



OECD Forum on Financing Democracy and Averting Policy Capture

In cooperation with International IDEA and
the Organization of American States



Paris, France
3-4 December 2014
AGENDA

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Background: Restoring trust in governments and public decision making

Money in politics is a double edged sword. Indeed, a French expression “*la démocratie n'a pas de prix mais a un coût*” (democracy has no price, but has a cost) summarises the essence of the interaction between politics and money. It is a necessary component of the democratic processes, enabling representation and facilitating democratic competition. **While money is a channel of political participation**, if the **financing of political parties and election campaigns** is not adequately regulated, money may also be the means for undue influence and policy capture by narrow private interests. The consequence may be the adoption of the wrong policies or policies that go against the public interest.

In turn, this has a direct impact on the levels of trust in government. In a number of countries, money is perceived as having undermined the government decision-making process, which has led to low levels of trust in government. In 2014, the Edelman Trust Barometer found that 44% of respondents surveyed in 27 countries distrusted the government. Amongst the key factors they cited to explain the prevailing distrust were “wrong incentives driving policies” and “corruption/fraud”.

These factors point to an urgent need to address the credibility of the bodies formally involved in government decision-making and to strengthen the underlying institutional conditions that shape the process. To answer that need and help countries advance their reform initiatives, one of the key components of the **OECD Strategy on Trust** is fairness in policy making, in which curbing policy capture by narrow private interests is one of the main objectives. The aim is to contribute to increase levels of trust in the government and political institutions as well as to ensure that the public interest is at the centre of all public decisions.

For over a decade, the OECD has been promoting integrity and transparency policies in the public decision-making process as the cornerstone of good governance while addressing high risks presented by conflict of interest and lobbying practices. In November 2013, the OECD organised a policy forum on “***Restoring Trust in Government: Addressing Risks of Influence in Public Decision Making***” which provided valuable insights from over seventy leading experts and practitioners on the challenges and opportunities of political finance policies, on compliance, public scrutiny and informed voting and the impact of globalisation on political finance. The forum reviewed experiences in various country contexts and called for more **in-depth analysis of facts and comparative evidence on money and the policy making process, understanding its risks and opportunities** in different institutional settings in view of promoting more open, inclusive and fair policy making. In particular, the forum highlighted that many countries have adopted or reformed their regulations in past years. Yet, **many weaknesses still remain** that impede restoring trust in government. Among the most prevalent, it was mentioned the **lack of compliance with and enforcement of campaign and party financing regulations**. Moreover, regulations are often insufficient to address risks associated with other ways of influencing the public decision-making process, such as privileged access to the media and state resources for incumbent parties or candidates or through revolving door practices.

The OECD stimulates new thinking on the impact of political financing on public policies by providing a forum which brings together the executive and legislative branches of government, the private

sector, civil society organisations and other international organisations. Consensus emerged during the 2013 forum on the assessment of the current situation and future research areas including:

- ✓ **Decreasing trust** in government is a key concern for most OECD countries.
- ✓ Further **in-depth analysis** on existing practices and incentive mechanisms to achieve **compliance** with campaign and party financing regulations is needed in order to move away from an ideological approach to the subject. The **evidence based approach** needs to be comprehensive and focus on the linkages between money and risks to the policy making process.
- ✓ **Enlarging the scope of the discussion** to interface issues such as the link between political finance and illicit financial flows.
- ✓ In absence of adequate forum to address these issues on political finance, the OECD is in a unique position to develop a **Framework for Financing Democracy: Policy Options Ahead** to effectively address and strengthen the integrity and credibility of the government decision-making process.

2014 OECD Forum on Financing Democracy: objectives, audience and structure

Objectives:

Following the debates at the 2013 policy forum, the OECD holds a high level policy debate on financing democracy in order to advance understanding on the influence of money on public policies and the options to prevent policy capture by narrow private interests. For the purpose of this debate “**Financing Democracy**” mainly refers to **political party and electoral campaign financing**, rather than more general issues related to upholding citizen rights and fostering civic participation.

The forum will review recent progress made by countries and shape the agenda to further advance the policy debate on financing democracy, contributing to **the OECD Trust Strategy** to promote fairness in policy making. Since the 2013 forum, the OECD has advanced with designing a **Framework on Financing Democracy** and the debates at the 2014 forum will be an opportunity to reach global consensus on its validity. In order to ensure a multi-stakeholder approach and enrich the debate, the forum will be organised in cooperation with international partners renowned for their contributions to this field of work, namely International IDEA and Organization of American States. Overall, the forum will contribute to advance the understanding on the influence of money in the public decision-making process and identify policy options and tools for financing democracy.

In order to further advance an evidence-based approach to political finance, the 2014 forum will focus on the following issues:

- 1. Explore effective incentive mechanisms that promote compliance with campaign and party financing regulations**
- 2. Identify ways to close legislative loopholes and to hinder inventive practices to circumvent regulations**

- 3. Zoom into the specific connections and effect of political finance on public policies, linking problems to specific solutions**
- 4. Look into whether and how political finance regulations may have an impact on political participation and unbalanced the playing field among actors**
- 5. Shape, within a wider good governance agenda, a common understanding of the policy options ahead and assess the validity of key elements of proposed policy framework on financing democracy which supports the OECD Trust Strategy**
- 6. Mobilise partners to carry forward joint and complementary activities**
- 7. Explore whether such a forum for learning and discussion should meet at regular intervals (e.g. annually)**

Audience:

The target audience of the forum is composed of high level officials in the area of enforcement and regulation of political finance, and stakeholders including politicians and political parties. The forum would thus convene selected representatives from the executive and legislative branches of government, the private sector, trade unions, and civil society, as well as relevant international organisations. The debate will be enriched by the participation of different stakeholders, with complementary views of the subject, and above all first-hand experience at the policy and operational levels.

Timing and Structure:

The forum will take place at the OECD headquarters in Paris on **3-4 December 2014**, in cooperation with International IDEA and the Organization of American States. It will last 1 and ½ days and will be structured as follows:

- (i) An opening high level roundtable, that will frame the policy debate in line with a broader governance agenda as context to the financing of political parties and election campaigns;
- (ii) Focused discussions on specific challenges and new initiatives to promote compliance and enforcement in political finance, and
- (iii) A concluding session to take stock of the debates and set course for future efforts in financing democracy.

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Wednesday 3 December 2014
(CC 4, Conference Centre)

08.30 – 09.30 **Registration and Networking Breakfast**

All participants are invited to meet one another outside the conference room, where light refreshments will be served.

09.30 – 09.40 **Welcome Address** by **Angel Gurría**, OECD Secretary-General

09.40 – 11.00 **High Level Roundtable: Taking stock of where we stand in financing democracy – Challenges ahead**

Important advancements have been made by many countries in regulating political finance to instil fairness and transparency into the system. A major concern is to ensure that the financing of political parties and election campaigns does not result in the capture of public policies by narrow private interests. However, the effectiveness of regulations is questionable in several countries and many challenges remain. This session will review progress made in securing the public interest in public policies and particularly developments on political finance since last year's meeting, setting the scene for the following sessions.

Questions for Discussion

- What has worked well so far to mitigate risks of policy capture posed by the financing of political parties and election campaigns?
- What are the key incentive mechanisms to achieve a higher level of compliance with regulations?
- Which aspects of existing regulations are most vulnerable to exploitation?
- How far does the financing of political parties and election campaigns permeate into public policies?

Moderator

- **Rolf Alter**, Director, Public Governance Directorate, OECD

Discussants

- **José Luis Ayllón**, Secretary of State for Relations with the Parliament, Spain
- **Yves Leterme**, Secretary General, International IDEA / Former Prime Minister of Belgium
- **Kevin Casas-Zamora**, Secretary for Political Affairs, OAS / Former Second Vice President and Minister of National Planning and Economic Policy, Costa Rica
- **Yannis Ioannidis**, Secretary General of the Ministry of Interior, Greece
- **José Ugaz**, Chair of the Board, Transparency International / Former ad-hoc State Attorney, Peru

11.00 – 11.30 **Coffee Break**

11.30 – 13.00 **Session 1: Ensuring compliance through effective incentive mechanisms**

Whereas many countries have in place laws and regulations on party and election financing, compliance continues to remain rather limited in many cases. Higher level of compliance can only be achieved through adequate incentive mechanisms. Effective auditing, meaningful sanctions, greater transparency and media and civil society scrutiny also play a major role in promoting compliance. This session will explore effective incentive mechanisms to promote compliance with political finance regulations, featuring various in depth country case studies.

Questions for Discussion

- What incentives facilitate compliance with the regulations?
- How can monitoring and auditing be conducted in order to induce compliance?
- What sanctions have the most effective deterrent effect and how can they be applied consistently?

Moderator

- **Peter Wardle**, Chief Executive, UK Electoral Commission

Panellists

- **Beatriz Galindo**, Electoral Councilor, National Electoral Institute of Mexico
- **Vello Pettai**, Board Member, Party Financing Monitoring Committee, Estonia / Director, Institute of Government and Politics, University of Tartu
- **Juan Emilio Cheyre**, Former President of Servicio Electoral de Chile

13.00 – 14.30 **Networking Lunch Buffet**

14.30 – 16.00 **Session 2: Closing legislative loopholes - Major challenges to transparency and accountability**

Loopholes in political finance regulations could be exploited in detriment of a fair and transparent financing system. For example, third-party contributions and expenditures comprise a significant portion of political finance transactions. However, the lack of regulation of third-party funding

challenges the transparency of political financing since these contributions and expenditures are often determined to be in-kind donations and are kept off the books. Another example is foreign and corporate funding. Where bans on foreign and corporate funding do exist in many countries, there are a variety of loopholes that allow circumventing these bans. This session will look at the major challenges posed by existing or new practices that do not technically breach political finance regulations, yet undermine their objectives.

Questions for Discussion

- What are the existing practices that do not technically breach political finance regulations, yet undermine their objectives?
- How can risks of policy capture associated with such practices be detected and mitigated?
- What are the complementary efforts of the political parties and private donors in closing legislative loopholes?

Moderator

- **Björn Janson**, Deputy to the Executive Secretary, Secretariat of Group of States against Corruption (GRECO)

Panellists

- **Ellen Weintraub**, Commissioner, US Federal Election Commission
- **Anas Sarwar**, Member of the UK Parliament, Co-Chair of the UK Chapter of Global Organization of Parliamentarians Against Corruption (GOPAC)
- **Kim Jeong-Gon**, Director General, National Election Commission of South Korea / Secretariat of Association of World Election Bodies
- **Robert Mack**, Government Relations Director, Coca-Cola

16.00-16.30 **Coffee Break**

16.30 – 18.00 **Session 3: Political Finance and its impact on public policies and decision making processes - How to mitigate the risks of capture?**

Evidence suggests that financing political parties and candidates may be profitable through obtaining favourable policies and government decisions for donors. One way to obtain this is through influencing government processes such as public procurement or policies such as investment.

Controls of party and election funding are likely to be ineffective if they exist in isolation. Consideration of political funding needs to be part of any overall strategy to assure public integrity and good governance. Effective management of political finance thus requires a whole-of-government approach in fostering a culture of integrity. This session will debate the extent of the political finance risks within wider governance and examine how to mitigate such risks by focusing

on experiences and good practices with major policy reform projects and government processes such as public procurement.

Questions for Discussion

- In addition to political finance regulation, what other mechanisms and tools do governments have to ensure that the party and election financing does not “capture” public policies and processes? (e.g. conflict of interest regulation, transparency in lobbying, integrity in public procurement)
- How can adequate synergies with these mechanisms and tools be developed in practice?
- What are the complementary efforts of the political parties/candidates and donors in fostering a culture of integrity within the public sector?

Moderator

- **Marc Mayrand**, Chief Electoral Officer, Elections Canada

Panellists

- **Jose Antonio Dias Toffoli**, President, Superior Electoral Court, Brazil
- **James Thurber**, Director and Distinguished Professor, Centre for Congressional and Presidential studies, American University
- **Marcin Walecki**, OSCE Office for Democratic Institutions and Human Rights

18.00

Cocktail

Thursday 4 December
(Room C)

09.30 – 11.00 **Session 4: Do political finance regulations result in uneven playing field for actors?**

Many OECD countries have introduced political finance regulations, balancing public and private funding, limiting access for the incumbents to state resources and controlling the electoral spending. While these policy measures are meant to promote a level playing field among all actors, they may at times be considered to infringe the right to political participation and freedom of expression. What has ensued is a debate about the point at which money stopped being an articulation of political preference of stakeholders and becomes a means to promote narrow private interests. It is important to understand the underlying impacts of these measures on political participation. This session will look into whether political finance regulations may have an impact on political participation and produce an unbalanced playing field among actors and thus impacting public policies.

Questions for Discussion

- To what extent does the increasing inequality of financial/income distribution in society affect the funding of political parties and electoral campaigns?
- How can the trade-offs between public and private funding be managed?
- How can fairness in political competition be secured while curbing policy capture by narrow private interests?

Moderator

- **Yves-Marie Doublet**, Expert of the Group of States against Corruption (GRECO) / Deputy Director, National Assembly of France

Panellists

- **Shahabuddin Yaqoob Quraishi**, Former Chief Election Commissioner, Election Commission of India
- **John Evans**, General Secretary, Trade Union Advisory Committee (TUAC)
- **Niall McCann**, Lead Electoral Officer, United Nations Development Programme (UNDP)
- **Henner Jörg Boehl**, Head of Division (Electoral Law, Law on Political Parties), Federal Ministry of the Interior, Germany

11.00 – 11.30 **Coffee Break**

11.30 – 12.45 **Concluding session: Developing a Framework on Financing Democracy - Policy Options Ahead**

The concluding session will provide an opportunity to take stock of the discussions and identify key practical solutions based on evidence and good practices to avert the influence of money on public policies. The session will shape, within a wider good governance agenda, a common understanding

of the policy options ahead and assess the validity of a proposed policy framework on financing democracy which supports the OECD Trust Strategy.

Questions for Discussion

- What key practical recommendations can be identified to mitigate the risks of policy capture by political finance?
- What aspects of political finance require further in-depth analysis?
- How can the OECD and other international organisations as well as leading experts advance and shape an understanding on political finance?
- Should this forum for learning and discussion meet at regular intervals (e.g. annually)?

Moderator

- **Janos Bertok**, Head of Public Sector Integrity Division, Public Governance Directorate, OECD

Discussants

- **Robert Neill**, Member of the UK Parliament, Former Parliamentary Under-Secretary
- **Michael Pinto-Duschinsky**, Senior Consultant, Policy Exchange
- **Elin Falguera**, Programme Officer, International IDEA
- **Kalin Ivanov**, Anti-Corruption Policy Officer, European Commission

12.45 – 13.00 **Closing Remarks** by **Janos Bertok**, Head of Public Sector Integrity Division, Public Governance Directorate, OECD