

Figure 10: Disjunctions in the Reporting of Financial Information by Region

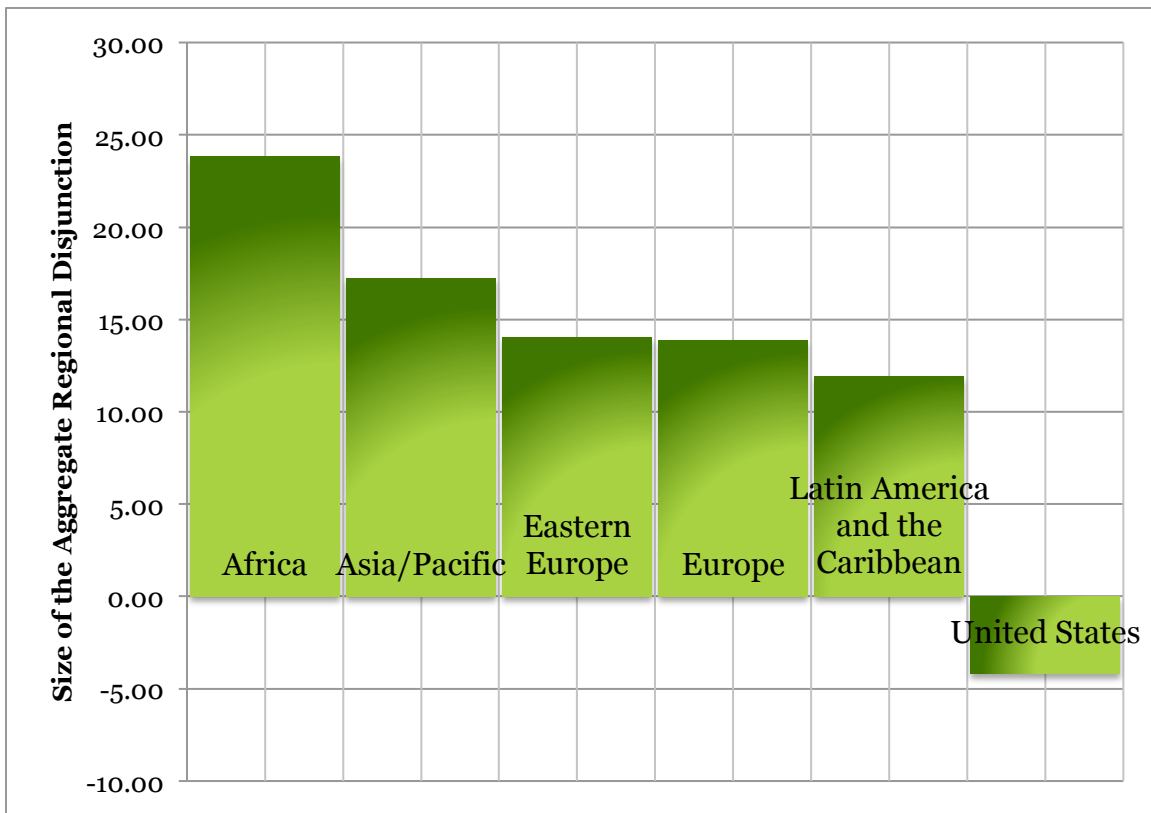


Figure 10 plots the magnitude of the regional average disjunction between legal reporting requirements and *de facto* reporting. As Figure 10 shows, the reporting required by law is, on average, more rigorous than the reporting that occurs in practice.²² The disjunction is especially large in Africa.

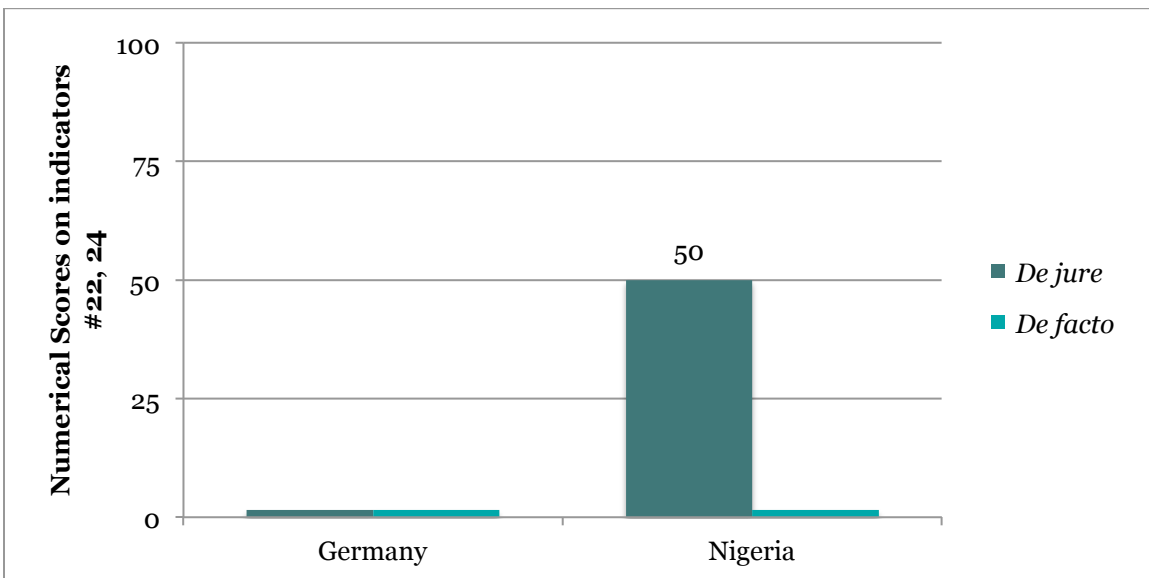
Some regulatory regimes are exceedingly lax regarding legal requirements for the reporting of campaign financial information. In Germany, for example, the law mandates only that parties submit annual reports in

²² The United States stands as an exception here. This is due to the structure of the indicators in this section. Neither parties nor candidates are legally required to report monthly during election campaigns (with some exceptions), which drags down the in-law score for indicator #22 (“In law, political parties and individual candidates are required to report their financial information on a monthly basis during the electoral campaign). In practice, most candidates and party committees do report monthly, and their reports include itemized lists of all contributions received.

which all contributions from a single source under 10,000 Euros need not be itemized, and no itemization of expenditures is necessary. Reporting during the campaign period is not required. As a result, in practice, parties and candidates submit very little information to the President of the Bundestag (one of two oversight bodies in Germany), and very little detail is included in the reports that are submitted.

In other cases, regulatory requirements are simply disregarded in practice. Nigerian law, for example, imposes somewhat rigorous reporting requirements. Nevertheless, parties and candidates regularly fail to file the necessary reports. In fact, in 2011, only 2 of the 23 parties in Nigeria submitted annual reports to the Electoral Commission. Figure 11 below charts the numerical scores for Nigeria and Germany on indicators #22 and #24.²³ Of the two countries, only Nigeria legally requires that some information on campaign finances be reported in the first place. However, as aptly illustrated below, in practice, no financial information is reported on a monthly basis during electoral campaigns in either country.

Figure 11: Monthly Reporting of Itemized Financial Information in Nigeria and Germany

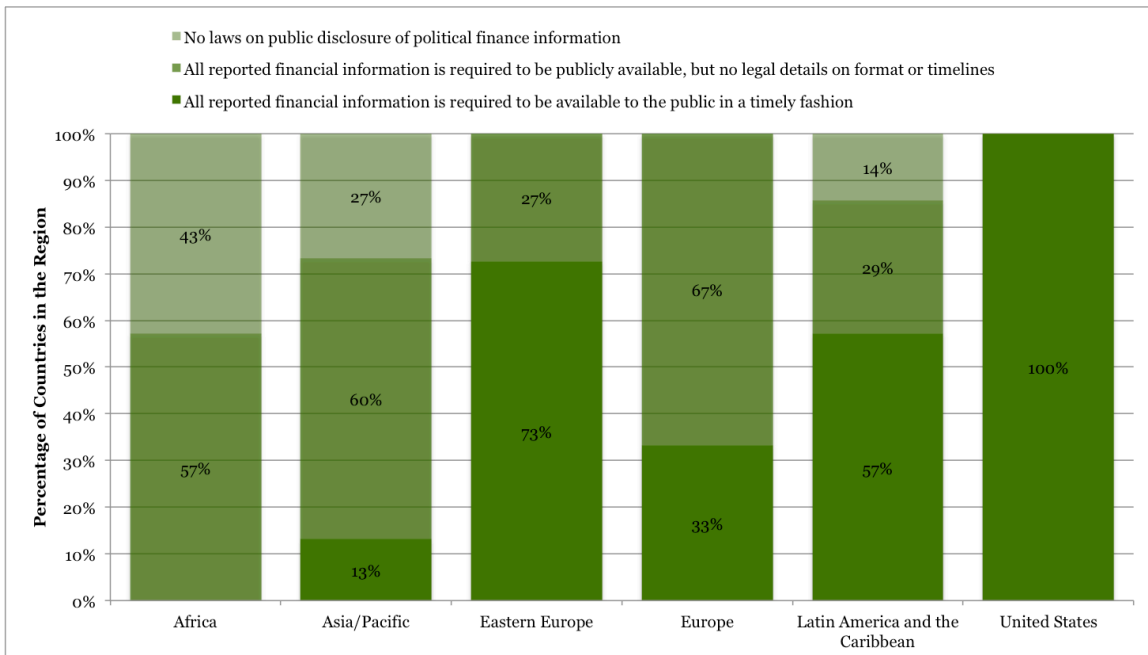


²³ Indicator #24 asks: “In practice, to what extent do political parties and individual candidates report itemized information monthly [during the electoral campaign]?”

Public Disclosure

Where public disclosure is concerned, on-the-ground realities again fail to measure up to legal requirements. 21 countries have laws mandating that all financial information reported to the oversight authority be made available to the public within two days of a request; 24 more require financial reports to be publicly accessible, though the details of those requirements (e.g., cost, format, and the time period in which requested information has to be turned over) are not spelled out. 9 countries fail to regulate public disclosure at all. Figure 12 plots these data points by region. As shown, laws requiring the transparency of political finance information are especially prevalent in Latin America and Eastern Europe (as well as the United States), and largely absent in Africa and Asia.

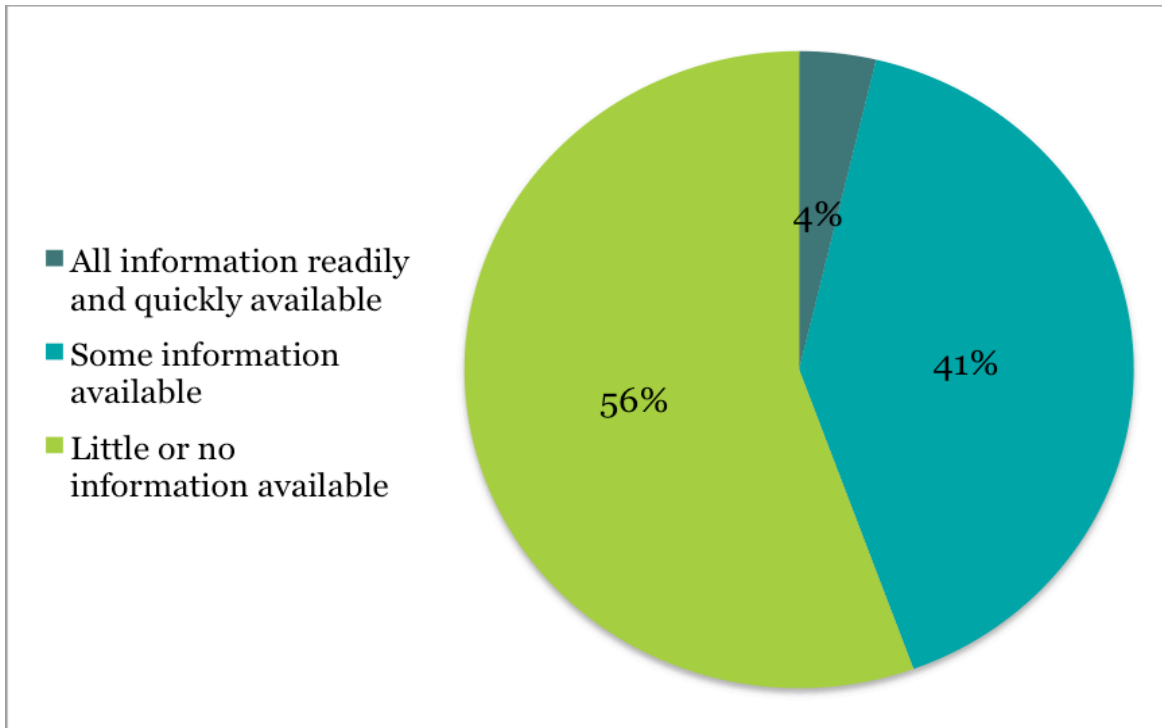
Figure 12: Percentage of Countries with Laws Regulating Public Disclosure



In spite of the legal requirements that are often in place, the effective implementation of disclosure requirements is quite rare: in practice, of the 54 countries in the sample, only Australia and the United States actually make all relevant financial information freely available online in machine readable formats. 22 others, in practice, meaningfully disclose at least some information, though disclosure is marred by long waiting periods,

lack of machine-readable formats, or incompleteness of the publicly available data.

Figure 13: Percentage of Countries in which Reported Political Finance Information is De Facto Available



Variations in the *de facto* accessibility of political finance information are striking. Some notable examples here include Belgium, where the information submitted by parties and candidates to the Control Commission, a parliamentary body charged with the oversight of political finance, is available for public inspection. However, financial reports are available only for a fifteen-day period after elections have been held. In order to access the information, citizens must go in person to the constituency level courts with which reports are filed. The reports are only available in hard copies, which makes substantively reviewing and analyzing the campaign finances of parties and candidates quite difficult.²⁴

²⁴ More detail on this issue is available in indicator #27 on the Belgium scorecard.

Another issue limiting the quality of political finance reports in the public domain is a lack of standardization in many countries. When candidates and parties file reports in different formats with varying levels of detail, the extent to which the available data is easily comparable is highly circumscribed. Only 13 countries, in practice, fully standardize the formats of political finance reports. In others, like Bulgaria, parties fail to adhere to the legal guidelines in place. They do not use a standardized template when submitting *all* their financial reports, which means that the reported information takes on varying formats. Unstandardized reports are thus more difficult to compare and analyze, and limit the transparency of the system.²⁵ Indeed, in sum, many countries have systems in which political finance information is not only hard to acquire, but resistant to analysis due to the lack of comparable formats with which it is presented.

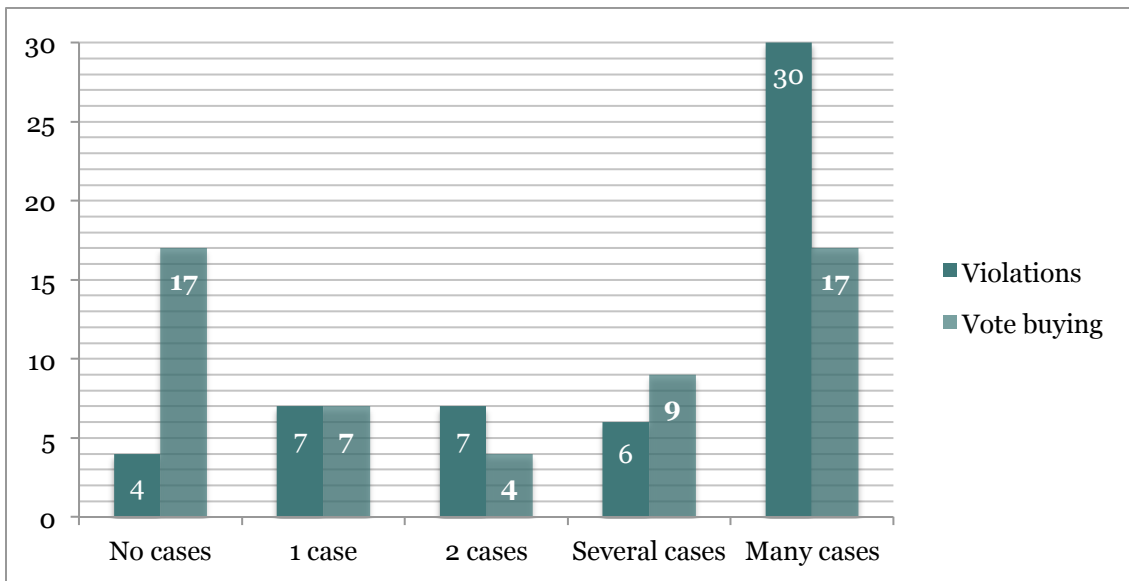
Further, the evidence suggests that violations of political finance regulatory frameworks are the norm in the MPT, not the exception. In 50 of the 54 countries, political actors violated or circumvented regulations during the most recent electoral cycle. In the United States, many political committees failed to adhere to disclosure and reporting requirements. Elected candidates in the Solomon Islands did not submit the post-election financial reports required by law. Some Serbian parties used a complicated scheme to illegally acquire funds from state-owned banks, and deployed those funds for political purposes. The most recent elections in Italy have been marred by various political finance scandals. In Brazil, illegal slush funds by which parties siphoned off state money for use in campaigns were especially prevalent. Many other examples abound.²⁶

Vote buying is also common throughout the sample: vote buying occurred in 38 of the 54 countries during the most recent elections. The histogram in Figure 14 below illustrates the frequency of violations and vote buying throughout the sample.

²⁵ See the comments and scores for indicator #28 in the MPT dataset for many more examples of countries in which political finance information is not available in standardized formats.

²⁶ As evident from the responses on indicator #30 in the MPT dataset.

Figure 14: # of Countries with Documented Cases of Political Finance Violations and Vote Buying



Clearly, there is a good deal of room for improvement on these issues. Encouragingly, the MPT data suggests that, in at least some countries, the level of attention given to political finance transparency is increasing. For example, in the past 8 years, Albania has introduced several reforms meant to increase reporting requirements and the public accessibility of party and candidate financial information. Countries as different as Bangladesh and Bosnia, Georgia and Kenya, and Serbia and the Solomon Islands have somewhat recently passed laws that at least tangentially address political finance issues. Such laws are not perfect. For example, a lack of political will in Bosnia meant that reforms failed to expand the remit of the Central Elections Committee. In other countries, like Bolivia and the United States, recent events have actually reduced the transparency of the political finance system. Bolivian reforms reduced reporting requirements for parties, and Supreme Court decisions in the United States enabled unlimited spending by third party actors.

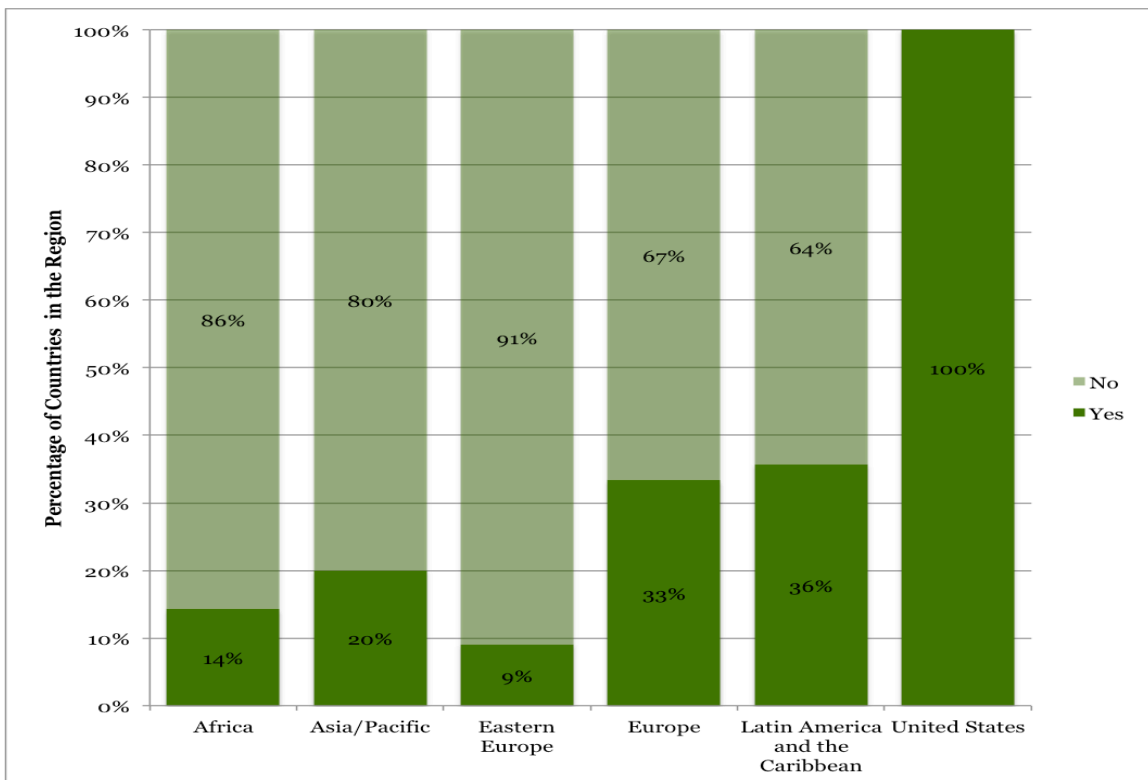
All things considered, Section 3 demonstrates that systematic failures to articulate and/or implement legal admonitions to make political finance information easily accessible and comparable result in political finance regimes that are, to a large degree, opaque. This trend is consistent throughout many of the 54 countries in our sample: citizens are regularly

denied easy access to credible, timely information on the financial activities of relevant political actors, limiting the extent to which the public, the media, and civil society are able to enforce norms of accountability. Finally, regulatory frameworks are, with very few exceptions, often subverted throughout the sample.

IV. Third Party Actors

The MPT research demonstrates that the realm of third party actors (defined as unions, think tanks, foundations, political action committees, and similar organizations) is largely unregulated. Only 6 of 54 countries covered either completely prohibit third party actors from all political activities or legally require them to publicly report their independent political expenditures and contributions to the electoral oversight authority. 7 more countries require at least some third party actors to report on their independent activities. Figure 15 illustrates just how infrequently third party actors are regulated across the world.

Figure 15: In Law, Are the Independent Political Activities of Third Party Actors Regulated?



This means that, in the majority of countries, third party actors are able to exercise untrammelled influence within campaigns, and are subjected to minimal oversight of their electoral activities. Even though many countries prohibit or regulate direct contributions from third party actors to

candidates and/or parties, few address whether and how such actors can engage in independent, partisan activity.

Because there are often few regulations in place, more than 90% of the countries covered in MPT receive a score of 25 or 0 on in practice indicators #35²⁷ and #36.²⁸ This means that, in practice, very few countries effectively compel third party actors to report on their financial information, or make their financials publicly accessible. In fact, in aggregate, indicators #35 and 36 have the lowest average scores of the entire scorecard. Even when third party actors are, in law, banned from any political activity or subjected to reporting requirements, many fail to adhere to those regulations, and very little information is available to the public. Even in cases where the legal framework ostensibly restricts the role of third party actors, the MPT evidence indicates that, in practice, such restrictions are often subverted.

In Argentina, for example, parties are the only political actors that are legally permitted to solicit contributions or make expenditures related to electoral campaigns. Despite the law, however, an advertising agency indirectly linked to the governing Frente para la Victoria party carried out a national campaign in support of the party. The owner of the company refused to report any information on his financial activities to the electoral authority. Data on how much money was spent, or how exactly the campaign was funded, was as such unavailable to the public.

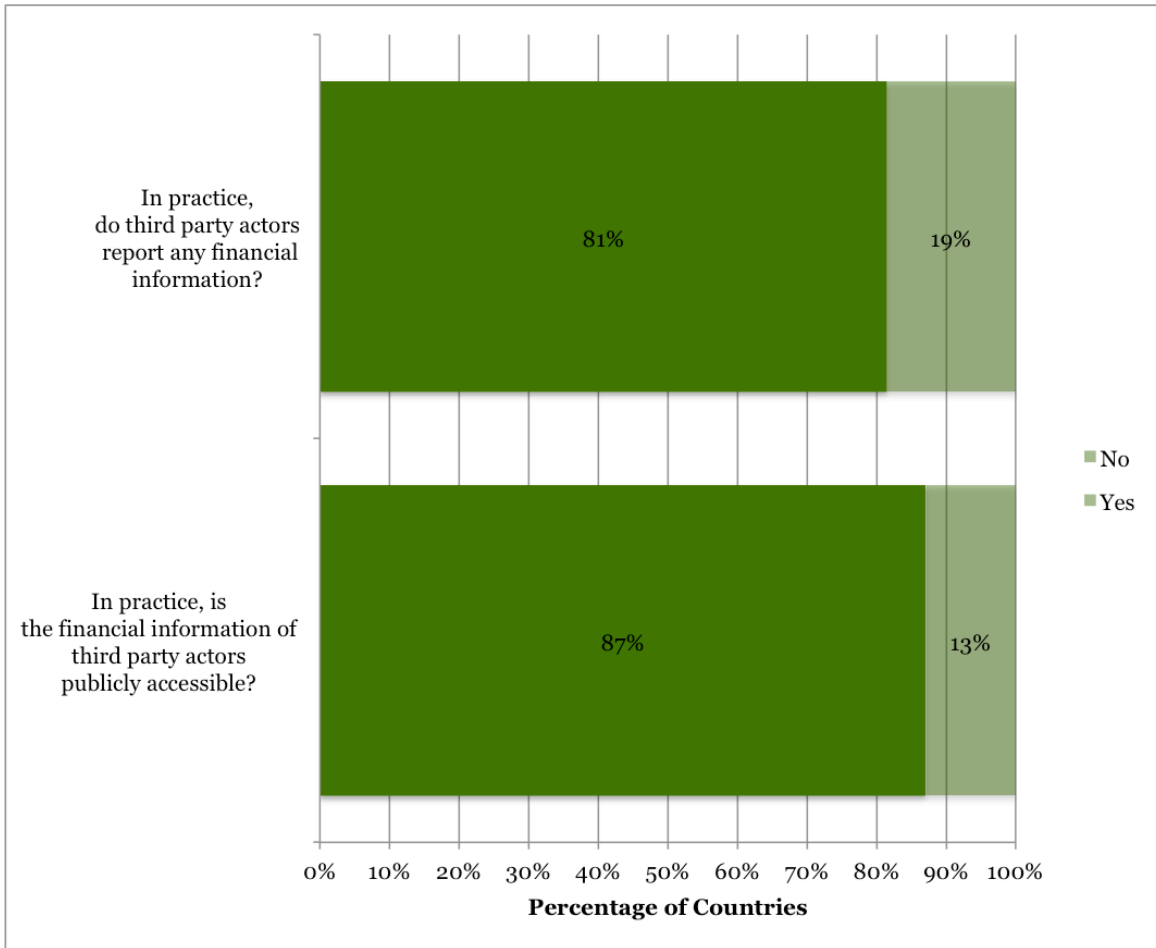
It is important to note that the salience of unions, foundations, and other third party actors varies across the sample. In the United States, for example, political action committees are dominant features of the electoral landscape, spending hundreds of millions of dollars in recent campaigns. At the other end of the spectrum, in Ecuador, third party actors have yet to influence campaigns to any great extent.

²⁷ “In practice, to what extent do third-party actors (foundations, think tanks, unions, political action committees, etc.) report itemized contributions received and expenditures to an oversight authority?”

²⁸ “In practice, to what extent can journalists and citizens easily access the financial information of third party actors, including the political spending of those actors in support of political parties and individual candidates?”

Despite these differences, the MPT data suggests that developing guidelines to regulate the electoral activities of third party actors is of demonstrable importance. Though the relevance of such actors fluctuates from country to country, their presence, and the relative lack of oversight to which they are subjected, leaves a gaping loophole in most existing political finance regimes. Further, the evidence from numerous countries indicates that, while third party activity during campaigns may be a relatively new phenomenon, such activity is waxing stronger, and third party actors are increasingly important agents during political campaigns. Figure 16 shows that, regardless of whether reporting requirements or bans on third party partisan activity are legally in place, most of the countries researched during MPT have, in recent electoral campaigns, experienced at least some level of third party action.

Figure 16: De Facto Opacity of Third Party Activities



At the country level, third party activity is a frequent occurrence throughout the sample. In Austria, for example, the 2013 parliamentary elections saw prominent participation by third party actors. In the most compelling example of such activity, a non-profit called Unser Anliegen held rallies in support of a political party despite declaring itself non-partisan. Because third party actors are not legally obligated to report on their contributions and independent expenditures during campaigns, the group’s finances related to the election campaign remained thoroughly opaque.²⁹

²⁹ See the Austria scorecard, indicator #37, for further details on the activities of Unser Anliegen.

Meanwhile, in Indonesia, corporations, businesses, and even individuals frequently donate to third parties in lieu of making direct contributions to candidates or parties. In doing so, they are able to circumvent contribution limits while still influencing the election campaign. Indonesia does not mandate financial reporting by foundations, unions, and other third party actors, and as a result, huge chunks of electoral spending are undisclosed, as was clearly evident during the 2014 presidential campaign.³⁰

Bolivian third party actors are not banned from contributing directly to campaigns. As such, unions, especially those in the public sector, appear to collect a percentage of their employees' wage, which are then donated to MAS. Public funds are thus channeled into partisan campaign activities that affect political competitions. Despite this, however, no information on the financial activities of unions during elections is reported or available to the public, in law or in practice.

Other examples proliferate throughout the MPT sample – third party actors influence campaigns in India, Kenya, Lebanon, and Malaysia, among many others, and few if any regulations exist to ensure that their independent expenditures are transparently monitored in these countries.

As these examples make amply apparent, the regulation of third party actors will likely be increasingly important in coming elections. Without action on this front, the sway afforded to dark money, and the opacity of campaign finance systems, could well surge in the future. In particular, developing clear legal definitions of third party actors will be an essential step moving forward.

³⁰ See indicator #37 on the Indonesia scorecard for more information.

V. Monitoring, Enforcement, and Independent Oversight Bodies

Monitoring Capacity

Encouragingly, legislation that provides for an independent oversight body to monitor and investigate political finance is fairly common throughout the sample. 36 of the 54 countries covered in the MPT research have laws that establish such a body, and 16 more grant an oversight authority the legal powers to at least monitor political finance. Moreover, the laws establishing most oversight authorities typically include at least a mention of the authority's ostensible independence.

More specific legislative guidance to substantively guarantee that independence, however, is far less common. In fact, only 14 countries legally require that the leaders of oversight authorities are appointed in public, merit-based processes in which conflicts of interest are forbidden. For example, Botswana's Independent Electoral Commission is, according to the law, independent from other branches of government, and has the authority to regulate its own procedures and proceedings. The law does not, however, establish any minimum merit requirements for individuals appointed to the commission, nor does it formally preclude conflicts of interest. This means that, even in law, the independence and efficacy of the IEC is highly circumscribed.

In Lebanon, the Electoral Law creates an independent oversight authority, the Supervisory Commission on the Electoral Campaign (SCEC). The law does not mention any merit requirements or conflicts of interest issues for appointees, and the appointment process is not required to be public. Therefore, the law fails to substantively guarantee the independence of the SCEC.

Legal deficits regarding the merit of appointees to the oversight agency are further compromised by *de facto* limitations. According to the research on indicator #40,³¹ only 7 countries effectively guarantee that, in practice,

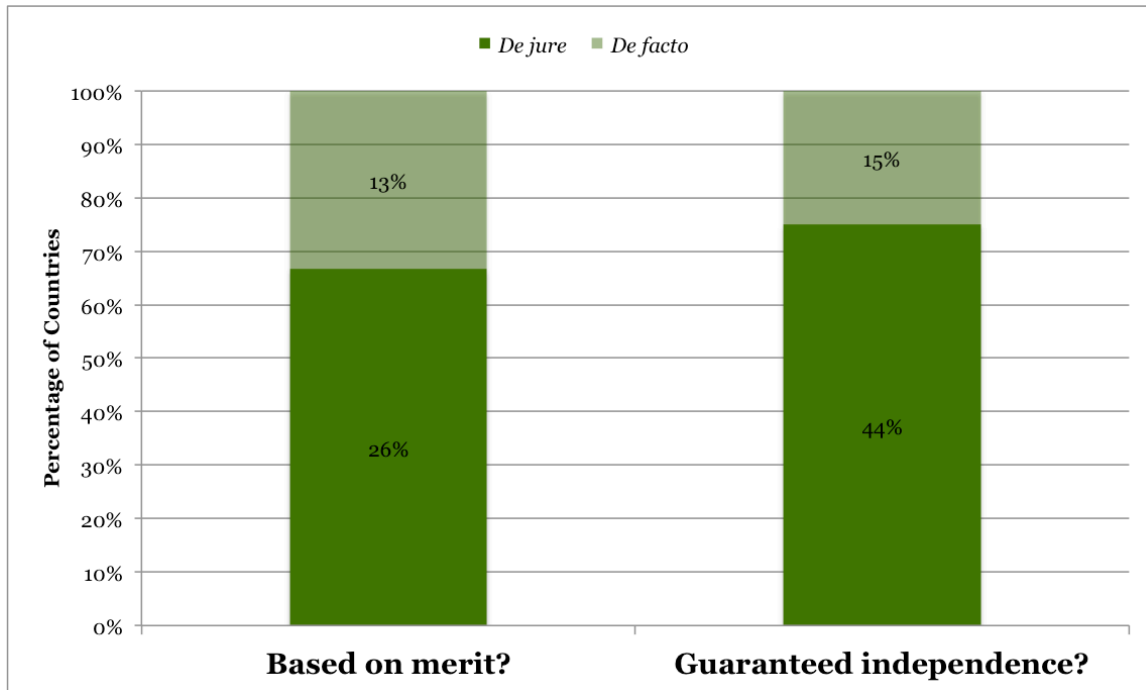
³¹ "In practice, to what extent are high-level appointments to the oversight authority based on merit?"

leaders of oversight agencies are appointed in merit-based, public competitions. In most of the countries researched, the leaders of oversight bodies obtain their positions in processes that are either opaque to public scrutiny or are not based on merit, or both. The United States is an excellent example: the Federal Election Commissioners are not appointed in public processes, and no clearly defined qualifications or experiences are required for their appointment. In fact, in practice, Commissioners are usually selected due to their political leanings, according to whichever party holds power. As such, rather than standing as an impartial arbiter of political finance and elections issues, the FEC is clearly restricted by the partisan affiliation of its members, and spends much of its time in gridlock as a result.

Similar issues mar the independence of oversight agencies in many countries. 24 MPT countries legally guarantee the independence of high-level appointees, enabling them to review cases and issue decision, enjoy security of tenure, and be protected by due process in disciplinary or removal procedures. 50 of 54 countries legally instantiate at least one of these conditions, but do not guarantee all three. This means that, in most of the 54 countries, oversight agencies lack the legal protections necessary for completely independent operation. And indeed, in practice, appointees are often subject to at least some political influence in all but 8 of the MPT countries.

Many countries exhibit deficits of independence. For example, in Malaysia, the former chairman of the Election Commission recently admitted to taking and enacting instructions directly from the Prime Minister over the course of his long period in office. In Kenya, members of the Independent Electoral and Boundaries Commission have refused to intervene when political finance laws were wantonly violated during the 2013 elections, despite have the authority and mandate to do so. The ruling party and the media frequently attack members of the Venezuelan National Electoral Council when they fail to support government positions.

Figure 17: Are Appointments to the Oversight Authority...



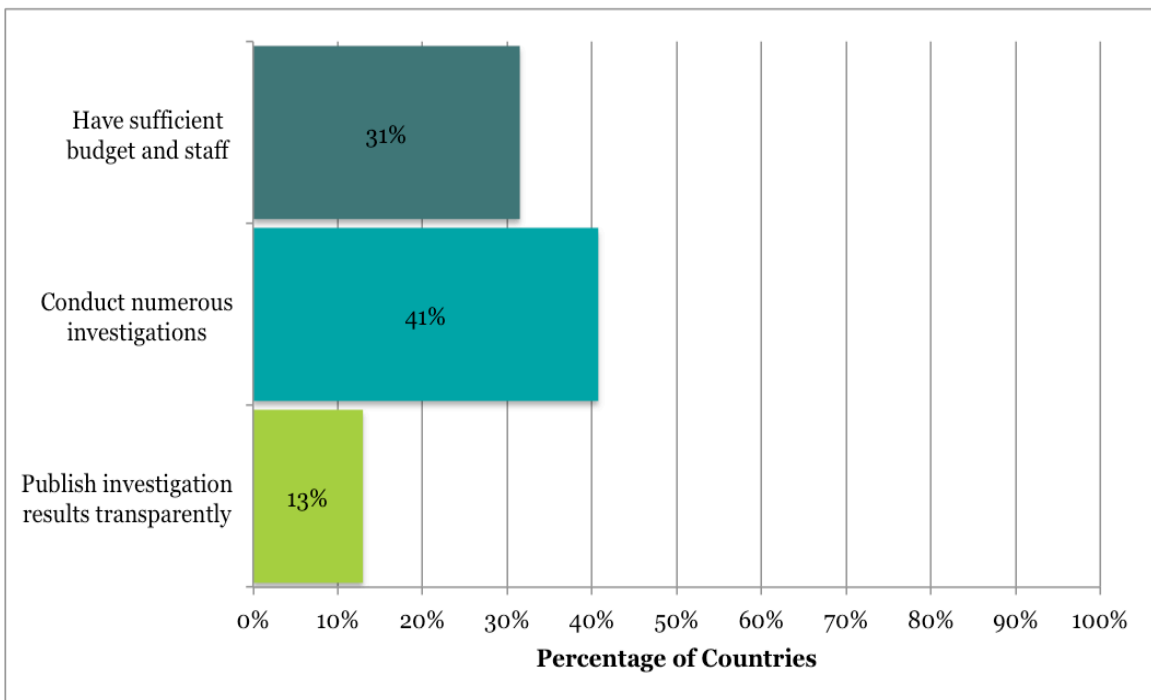
In many cases, the monitoring and/or investigative powers of oversight bodies are further compromised by insufficient budget or staff capacity, which make them unable to carry out their legally prescribed duties. Only 17 of the MPT countries, in practice, provide a budget and staff sufficient for effective operationalization of an authority’s mandate. In Bosnia, for example, the Central Elections Commission has a relatively strong legal mandate to regulate political finance, and its members enjoy independence and merit, both in law and in practice. However, its staff of five is totally unable, in practice, to exercise meaningful controls – with the responsibility to police the financial reports of hundreds of parties at various levels, the CEC was able to review 25% of the submitted financial information during the last electoral cycle.

This lack of capacity, common throughout the sample, means that, in practice, fewer than half of countries carried out three or more investigations into political finance issues during the most recent election campaigns. Note, however, that even investigative action is not necessarily an indication that the oversight agency is proactively and judiciously policing political finance. In numerous countries, especially those in which the independence of the political finance authority is less than robust, the

agency’s investigations can become a suppressive tool by which ruling parties discourage dissent and opposition. The Russian CEC, for instance, primarily investigates opposition figures, often for political reasons.

The MPT research demonstrates that, of the oversight authorities that conducted investigations during the most recent elections, only 7 published the full results of their investigations in an easily accessible, timely, and transparent manner. Even when oversight bodies are capable, a relative rarity within the sample, they rarely take action on political finance. When they do, their actions and decisions are largely opaque, resistant to public examination. The Australian Electoral Commission publishes only summaries of its investigations, most of which are accessible between 3 and 6 months after the investigation’s conclusion. Investigative reports are published only several months after their conclusion in Israel, and not disclosed at all in Rwanda.

Figure 18: Percentage of Countries in which Oversight Authorities....

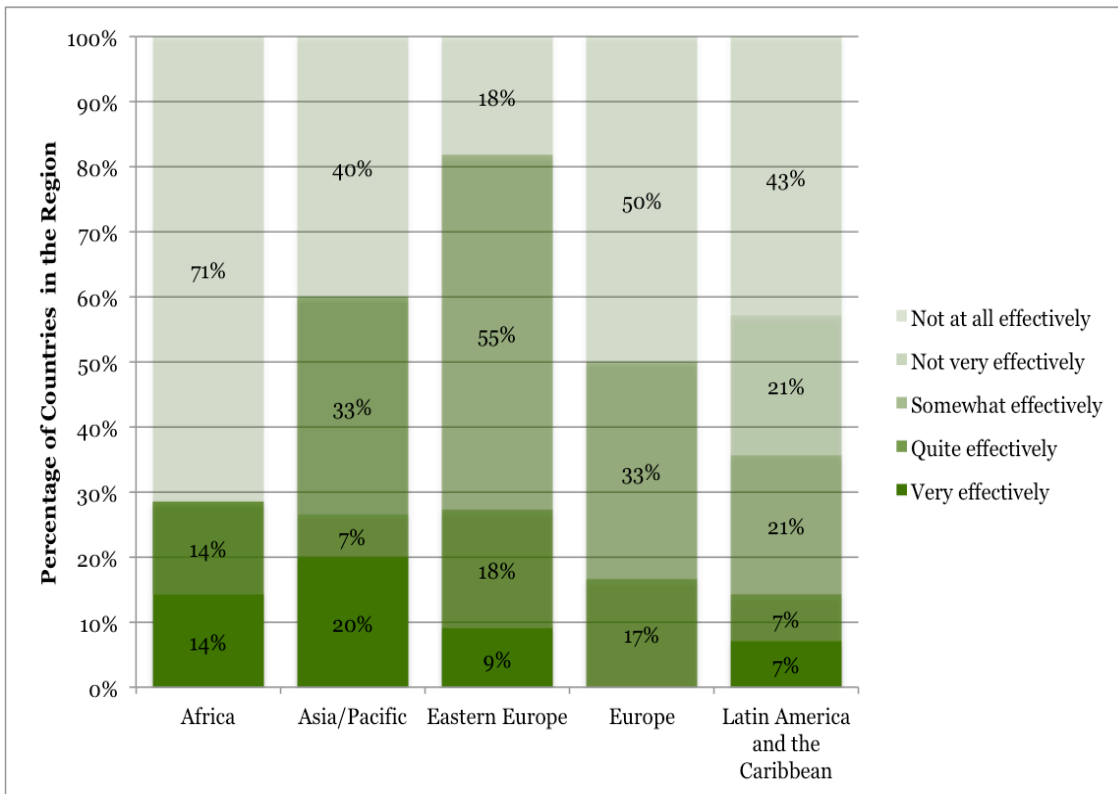


Enforcement Capabilities

Enforcement capabilities are also somewhat limited. Though 48 of 54 countries have legally defined political finance violations and sanctions, only 36 countries have oversight bodies that are empowered to both impose sanctions and pursue prosecutions of lawbreakers. The oversight authorities in Australia and Japan, for example, do not have legal sanctioning authority – as such, they lack the teeth to meaningfully regulate political finance.

Even among oversight bodies with the legal power to impose sanctions of some kind, many cannot force offenders to comply with those sanctions and/or deter repeat violations. In some countries, such as Panama, these deficiencies may be the result of sanctions that are too weak to frighten violators. In others, such as Bosnia, an absence of political will may reduce the oversight agency's efficacy. In fact, only six countries, in practice, are able to consistently and effectively implement sanctions while also preventing repeat violators. In these cases, such as in Korea, violators of the law are fined or prosecuted in accordance with the law, regardless of their political influence. In other countries, failures of the oversight body appear to be tied to greater institutional weaknesses within the state. In Italy, for example, the sanctioning system in place to regulate political finance is too anemic and too infrequently applied to deter violators. Figure 19 illustrates how infrequently oversight bodies are able, in practice, to effectively impose sanctions and deter repeat violations of political finance laws. These failures of efficacy are frequent in all regions.

Figure 19: In Practice, How Effectively does the Oversight Authority Impose Sanctions?



According to the research, various factors impede effective enforcement. In some countries, such as Belgium and Germany, the oversight authority is essentially a parliamentary body, and this compromises the extent to which it can be independent. The relevant regulatory agencies in Rwanda, Russia, Venezuela, and Thailand are also subject to questions about their levels of *de facto* independence, despite being formally independent of the legislature. Elsewhere, like Colombia and Paraguay, the oversight bodies are dogged by accusations of corruption.

In many countries, the lack of sanctioning power accorded to oversight authorities in law limits their effectiveness. Australia, India, Japan, Kenya, and Lebanon, among others, exemplify this issue. And even when authorities do have formal sanctioning powers, as in Israel, Nigeria, Panama, and Peru, the penalties they are able to impose are too weak to deter violators. In some places, such as Hungary and South Africa, reporting requirements are scarce, which contributes to the opacity of the political finance system.

In other countries, institutional design inhibits enforcement. In Turkey and Indonesia, multiple authorities share responsibilities for regulating political finance. This sort of compartmentalized system leads to coordination failures, and enables loopholes through which legal requirements are circumvented. In the US, the Federal Elections Commission gridlocks frequently because of the partisan nature of appointments. Meanwhile, in Botswana and Malaysia, the regulations on political finance are woefully out of date, and rarely enforced as a result.

Limited capacity within the oversight authority is a recurring limitation. Regulatory bodies lack the staff, budget, and skills to enforce existing legislation in countries as diverse as Bosnia, Brazil, and Poland, among many others.

In sum, the evidence on monitoring and enforcement presents a mixed picture. On the one hand, most countries across the MPT sample have created regulatory agencies with the authority to exert some measure of control over political finance. On the other, those agencies often lack the independence, capacity, and legal power to effectively impose sanctions capable of deterring violators. Further, the actions and decision-making processes of regulatory agencies are frequently resistant to public scrutiny. As a result, enforcement is less than complete, and many actors violate political finance laws in some form or another, often without facing substantial punishment for doing so.

Conclusions

The MPT dataset reveals that political finance regimes across the world are characterized by striking variation – even within regions, the strengths, qualities, and relevant issue areas of country systems differ a good deal. The evidence from the MPT Campaign Finance Indicators suggests that any approach to regulating political finance should be tailored to account for local factors, as no one-size-fits-all method is likely to be equally successful across different country contexts. An effective political finance system is highly contingent, and will take various forms in various places. Nevertheless, some basic findings emerge from the MPT data.

First, as emphasized throughout this report, there are many cases in which countries and the institutions in charge of guaranteeing the integrity of political finance systems consistently fail to enforce existing laws. Different reasons underpin these failures in different places. In some countries, oversight authorities are designed in such a way as to preclude effective enforcement. For example, where appointments to the leadership of such authorities are driven by partisanship, enforcement capacity suffers. The Federal Elections Commission in the United States provides ample evidence of this. Further, when appointees to oversight agencies are not granted security of tenure, due process, and the authority to review and issue decisions, or their independence is otherwise compromised, equitable enforcement is unlikely to occur. Russia’s Central Elections Commission aptly illustrates the consequences of a politically compromised oversight institution. Elsewhere, if oversight authorities lack the budget and staff necessary for carrying out their legally defined tasks, deficits in implementation are likely to persist, as shown in many cases throughout the sample, including in Italy and Bosnia. Where enforcement bodies are undercut by an inability to pursue investigations, sanctions, and prosecutions of violators, as in Lebanon and the Solomon Islands, subversions of the legal framework are often routine.

Second, countries in which political actors are required, both in law and in practice, to adhere to reporting and disclosure standards, may be less prone to violations or abuse of existing regulatory frameworks. But even

where violations occur, effective reporting and disclosure can be a mechanism by which to empower the media and civil society to exert some measure of accountability – as demonstrated in Georgia during the most recent campaign period. The detail of what is reported, and how and when that information is made public, is different in different countries. In Australia, for example, the prompt publication of reported financial information on the website of the Electoral Commission makes a good deal of sense because of high rates of internet connectivity in the country. Belgium’s disclosure system, in which financial information reported by political actors is available only for a limited time in hard copy, is a less successful means of promoting transparency and disclosure. On this reading, financial transparency might play a role in enhancing accountability. Nonetheless, the ways in which transparency might improve the regulation of political finance, and the specific institutional mechanisms by which to achieve that improvement, clearly vary from place to place.

Third, the salience of third party actors varies hugely across the MPT sample. In some countries, like the United States, they are integral parts of campaigns. In others, such as Uruguay, they are much less important. Nevertheless, the aggregate electoral relevance of third party actors, non-profits, political action committees, and unions appears to be increasing across the sample. Many regulatory regimes at present do not account for the independent activities of third party actors. As such, these organizations can exert a good deal of influence during campaigns, either by funneling contributions to candidates or parties, or by making independent expenditures on behalf of specific campaigns. Without legislation in place in most countries to govern such activities, citizens and journalists are unable to enforce norms of accountability and transparency, which can restrict the extent to which campaigns are open and, in some cases, competitive.

Fourth, the MPT research demonstrates that, despite the frequency of systems of direct and indirect public funding, few countries govern the allocation and disbursement of state subsidies to parties and/or candidates transparently. Moreover, the MPT evidence suggests that in most systems, despite clear prohibitions on the use of state resources during campaigns, cars, staff, and buildings are often deployed for electoral gain. There are

few success stories on this front, though it is interesting to note that each of the three countries in which non-financial public resources are not, in practice, deployed during campaigns (the United Kingdom, Austria, and Sweden) do not have legal prohibitions against such activity. This result underlines the fact that effective political finance systems reflect not just established legislation, but political norms and traditions as well. Creating an equitable electoral playing field is likely to be a long-term process, and must be tailored contextually at the country level.

Fifth, the MPT research shows that cash contributions are largely unregulated in many countries. Anonymous donations are also frequently permitted, and many countries do not mandate that loans and in-kind donations must be reported. Combined, these regulatory deficits increase the opacity of political finance systems, and make following the money, as it were, far more difficult. Where electoral spending is concerned, relatively recent reforms in the United Kingdom indicate that capping expenditures for both political parties and candidates during campaigns may be an effective means by which to reduce the influence of big money during elections. However, the nature of a given cap is essential. The MPT evidence suggests that the most effective expenditure limits allow political actors to spend a certain amount per relevant voter, while those that rely on self-regulation (as in Brazil), or set very low expenditure limits (as in Botswana and Trinidad and Tobago), are routinely violated. Donation and expenditure limits may also need to account for the role of third party actors in countries where such organizations are prevalent, or where spending caps are in place. Should they fail to do so, as in the United States, the integrity of the political finance system may be compromised by unregulated financial flows.

Finally, disjunctions between legal regulation and practical enforcement persist throughout the sample. Crafting legal frameworks is only half the battle; ensuring that political finance laws are equitably and judiciously applied is just as vital in establishing transparent, accountable systems of campaign financing. The evidence from MPT shows that no single approach to regulating the influence of money in politics is likely to be effective or relevant in all settings. In consequence, any reform efforts must be tailored to account for the role of political traditions and norms within a

given country, with a view towards fostering transparency, accountability, and effectual enforcement at the country level.

Methodology

Introduction

The Money, Politics, and Transparency (MPT) Campaign Finance Indicators mobilized a highly qualified global network of more than 110 political finance experts from academia, journalism, and civil society to generate rich, comparative, country-level data on the transparency and effectiveness of political finance regimes across the world. A rigorous cross-national survey, MPT examines both the *de jure* legislation regulating political finance and the *de facto* implementation of that legislation.

In an iterative process dating from March to June 2014, Global Integrity, Sunlight Foundation, and the Electoral Integrity Project worked in close consultation with a carefully selected reference group of political finance experts to develop a concise set of 50 indicator questions, which were compiled into a comparative country scorecard. The project partners also selected an economically, politically, and regionally diverse sample of 54 countries in which to apply the scorecard. The selection process, though not randomized, ensures that MPT reflects the exceptional variety characterizing the range of political finance systems across the world.

The MPT scorecard evaluates the key components of effective political finance regimes, including the regulation of direct and indirect public funding, limits on contributions and expenditure, reporting and public disclosure, the regulation of third party actors, and monitoring and enforcement. Researched scorecards account for both the existing legal particulars of each of these issue areas and the *de facto* realities of practical implementation in each country.

MPT delves into critical aspects of political finance by examining not only what laws are on the books, but also whether and how those laws are effectively enforced. The combination of rigorously selected quantitative scores and detailed, evidence-based explanations supporting those scores, in addition to the inclusion of a number of non-scored, open-text questions that provide additional, context-specific detail, make the MPT indicators a

rich source of granular information for interested stakeholders, policy makers, and reformers. As such, the MPT data can serve as a useful resource for crafting more transparent, accountable political finance systems.

Research Team Members and Roles

The team for each of the 54 MPT Campaign Finance Indicators country scorecards consisted of:

- A lead researcher responsible for collecting data, compiling initial scores, drafting explanatory comments, and providing relevant sources.
- At least one peer reviewer that blindly reviewed draft data and provided comments, criticisms, recommendations, and where appropriate, additional research. Relevant peer reviewer comments are published alongside the finalized data, offering an additional perspective.

Global Integrity staff working from Washington, DC leveraged the extensive MPT network to identify, recruit, and train qualified country experts to work as researchers and peer reviewers in the field. Qualified applicants exhaustively reviewed the indicator questions prior to signing on, and each prospective contributor was provided with detailed terms of reference that were thoroughly discussed during an in-depth interview. After a competitive application process, selected members of the research team participated in a comprehensive training conducted by GI staff. All researchers and peer reviewers were required to rigorously adhere to the tenets of Global Integrity's evidence-based methodology during all stages of the project. This meant completely following GI guidance, documenting sources, and relying on clear evidence from within the project's period of study (January 2013 – July 2014) when answering indicator questions.

GI worked closely with the field-based researchers during the data collection process, guiding the fieldwork, carrying out intensive quality control, and ensuring the cross-national comparability of the MPT information. In order to safeguard the integrity and independence of the

data, researchers and peer reviewers were kept unaware of the identities of other members of the MPT team. All data was gathered, reported, and refined through the use of specially customized Excel spreadsheets.

Global Integrity staff reviewed all draft data for completeness, consistency, and accuracy; managed the peer review process; and methodically evaluated the resultant cross-country quantitative and qualitative data to verify the integrity and comparability of the MPT dataset.

Fieldwork

Research on MPT began in July 2014. The research process, including various stages of fieldwork and an exhaustive peer review, was completed in December 2014. The period of study for the research is January 2013 through July 2014 – all scores and comments thus refer to sources and evidence that were current during this timeframe. In cases where the most recent national level elections occurred prior to 2013, the study period was elongated so as to include those elections. When applicable, information from late 2014 has also been incorporated into the scorecards.

MPT Campaign Finance Indicators Scorecards

The MPT country scorecards are comprised of 50 indicator questions. The assessment for each country scorecard examines two primary concepts:

1. The existence of laws and regulations to govern the role of money in political campaigns;
2. Whether and how laws and regulations, in practice, are enforced.

The MPT Campaign Finance Indicators scorecard is a unique instrument designed to provide a thorough assessment of the existing political finance regime in a particular country. The indicators were carefully developed in a consultative process that relied heavily on existing literature on political finance. Work by the OECD, IFES, IDEA, and a number of other sources was instrumental in guiding indicator development, as were the recommendations made by a reference group composed of political finance experts. The indicators are used to “score” the national-level institutional

frameworks in place to regulate money's influence in politics on metrics of transparency, accountability, and practical enforcement.

The MPT Indicators are organized into the following five main categories and nine subcategories.

I. Direct and Indirect Public Funding

1.1 Direct Public Funding (4 indicators)

1.2 Indirect Public Funding (4 indicators)

II. Contribution and Expenditure Restrictions

2.1 General Rules on Electoral Campaign Contributions (4 indicators)

2.2 Limits on Contributions and Expenditures during Electoral Campaign Periods (8 indicators)

III. Reporting and Public Disclosure

2.1 Reporting Requirements to the Oversight Entity (5 indicators)

2.2 Availability of Electoral Campaigns' Financial Information to the Public (8 indicators)

IV. Third Party Actors

4.1 Applicability of the Law to Third-Party Actors (4 indicators)

V. Monitoring and Enforcement

5.1 Monitoring Capabilities (9 indicators)

5.2 Enforcement Capabilities (4 indicators)

Generating an Integrity Scorecard

Each MPT indicator was scored directly by the lead researcher and substantiated with relevant references and comments based on desk research, information requests, media searches, and original interviews with key informants. Three types of indicators were deployed for this project: "in law," "in practice," and "open text." "In law" and "in practice" indicators are scored on an ordinal scale of 0 to 100, where 0 is synonymous with the worst score, and 100 the best.

“In law” indicators provide an objective assessment of whether certain legal codes, regulations, and mechanisms exist. These *de jure* indicators have three possible answers: “Yes,” “Moderate,” and “No,” where “Yes” receives a 100 score, “Moderate” receives a 50 score, and “No” receives a 0.

When answering “in law” indicators, lead researchers are required to provide a reference to all current legislation that substantiates their chosen score. They must also write a comprehensive explanatory comment in which they address each of the indicator’s scoring criteria, thus demonstrating that the selected score is correct. In some cases, where the legal code may be ambiguous, lead researchers must consult with legal experts to determine the correct score.

“In practice” indicators address *de facto* issues of implementation, enforcement, effectiveness, and accessibility. Due to the complexity of many “in practice” situations, these indicators are scored along a scale of 0 to 100 in which the possible scores are 0, 25, 50, 75, and 100.

Lead researchers are required to provide a minimum of three primary sources for “in practice” indicators. An explanatory comment referencing the relevant scoring criteria is also necessary. At least one of the three sources must be an interview with a key informant, while financial reports, information requests, media articles, and relevant domestic civil society and academic reports may also be used as primary sources. All primary sources must be from within the study period, or refer to the most recent national level general elections at the time of the research.

To minimize bias in score selection and maximize the comparability of the country scorecards, MPT’s methodology provided researchers and peer reviewers with extremely detailed scoring criteria for each individual indicator. The scoring criteria effectively anchor each indicator to a predefined set of conditions, and specify the general situations in which a particular score will be earned. For “in law” indicators, explicit scoring criteria are provided for each of the possible answers: “Yes,” “Moderate,” and “No.” For “in practice” indicators, criteria are defined for 100, 50, and 0 scores. 25 and 75 scores are deliberately left undefined to serve as in

between scoring options when appropriate. The scoring criteria for each indicator are available for scrutiny on the MPT website.

Researchers and peer reviewers were also all provided with a specific set of instructions that guided their research for each indicator. This guidance further ensures the consistency and comparability of the collected information. Indicator scores and comments were deemed incomplete until all specified instructions had been demonstrably carried out. Indicator instructions can be accessed upon request.

“Open text” indicators are meant to provide additional context, and to give researchers the opportunity to delve into elements of the political finance system that are not directly addressed elsewhere in the scorecard. As such, “open text” indicators do not have a scoring element. The answer to each “open text” indicator consists of a detailed explanatory comment in which the researcher answers the indicator question and a series of related sub-questions. As with “in practice” indicators, all information presented in “open text” comments must be thoroughly sourced. A minimum of three primary sources from within the study period is required.

In summary, a given indicator has the following elements:

- Indicator question
- Researcher instructions
- Scoring criteria (not applicable for “open text” questions)
- Score (not applicable for “open text” questions) – Yes (100), Moderate (50), or No (0) for “in-law” indicators, and 100, 75, 50, 25, or 0 for “in-practice” indicators
- Relevant sources provided by the lead researcher and/or peer reviewer
- An explanatory comment that addresses all aspects of the chosen scoring choice/specified sub-questions
- Peer review comments (included when relevant)
- Peer review sources (included when relevant)

Peer Review

The Peer Review is an essential part of the MPT Campaign Finance Indicators research. The expert peer reviewers employed on the project provided an excellent source of perspective on the draft data, and used their own networks and skills to provide additional research, sources, and challenges when necessary.

Peer reviewers blindly reviewed the scores, comments, and sources prepared by lead researchers. Each peer reviewer was an expert on the country in which they were deployed. As such, they were able to identify and correct errors, bias, and out-of-date information that had been submitted by researchers. Each peer reviewer was also given the task of conducting additional research on specific indicators on their scorecard. Flaws in the draft research identified by GI staff were sent to the reviewers, who were asked to resolve those flaws.

Peer reviewers were offered one of three standardized choices in responding to a given indicator:

1. *“I agree without any comment or sources to add.”*
2. *“I agree with additional information.”*

In this case, peer reviewers added supplementary information and/or sources that supported the lead researcher’s score and comment.

3. *“I disagree, with replacement comment and sources.”*

In this case, peer reviewers rewrote, re-researched, and re-sourced the indicator in order to comply with the provided guidance.

In cases where they independently identified mistakes, reviewers were required to write a replacement comment, complete with a full set of the obligatory references from within the study period. All content added by peer reviewers was subjected to the same rigorous quality control and verification processes employed during the original fieldwork.

When appropriate, peer reviewer comments were incorporated into the existing researcher comment. Suggested score changes and/or revisions to the comment were submitted to the lead researchers, who were given the opportunity to defend or supplement their original research. Based on all

the information available, the GI research team then made appropriate decisions regarding potential changes to the data. In some cases, peer reviewer disagreements have been left alongside the researcher's answer. This was done to provide the full range of nuance and complexity typical of political finance issues.

Consistency and Comparability

At the conclusion of the fieldwork, peer review, and quality control processes GI staff collated all scorecards into one master file in which all responses for each indicator in each country were included. GI staff used the scoring criteria for each indicator and developed a set of guidelines, indicator by indicator, by which to further guarantee the cross-national comparability of the finalized information. Staff then methodically reviewed each of the collected indicators across countries to check for consistent application of the guidelines and scoring criteria.

While Global Integrity and its partners make every attempt to produce accurate, credible, and thoroughly researched information, we welcome all feedback on the veracity and correctness of the MPT data. Please contact Global Integrity with specific comments on indicator scores, comments, and sources, and on the scoring criteria and guidelines.