

The financing of political parties: a proposal of Alternattiva Demokratika – the Green Party

Introduction

The White Paper published on Monday 3 February 2014 dealing with the financing of political parties seeks to focus the spotlight on the financing of politics and consequently facilitating transparency and accountability in local politics. This would be a very useful tool in combating clientelism and corruption.

The White Paper seeks to achieve this aim by first dealing with the registration of political parties and their basic organisation. It then proceeds to deal with the accounting requirements of political parties as well as their relative reporting duties. Subsequently there are proposals set to control the donations received by political parties and finally the permissible expenditure of candidates in the various elections.

On the basis of the practice in the United Kingdom the White Paper identifies the Electoral Commission as the regulatory authority.

Agreement in principle

Alternattiva Demokratika agrees in principle with the line of thought proposed but is of the opinion that the details should be revisited in their entirety.

Electoral Manifesto 2013

It should be stated at the outset that in every General Election it contested Alternattiva Demokratika has emphasised in its Electoral Manifesto the need to put the spotlight on the financing of political parties.

As a matter of fact the Electoral Manifesto for the March 2013 General Election stated thus:

“AD believes in the introduction of strict rules on donations to political parties, coupled with the state financing of political parties. As regards the former, we believe that donations in excess of €5,000 should be declared by political parties and those over €40,000 should be made illegal. In the case of state

30 financing of political parties, we suggested that the state should grant on an
31 annual basis to all political parties €3 for every vote obtained on a national level,
32 during a general or a European election.

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34 There should be a system of state financing for political parties. State financing
35 provides transparency and can be coupled with strict regulations such as
36 ensuring that political parties produce audited accounts on a regular basis.

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38 Political parties should present their accounts every year and these should be
39 verified by an independent commission appointed by the Auditor General.

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41 The sum which each candidate can spend in a general election should be
42 increased from €1400 to €4000. But this amount should include the expenditure
43 made the party at a national level divided by the number of candidates
44 presented. Any expenditure made by third parties to assist the candidate should
45 also be included.

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47 The accounts presented by each candidate should be verified by a commission
48 appointed by the Auditor General.

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50 The expenditure made by each candidate should be tax exempt provided that it
51 is within the established limits.

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53 A commission should establish the value of government property leased to
54 political parties and revise rents and leases to market conditions on a regular
55 basis.” (extracted from Chapter 6 of the Electoral Manifesto of Alternattiva
56 Demokratika for the March 2013 General Elections, entitled *Constitutional and*
57 *Democratic Reforms* page 31)

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59 This signifies that in agreement with what is proposed by Government in the White Paper
60 Alternattiva Demokratika is of the opinion that it is essential to first organise and subject to
61 transparency and accountability the financing of political parties and subsequently to consider
62 state financing. This is the practice all over Europe and at the appropriate moment it has to be
63 considered as the practice in Malta as well.

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65 **The regulatory authority**

66 Alternattiva Demokratika considers that the Electoral Commission, in particular due to the
67 historical reasons which conditioned its development, is not suitable as the regulatory
68 authority. The Electoral Commission is composed exclusively of persons who enjoy the trust of
69 the parties represented in Parliament in line with Constitutional provisions. Half of the Electoral
70 Commission’s members are nominated by the Prime Minister whilst the other half are
71 nominated by the Leader of the Opposition. The Commission is then chaired by a Chief Electoral
72 Commissioner, a public officer, who is thus nominated by the government in office. This is the
73 result of the doubts resulting from the at times suspicious behaviour in past years which led to

74 Constitutional amendments determining the Electoral Commission’s present format. Whilst this
75 structure has without doubt addressed most of the difficulties which the electoral process
76 faced in past it is not necessarily suitable to address issues of ethics and behaviour. Correct
77 behaviour and ethics are after all the core issues when dealing with the financing of political
78 parties.

79 Alternattiva Demokratika does not wish to cast any shadow of doubt on the personal integrity
80 of the members of the Electoral Commission. It considers however that the person or persons
81 administering the regulatory authority should not only be ones of unblemished personal
82 integrity but they should be acceptable to as wide a section as possible of Maltese society.

83 As a result of the commitment of both Government and the Opposition Parliament has set up a
84 Select Committee concerning the appointment of a Permanent Committee as well as a
85 Commissioner on Standards, Ethics and proper behaviour in public life. Draft legislation has
86 already been prepared signalling that a difficult road lies ahead: it is political action which goes
87 beyond political parties. The appointment of the proposed Commissioner on Standards in
88 Public Life will be subject to the approval of a two thirds majority in Parliament. This places the
89 office on the same level as the Ombudsman and the Auditor General, two important tools so
90 essential to ensure that public office is the cleanest possible.

91 The draft legislation, which is accessible on Parliament’s website, entrenches the independence
92 of the Commissioner on Standards in Public Life, and monitors his/her operation through a
93 Parliamentary Permanent Committee. This does not only signify a guarantee of seriousness and
94 impartiality through the appointee enjoying the support of two thirds of the House but also a
95 guarantee of transparency as the meetings of the Permanent Committee of Parliament is held
96 in public. The whole process will be thus subject more easily to being scrutinised by the media.

97 It is for these reasons that Alternattiva Demokratika considers that the regulatory authority on
98 the financing of politics should be within the framework on Standards in Public Life which
99 Parliament is currently constructing patiently, involving the Commissioner for Standards in
100 Public Life. This would be a substantial improvement on the proposal put forward by the White
101 Paper.

102

103 **Registration of Political Parties**

104 The proposal to register political parties is a valid one. The logical consequence of such a step is
105 the identification of basic criteria.

106 First one the list would be that the parties are democratic: both politically and structurally.
107 Legislation should not be too detailed in this respect.

108 A political party's democratic spirit will clearly result from its aims which would be subsequently
109 explained in detail in its basic principles.

110 Whilst it is necessary that a political party has a democratic structure which shapes the manner
111 in which it operates it has to be clear that it is unacceptable that the law imposes a one size fits
112 all structure. The White Paper, for example, emphasises that there should be a Party Leader.
113 This view is not shared by all political formations. Alternattiva Demokratika does not have a
114 Leader but it has a Chairman. It is not just a difference in nomenclature but also in the manner
115 in which it operates. The Chairman is the person who presides the Executive Committee and
116 who, together with the Secretary General co-ordinates the party's operations. Political
117 leadership in Alternattiva Demokratika is a collective exercise. In fact various other green
118 parties including the green formation in the European Parliament adhere to a system which has
119 more than one person in the post of Chairman. Some parties have experimented with such a
120 system, others have discarded it.

121 Similarly in Malta we have a political party (The Labour Party) which considered it expedient to
122 abolish the post of General Secretary, creating instead other posts as a result of which it split
123 political and administrative responsibility.

124 The White Paper however goes much further. It requests a statute indicating responsibility for
125 electoral nominations, party emblems, disciplinary procedures and more. Alternattiva
126 Demokratika considers that the White Paper goes overboard in this respect with proposals
127 which just add bureaucratic issues.

128 As expected the White Paper deals with the duty to have a party officer responsible for
129 finance, that such officer, called the Treasurer would have the responsibility of preparing the
130 accounts for auditing, as well as submitting the audited accounts for the members approval.

131 Its fine to audit the accounts. A political party whose income is in millions would have no
132 difficulty with this proposal. But a political party like Alternattiva Demokratika whose income
133 does not exceed €15,000 annually on average is not in a position to pay for such an audit. We
134 do not think that the scant finances at the disposal of Alternattiva Demokratika can be used in
135 this manner which those who are familiar with the matter, know, could be substantial. It would
136 be reasonable that if the regulator requires an audit he should also foot the bill.

137 In view of the above Alternattiva Demokratika is of the opinion that in the case of a political
138 party whose income does not exceed €100,000 the expense to comply to the proposed
139 requirement to submit audit accounts should be shouldered by the regulator.

140 **Donations**

141 The White Paper considers 4 different levels of donations. It starts off with those it describes as
142 anonymous donations, that is donations which do not exceed €500 per annum. Then one finds
143 donations which need not be declared, that is donations between €500 and €10,000 per
144 annum. The next layer of donations is that between €10,000 and €50,000 per annum: a list of
145 these donations has to be submitted to the regulator. According to the White Paper, the final
146 donation layer deals with donations in excess of €50,000 per annum: these should not be
147 accepted.

148 Alternattiva Demokratika does not agree with this donation proposal and recommends instead
149 the adoption of lower thresholds. Whilst a receipt should be issued for every donation, in AD's
150 view donations below the amount of €4,000 per annum from one person should remain
151 confidential and no information about such donations should be divulged except during the
152 auditing process. Donations between €4,000 and €40,000 per annum from any one person
153 should be registered and notified to the regulator. Donations in excess of €40,000 per person
154 per annum should be illegal.

155 Alternattiva Demokratika agrees with the White Paper proposal that when donations in kind
156 are involved they should be converted into monetary terms in order that it be established
157 whether they could be accepted, as well as to determine whether they should be included in a
158 report sent to the regulator.

159

160 **Loans**

161 The White Paper does not make any reference to loans which political parties may incur from
162 time to time. We understand that this is an issue which only result indirectly from the audited
163 accounts. The regulator should ensure that when there it results that a loan has been incurred
164 then this is actually a loan. It should be ascertained that the the loan procedure is not a
165 camouflage for a donation.

166

167 **The Commercial activity of Political Parties**

168 One of the areas which are not dealt with satisfactorily by the White Paper is the investments
169 which the political parties have accumulated in various commercial enterprises and the possible
170 use of this activity to circumvent the rules relative to the financing of political parties. It should
171 be ensured that the administration of these of these companies as well as any other

172 commercial activity of the political parties is kept separate and distinct from the administration
173 of the parties themselves. It should also be ensured that the political parties should not be able
174 to plead that information should be kept secret on the basis of its being sensitive commercial
175 information.

176 The lack of effective regulation of the various commercial companies belonging to the
177 Nationalist Party and the Labour Party which operate in such a manner that they finance the
178 parties (eg. Ping, Redtouch, Travel Agencies, hiring of Billboard space, etc) will not only point
179 towards an easy route to circumvent regulations of party finance but also helps in distorting the
180 level playing field which is essential in the commercial sector. For example, armed with the
181 excuse that billboards with a political theme can be set up without restrictions of place or
182 permit or fees for a 35-day campaign we have ended up in a situation where some of these
183 billboards are being hired for commercial purposes throughout the year. The political parties do
184 not pay any fees or permits in contrast to private operators. This is giving rise to unfair
185 competition with private operators who must pay up all the required permits.

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187 **Public property in use by Political Parties**

188 Throughout the years both the Nationalist Party and the Labour Party have accumulated under
189 their control a number of public properties which they make use of. Administrative action is
190 called for in order to ensure that at all times a commercial rent is payable for the use of this
191 property.

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193 **Permissible spending thresholds for candidates and political parties** 194 **during an election campaign**

195 The White Paper recommends changes to the permissible spending thresholds for candidates
196 during an electoral campaign. The €1,400 which a general election candidate could spend to
197 date is recommended to increase to €25,000.

198 On the other hand the White Paper recommends that in a European Parliament election
199 campaign candidates would have a spending threshold of €50,000 whilst the permissible limit
200 for a Local Council campaign is being established at €5,000.

201 Alternattiva Demokratika observes that the White Paper does not recommend any spending
202 limit on political parties for electoral campaigns.

203 The proposed spending thresholds for candidates is too high. These are amounts which are
204 already being spent and are transforming electoral campaigns into a spending spree.

205 Alternattiva Demokratika considers that it should not be permissible to spend more than
206 €4,000 for a general election candidate or €20,000 for a European Parliament candidate. On the
207 other hand candidates for Local Councils should be set a spending thresholds between €2,000
208 and €4,000 depending on the size of the Local Council which they contest.

209 It is also necessary to establish a reasonable sending threshold for the political parties during
210 election campaigns.

211

212 **Conclusion**

213 The publication of this White Paper was a long awaited step, in the right direction. These
214 proposals, submitted by Alternattiva Demokratika-The Green Party, are aimed at contributing
215 to the public debate such that the eventual legislation would be the best possible.

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218 **Carmel Cacopardo**

219 **Deputy Chairman AD – 6 February 2014**