The Cost of Democracy

Essays on Political Finance in Latin America

Kevin Casas-Zamora
Daniel Zovatto

International IDEA — Institute for Democracy and Electoral Assistance
Organization of American States
The Dialogue — Leadership for the Americas

International IDEA
Strömsborg
SE-103 34 STOCKHOLM
SWEDEN,
www.idea.int

Organization of American States
17th Street and Constitution Avenue, NW
Washington, DC, 20006
USA
www.oas.org

Inter-American Dialogue
1211 Connecticut Ave., NW
Suite 510
Washington, DC 20036
USA
www.thedialogue.org

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We dedicate this book to the memory of Rodolfo Cerdas,
an essential intellectual, generous mentor, and dear friend
of both authors.

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PREFACE

There is no politics without money, but money in excess can erode democratic politics. Political parties—without which democracy cannot exist in modern times—need financing to maintain their organizational structures (small or large), to wage electoral campaigns, to train their active members and sympathizers, to conduct research and education, and to disseminate and publicize their ideas and proposals, to appear in the major media outlets, and to pay their professional staffers. In summary, money is essential for carrying out a series of tasks essential to their very existence. Every country with political pluralism has attempted to adopt some type of regulation of political financing. At the same time, one gets the impression that this is still a pending matter, for the distance between the laws and regulations and the reality in campaign finance tends to be particularly tension-ridden and complicated.

Several objectives can be pursued by the regulation of money in politics: making its flow transparent, evening out the conditions of competition, making the parties less vulnerable to the pressures of private corporations or ensuring such corporations that they will not be blackmailed by protecting both parties and candidates from resources from illicit or, even worse, criminal sources, and fostering accountability, among others. Yet the worst thing that can happen in political and campaign finance are the naive, uninformed, well-intentioned yet unsophisticated approaches. Since there has been a great deal of experience in this area, and too many experiences of trial and error, one should take stock of the relevant experiences in different parts of the world before attempting any reform or innovation.

Given this context, this book by Kevin Casas and Daniel Zovatto can and should become required reading for academics, political representatives, public officials, journalists, and all those concerned to shore up and increasingly consolidate their respective democracies. Perhaps it goes without saying that only in democracy is there a concern to strengthen the political regime by regulating the financing of politics. In authoritarian, dictatorial, and totalitarian regimes, in which there is a kind of fusion/confusion between the state institutions and the single or predominant party, such a concern either does not appear or else it comes up and is then shot down as impertinent.

What will the reader find in the following pages? An inventory of the risks naturally entailed in the topic, a complex guide for its eventual regulation, a survey of the wide array of available systems to regulate political finance, a synthesis of the lessons learned after reviewing many national experiences, the general features that the relevant legislation cannot (and should not) do without, a review of the actually existing practices in several countries, beyond the laws and regulations, and conclusions that are right on target. In other words, it is an erudite, concise, and relevant text on a topic of concern around the world.

The risks are detected and illustrated by different national 'styles'. Illegal financing, buying influence, conflicts of interest, the profound inequities that may shape electoral contests, the impact on the consolidation or weakening of the party systems, the loss of confidence in regulation and with that its impact on the credibility of politicians, legislatures, and executive branches are all issues tied to the impact of money on politics in general and on elections and mechanisms of representation in particular. Therefore, being fully aware of such risks may be a very good starting point.

Once the dangers are detected, the book contains a solid and well-documented guide for putting in place a regulatory framework to address them. The authors discuss regulations on the sources of financing (evaluating their pros and cons, their limits, modalities, amounts, etc.). The different types of state funding (direct or indirect, its frequency, its barriers to access, its amounts, formulas for allocating it, i.e. permanent or tied to each election); campaign spending (general or partial caps, for example, spending on television and campaign advertising); and the necessary financial transparency (reports, oversight, auditing, institution in charge, publication of results) and sanctions appropriate for and proportional to violations. Yet it is not a recipe book suitable for any national context and period, the authors have no intention of appearing as the bearers of a universal formula. To the contrary, their specific knowledge of any number of national experiences enables them to weigh virtues and defects, assumed and surprising derivations of the various national cases. There is no obvious or single solution, they tell us, and I believe that when it comes to regulating campaign finance 'tailor-made' solutions are generally devised that have to do with the needs of each country.

All this is followed by a recapitulation of the lessons learned, a concise summary of a vast and complex experience. It is a guide that may prove useful to keep from getting lost in a dense jungle of particular usages. For that is always a risk: the diversity of histories, some felicitous, others unfortunate, but all of which are complex and with derivations that are not always planned, may end up blurring the fundamental features of the debate. Casas and Zovatto, to the contrary, with the lessons they share, set the fundamental coordinates of a discussion that is unfolding simultaneously in dozens of countries. They separate the wheat from the chaff and keep the reader from getting lost in the labyrinth of entirely different legislative frameworks.

The index of what may and should be legislation on political financing is excellent. The issues are addressed in succession, with commentary, to the point of constituting a complete puzzle. Registration and evaluation of private financing, public subsidies, oversight mechanisms, accountability, sanctions, oversight body: these are the successive links which, taken together, constitute the whole picture, a statutory and regulatory framework that should attempt to make the flow of resources transparent, balance out the conditions of competitiveness, strengthen the parties, and keep large economic groups, or even worse, criminal groups, from becoming predominant actors in the political life of a nation.

Special mention should be made of the chapter 'Considerations on campaign finance practices in the Americas'. It is a very good attempt to go beyond the world of laws and regulations to take stock of what actually transpires in different countries. For it is relatively easy to address legislation; but reconstructing what actually happens in what we call reality is much more complex, precisely because sufficient effort is not made in every country to document that dimension. The tables and figures on the extent of campaign spending by country, the use made of such financing (spending on media stands out), and the formulas for financing campaigns, not only reviewing whether the monies are public or private, but also detecting from which industries they emanate, are contributions that cast light in a field in which there is much speculation and few well-founded inquiries.

It is a solid, well-founded, suggestive, and necessary book. This is an issue that is not going to be resolved once and for all. Rather, is an issue which like so many should be given a time horizon, but which will demand periodic review, since what is sought to be regulated is an especially changing and multifaceted reality.

José Woldenberg
Professor of Political Science, UNAM;
former president of the Federal Elections Institute
(IFE: Instituto Federal Electoral) of Mexico (1997-2003).

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ABBREVIATIONS

CE	Electoral Code
DEA	Drug Enforcement Agency (United States)
FEC	Federal Election Commission (United States)
FECA	Federal Election Commission Act (United States)
FMLN	Frente Farabundo Martí para la Liberación Nacional (El Salvador)
GSFP	Gerencia de Supervisión de Fondos Partidarios (Party Funds Supervisory Management) (Peru)
IFE	Instituto Federal Electoral (Federal Electoral Institute) (Mexico)
INE	Instituto Nacional Electoral (National Electoral Institute) (Mexico)
ONPE	Oficina Nacional de Procesos Electorales (National Office for Electoral Procedures) (Peru)
PACs	Political action committees (United States)
PAN	Partido de Acción Nacional (Mexico)
PLN	Partido Liberación Nacional (Costa Rica)
PUSC	Partido Unidad Social Cristiana (Costa Rica)
ADR	Alternative dispute resolution
SFP	Political financing system
TE	Electoral Tribunal (Panama)
TSE	Supreme Elections Tribunal of Costa Rica

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Getting there on time: notes on the regulation of campaign finance in Latin America

I. Getting there on time: notes on the regulation of campaign finance in Latin America

1.1. Campaign finance: between mother's milk and poison

'The relation between money and politics has come to be one of the great problems of democratic government'. It is with this sentence that James Kerr Pollock began his pioneer volume on practices of political financing in the United Kingdom, Germany, and France, published in 1932. This assertion, as well as his appeal to public opinion to understand that '[h]ealthy political life is not possible as long as the use of money is unrestrained', are truer today than in Pollock's own time (1932: 328). The spread of democracy, the growing complexity of electoral processes, and the awareness of the risks posed by corruption to the viability of democracies have placed the financing of political activity at the center of the public debate worldwide. The issue has become global and urgent.

That interest is grounded in one unavoidable fact: while democracy has no price, it does have an operating cost (Griner and Zovatto, 2004: 298). The use of economic resources is an essential element for democratic competition. Political financing, more than a pathology of democracy—as is often posited in public debate—is part of any normal, healthy democracy. Nonetheless, it is undeniable that money is capable of introducing major distortions in the democratic process. Its unequal distribution impacts, first of all, on the real possibilities of parties and candidates to bring their message to the voters.

Second, having money confers on individuals and social groups a differentiated ability to participate in elections and to influence candidates and parties through their contributions. This is of critical importance for democracy. When political power simply mirrors economic power, the principle of 'one person, one vote' loses meaning and democracy ceases to be, in the words of

Elmer Schattschneider (1960: 119), a 'an alternative power system, which can be used to counterbalance the economic power'. Third, fundraising activities offer obvious opportunities for articulating exchanges between private donors and public decision-makers, or at least for the continuous appearance of conflicts of interest for the latter.

Accordingly money, if its use goes unregulated or is poorly regulated, can threaten the legitimacy of democratic processes and practices, i.e. citizens' perception that democratic elections and governments more or less reflect their demands and interests. The immortal phrase of US politician Jesse 'Big Daddy' Unruh, who once said that 'money is the mother's milk of politics', tells only part of the truth. Clearly that milk has major elements of toxicity that need to be eliminated or at least brought under control if they are not to destroy the democratic body politic.

These concerns are particularly relevant in Latin America. This is a region with stark inequalities in the distribution of economic resources that inevitably create biases in democratic processes. It is also a region where the presence of organized crime—particularly drug trafficking—is an unquestionable reality that moves billions of dollars annually and is, therefore, capable of corrupting and subverting democratic institutions. Regulating campaign finance in Latin America is of vital importance for preserving democracy. The political systems of the region in general have understood this, as suggested by the proliferation of regulatory efforts attempted in the last two decades. Even though the results have often been disappointing, that proliferation is a sign of democratic development: much more consolidated than democracies in other regions, Latin American democracies are in a position to take on highly complex issues such as campaign finance regulation, a matter that is as yet unresolved even in the more developed democracies.

The following pages are above all an inventory, in a threefold sense: first, of the risks entailed in the issue of political financing for democracy in Latin America; second, of the various normative instruments available and the lessons—almost always tentative—taught by Latin American and international experience regarding their effects; and third, of some practical reflections for rendering viable the proposals for regulation and increasing the likelihood of their success.

So this text is driven by an eminently practical more than an academic intention, though we are very aware of the urgency of setting in motion a rigorous agenda for empirical research that places the issue at the center of political science and makes it possible to cast light on the public discussion on this issue. Far from offering definitive conclusions, these pages seek to introduce a discussion and improve the abilities of Latin American political systems to address them in timely fashion so as to adequately regulate the delicate role of money in democratic life.

1.2. What are the risks? The experience of Latin America

If adequately addressing the regulation of political financing is an urgent task for democracies in Latin America, it is due to the fact that in the last 30 years of democratic life the Latin American countries have manifested, with notable exuberance, the array of risks that stem from not having effective regulation. As elsewhere—from Israel to Japan, including the United States and Germany—campaign finance-linked scandals have thrown Latin American governments into turmoil, weakened political parties, and eroded citizens' confidence in democratic institutions. Five forms of risk stand out as particularly serious and recurrent in the region. Following is a listing of these, with some examples.

1.2.1. The use of spurious or illegal financing

Private financing is a legitimate and necessary tool for political parties and their candidates, with both its virtues and its dangers. Among the former, it allows political parties to engage more with society. Nonetheless, the possibility of raising private funds to finance political activities opens up an array of considerable risks to democracy. The first and most serious of these is the possibility of using money from criminal or illegal activities for political ends.

In Latin America, the greatest risk is the possibility of drug trafficking and, in general, organized crime penetrating political entities to buy impunity by financing campaigns.[1] This is not just a theoretical possibility. The campaigns of former presidents Jaime Paz Zamora in Bolivia, Ernesto Samper in Colombia, and Ernesto Pérez Balladares in Panama, 20 years ago, and more recently the extensive ties detected between the paramilitary organizations and some political parties in Colombia, and the meddling of organized crime in the political networks of the states of Guerrero and Michoacán in Mexico, are just some of the most notable examples in the region of the penetration of drug trafficking in political campaigns.[2] These examples are but the most visible part of a much more widespread and disturbing phenomenon, which poses particular risks in countries such as Mexico, Colombia, and Brazil, in which the major national campaigns are supplemented by vigorous electoral activity at the

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1 An analysis of the relationship between financing and political corruption in the Americas can be found in Griner and Zovatto (2004: 299–302).

2 In addition to the case studies contained in Casas-Zamora (2013) see Mayorga (1998: 35); Jordan (1999: 158–162); Vargas, Lesmes, and Téllez (1996); Casas-Zamora (2003: 46); 'Drugs are back', *The Economist*; and 'Well I never, says the president', *The Economist*.

subnational level.[3] One should also note, along the same lines, the risk of political decentralization processes throughout the region, facilitating the capture of institutions by organized crime, mindful of the generally limited cost of local campaigns.

Drug trafficking and organized crime pose particularly intense risks to political processes, but they are not the only ones. The financing of mayoral and legislative campaigns by paramilitary organizations in Colombia in the last decade, the vast illegal financing operation set in motion by former president Fernando Collor de Mello in Brazil, the illegal diversion of funds from the state oil company PEMEX to the campaign of the Partido Revolucionario Institucional and the creation of parallel financing structures in the Partido Acción Nacional in 2000 in Mexico, a well as the secret shipment of USD 800,000 in a suitcase from Venezuela to the campaign of President Cristina Fernández in Argentina, are other examples of the enormous array of ways in which questionable sources of financing have been used in the region.[4]

1.2.2. Buying influence and conflicts of interest

Even when the funding of party and campaign activities does not come from questionable sources or is not obtained illegally, it is clear that private contributions can undermine the public interest and, in extreme cases, 'privatize' decision-making by public officials.[5] That will depend, among other factors, on the amount of the contributions, the transparency with which they are managed, and the degree of discretion with which decision-makers operate. In the best of cases, as shown by research in the United States, Costa Rica, and Uruguay, private donations considerably facilitate donors' access to decision-makers, without necessarily conditioning the content of their determinations (Sorauf, 1992: 164–171; Casas-Zamora, 2005: 226). In words

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[3] For example, in the months prior to the 2009 legislative elections in Mexico there were at least two cases of pre-candidates for legislative positions (one in the state of Chihuahua and the other in the state of Mexico) who were tied to organized crime by press reports. See 'Héctor Murguía: los narcos en casa', *El Universal* (Mexico City); 'Registran Candidatura de Héctor Murguía', *El Diario* (Ciudad Juárez).

[4] Geddes and Ribeiro-Neto (1992: 646); Kinzo (1998: 135); Córdova and Murayama (2006); 'El 'Pemexgate', una novela de no-ficción', *Proceso;* 'Caso maletín: cuatro detenidos en EE.UU.', *BBC Mundo.com*; 'Maletín: apuntan al gobierno venezolano', *BBC Mundo.com*; 'Conviction in Spy Case Over Cash-Filled Suitcase', *The New York Times*. The case of President Fernández in Argentina, refers to a pathology with a long tradition in the region: the financing of parties or candidates by foreign governments, from the former Soviet Union to Taiwan. See in this respect the analysis of the cases of Uruguay and Costa Rica in Casas-Zamora (2005).

[5] Griner and Zovatto (2004: 299) highlight bribery (*cohecho*) (payments to public servants by government contractors in exchange for favors received; and anticipated bribery (*cohecho anticipado*) (the acceptance of money from persons or companies in exchange for promises or illicit favors if one accedes to public office), as some of the principal manifestations of the relationship between political financing and corruption.

used by the famous judgment in *Buckley v. Valeo* in the US context, private contributions may not only have a negative impact on democratic processes because of the corrupt exchanges which they actually give rise to, but also due to the appearance of corruption that they often create.[6]

Therefore it is no accident that the dominant presence of construction companies has been detected in campaign finance in Brazil and Costa Rica, or of the company holding the lottery and gaming in Uruguay, both of which are activities highly dependent on government contracts or public regulation (Kinzo, 1998: 130–131; Casas-Zamora, 2005: 137–181). More relevant still is the case of the private media, which through the differentiated rates they offer the parties and candidates have become a crucial in-kind donor—perhaps the biggest of all—in some countries of the region. The cases of Uruguay, Costa Rica, Guatemala, and Mexico have been duly documented not only due to potential collusion between the owners of media outlets and the officials in charge of regulating electromagnetic spectrum, but also as examples of the palpable inequity that stems from the differentiated media access granted to candidates and parties during election campaigns (Casas Zamora, 2005: 137–140 and 181–183; Transparency International, 2004: 49–50; Arredondo Ramírez, 2000; and Gómez Castellanos 2006: 103–108).

1.2.3. Serious electoral inequities

Although it would be foolish to argue that candidates' and parties' economic resources automatically determine electoral outcomes, it is obvious that such differences are capable of creating significant barriers to entry to the electoral process for certain groups. In addition, grossly unequal distribution of resources can create an appearance of inequity capable of undercutting the legitimacy of the election results. Examples abound in the region: from the great disparity documented in the financing of leftist political options with respect to more conservative parties in countries such as Mexico, Uruguay, and Costa Rica, to the extreme case of the 1990 election in Peru, in which advertising expenditures by the candidate most closely identified with the status quo, writer Mario Vargas Llosa, were 56 times the outlays incurred by the campaign of Alberto Fujimori (Miró-Quesada, 1998: 481).

More serious still are the cases in which economic inequities combine with another distorting factor: the use of government resources to favor the incumbent party or its candidate. This may range from the most subtle and hard-to-detect–such as the allocation of government advertising in media outlets as a way to pressure the media–to much more obvious forms generally

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6 See text of the judgment in Corrado *et al.* (1997: 67–77).

prohibited by law in democracies. Although the issue is generally one of the arguments used by opposition parties almost everywhere in the region, the cases of presidential elections and referenda in Venezuela in recent years, and in some senses the presidential contest in Mexico in 2006, can be mentioned as examples in which the accusations have not been without merit.[7]

None of this is good for democracy. Nonetheless, some of the cases cited contain a fundamental warning: the disparities detected did not stand in the way of Fujimori's victory in Peru, the electoral ascent and eventual triumphs of the Frente Amplio in Uruguay since 2004, the electoral victory of the Partido Acción Ciudadana in Costa Rica in 2014, and the robust electoral results attained by the Partido de la Revolución Democrática in Mexico in both 2006 and 2012, especially in 2006 when it almost won the presidency. Not only is the availability of economic resources just one of the many variables that explain the electoral dynamic, but in addition, one of the findings of many empirical research studies into the elections for the US Congress is that electoral spending has decreasing and even negative marginal yields.[8]

The distribution of economic resources is not the same as the distribution of the cost of election campaigns, with which it is frequently associated. The high cost of campaigns may no doubt constitute a major barrier to access to electoral competition. Yet this point should be treated with caution. Not only is the common assertion that the cost of election campaigns in the region is prohibitive and continues to climb contentious from the empirical standpoint[9], but it is not necessarily a negative for democracy. In some cases it may simply denote more competitive elections in which more contenders have access to sufficient economic resources to compete effectively. This may be decisive in some contexts.

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7 The electoral use and abuse of government resources by those who are in power is a widespread phenomenon throughout the developing world, albeit to very different extents and using various modalities. In authoritarian and semi-authoritarian contexts the unlimited access to such resources by those in power is often the defining characteristic of political financing and the fundamental obstacle for the existence of a fair electoral contest. The cases of Egypt and Russia, among many others, come to mind (see Rabie [2008]; Ammar [2008]; Russian election lacked 'freedom', monitor says'. March 4, 2008). In all the countries there are obvious and considerable difficulties investigating this phenomenon. Of course that does not make it any less real. Regarding the Venezuelan case, see: European Union (2005: 45); European Union (2006: 41); 'Exigen ley que regule uso de recursos públicos en campaña', Caracas. In the case of Mexico, the use of some social programs by the government and the actions of President Vicente Fox during the 2006 campaign were very controversial. See TRIFE (2006: 158–217); Córdova (2008: 6); Valdez Zepeda (2006).

8 As regards the decreasing marginal yield of electoral spending, see Welch (1976) and Jacobson (1985). The example of Peru in 1990 is very eloquent in this regard. In a context of acute national crisis and with a virtually collapsed party system, each additional dollar spent by the Vargas Llosa campaign helped establish in the voters' minds the image of its candidate as *more of the same*, which was the exact message being put out by Fujimori's 'insurgent' campaign. On this campaign see Vargas Llosa (2005).

9 See Casas-Zamora (2005: 111–117 and 159–162). For other contexts see Pinto-Duschinsky (2002) and Ansolabehere (2001).

Mexico's experience, where the 1996 electoral reform favored opposition parties' access to an exceptionally generous government subsidy, is a reminder that a more equitable distribution of electoral resources can have a considerable impact on the quality of democratic competition, as Sartori (1991) has noted.[10] The Mexican experience suggests something more: in a context in which the opposition parties must compete with a party that is highly consolidated in all power structures, alternation may depend precisely on the capacity of the opposition to spend vast sums of money. The growing cost of elections is not itself a sign of democratic pathology. The poor distribution of economic resources among electoral competitors, on the other hand, almost always is.

1.2.4. The weakening of parties and the party system

A functional democracy requires a stable party system that is not overly fragmented and that is characterized by unifying as opposed to polarizing dynamics. In addition, it requires solid parties, capable of feeding the political process continuously and of being more than electoral machines. Both requirements, especially the first, are of particular importance in the presidential regimes that prevail in the region, which show a major propensity to experience conflicts between branches of government when they coexist with highly fragmented party systems.[11]

While political financing does not determine the volatility, format, or polarization of party systems, their regulation is capable of creating incentives that marginally affect their performance. More directly, the rules of financing—and in particular the method of disbursement chosen for government subsidies, where they exist—may have a decisive impact on the institutionalization of parties and their consolidation as groupings with a permanent life.

In both dimensions, the trends unfolding in the region are not favorable. A review of the dynamic of the party system in 17 Latin American countries from 1990 to 2010 shows an increase in the effective number of parties in 10 of the 17 countries.[12] Moreover, the electoral volatility of the region continues to be comparatively very high and reaches astonishingly high levels in countries such as Peru and Guatemala, which have very fragile party systems (Madrid, 2005: 6).[13] With the possible exception of the Mexican parties and a few isolated examples in other countries (for example: Frente Amplio in

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10 See also Woldenberg (1998).

11 See in this respect the analysis of party systems in Latin America, in Payne (2006: 165–196).

12 Authors' calculation based on official figures and methodology of Laakso and Taagepera (1979).

13 See also data in Payne (2006: 183).

Uruguay, Alianza Republicana Nacionalista and Frente Farabundo Martí para la Liberación Nacional (FMLN) in El Salvador, Partido Revolucionario Democrático in Panama), the levels of institutionalization of the political parties in the region are extremely low, even in well consolidated democracies such as Chile, Costa Rica, and Uruguay.[14]

Colombia and Mexico merit special mention. In Colombia, it is very possible that the very lax rules on access to government financing—which allows for candidates proposed by social movements or significant groups of citizens to benefit—contributed to the virtual dissolution experienced by the Colombian political party system in the 2000s, partially turned back by the 2003 electoral reform and the 2011 political party reform (De la Calle, 1998: 106–111).[15] The Mexican experience, in which a bountiful government subsidy has been provided to cover ongoing party activities, is suggestive of the powerful effect that non-electoral subsidies can have on the institutional consolidation of the parties.

Mexico, which only in the last decade culminated its democratic transition, today has perhaps the most robust parties of the region, characterized by permanence and the ability to compete at all levels. The rules of political financing should not create excessive barriers to electoral participation. Nonetheless, such financing should at the same time try to favor—even if marginally—the consolidation of the parties and a certain stability of the party system.

1.2.5. The loss of credibility of campaign finance regulation

The effects of faulty campaign finance regulation can be as negative as the absence of regulation, because any effort to regulate tends to raise expectations that new rules will at least be capable of moderating the worst abuses. Failed reforms leave behind a sense of disillusion and cynicism and become a barrier to new regulatory efforts.

Unfortunately, the region is prodigious in examples of poorly designed reforms or reforms unmatched by the resources needed for their adequate implementation. Introducing transparency rules in private financing in Costa Rica in 1996 is one eloquent example of the effects of an ill-conceived

[14] See in this respect the study, somewhat dated now, by Mainwaring and Scully (1995); see also Casas-Zamora (2005: 14).

[15] On the 2003 electoral reform and its effects see Rodríguez Raga and Botero (2006); on the 2011 electoral reform see Battle and Puyana (2011).

regulatory framework. The lack of an explicit mandate for the electoral authorities to verify the accounting of the parties and campaign organizations, as well as the lack of clearly assigned individual liabilities for breaking the rules means that the Costa Rican legislation had a very limited capacity to regulate campaign finance abuses.

This was clearly revealed in the 2002 presidential campaign, which was fraught with irregularities that had a negative impact, in varying degrees, on all the major Costa Rican parties (Casas-Zamora, 2004: 240–244). This eventually led to the adoption of an ambitious reform of the Costa Rican Electoral Code in 2009, which significantly strengthened existing controls.[16] Even clearer is the case of the 2002 Argentine reform, whose implementation—in a country of 40 million, with federal structures and intense electoral activity at every level—was left in the hands of a group of 24 federal judges, which was insufficient for enforcing the detailed provisions of the legislation. From the moment when, 10 days prior to the elections, the victorious candidate in the presidential election publicly reported that his electoral expenditures had come to one dollar, the legislation's credibility was seriously compromised (Ferreira Rubio, 2005: 10–11).[17]

The Mexican experience, by way of contrast, shows how well-designed legislation, accompanied by the strengthening of the oversight institutions, abundant resources, and an iron political will to sanction breaches, can lead to credible enforcement of the legal provisions capable of controlling some of the worst risks associated with political financing (Orozco, 2008).

The region is very much on notice as to each of these five kinds of risk. Introducing adequate and effective legislation to regulate the role of money in political activity in Latin America is, therefore, an imperative. In order to undertake the task of regulation, it is essential to understand the menu of regulatory instruments available and the tentative lessons of international experience, which are abundant but which have been hardly studied systematically.

[16] According to the 2009 reform, the Supreme Elections Tribunal (TSE) is entrusted with regulating and enforcing the provisions on financing (Article 12 of the Electoral Code—CE) and ordering audits if necessary (Article 121 of the CE). At the TSE webpage one finds the audits done in recent years, as well as other documents resulting from the verification actions (see: <http://www.tse.go.cr/financiamiento_partidos.htm>). In addition, the TSE issued the Regulation on Financing of Parties in October 2009; among other things, it establishes the Department of Financing as part of the Bureau of Electoral Recordkeeping, which has oversight functions in relation to political financing (see: <http://www.tse.go.cr/pdf/normativa/financiamientodelospartidospoliticos.pdf>).

[17] See also Ferreira Rubio (2007).

1.3. A comparative look at regulatory instruments

The role of money in democratic politics can be regulated through a wide array of legal instruments whose presence and combination give form to the political finance system. A political finance system is the set of laws and rules regulating the necessary flow of economic resources to and from the political system. It is the regulatory framework within which the parties and candidates can legally act to obtain and spend economic resources for their activities, and within which individuals and legal entities—both public and private—can finance their activities. In addition, the system of political financing defines the legal instruments for supervising and supporting, by coercive means, the application of that legal and regulatory framework.

The array of instruments available for regulating political financing and the very numerous possible combinations pose problems for reformers, but also for those who study the subject, for clearly identifying the effects of each of the regulatory instruments and coming up with prescriptions based on those effects is an arduous task. Nonetheless, at this point, after more than a century of efforts to regulate political financing in democracy, we have learned quite a bit. At this point let us take a closer look at the diversity of regulatory instruments and some of the main lessons stemming from their application in various contexts, including the Latin American context.

Contrary to the usual perception, the countries of Latin America have a long tradition of regulating campaign finance. In particular, they have been pioneers in adopting direct subsidies for parties and candidates, as attested to by the cases of Uruguay (1928), Costa Rica (1956), and Argentina (1961). The return of democracy to the region has led, as one would expect, to growing interest in the subject, which has been translated into numerous regulatory efforts. The region has made strides in adopting provisions and, helped in part by an ever more critical press, the issue of campaign finance has definitely taken its place in the public discussion. This in itself represents considerable progress. Nonetheless, as has been seen above, the risks to the democracies of the region that persist are many and serious, stemming from inadequate regulation and, in particular, from the poor implementation of existing controls.[18]

[18] Extensive comparative analysis of the rules on political financing in Latin America can be found in Del Castillo and Zovatto (1998), Carrillo (2003), Griner and Zovatto (2004), Zovatto (2005), and Zovatto (2007).

1.3.1 Instruments for regulating campaign finance

Legal instruments for regulating political financing can be classified in five categories[19]:

1.3.1.1. Regulating the sources of financing

This category includes those instruments that regulate the flow of economic resources to political activities, both by controlling and prohibiting the use of certain sources of financing ('negative' or 'passive' regulations) and by stimulating the use of other sources ('positive' or 'active' regulations). The more widespread controls apply, as one would expect, to private political donations. Almost all democracies restrict the use of at least some types of private donations, albeit with very uneven levels of intensity. While some countries (Greece, for example) simply impose a cap on contributions, most modern democracies place an absolute prohibition on the use of certain sources of financing.

The limits on individual contributions range from very low amounts in some countries to approximately USD 200,000 per year in Japan. The prohibitions, for their part, generally pertain to foreign donations—prohibited in dozens of countries—and certain types of corporate donations, typically those from state enterprises or firms that benefit from contracts or licenses granted by the state.

The regulatory situation in Latin America is consistent with global trends. Practically all the Latin American countries have introduced prohibitions on the use of certain sources of financing and a large majority has imposed limits in relation to the amounts of the contributions. Only El Salvador does not establish any limitation in this regard. Among the prohibitions, the most common have to do with donations from foreign governments, institutions, and individuals (most of the countries, except El Salvador[20]), government contractors (for example, Argentina and Bolivia), and anonymous sources

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[19] This section contains information developed extensively in Casas-Zamora (2005), Chapter 1, and in International IDEA's *Political Finance Database*. See these sources for a much more detailed description of the campaign finance system and the state finance systems in nearly 180 democracies. While the authors have been careful to consult and update the information on political financing regulations mentioned in the text to year end 2014, there may be some minor imprecisions.

[20] The case of El Salvador merits clarification. The February 2013 reform prohibited the receipt of anonymous donations, foreign donations, and donations by professional associations and trade unions. Formally, the reform was in force in the February 2014 elections, but there is no evidence that it was applied. Nonetheless, in September 2014 a resolution by the Constitutional Chamber of the Supreme Court of Justice struck down, as unconstitutional, chapter IV of Title VI, which included all reforms on private financing. See Political Parties Act of February 14, 2013 (<http://www.asamblea.gob.sv/eparlamento/indice-legislativo/buscador-de-documentos-legislativos/ley-de-partidos-politicos>).

(more than half of the countries, including Costa Rica, Honduras, and Mexico). Equally important is that some countries of the region (including Argentina, Honduras, Mexico, Paraguay, and Costa Rica) have prohibited donations by legal entities. Various limitations and caps on contributions from individuals have been introduced in the cases of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guatemala, Mexico, Paraguay, Peru, and Uruguay.

Such restrictions on private sources of financing are aimed at addressing the first two risks described above by minimizing opportunities for the buying of influence by powerful or controversial donors. As happens with other restrictive regulatory measures, the limits on contributions entail significant problems in their implementation, demanding at the very least an extensive system for reporting and auditing resources used by the parties and candidates, a requirement that has proven difficult to meet even in the most developed democracies.[21]

Limits on contributions—particularly when they are too low—may lead to perverse outcomes. Accordingly, draconian measures to completely prohibit private contributions, such as those in place in France prior to 1988 and in India from 1969 to 1985, ended up encouraging extremely opaque financing practices (Levush, 1991: 90–92; and Avril, 1994: 85–89). So it is not surprising that many democracies, particularly in Western Europe, are reluctant to establish comprehensive controls on contributions, opting instead to restrict the financial weight of private donors by other means, such as generous systems of public financing, short election campaigns, and severe restrictions on electoral advertising.

1.3.1.2. State funding

The system of political financing may not only restrict the flow of money to politics, but also intervene actively to shape it. It may do so by providing money, goods, or public services to the candidates and parties. Indeed, the use of state subsidies is by far the most common characteristic of contemporary political financing systems. The term 'state funding' includes three basic categories of subsidies: direct subsidies (public funds disbursed to parties and candidates based on a procedure defined by law), indirect subsidies (in-kind subsidies, such as access to state media outlets), or specific subsidies (funds delivered to organizations related to or controlled by the political parties, such as their legislative caucuses or research institutes).

[21] On the obstacles faced by the United States Federal Election Commission (FEC) when enforcing the caps on contributions introduced by the Federal Election Commission Act of 1974, see Gross (1997); Federal Election Commission (1998: 31–34); and Sorauf (1992: 185).

Of these categories, direct subsidies are no doubt the most important. Indeed, the adoption of direct subsidies is probably the most important trend in political financing. Since its early adoption in Uruguay in 1928, and in particular over the last 40 years, direct subsidies have been introduced in more than 50 countries. In Latin America, with the establishment of direct public financing in the legislation of both Peru and Chile, a majority trend was consolidated in the region. Today, the only exceptions are Venezuela and Bolivia. [22]

Notwithstanding their widespread adoption, the introduction of state subsidies—particularly direct subsidies—has not been free of controversy. This is not only because of the cost imposed on taxpayers—which guarantees that in almost every case providing subsidies to parties and candidates is extremely unpopular[23]—but also due to the uncertainty as to its effects. The proponents of state financing routinely emphasize its importance for reducing political actors' dependence on large private donors, creating fair economic conditions for the different political options, and strengthening the institutionalization of the political organizations. Conversely, its detractors have long argued it is ineffective when it comes to protecting political actors from the buying of influence, while pointing out that it tends to favor the established parties, and is inclined to make the parties financially dependent on the state, freeing them up from the need to attract new members. It is a debate that is far from over, among other reasons because public financing—in particular direct subsidies—is an extraordinarily heterogeneous instrument, the effects of which are not subject to easy generalization.[24]

Public subsidy systems may take on very different forms. Any direct subsidy system must define at least four crucial points:

1. Which political actors will receive subsidies?
2. With what regularity will the funds be disbursed?
3. Which barriers of access and rules of allocation will be adopted?
4. Who defines the amount of the subsidy? And how?

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[22] In the case of Peru, the Political Parties Act, No. 28,094, establishes the right to direct public financing, including the mechanisms for its calculation and distribution (Article 29). Nonetheless, the third transitory provision of that same statute conditions the state contribution on the availability of budgetary resources. In practice, direct public financing has not been provided. See: Political Parties Act, No. 28,094 (<http://www.web.onpe.gob.pe/modEscaparate/downloads/L-0082.pdf>) and Tuesta (2011), p. 454.

[23] Independent of their configuration, systems of state financing are very unpopular around the world, except perhaps for the United States, which is rather surprising. A review of this topic, with survey data from several European countries, particularly Poland, can be seen at Walecki (2005), pp. 253–259.

[24] See Casas-Zamora (2005), Chapter 1.

On the first point, the central structure of the political parties is the recipient par excellence of direct subsidies in the vast majority of countries. Only a few countries (among them Belgium, Taiwan, and the United States) do not provide subsidies to the parties' central bodies. In other cases (for example, Australia, Canada, Austria, and Sweden) the parties' subnational organs are subsidized directly, in some cases with exceptional generosity.[25] Direct state support for presidential candidates is much less common, though it does occur in France, Uruguay, and the United States, among others. The United States is the only one in which the state subsidy covers the processes of nomination of presidential candidates, a point to bear in mind given the growing adoption of the mechanism of open primary elections in many countries, particularly in Latin America.

Depending on their frequency, direct subsidies may be permanent or electoral; permanent subsidies are almost always disbursed to the parties annually, to support various non-electoral activities, in particular maintaining and expanding the party structure. In many cases both types of subsidy co-exist. The distribution of these options shows patterns worth noting. While almost all the democracies of Western Europe provide permanent financing to the parties, in the United States and Canada, as well as Latin America, electoral financing continues to be prevalent.

This reflects a different way of understanding the parties' nature and functions. In the United States, for example, subsidy rules reflect the idea that parties exist mainly to wage electoral battles and that they are, in any event, less important than the individual candidates (Katz and Kolodny, 1994). In Europe a more comprehensive notion of the role of parties has been adopted; they are seen as permanent organizations that are essential for the task of governing. This distinction is not unrelated to the division between presidential regimes in almost all the Western hemisphere and parliamentary regimes in almost all of Western Europe. In Latin America one sees growing acceptance of permanent public financing to strengthen political parties, including activities such as research, education, and training of party cadre. Such is the case in Argentina, Brazil, Colombia, Ecuador, Costa Rica, Mexico, Panama, Paraguay, Peru, and Uruguay, among others.

The moment when electoral subsidies are disbursed also varies widely. This characteristic may be quite important, as exclusively post-electoral subsidies may pose an insurmountable obstacle to recently-established parties, which have fewer financial resources and are not as creditworthy. In some

[25] This is the case of Austria and Sweden. See Müller (1994: 54–55); Nassmacher (2001: 103); Klee (1993: 183–189); Gidlund and Koole (2001: 123).

countries state subsidies take the form of post-electoral reimbursement of expenditures (for example, Australia), while in others full access to the subsidy is allowed prior to the election (for example, the United States). In some countries, such as Spain, both options are blended in varying degrees.

In Latin America there is no homogenous pattern as regards the disbursement of electoral financing. In at least one case, Nicaragua, only post-electoral payments are made. In Argentina, resources are provided exclusively prior to the election. All the other countries have adopted a combination of pre-electoral and post-electoral disbursement. Almost all the countries that provide direct subsidies have introduced some barrier to access with the aim of discouraging the proliferation of candidates and parties. Often the barrier to access is that the party or movement must have won legislative representation in the prior election (as in Finland, for example), but it may also consist of an absolute number of votes as a threshold (as in Denmark or Portugal), a certain percentage of votes (Germany and Nicaragua, for example), or a combination of legislative seats and votes (as in Sweden and Costa Rica, for example). Other countries (including Austria and Colombia) have introduced several thresholds for different types of subsidies. The total lack of barriers is less common and is normally limited to a few specific subsidies.

In Latin America, the vast majority of countries that have state subsidy systems (except Chile and El Salvador) have provided for some type of legal barrier to access public financing. Those barriers range from extremely low levels, as in Honduras (10,000 votes), to relatively high ones, as in Brazil, where the party must have obtained 5 per cent of the vote in the most recent elections of the lower chamber of Congress. Once the universe of recipients of the direct subsidy is defined the rules of allocation are applied. Most countries allocate the lion's share of direct subsidies proportionally, based on the percentage of votes or seats garnered in the previous elections (as in Belgium, Greece, and, in Latin America, Chile, El Salvador, Guatemala, and Honduras; and in Uruguay [votes], Finland, Sweden, Nicaragua, and Paraguay [votes and seats]).

Nonetheless, many other systems have been opted to allocate funds under rules aimed at ensuring absolute equality among recipients, typically entailing the disbursement of a portion of the subsidy in equal parts for all beneficiaries. That is the case in Israel and in a surprisingly large number of Latin American countries (Argentina, Brazil, Colombia, Dominican Republic, Ecuador, Mexico, Panama, Peru, and Costa Rica [only the part that is disbursed prior to the election]). In other cases, as in Canada and France, a fixed sum is set for reimbursement of electoral expenses, which separates the distribution of the subsidy from results at the polls. Other countries, such as Germany and the United States, have replaced the proportional or quasi-proportional allocation of subsidies by other interesting mechanisms, such as matching grants, where state funds are disbursed based on the capacity of the parties (Germany) or presidential candidates (United States) to attract small private donations.[26]

In each country that has introduced direct state funding the definition of the initial amount is left up to the legislators. Accordingly, most countries have preferred to formalize the rules for calculating the subsidy in the statute to avoid political manipulation or unchecked increases. Some countries do that by setting a sum that must be paid for each seat or each vote (for example, in Italy and Honduras), or simply entrusting an apolitical entity with defining the amount of the subsidy (as in Mexico and Israel). In the case of Israel this option was embraced after a long list of increases in the subsidies determined by the beneficiaries themselves (Hofnung, 1996: 138; Mendilow 1992: 109; and Blechinger and Nassmacher 2001: 168, 177–178).

While the methods used to set the state subsidy vary widely, the actual amounts the countries allocate to it vary even more, as shown in Table 1.1. This point is relevant for it is clear that whatever the effect sought by the introduction of direct subsidies, state support must at least be commensurate with the costs of political activity. If public subsidies are to make a discernible difference, a certain 'critical mass' must be reached, otherwise state financing becomes merely a token gesture. In Latin American subsidy amount range from the rather generous subsidies—with Mexico the most conspicuous case—to paltry amounts, such as those that have been seen at some point in Guatemala, which no doubt are incapable of having an impact on the political process.

[26] In Germany, each party receives a subsidy of 38 per cent of the amount it collects in membership dues and individual donations of less than €3,300. In the primary elections, presidential candidates in the United States may opt for state funds that match the first USD 250 of each private contribution collected.

Table 1.1. Direct state subsidies per registered voter in 25 democracies (approximately 1990s)

Country	USD	Years (1)
Austria	16.5	1995–1998
France	14.9	1995–1996
Sweden	12.1	1999
Israel	11.2	1996–1998
Mexico	3.3	1997–1999
Dominican Rep.	3.2	2000
Japan	2.8	1995–1999
Germany	2.0	1995–1998
Australia	1.9	1996–1998
Panama	1.8	1999–2004
Uruguay	1.7	1999–2004
Costa Rica	1.6	2002–2006
Spain	1.6	1998–2000
Italy	1.4	1999–2001
Nicaragua	1.2	2001–2006
Portugal	1.0	1995–1996
Bolivia	0.6	1997–2002
El Salvador	0.5	1999–2004
Netherlands	0.4	1999
Honduras	0.2	2001–2005
United States	0.2	1992–1996
Canada	0.2	1993–1997
Denmark	0.2	1988–1990
Ecuador	0.2	1995–1997
Guatemala	0.02	1999–2003

Notes: (1) Includes one election year for all the countries, except Sweden and Netherlands. In these cases, however, the parties do not receive additional subsidies during the election year.

Sources: Casas-Zamora (2003 and 2005).

Indirect and specific subsidies modestly complement direct subsidies. Apart from the almost universal practice of providing institutional support to the members of the legislative branch—a practice that can only partially be considered support for political parties, strictly speaking—three other forms of indirect subsidies merit special mention: the privileged or free use of public services, tax exemptions for political donations, and free publicity in state media outlets.

Free use of the postal service for the purpose of contacting voters is very common internationally (including, for example, Austria, Finland, France, Italy, Japan, and the United Kingdom). In many other cases, such as

Canada, Chile, France, Germany, Mexico, the Netherlands, and Taiwan, tax exemptions have been provided to encourage political donations and their transparency, in some cases specifically geared to collecting small donations (as in Canada and Germany). Finally, free access to state media outlets is a very widespread practice in Western Europe, and recently in other regions. This constitutes explicit recognition of the enormous importance of the mass media—television in particular—which today is the fundamental arena in which election contests are fought out.

This last point merits particular attention in Latin America. In effect, the most important form of indirect subsidy in the region is the free access granted to parties and candidates to state, private, or both types of media outlets. This benefit is used in a considerable part of the region (with the exception of Venezuela [which lacks any type of public subsidy], as well as Costa Rica and Honduras, for example), almost always granting free access to the state media during the election campaign.[27] Only in Brazil, Colombia, Mexico, Panama, and Peru does the electoral legislation specify that parties' access to the media is permanent. In some cases (Argentina, Brazil, Chile, Mexico, and Ecuador), access to a free time slot in the media coexists with a prohibition on purchasing additional advertising on television or radio.[28] In the other cases, however, getting a time slot from the state does not stand in the way of getting more advertising through private channels.

Insofar as indirect subsidies are paid in kind in many countries, their value is very hard to determine. However, in the Latin American context, at least, the usefulness of indirect subsidies for political actors tends to be rather limited. The effects of the tax benefits for donations are limited by the low effectiveness of the tax-collection systems in the region. In addition, access to the state media outlets, particularly television, tends to be irrelevant in view of the low audience such media generally have in Latin America.

What is known about the effects of state financing on parties and candidates? The answer to this question is very complex, mindful of the mix of the

[27] An analysis of party access to media outlets in Latin America can be found at Griner and Zovatto (2004: 314–319).

[28] Brazil prohibits paid electoral advertising on television, instead guaranteeing the parties a free publicity segment during the election campaign. Chile prohibits paid advertising on free-to-air television, where it provides free segments, but it is possible to take out electoral advertising on radio stations, cable television, and the print media. In the case of Mexico, political parties can access radio and television only through the state-provided slots. The National Electoral Institute will be the sole authority authorized to administer those times; and if it considers that they are insufficient, it may adopt the measures needed to extend them. According to the Ecuador's Democracy Code (Código de la Democracia), in effect since 2009, the state finances 40 per cent of campaigns by means of the Electoral Promotion Fund (Fondo de Promoción Electoral) (exclusively for media subsidies), while at the same time parties are prohibited from directly purchasing radio and television airtime, print advertising, and on advertising on billboards.

subsidy mechanisms and the way they are interwoven with the surrounding institutional structure, which conditions their effects. Even so, available evidence tends to show three conclusions:

1. The effect of state subsidies when it comes to controlling questionable political financing practices is very limited. The experiences of Canada and almost all Western Europe suggest that state subsidies can effectively reduce the weight of large private donations in party finances. Nonetheless, this results from the presence of a complex combination of institutional factors (short campaigns, restriction on the broadcast of electoral publicity, tax incentives for small donations, etc.) rather than from the mere availability and generosity of public subsidies. Moreover, there is a list of countries in which the existence of very generous subsidy systems has been totally incapable of preventing serious irregularities in political financing, including Israel, France, Spain, Italy, Austria, and Germany.[29]

2. Public financing can have—and usually does have—an equalizing effect in electoral competition. There is no evidence, as some critics argue, that state financing tends to ossify the party system. To the contrary, available information suggests that subsidy systems tend to favor small parties and are decisive for enabling parties and candidates without close ties to the business sectors to compete. In Latin America, in particular, state financing tends to be almost the only way of balancing out the disproportionate weight of small business circles in party finances (Casas-Zamora, 2003, and 2005).

3. When subsidies are given to parties, and especially when the disbursements are made annually, the state funds can have a notable impact on the growth and robustness of party structures. Although this 'bureaucratizing' effect has been challenged in some developed contexts as a sign of the declining power of the members of the party leadership, in the case of most of the democracies in Latin America, the strengthening of the party structures is, rather, a systemic need of the utmost importance.

These are merely trends whose applicability in any given case is entirely contingent on the design of each subsidy system, its economic significance, and its relationship with the electoral system and, in general, the institutional framework in which democratic competition takes place.

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[29] See, among many others, 'European politics plagued by funding scandals', *The Guardian*; Blechinger and Nassmacher (2001: 178–180); Galiardo and Berbell (1995); Rhodes (1997); Pujas and Rhodes (1998); and Pulzer (2001: 31–32).

1.3.1.3. Regulations on election spending

Included here are the rules that establish general caps on the election spending of parties and candidates, as well as the limits and prohibitions on some specific categories, particularly campaign advertising. Also included in this category are limits on the duration of campaigns.

General spending caps are not very common in democracies. This reflects their significant normative and practical problems. The accumulated experience with general ceilings is mixed at best. Even the most successful cases, such as the United Kingdom and Canada, where limits have been rigorously adopted in practice and generally recognized as positive, show some of the complex dilemmas inherent to their implementation. In the United Kingdom, spending caps by electoral district gradually lost importance with the growth in spending by parties nationally, which has only recently been regulated by legislation.[30]

In Canada, regulation of spending by third persons not connected to the electoral process in order to affect the outcome has proven to be very complex, despite the visible role of such disbursements in some elections.[31] In almost all other cases general caps have proven ineffective for various reasons ranging from the inadequate definition of what should be counted as electoral spending to the introduction of excessively low ceilings, and including the weakening of supervisory mechanisms and the presence of strong incentives to increase spending stemming from other institutional characteristics (for example, the presence of electoral systems that allow for intra-party competition). Accordingly, while for a long time the ceilings were too high to be useful in Spain, in other countries, such as Australia, Colombia, India, Israel, Russia, South Korea, Ukraine, and the United States (1925–74), political actors consistently ignored them (Pajares-Montolío 1998: 137–145; Lavush et al. 1991: 89, 126, 155; Park 1994: 181–182; Cepeda-Ulloa, 1997: 94–97; and Walecki 2001: 410).

In order to avoid some of these consequences, other political financing systems have focused their restrictions on singularly visible and onerous categories, such as campaign advertising. Almost all the democracies in Western Europe prohibit the purchase of campaign advertising on television, while at the same time granting free space to the parties on state media

30 A national cap on expenditures was in effect for the first time in the 2001 general election.

31 Ewing (1992), pp. 220–225; Stanbury (1993a), pp. 97–99; and Royal Commission on Electoral Reform and Party Funding (1991), pp. 327–328. According to the Canada Election Act, outside third parties may spend up to USD 150,000 on general elections (Article 350). See: <http://www.elections.ca/content.aspx?section=res&dir=loi/fel/cea&document=part17&lang=e#sec349>

outlets. As we have seen above, this option has already been adopted, with variations, by some Latin American countries (Argentina, Brazil, Chile, Ecuador, and Mexico).[32]

While this solution has been generally recognized as an effective way of cutting the costs of an election campaign and reducing the economic pressure on parties, the general applicability of the model is questionable. In order to work it requires, among other things, the presence of powerful state media companies—not very common in democracies outside of Western Europe—as well as, in all likelihood, the existence of electoral competition focused on the political parties that avoids the atomization of advertising that one finds in the systems geared to individual candidacies. Perhaps more important is the fact that the effects of this model for protecting electoral fairness are ambiguous. As is the case with general spending caps, limits on advertising may turn into an unfair way to protect the incumbents, and a major obstacle to the opposition, particularly when the ruling party continues to enjoy unlimited access to state media.

1.3.1.4. Regulations aimed at ensuring financial transparency

The fourth group of rules is that which requires parties, candidates, and other political actors to report the sources of their economic resources or the use made of such resources to the public authorities. It also includes the rules that define whether that information is audited, and, finally, whether it is published.

These regulations vary considerably among countries. In general, they impose the obligation to draw up financial reports on political parties more than on the candidates, about both regular and electoral activities, with disclosure of the sources of financing and amounts spent, and with audits of that information by some competent authority. In Latin America, with the exception of El Salvador, all the countries impose the obligation on parties to periodically report their finances, yet only a few do the same with respect to individual candidates (Brazil, Chile, Colombia, Panama, Uruguay, and Venezuela). Moreover, in all the other countries there is some entity entrusted with oversight and inspection of party financing, a task assigned in most cases to the electoral bodies. Mexico's experience is particularly relevant in this regard, to the extent that the National Electoral Institute has the power to require parties to keep a single accounting ledger, and to perform on-site and random audits during the electoral period, powers that the INE has used extensively.

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[32] Ecuador, Nicaragua, and, indirectly, Costa Rica, have also introduced limits on campaign advertising in the print media.

Finally, requirements regarding the publication of information are much less clear in the region. While several countries (among them Argentina, Brazil, Colombia, Costa Rica, Ecuador, Mexico, Nicaragua, Peru, and, in part, Panama) require disclosing the results when candidate and party accounts are audited, everywhere else in the region that information does not necessarily become part of the public debate.

The rules of transparency cast light on the sources of support for parties and candidates, and on their compliance with the legislation on political financing. Revealing that information can have an intrinsic value for democracy, but transparency rules are also crucial for making possible the success of other measures for regulating political financing, such as imposing limits on contributions and on spending. The effectiveness of ceilings depends almost entirely on the presence of a solid system for reporting and publicizing the finances of parties and candidates.

Transparency rules are the cornerstone political campaign finance regulation in many countries, particularly in the United States. However, their application is not free from acute regulatory and practical dilemmas. On the one hand, these rules imply the public dissemination of key information on the internal life of political organizations, and, therefore, a certain level of state oversight. In addition, these provisions reflect the notion that more than private associations the parties are quasi-public entities and that the social benefits of disclosing the sources of financial support for political actors are more important than protecting donors' privacy.[33] Both notions have been consistently rejected in many ones, some of them highly consolidated democracies, such as Sweden and Switzerland. Protecting privacy is a particularly sensitive concern in democracies that only recently abandoned an authoritarian past, in which the fear of government harassment is still fresh in the minds of many political actors.[34]

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[33] The quasi-public nature of political parties has been much discussed from the moment they were mentioned by Germany's Weimar Constitution in 1919. Many contemporary constitutions, especially in Latin America, explicitly attribute a crucial role to parties in democracies. The notion that parties perform vital political functions and provide 'political public goods' has often been used to justify the introduction of some measures of supervision over their internal affairs, including over how they finance their activities. See García Laguardia (1989).

[34] This issue has been discussed, for example, in Chile, Panama, and a good part of Central and Eastern Europe. See Valdés Prieto (2000: 420–437); *La Prensa Panamá*; *El Panamá América*; and Walecki (2001: 413–414).

1.3.1.5 Sanctions regime

This category includes all sanctions provided for violations on the limits, prohibitions, and obligations that derive from the four above-indicated normative categories. Internationally, fines are by far the most common type of sanction for violating laws on political financing, and have been used in some cases—such as Mexico and Israel, in particular—with exceptional severity.[35] Such fines are often tied to the provision of state subsidies, which in many countries have become a fundamental tool for ensuring compliance with other regulations on political financing.

Accordingly, the commission of several types of financial irregularities by the parties—for example, presenting late or incomplete reports—is sanctioned by withholding state subsidies in Austria, Germany, Portugal, and Spain, among other countries. In Latin America while practically all the countries (except for the Dominican Republic) have established fines to support controls on political financing, the use of state subsidies as a coercive mechanism is much less common.[36]

Although penalties imposing deprivation of liberty exist in many legal texts regulating political financing, their imposition is more the exception in this area, limited, in general, to cases with a long history of scandals in party finances. In Israel and Japan, for example, some politicians have been effectively sanctioned and imprisoned for violating campaign finance regulations (Blechinger and Nassmacher: 2001; and Hofnung: 2001).

As in other areas, international experience suggests the importance of having a dose of precaution when it comes to sanctions. As noted by Zovatto and Griner (2004: 325), one must avoid 'the mistake of over-regulating or criminalizing politics'. Imposing excessively severe sanctions has had ambiguous and in some cases even counter-productive effects. If even the most minimal breaches entail serious penalties, the authorities in charge of imposing them may be reluctant to do so. In countries such as Australia, where the law does not leave any option other than the criminal justice

[35] After the 2000 election in Mexico, the Partido Revolucionario Institucional, Partido Acción Nacional, and Partido Verde Ecologista de México were sanctioned with fines equivalent to USD 100 million, USD 35 million, and USD 18 million, respectively, for serious irregularities in the financing of their campaigns. See Núñez (2003: 11); Orozco (2008: 364). In January 2000, Israel's Labor Party was fined USD 3.5 million for collecting illegal donations. Fines in the hundreds of thousands of dollars are common in Israel. See Blechinger and Nassmacher (2001: 178); Hofnung. The case of Chile should be mentioned. In the last three national elections in Chile, particularly in the municipal elections, hundreds of candidates have had fines imposed on them.

[36] In the case of Guatemala the last statutory reform, in 2004, provides for applying administrative and criminal sanctions, but without a clear definition in the statutory framework of when they would be called for, which has limited the enforcement of sanctions by the electoral authority.

system for imposing sanctions on violations of political financing laws, this approach has been systematically avoided, and has given rise to approaches more focused on repairing the harm resulting from violation of the law.[37] Similarly, the implementation of devastating electoral sanctions—such as annulling the election of politicians who break the law (as in France and India) or immediately cancelling the registration of parties that violate the legislation (as in Senegal, for example)—has almost always been avoided given their potentially very serious political consequences.[38]

The Latin American experience is revealing in this regard. Even though there are criminal sanctions for donors or candidates in the election laws in 23 countries of the Western Hemisphere, their enforcement has been practically nil, with the possible exception of Mexico (Griner and Zovatto, 2004: 367). The experience of the Central American countries, where there has not been a single criminal or electoral conviction for matters related to party financing—despite numerous cases of flagrant violations of oversight legislation—confirms this phenomenon.[39]

Without an effective sanction system that includes not only the traditional fines, but also punishments that go to individual liberty, the rules on financing will not go beyond being a set of good intentions (Griner and Zovatto, 2004: 325). Nonetheless, the comparative evidence suggests that more important than the severity of the punishments is having a graduated, varied, and above all credible sanctions regime to give teeth to the regulations on political financing.

1.3.2. On the heterogeneity of campaign finance systems

This summary review of the basic instruments for regulating political financing suggests a crucial point: there are no obvious much less one-size-fits-all regulatory solutions to the challenges posed by the role of money in politics. The miracle cures typically offered in discussions on reforming political finance are mirages at best. In this area, regulation implies complex

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[37] Amr and Lisowski (2001); Gray. One should mention, in this connection, the experience of the United States, where compulsory training for those running a campaign is often used as an alternative to fines for violations of the financing rules. In the case of violations of the Federal Election Campaign Act, the Federal Election Commission has introduced an alternative dispute resolution process (ADR) which, in its words, quickly leads to a resolution of the dispute. Among other things, this makes it possible for the parties and authorities to avoid the high costs and tension that generally accompany traditional law enforcement mechanisms. See Federal Election Commission (2002).

[38] Koole (2001: 89); Jain; Mbodj. Nonetheless, in France some cases have arisen in which the credentials of the elected officials have been cancelled due to violations of the campaign finance laws. See González Varas (1995: 171–172); Doublet (1997: 48–50).

[39] See Casas-Zamora (2003).

normative and practical choices whose success is far from guaranteed. The responses to the urgent problems posed in the previous section are laden with values-based considerations that restrict the range of acceptable solutions in a given political context. Accordingly, the decision to protect more or less the privacy of citizens on making political donations, or to intervene more or less in the internal sphere of the political parties, or to accord more or less priority to freedom of expression vis-à-vis electoral equality will evidently change the priority accorded to different aspects, and, ultimately, the thrust of the reform adopted.

Each political system combines instruments for regulating political financing very differently, based on the urgent matters of the moment, the features of its political culture, the characteristics of the pre-existing institutional environment, and, as always, the political interests of those who drew up the statutes and regulations. None of this implies that international experience is irrelevant as a guide or that one must defend a coarse and dangerous normative relativism, by which all arrangements for regulating political financing are worth the same, or none is worth anything. This word of caution merely imposes modesty on the scope of any prescription in this regard. It is possible to identify some regulatory tools that have proven to be useful for controlling reasonably well some of the main risks that stem from political financing; and we will do so below, in the last section. Yet it is not possible, or even desirable, to adopt such instruments in all contexts, and their effects are always contingent on the pre-existing institutional environment. We'll come back to this point below.

1.4. Lessons of campaign finance reform

The fact that adequate and effective regulation of political financing is necessary in Latin America doesn't make it inevitable. As seen in the second section of this chapter, the recent history of the region is replete with examples of reforms doomed to fail because of problems in their design and implementation. In many cases such defects are no more than the reflection of interests that oppose regulation of campaign finance, which is a very sensitive topic. In others, however, the disappointing results are no more than the reflection of an inflamed rhetoric, myths, and disproportionate expectations that almost always end up governing such discussions.

While it is positive and even necessary, the press's growing obsession with political financing in many democracies has propagated a compelling mythology in which influence-peddlers, corrupt persons, omniscient reformers, and the wholesale auctioning of public policy decisions figure most prominently. These images often have little to do with the realities of political financing. The warning of a philosopher of our time that there is no guarantee that the truth, if we were to discover it, would be interesting, is especially apropos when it comes to campaign finance. Although much less is known about the issue than what would be advisable for democracy, what is known with some rigor tends to show that money rarely determines political outcomes, and that adopting instruments for regulating its influence in politics seldom results in more than a moderate and transitory success.

International experience suggests that if efforts to regulate campaign finance are to attain at least that modest level of success, the political actors who undertake the task should observe a few basic rules.

1. Ask the right questions

The serious and recurrent risks to democracy set forth in the first part of this paper pose another series of fundamental questions that should provide guidance for almost any regulatory effort in this field, certainly in Latin America. There are at least six such questions:

- What should be done to minimize the risk of sources of questionable financing backing the parties and campaigns?
- What can be done to minimize the risk of conflicts of interest emerging for decision-makers, or emerging and going undetected by citizens or the press, as a result of fundraising efforts for campaign or party activities?
- What can be done to minimize the risk of public resources being used for electoral purposes by government authorities?
- How can conditions be brought about in which an adequately broad group of parties or candidates has at least a minimal possibility of getting their message out to the voters?
- What can be done to bring about conditions such that campaign financing not foster instability in the party system and to help institutionalize the parties?
- What can be done to create conditions for the legislation on campaign financing to be effectively implemented?

Each of these six questions points to a fundamental issue for the health of democracy, from the integrity of decision-makers to electoral fairness and the credibility of laws. It is almost impossible for any reform to address these needs simultaneously, fully or even consistently. In any case, not all of them have the same priority in all contexts. Therefore, it is fundamental for any reform to be based on a somewhat rigorous assessment of what needs to be changed. Initiating a reform process with an a priori position about what should be reformed and how, without having first done an assessment, is a serious mistake that ends up obstructing the process of political negotiation required for the adoption and successful enforcement of statutory and regulatory changes.

2. Ask if the foundations are in place

While difficulties regulating campaign financing are common to all democracies, they are posed more clearly in developing democracies and in countries undergoing democratic transitions. As noted with insight by Torres Rivas and Aguilar in a study on Guatemala, the investigation and regulation of electoral financing are based on 'assumptions of modernity' (Torres Rivas and Aguilar, 1998: 283). That is, they presuppose the existence of electoral institutions and consolidated oversight bodies, political parties with a minimum of institutionalization, and a skillful, diligent, and independent press that is protected from political intimidation.

The regulation of political financing demands not only patience but also paying attention to very basic political aspects, without which it is doomed to fail. It is, somehow, a second-generation political reform that the democratic systems can only reasonably undertake once basic tasks such as registering the citizens or eliminating electoral fraud have already been successfully completed.

3. Question conventional truths

The reformers should add to their sense of urgency a certain skepticism that enables them to review some of the most widespread beliefs regarding campaign finance, which often confuse more than they illuminate, and distort more than they describe. The lack of clear evidence does not stand in the way of some assertions having very real political effects and ending up guiding regulatory efforts.

Among the conventional truths that should be carefully examined are the notion that the cost of election campaigns is increasing scandalously, that television is responsible for its increase, that political financing explains electoral outcomes, that political contributions explain the major public policies, that private contributions regularly purchase political decisions, and that when a political donor receives a benefit the contribution is the cause of that quid pro quo.[40]

[40] See, among many others, Casas-Zamora (2004: 254–259); Smith (2001: 39–65); Sorauf (1992: 161–190).

All these assertions point to very important problems that merit discussion. Nonetheless, the evidence with respect to them is controverted. Each assertion may or may not hold in specific circumstances, but it is almost certain that none describes the situation in every country. Reformers are wrong to assume that any of them does. And this takes us back to a point mentioned above: nothing takes the place of an assessment as the basis of any reform. And not just any assessment, but one based on empirical evidence and rigorous methods.

4. Take advantage of crises

If international experience has shown one thing time and again it is that efforts to comprehensively reform the rules on campaign finance rarely come about spontaneously, preventively, or inevitably. In both developed and developing democracies experience has shown that such reforms almost always result from scandals and crises that put the issue at the center of the political debate. Crisis tends to be the mother of reform (or at least its midwife) as well as the best ally of those who have a genuine interest in improving the regulations in force.

5. Legislate thinking in the long term, but review in the short term

While supervening crises may trigger reform, they should not be the sole factor defining its content. Comparative experience advises that one avoid changing political-electoral rules to respond to changing circumstances, reflecting exclusively problems of the moment. Although such problems leave their mark on every regulatory effort, they must be appreciated in their real dimensions.

Campaign finance reforms should be based on a strategic medium—and long—term view. Politics, like economics, demands a forward-looking vision based on clear and stable rules of the game. Think of the chain of phenomena that a change in the financing rules entails: adapting the machinery of the parties to the new system, including new ways of relating to voters; adjustments in the media to new ways of doing politics; and adapting the administrative structures of the electoral authority to the new reality, to cite only a few of the most notable changes (Perelli, 2006). This cannot and should not undergo radical change in each campaign.

Nonetheless, adjustments will be inevitable and one must be open to them. The regulation of political financing is known in Germany as 'interminable' or 'unending' legislation. Every reformer must be aware of the tentative nature of his or her efforts and the need to review them periodically. That is, in Zovatto's words, a matter condemned to the succession of various legal reforms, hence the importance of taking into account its fluctuating and cyclical nature (Griner and Zovatto, 2004: 335). New sources and practices of financing will take the place of the previous ones, and unexpected forms of violating legislation in force will invariably be developed by the political actors. Like the very construction of democracy, putting in place an effective system of political financing is a dynamic process, a long journey in which very few stops will be clear success stories.

6. Pay attention to the interaction of regulatory instruments and the institutional environment

Each of the instruments for regulating campaign finance—in particular the systems of state financing—allows for several variations and is tied to a much broader normative environment that conditions its effects. Available evidence warns of the temptation to make general empirical statements on the effects of each regulatory instrument. Paying attention to the combination of provisions is crucial for predicting the effects of the rules governing political financing with some level of precision. Forgetting this is a recipe for mistaken prescriptions and unpleasant surprises.

Moreover, in some cases the measures required to address some of the fundamental dilemmas of political financing will not be consistent with those required for dealing with others. Some steps necessary for improving the quality of electoral competition, for example, will not necessarily be compatible with the imperative of not making the party system less stable. In this respect, as in so many others, the old adage applies according to which not all good things come together.

Similarly, it is vital to pay attention to the political and institutional environment in which political financing regulations are introduced. Factors such as the type of regime, the electoral system, the presence of unitary or federal state structures, the fragmentation of the party system, the rootedness of party identities, the scope and depth of state intervention, and judicial prerogatives, to mention a few, decisively shape the incentives and financial needs of the political actors, the obstacles to monitoring the flow of contributions and expenditures, and, ultimately, the effects of any given political financing system. For example, the electoral systems geared to individual candidacies, systems with preferential voting, federal structures, and highly fragmented party systems all contribute to an increase in the number of campaign structures and reduce the economies of scale inherent to more centralized models. With the proliferation of points of entry and exit of money, and, accordingly, of the obstacles to applying financial controls, decentralized electoral structures need a different regulatory framework than that required by a system based on closed party lists in a country with a unitary structure. The task of designing adequate campaign finance regulations requires that reformers understand the ties that bind the rules on political financing to the institutional and political context.

Special mention should be made of the growing role being played in this area by constitutional courts, which may decisively condition the range of options for a reform. That has been the case in Germany, the United States, and Costa Rica, where the constitutional case-law has not only allowed drastic changes in the regulations, but has also created a frame of reference that is mandatory for all subsequent reforms.[41] In those cases in which the constitutional jurisdiction assumes a matter, the relevant case-law must be taken into account in the reform processes so as to avoid adopting provisions doomed to annulment.

Understanding the institutional environment does not make predicting the effects of a reform an exact science or anything like it. Clearly, any reform will eventually give rise to unforeseen and almost always undesired consequences. Having the humility and wisdom to review the provisions introduced with some regularity is, therefore, essential.

7. Be moderate

While effective enforcement is critical for campaign finance laws, the medicine of regulation should be given in carefully administered doses. History has not been kind to efforts to introduce draconian measures to regulate political financing. As mentioned above, general spending caps, for example, have proven tough to enforce, and have seen a long series of failures in countries including the United States and Japan.

The same can be said of efforts to establish absolute prohibitions on private contributions. In the few cases where reformers have tried to do so, as in India and France, they have met with unpleasant surprises: private contributions continued, but in singularly corrupt and opaque forms, requiring the reformers to backtrack and re-legalize private contributions. Herein lies a crucial lesson: the harder it is for parties and candidates to raise money by legal means, the more likely it is that they do so following obscure and questionable procedures.

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41 See Corrado (1997); Ewing (1992); Sorauf (1992); Gunlicks (1995); González-Varas (1995); Pulzer (2001); Casas-Zamora (2001, 2004 and 2005).

8. Seek alliances and construct points of consensus

Reforming the rules governing political financing is not a merely technical problem; rather, it is above all a political one. Reformers generally move in a narrow space in which they must pursue two incompatible tasks: first, building broad coalitions that put pressure on those who benefit from the status quo, typically the established parties; and second, involving the political parties in drafting the reform as much as possible. The parties almost always resist any process aimed at changing the conditions of democratic competition, and they will invariably try to defeat legislation that is imposed on them without any consultation. Nor should one ever forget that the parties' legal representatives are the *real* experts in political financing. That vast experience should be tapped by any reform effort.

All this certainly requires seeking allies inside and outside the political system. The independent press, which has proven to be the most powerful check on questionable political financing practices in many democracies, may be a particularly powerful ally in this area. But above all, it requires that the reform be seen as a process based on dialogue and consensus in which the broadest possible spectrum of political-party actors participates, and in which different social sectors are involved and consulted. This will make it possible for the reform adopted not only to enjoy broad legitimacy, but also to be sustainable in time.

9. Accompany the reform with adequate resources

Any effective system for regulating political financing should be given teeth in the form of adequate economic, human, and legal resources so as to be able to enforce it, lest it lose credibility. This point is particularly relevant in Latin America, where there is a great propensity to believe that changing the text of the law itself guarantees that the changes will take place in reality. The case of Mexico, mentioned above, shows that it is possible to successfully establish controls on political financing but it requires robust institutions and bountiful resources. One must keep in mind: failed reforms are not just innocuous; rather, they further citizens' disenchantment with politics and have a negative impact on the credibility of future regulatory efforts.

10. Be realistic

This is perhaps the most important lesson. It is reasonable to expect that well-designed and well-implemented regulations can significantly curtail the political financing practices that are most questionable and risky for democracy. Nonetheless, believing that introducing such regulations will be capable of eradicating, once and for all, the pathologies of political financing is absurd and counterproductive. Those who aspire to draw up reforms in this area should not have grand illusions about the victories that await them as the result of their efforts. After all, there is scant evidence that introducing and adequately implementing controls on political financing is useful for dramatically increasing the legitimacy of the political systems or the public image of the reformers.

The struggle to clean up political financing practices is, in the best of cases, a path fraught with risks. When unregulated, such practices feed widespread and harmful mythological speculation; when regulated inadequately they bring about disillusion with the reforms and skepticism as to the intentions of the politicians who introduced them; when regulated rigorously they produce recurrent scandals over questionable financing methods and, accordingly, greater political cynicism. Therefore, the authors of the political financing reform may fail even when they are successful. However admirable our ambitions, it is important to grasp that political finance reform is nothing more than an effort to limit the harm inflicted on core democratic values by the inevitable role of money in politics.

The foregoing lessons are not a call to inaction, just a subtle reminder of the major difficulties that await reformers in this area. Despite the obstacles, there is no way forward but to proceed with the reform, especially in Latin America, since the harm derived from the deregulation of political financing is much greater than the harm that stems from any other option. Therefore, by way of conclusion of this chapter, one should take stock of some measures for regulating political financing that in general have proven useful in various contexts and whose adoption, for that reason, should at least be considered by the political systems of Latin America.

1.5. Some proposed reforms

Assuming that there is a will and the resources to put in place a rigorous system for controlling political financing, international experience and the array of risks that Latin American democracies face outlined in the foregoing pages suggest the advisability of introducing certain regulatory instruments, such as the following:

a) Greater control over private funding, with bans on anonymous donations, donations from legal entities, and donations from foreign sources.

b) A public subsidy system to ensure equitable access to the parties and candidates to adequate resources for financing their regular and electoral activities. To that end, it would be advisable to adopt:

- Reasonable barriers to access the subsidy that do not foster the atomization of the party system, but that at the same time do not make it excessively difficult for minority or emerging parties to obtain public financing;

- Rules governing the intervals when state subsidy payments are made such that disbursement of a substantial part of the resources is in installments throughout the entire political cycle, and is earmarked, in part, for research, and education and training activities within political parties;

- Rules for the partial and substantial advance of the electoral subsidy backed by guarantees given by the parties and candidates who receive them, allowing for access for parties and candidates without any electoral past;

- Limited subsidies for the internal electoral procedures within the parties, particularly in the case of primary elections open to the participation of the wider electorate.

- Rules for distribution of the subsidy that combine:

  – The allocation of a part of the resources equally to all eligible recipients;

  – The allocation of a part proportional to the vote or distribution of seats;

  – The allocation of a part of the subsidy based on the efforts of the parties and candidates to raise money in donations less than a certain sum, through a system of matching grants.

c) Adopting controls on some triggers of electoral spending, for example:

- Limitation on the duration of the election campaigns, particularly of the period for putting out campaign advertising;

- Caps on the advertising taken out by parties and candidates in media outlets;

- Facilitating advertising for the political parties on public and private television, ensuring that at least part of those spaces is distributed equally among all the contenders. Those spaces should be granted freely by those who hold the concessions for the frequencies, or, alternatively, they may be purchased by the electoral authority and made available to the parties.

d) Adopting mechanisms for accountability, transparency, and publicity of the financial management of parties and candidates by measures such as the following:

- Individually assigning the financial liability of campaigns by adopting the figure of the electoral agent (in charge of overseeing the enforcement of political financing regulations in each campaign), i.e. an identifiable chief financial officer of the campaign, and making it compulsory for all parties at all levels;

- Establishing the obligation, for all parties, to periodically report all their revenue to the electoral authority (or other competent authority), including in-kind contributions (except for volunteer work);

- Imposing on the media the obligation to report the rates applied and discounts granted to all parties and candidates;

- Expressly granting the electoral authority (or other competent authority) the legal power to audit parties' and candidates' financial reports.

- That implies:

  – The power to undertake all activities needed to establish their accuracy, including on-site and random auditing of the financial reports filed;

  – The power to institute proceedings when violations of the existing regulations are detected;

- Political, legal, financial and human strengthening of the mechanisms or entities entrusted with supervising political financing;

- Explicitly establishing the public nature of the information on political financing and, accordingly, of mechanisms for the press and the public to consult the financial reports filed by the parties and candidates, as well as the results of the audits conducted by the electoral authority (or other competent authority);

- Publishing on the Internet and in least one national circulation daily newspaper a summarized list with the main sources of revenue for each party and candidate, and the conclusions of the audit reports by the electoral authority.

e) Establishing a gradual system of sanctions of the persons with financial responsibility in the parties in case of any breach of the legislation in force. That system should include:

- Withholding state subsidies;
- Establishing fines and prison terms for the persons responsible for party finances;
- Dissolution of the party or removal from office of officials elected by popular vote as punishment for repeated and exceptionally serious violations.

None of the foregoing suggestions is free of controversy; and the controversy will only escalate as more in-depth details are provided on its constitutional, statutory, or regulatory design. In addition, this list of proposals is clearly not a monolithic package that needs to be adopted in its entirety. To the contrary, comparative experience suggests the advisability, even inevitability, of proceeding patiently, by successive approximations, according priority to the most urgent changes and those with the most political consensus.

Whichever reforms are adopted, the most crucial element is that they be accompanied by resources to implement them rigorously, by the will to review them when they show their inevitable limitations and by the realism to understand that no system of political financing, however sophisticated, is capable of ensuring, by itself, the integrity and transparency of political activity.

2

Considerations on campaign finance practices in the Americas

II. Considerations on campaign finance practices in the Americas

2.1. Introduction

There is a considerable divide between the practice of campaign finance and the laws intended to govern it. This gap also applies to the study of campaign finance, which remains obscured due to a lack of information, and the limited reliability and comparability of that which does exist. In particular, there are very few research studies into the complex sociology of fundraising processes and the codes of interaction between campaign donors and those who benefit from their contributions.

In our hemisphere, there are different levels of clarity regarding campaign finance. In the United States and, to a lesser extent, Canada, the transparency of political finance and the availability of information are both considerable. In the United States, the enactment of the 1972 Federal Election Commission Act (FECA) marked the beginning of a new phase of endless discussion and political and legal activism regarding political finance that continues today. Furthermore, laws introduced in the context of the Watergate scandal generated a massive quantity of information on campaign finance practices that is unparalleled in any other country in the world.

In Latin America, despite the region's democracies having established obligatory mechanisms for campaign finance transparency, with different levels of implementation and reliability, the situation is quite different. The situation is even more precarious in the Caribbean, where there has been practically no regulation or analysis of the subject.

This document seeks to address certain aspects of the realities of political finance in the Americas (excluding the Caribbean). These elements are inevitably fragmented and imperfect, which, rather than a shortcoming of this document, simply reflects of the subject's lack of clarity. Furthermore, it is a testament to the imminent need to widen the lens of research into this urgent issue in the region. If we are to improve our understanding of political finance and the regulations that govern it, empirical research must be done with comparable results, which, in turn, requires a considerable methodological effort; this is particularly so in the case of Latin America and the Caribbean.

In this context, the following pages seek to answer, even if tentatively, four questions regarding the empirical dimension of political finance: how much money is spent on elections in the Americas? How is it spent? How important is state funding? Which sectors contribute to campaigns?

2.2. The magnitude of electoral spending in the Americas

Outside of the United States, estimating electoral spending in the hemisphere is an inexact science. This is due to many factors. First, financial transparency mechanisms are weak as is the enforcement of sanctions in those cases where legal limits to electoral spending exist. Second, some of the largest countries in the hemisphere, such as Brazil, Argentina, and Mexico—all federal states—have significant subnational electoral contests, in which the use of resources generally escapes legislative control and media coverage. Even in countries with unitary political structures, the development of new electoral arenas, such as open primaries and direct elections for local leaders, has added considerably to electoral costs, which, almost without exception, have yet to be calculated in detail. Accordingly, the majority of imprecise estimates available refer to presidential elections, which, while comprising a significant amount of spending on political activity, also leave out a considerable part of the total.

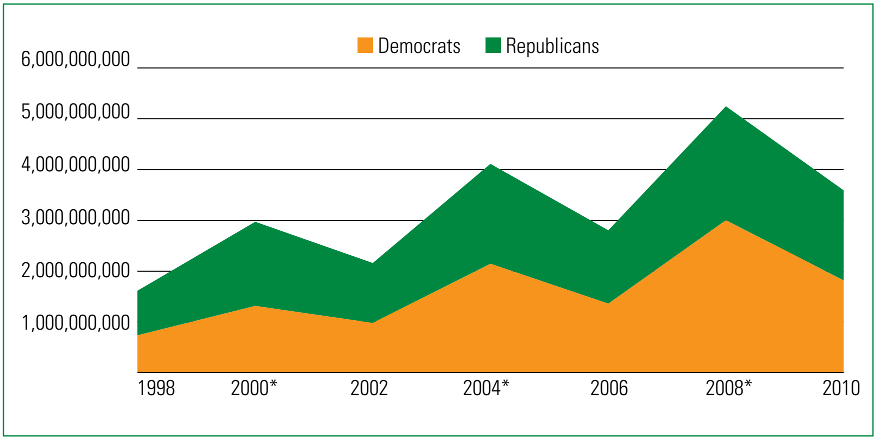
The amount of money spent on elections in the United States has increased considerably in recent years. According to Open Secrets, an organization that monitors campaign finance, the nearly USD 5.3 billion[1] spent on the 2008 elections at all levels was much higher than all electoral spending in 2000 and 2004. If accurate, this figure situates the cost per vote in US elections at nearly USD 28 per registered voter, which is comparatively high.[2]

[1] Unless otherwise indicated, all monetary figures in this chapter are in US dollars.

[2] Voter registration figures are taken from International IDEA, Voter Turnout Database. We have chosen to use figures on registered voters, not votes cast, to calculate per capita campaign spending. This is because electoral outlays are made, in principle, with the totality of potential voters in mind. This number may be considerably reduced by electoral abstention, which is fundamentally beyond the control of parties and candidates.

Slightly more than USD 1.3 billion of this total corresponded to the presidential election, including primaries. This represents an explosive increase in the cost of the presidential election, which was approximately USD 192 million in 1992. As we will see below, President Barack Obama's 2007–2008 campaign was a watershed with respect to many aspects of campaign finance. For now, it is worth mentioning that at USD 730 million (Open Secrets) it broke all previous spending records by a considerable margin. The campaign's fundraising capacity was such that it opted to reject public financing in order to avoid the spending limits imposed on US presidential candidates who use the subsidy. It was the first time that a major party candidate rejected the subsidy since its implementation in 1976. The decision dealt a major blow to the effectiveness of public financing in the United States (Nagourney and Zeleny, 2008), as demonstrated four years later when both major party presidential candidates opted to decline public financing (Federal Election Commission).

Figure 2.1. Campaign spending in the United States, 1998–2010



Note: (*) Presidential election.
Source: Open Secrets.

Though the trend has been less pronounced, the cost of US congressional elections has also risen. The USD 964 spent on the 2002 mid-term elections certainly pales in comparison to the USD 1.8 billion spent on the 2010 mid-term elections. However, when looking at the average cost of a congressional campaign, the increase during that time frame seems much more modest (from USD 468,000 to USD 571,000 for House campaigns and from USD 2.2 million to USD 2.4 million for Senate campaigns) (Open Secrets).

This last point suggests the following general consideration: the selection of electoral spending indicators, as well as the benchmarks with which these are compared, decisively condition one's assessment of spending trends. Even in the United States, where the trend of absolute electoral spending figures seems to show strong growth, things are not as clear as they seem at first sight. It is worth mentioning the work of Ansolabehere, Gerber and Snyder, who showed that the cost of the 2000 elections in the United States was lower than that of the 1912 elections in proportion to gross domestic product (Ansolabehere, Gerber, and Snyder, 2001: 33). And while it is a complex undertaking to determine whether electoral spending has increased within a given context, determining whether such spending has increased to the point of becoming a threat to the democratic process is even more difficult. Even though the cost per vote in the United States seems comparatively high, the USD 5.3 billion spent on the 2008 election is less than Americans spend annually celebrating Halloween (USD 5.8 billion), as noted by Ellen Weintraub, current member of the Federal Election Commission (Weintraub, 2011). Accordingly, a certain dose of restraint and skepticism is imperative when analyzing electoral spending figures in any country.

There is no doubt that the situation is quite different in Canada. The short length of campaigns (36 days) and strict spending limits at the national level (for parties) and in each electoral district (for candidates) result in decidedly modest electoral costs. Electoral authorities capped spending for the 2011 general election at USD 21 million for each of the three major parties, and at smaller amounts for parties without candidates in every region of the country (CBC News, 2011). That puts the cost of the 2011 Canadian elections at less than USD 100 million, or less than USD 5 per registered voter. Fundraising figures for 2009 also give an idea of the relatively low costs incurred by political organizations in Canada. During that year (non-election), Canadian parties raised a total of USD 128 million, of which nearly 90 per cent corresponded to the various existing state subsidies, including the partial reimbursement of spending for the 2008 election (Elections Canada).

The situation of campaign spending is more obscure in almost every other country in the hemisphere. In Mexico, increasingly vigorous competition among parties at the state and local levels has rendered figures gathered at the federal level only marginally useful. This is in spite of the relatively rigorous regulation by the National Electoral Institute (INE: Instituto Nacional Electoral), which did not apply to subnational contests until 2014.[3] Available figures for the 2006 presidential and legislative elections show total spending of just over USD 301 million, with relatively balanced spending among the three main political forces (see Table 2.1). The spending limit per party had previously been approximately USD 130 million.

[3] The 2014 electoral reform changed the outlook as described in the text. According to the new General Electoral Institutions and Procedures Act (Ley General de Instituciones y Procedimientos Electorales), the new National Electoral Institute (INE—Instituto Nacional Electoral) is tasked with directly regulating the revenues and expenditures of parties and candidates in federal and local elections (Art. 32). Articles 190 and 199 of this Act explain this regulation in detail. See: <http://www.diputados.gob.mx/LeyesBiblio/pdf/LGIPE_100914.pdf>.

Table 2.1. Campaign spending by political party in Mexico, 2006 elections (USD)

Party	Advertising (Internet, movies, events, etc.)	Operational Costs	Print Media	Radio and TV	Total
PAN	18,371,700	19,213,400	2,069,930	53,277,100	92,932,130
Coalition 'Alianza para México'	32,139,800	5,462,560	4,251,520	55,149,500	97,003,380
Coalition 'Por el Bien de Todos'	13,476,000	29,399,900	1,116,560	49,455,000	93,447,460
Nueva Alianza	1,262,570	2,645,390	266,257	7,609,790	11,784,007
Alternativa	824,537	1,571,770	120,245	3,839,250	6,355,802
Total	66,074,607	58,293,020	7,824,512	169,330,640	301,522,779

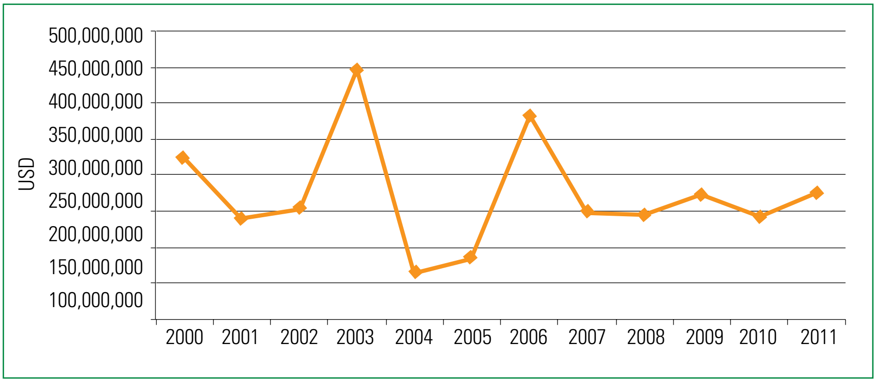
Source: adapted from Mena Rodríguez (2010).

Despite the limitations in terms of the information, which does not include expenditures at the state level, this would place the cost of Mexican elections at USD 4.2 per registered voter at the federal level, which is not consistent with the widespread perception that Mexican elections are among the most expensive in the world.[4] This perception is almost certainly due in large measure to the fact that the state subsidy system for parties in Mexico is highly generous in absolute terms, having disbursed the equivalent of USD 324 million and USD 382 million to all parties in the 2000 and 2006 elections, respectively (see Figure 2.1). More notably, public spending reached almost USD 447 million for the 2003 legislative elections. That is equivalent to a USD 6.9 subsidy per registered voter and USD 17.3 per vote, a very high figure according to any international standard.[5] The result was a clearly illogical situation in which parties received more public funding than they were legally allowed to spend (Córdova Vianello, 2011).

[4] See, for example, 'El costo de la democracia', *El Universal* (Mexico City), July 26, 2011.

[5] See Casas-Zamora (2005).

Figure 2.2. State financing for parties at the federal level in Mexico, 2000–2011



Source: Tépach (2013).

Information on Central American countries is very fragmentary, with the exception of Costa Rica. Using journalistic and official sources, as well as interviews, Casas-Zamora calculated electoral spending for the Central American electoral cycles immediately before and after 2000 (see Table 2.2).

Table 2.2. Total campaign spending and relative weight of direct subsidies in Central America and Panama, circa 2000

Country	Electoral Cycle	(A) Total Campaign Spending	(B) State Subsidy	(C) Private Sources (A-B)	(D) Percentage Covered by Subsidy (B/A)
Costa Rica	1998	20.1 (1)	11.5	8.6	58
Nicaragua	2000–2001	22–24	10.6	11.4–13.4	44–48
Panama	1999	20 (2)	6.1 (4)	13.9	30
Honduras	1997	15.3	1.5	13.8	10
Guatemala	1995	11.5	0.6	10.9	5
El Salvador	1999–2000	N/A (3)	N/A	N/A	N/A

Notes: (1) This includes national elections and internal electoral processes—both legislative and presidential—in the PLN and the PUSC. The cost of the national elections was USD16.8 million. (2) This figure should be taken with caution. The source only includes an estimate of USD10 million for 'one presidential campaign'. The figure in the table above assumes the cost of at least two major party presidential candidates. The cost of legislative elections, not included in this figure, may be substantial in Panama. (3) No estimates are available. However, one source estimated advertising spending of USD8 million for one of the two major parties during the 1999 presidential election. (4) This includes only 40 per cent of the subsidy spent during the campaign.

Detailed source: Casas-Zamora (2003).

In some cases the figures have since changed, although the variations in available information and the different methods used to calculate costs make comparisons impossible. For example, a recent study calculated the cost of advertising and canvassing during the 2007 Guatemalan election at approximately USD 59.5 million. Another USD 24.5 million spent on advertising and canvassing during the pre-campaign phase should be added to this figure (Ruiz Loaiza, 2011: 305). The study's author was prudent enough to consider these figures, based on media monitoring, as merely 'indicative'.

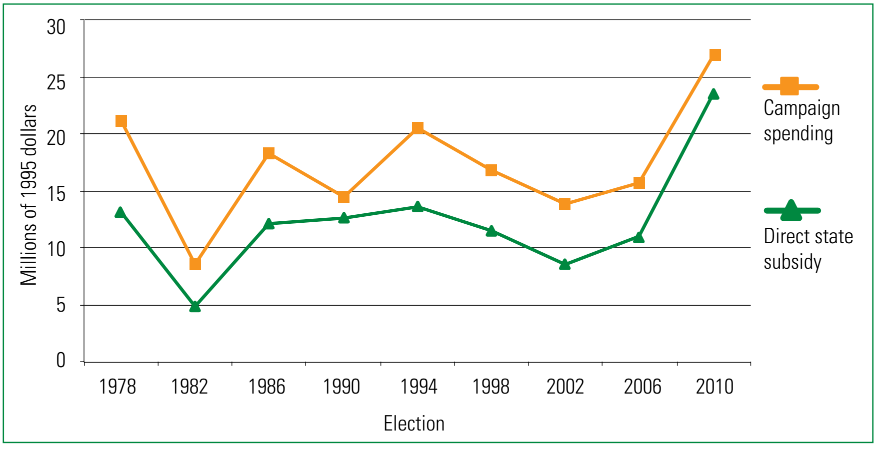
In Honduras, a very speculative estimate calculated public and private funds raised for the 2005 general election at USD 40.5 million, or USD 10 per registered voter (Casco Callejas, 2011: 342–343). In Nicaragua, the Red Ciudadanía por la Transparencia, a consortium of non-governmental organizations, performed a much more detailed computation, placing the total spent by parties on the November 2006 election at USD 18.2 million, or USD 5 per registered voter, indicating an apparent 40 per cent increase vis-à-vis a similar study on the 2001 election (Zelaya Velázquez, 2011: 377). This is all much more than what is known about El Salvador, where, until 2013, the regulatory framework for campaign finance was the closest to laissez-faire in all of Latin America.[6] The only available information on El Salvador corresponds to state subsidies, which came to USD 22.5 million disbursed to all eligible political parties in 2009 (electoral year), and the estimated USD 14.6 million spent on advertising by the various political actors during the 12 months prior to the election (Artiga González, 2011: 288, 291). In the case of Panama, there are figures on public financing for the 2009 campaign (USD 13.4 million) (Valdés Escoffery, 2011: 401) and total spending by the eventual winner of the election, Ricardo Martinelli (USD 19 million) (*La Prensa,* 2009).

Costa Rica is the only Central American country for which there are detailed, consistent figures on spending. This information is drawn from expense reports submitted by parties to the Office of the Comptroller General in order to claim the public subsidy following elections (see Figure 2.3). Accordingly, Costa Rica is the

[6] The reform that created the 2013 Political Parties Act (Ley de Partidos Políticos) produced three major changes: it required parties to diligently provide information on public and private financing (Art. 24); it prohibited donations from anonymous sources, foreign sources, professional associations and trade unions; and it created transparency and oversight mechanisms, such as the registration of donations, among others (Art. 63–68). See: (Asamblea Legislativa de la República de El Salvador, 2015). In September 2014, the Constitutional Court found the articles related to the changes cited to be unconstitutional and required the Legislative Assembly to rewrite the corresponding parts of the Political Parties Act. The Assembly revised the corresponding parts by Reform 843, published in late November 2014, and Reform 928, published in February 2015. The legal framework in effect for the March 2015 legislative elections (1) reestablished the obligation of parties to report private funds raised and the names of donors, but with the prior and express consent of donors; (2) required parties to create units for access to information, and established procedures and criteria for determining what information will remain under seal and confidential; and (3) did not reestablish any donor prohibitions or transparency and oversight mechanisms.
See: <http://www.diariooficial.gob.sv/diarios/do-2014/11-noviembre/24-11-2014.pdf>; <http://www.diariooficial.gob.sv/diarios/do-2015/02-febrero/04-02-2015.pdf>.

only country in the hemisphere besides the United States for which it is possible to measure spending behavior over a prolonged period of time.[7] First, these figures show a strong correlation between the cost of national elections and the availability of electoral subsidies, which depend on GDP during the years leading up to the election.[8] The expectation of collecting a part of the subsidy post-election plays a determinant role in spending decisions made during campaigns. Second, there was a clear and notable increase in spending from the 2006 to the 2010 elections. The cost of the February 2010 presidential and legislative elections was nearly USD 27 million. The cost of the ruling Partido Liberación Nacional's open primary should be added to that figure, as should spending for the December 2010 municipal elections. Campaign finance reforms approved in 2009 provide for a state subsidy of nearly USD 9 million for these municipal elections. According to Figure 2.3, the cost of each vote cast in February 2010 was approximately USD 9.6. Despite the increase from 2006 to 2010, it is worth noting that this figure is less than the cost per vote in the elections in 1978 (USD 20), 1986 (USD 12.3), and 1994 (USD 10.9) (Casas-Zamora, 2013). Again, absolute figures are but one possible indicator of electoral spending behavior, and are not necessarily the most informative.

Figure 2.3. Campaign spending and direct state subsidies in Costa Rica, 1978–2010



Notes: spending estimates exclude primary elections, second round elections (2002), and municipal elections (2006 and 2010). Subsidy figures for 2010 refer to the subsidy allocated, not the subsidy effectively disbursed to parties post-election by the Supreme Electoral Tribunal.

Sources: Casas-Zamora (2005: Chapter 2; 2013).

[7] See Casas-Zamora (2005: Chapter 2; 2013).

[8] Since 2001, based on the reform of Article 96(1) of the Constitution, the maximum state subsidy for parties is fixed at .19 per cent of GDP in the year two years prior to elections, and the Legislative Assembly has the right to lower the rate. For the 2010 electoral cycle, the Assembly set the rate at .11 per cent for the national election and .03 per cent for the election of mayors. Four years later, the Assembly set it at .11 per cent for all elections (.08 per cent for the national election, and .03 per cent for the local elections).

Information on the South American countries is also in short supply. For example, while it is routinely stated that Brazilian elections are among the most expensive in the world, evidence to support this claim tends to be anecdotal and imprecise. Aguiar estimated that the total cost of the 1989 elections surpassed USD 2 billion, and estimates from the local press cited by Samuels put the cost of the 1994 elections at USD 3.5 to USD 4.5 billion (Aguiar, 1994: 33). Bruno Speck calculated the total cost of the 2006 Brazilian general election at approximately USD 2.5 billion, or USD 20 per eligible voter.[9] Even though figures submitted by candidates to Brazilian authorities are notoriously unreliable, it is worth nothing that Fernando Henrique Cardoso's successful 1994 and 1998 presidential campaigns received private donations totaling USD 37 million and USD 41 million, respectively (Samuels, 2001: 33). This figure is consistent with those available for 2006, when the two main presidential candidates declared expenses totaling USD 78 million (Jardim, 2011: 134).

For the Argentine case, Corcuera calculated total spending by presidential candidates for the 2007 election at approximately USD 14 million. Available reports on campaign contributions suggest a considerable increase vis-à-vis the previous elections, in 2003, for which public and private spending by presidential candidates barely surpassed USD 10 million (Corcuera, 2011: 80). Despite taking into account the omission of legislative elections and, in general, subnational contests, which are extremely important in Argentina, these figures seem comparatively very low, almost certainly due to the inability of existing oversight mechanisms to capture all the information.

Figures reported by presidential candidates and parties in Chile also seem relatively modest. The total reported cost for presidential and legislative candidates reached USD 21 million for the 2005–2006 elections (USD 9 million for both presidential rounds and USD 12 million for legislative elections) (Fuentes, 2011: 166–168). These figures, however, seem to have increased dramatically for the 2010 elections; the four presidential candidates spent an approximate total of USD 22 million on the first round of the election alone. Sebastián Piñera, the eventual victor, outspent his rivals by a wide margin and was the only candidate to reach the spending limit of slightly more than USD 11 million. The cost of the second round, capped at approximately USD 3.7 million for each of the two candidates, as well as all costs incurred by legislative candidates, should be added to this figure. The spending limit for legislative elections was fixed at a variable rate by electoral district, with an average of USD 566,000 for Senate candidates and USD 208,000 for candidates to the Chamber of Deputies (Riffo, 2010).

[9] 'Filiados deveriam financiar partidos', *O Popular* (Goiania, Brazil).

It is important to keep in mind that the application of electoral spending limits in Chile—particularly in local elections—is highly imperfect. According to a poll conducted by Chile Transparente of former mayoral candidates, only one-third believed that spending limits were respected in their districts (*comunas*) during the November 2008 local elections (Urcuyo Cossío and Moya Díaz, 2009: 17–18).

While reliable information on Colombia is scarce, one still notes a considerable increase in campaign spending from the 2006 to the 2010 elections, due to the much more competitive nature of the latter. Public financing increased from USD 9.3 million in 2006 to USD 38.2 million in 2010 (Restrepo, 2011: 203–204). Beyond that, little else is known. In Paraguay, on the other hand, a thorough analysis placed spending on the 2008 election at USD 14.2 million, or USD 5 per registered voter (Barreiro and Echauri, 2011: 421–423).

More is known about Uruguay, despite the virtual absence of campaign finance regulation until 2009. In 1998, Rial estimated the cost of the Uruguayan elections at approximately USD 30 million. This estimate was later corrected by the detailed reconstruction of campaign spending done by Casas-Zamora, which placed the total cost of the 1994 and 1999 elections at USD 39 million, or USD 16 per vote. Surprisingly, the 1996 electoral reform—which introduced open primaries, limited parties to one presidential candidate, and separated local and national elections—did not generate an explosive cost increase, but rather a redistribution of costs among the different electoral phases (Casas-Zamora, 2005: Chapter 4).

Table 2.3 includes the principal cost estimates presented in this section. We have made sure to include only those countries in the Americas for which the cost of at least one election has been calculated.

Table 2.3. Total campaign spending and per registered voter in some countries of the Americas.

Country	Electoral Level(s) included in calculation	Year	Total spending (USD millions) (1)	Cost per registered voter (USD)
Argentina	Presidential	2007	14	0.5
Brazil	General	2006	2,500	19.9
Canada	Federal	2008	100	<5.0
Chile	Presidential	2009	22	2.7
Costa Rica	Presidential and Legislative	2010	27	9.6
United States	General (2)	2008	5,300	27.8
Honduras	General	2006	40.5	10.2
Mexico	Federal	2006	301	4.2
Nicaragua	General	2006	18.2	5.0
Paraguay	General	2008	14.2	5.0
Uruguay	General (2)	1999–2000	38.8	16.2

Notes: (1) All figures have been converted to USD using the average exchange rate for the respective electoral year. (2) Including primaries.

Sources: total spending: Argentina: Corcuera (2011), p. 80; Brazil: Speck, cited in 'Filiados deveriam financiar partidos', O Popular (Goiania, Brazil); Canada: approximation based on information from Elections Canada; Chile: Riffo (2010); Costa Rica: Casas-Zamora (2013); United States: Open Secrets; Honduras: Casco Callejas (2011: 342–343); Mexico: Mena Rodríguez (2010); Nicaragua: Zelaya Velázquez (2011: 377); Paraguay: Barreiro and Echauri (2011: 421–423); Uruguay: Casas-Zamora (2005: 198). Registered Voters: International IDEA´s, Voter Turnout Database.

These are but a few broad brushstrokes of an issue that is largely dominated by conjecture. The problem is twofold, as indicated above. It is not simply the lack of information, but also the methodological laxity with which this information is used, that makes any comparison of figures between two countries, or within one country over time, extremely risky. This forces us to moderate the often-repeated assertion that campaign costs are inevitably trending upward. This may be true, but there is not enough information available to confirm it with any certainty. Furthermore, and as suggested by the information cited above regarding the United States and Costa Rica, depending on the indicator used it is quite possible that the media-intensive campaigns of today are proportionally less expensive than those in the past, when political advertising was defined by exceptionally onerous clientelistic practices, as noted by Pinto-Duschinksy (2002). As we shall see below, the same prudence should be applied when analyzing how parties and candidates spend during campaigns.

2.3. How is the money spent?

The same caveats should be applied when determining the different categories of electoral spending in the hemisphere. It is evident that television has become the most important electoral advertising tool and that it tends to comprise a significant electoral cost. However, determining its real importance or whether it is growing with any certainty is not a simple task. Our limited knowledge of the structure of electoral spending forces us to carefully review—although not necessarily reject—the assumption regarding television's predominant role in electoral spending. This is for several reasons:

First, available estimates of electoral spending prioritize monitoring spending on media, as it is the most visible category and the easiest to quantify.

Second, analyses of media spending tend to focus on presidential campaigns and, in general, contests at the national level, where the use of mass media is very intense. This leaves out subnational and local contests, in which television is used much less.

Third, media monitors rarely take into account discounts frequently given to parties and candidates—or simply any purchaser of advertising in high-volume—by media outlets. As we shall see below, these discounts can become a serious problem when viewed through the lens of political finance; they are equivalent to in-kind contributions, which hold a great deal of financial and political weight, and have a problematic impact on the equality of conditions among candidates.

Fourth, the most detailed studies on electoral spending have demonstrated that its composition depends on existing frameworks for regulating finance, as well as the broader institutional context, including the electoral system. The most extreme and obvious example of this, although not the only one, can be seen in certain countries of the region, such as Brazil, Chile, Mexico, and Ecuador, where an authorized electioneering time slot coexists with a prohibition on buying additional advertising space on television or radio.[10] The fact that the cost of Brazilian elections continues to be estimated in the billions of dollars is a reminder that electoral costs can have any number of triggers.

Additionally, we must take into account the variety of electoral spending categories among different countries. As we shall see below, while some estimates separate television from other forms of mass media, others consider them together. Furthermore, when non-media spending is taken into account,

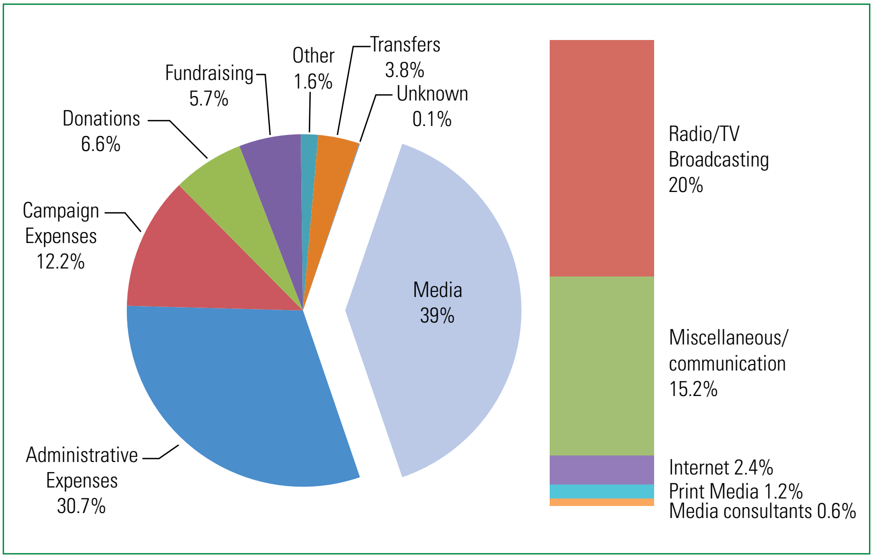
[10] See Chapter 1, note 28.

the categories used are extremely varied, making international comparison almost impossible. Generally, the proportion of media spending to non-media spending is the only information that can be known with some certainty, and only in some cases. With these warnings in mind, we will now analyze the available figures on some countries in the hemisphere.

In the case of the United States, where media campaigning finds its fullest expression, available information shows that media comprised the largest spending category in the 2008 elections (39 per cent), followed by administrative costs (including salaries, travel, rent, etc.: 31 per cent). However, when disaggregating these categories, television and radio broadcasts (they are not separated) comprised only 20 per cent of the total cost. It is worth mentioning that polling—another category to which the high cost of modern campaigns is attributed—accounted for no more than 2.5 per cent of total spending, slightly more than one-fourth of the total spent on salaries (9.7 per cent) (Open Secrets). The spending breakdown for President Obama's campaign diverges from the total figures, but not dramatically: media accounted for 53 per cent of total spending, while dissemination of television and radio messages comprised 30 per cent of total spending (Open Secrets).

These figures, from a national campaign where the use of television is particularly intense, lend credence to the estimate by Alexander and Bauer years ago, which placed television spending at 10 per cent of the total cost of the 1988 US elections when taking into account local contests (Alexander and Bauer, 1991: 98).

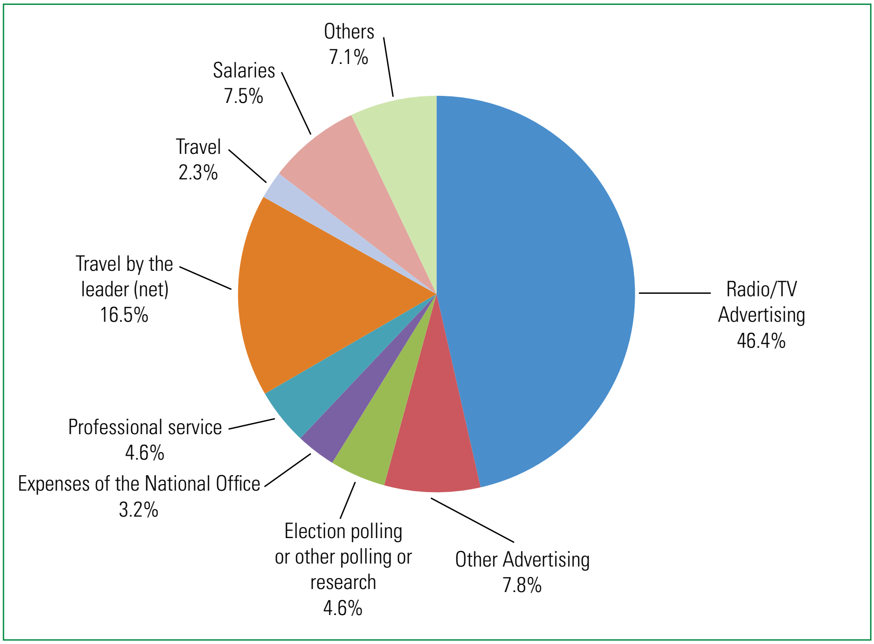
Figure 2.4. Campaign spending by category in the United States presidential elections, 2008 (breakdown of media spending)



Source: Open Secrets.

Available figures for the 2008 Canadian national elections, which apply only to spending reimbursed by the state (50–60 per cent of total spending), suggest more intense use of the media than in the United States. Television and radio accounted for 46 per cent of total spending, followed by campaign tours and events, which comprised one-sixth of total spending (16.5 per cent) (Elections Canada). Even though the categories used in collecting this information make comparisons between the United States and Canada difficult, it is possible that the higher percentage of media spending in Canada is related to the relatively modest administrative costs incurred by parties during campaigns. This is due to the more robust nature of party structures in Canada, a characteristic derived from its parliamentary system. The existence of reasonably solid and permanent party structures is inevitable in a system in which, by rule, elections can be called at any moment. Recent Canadian experience demonstrates this reality: from 2004 to 2011, Canadians went to the polls four times.

Figure 2.5. Campaign spending in Canada reimbursed, by category, 2008

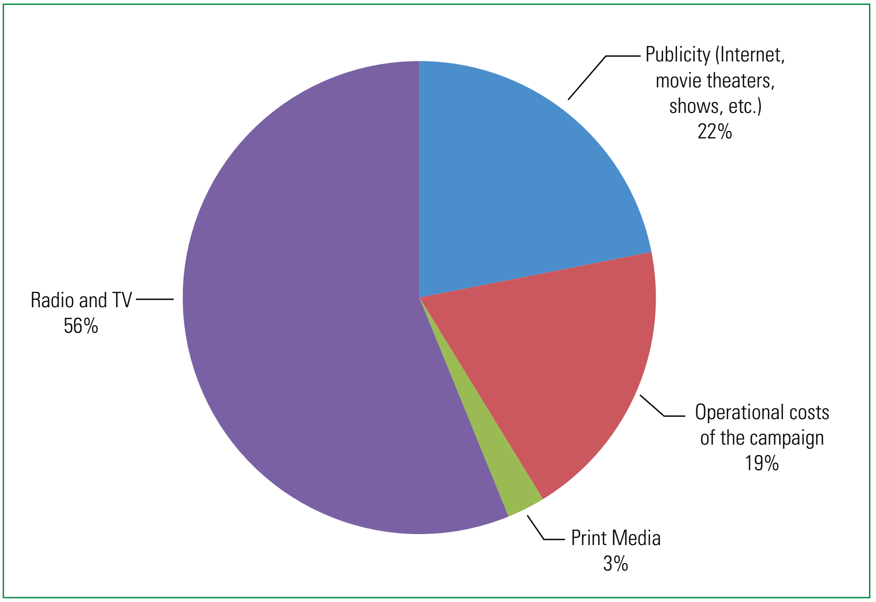


Source: Elections Canada.

Limitations on information, which is limited to federal elections, and the relative strength of party structures in Mexico, which are permanently and handsomely subsidized by the state (see Figure 2.2), impacted the cost breakdown of the 2006 Mexican elections (see Figure 2.6); these were the last elections held before the electoral reform of 2007 was enacted. Television and radio accounted for more than half of all spending by parties at the federal level (56 per cent). Other forms of advertising comprised 22 per cent of total spending (Mena Rodríguez, 2010: 15). Currently, the law not only precludes the purchase of airtime by parties, but in addition only 20 per cent of public financing disbursed for presidential elections can be used for advertising. Public financing for presidential elections is set at 50 per cent of the annual subsidy parties receive for their day-to-day operations (in 2010 and 2011, both non-electoral years, the total subsidy for parties was USD 238 million and USD 279 million, respectively).[11]

[11] The 2014 General Electoral Institutions and Procedures Act did not change the essence of the 2007 reform. It did add the right to media access for candidates, among other changes (see Articles 159–186) <http://www.diputados.gob.mx/LeyesBiblio/pdf/LGIPE_100914.pdf>.

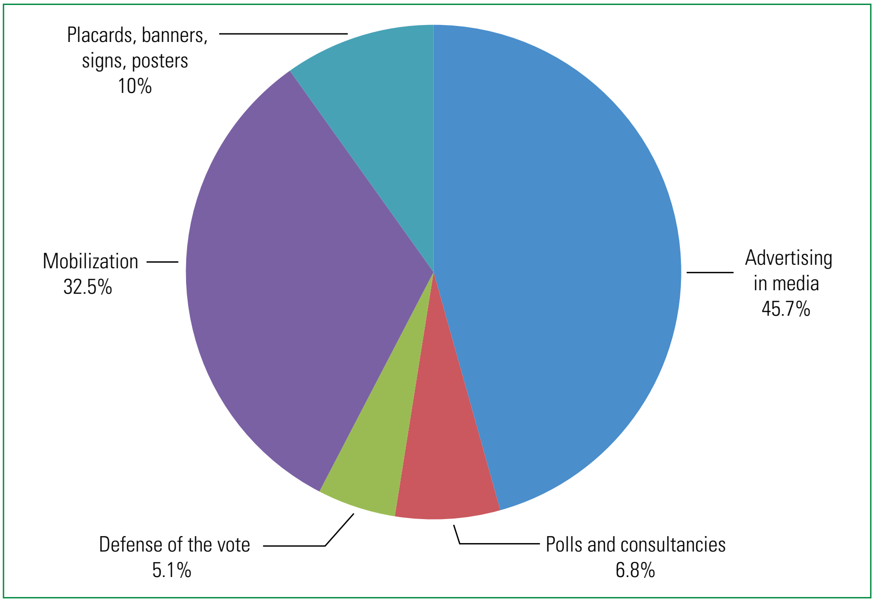
Figure 2.6. Campaign by category for Mexican federal elections, 2006



Source: Mena Rodríguez (2010: 15).

The situation in Central America is even murkier. Little is known about Guatemala, except that party spending on television is distorted by the monopolistic control of television by the consortium of networks owned by Mexican-US businessman Remigio Ángel González, which on occasion has allowed him to openly favor candidates of his choosing, as we'll see below (Casas Zamora, 2004: 70–71). In El Salvador there is not a detailed understanding of the breakdown of electoral spending. However, according to media monitoring, in the year leading up to the 2009 presidential election, 89 per cent of media spending was on television, and total media spending (USD 14.6 million) was double that recorded for the previous presidential election in 2004 (USD 7.8 million). These figures show the overwhelming advantage held by the conservative Alianza Republicana Nacionalista in media spending, as it spent two-thirds of the estimated total (Artiga González, 2011: 289). One expert estimated that mass media accounted for 70 per cent of total spending by Honduran parties, with television accounting for 40 per cent of total disbursements (Casco Callejas, 2011: 343). Information on Nicaragua is much more detailed. According to one study, mass media accounted for nearly half of all spending in the 2006 Nicaraguan elections (see Figure 2.7) (Zelaya Velázquez, 2011: 378).

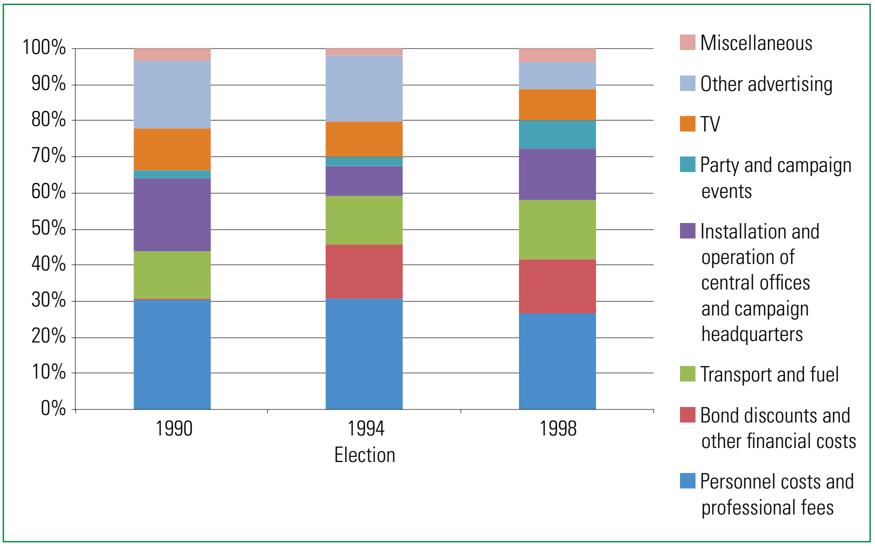
Figure 2.7. Campaign spending by category in Nicaraguan elections, 2006



Source: Zelaya Velázquez (2011: 378).

Available estimates of the breakdown of spending for Costa Rican elections are contradictory. Based on expense reports submitted by Costa Rican parties to the Office of the Comptroller, Casas-Zamora estimated that television accounted for 10 per cent of spending in the 1990, 1994 and 1998 elections, a surprisingly low figure, far below spending on salaries and professional fees, which comprised over one-fourth of total spending, as well as other categories such as transportation and setting up campaign offices (see Figure 2.8). More recent information on the 2006 and 2010 presidential and legislative elections, based on interviews with the chief financial officers of the major parties' campaigns, placed spending on television at 50 per cent of the total (Casas-Zamora, 2013).

Figure 2.8. Campaign spending by category in Costa Rica, 1990–1998



Source: Casas-Zamora (2005: Chapter 3).

Media monitoring estimates of advertising spending in other Latin American countries shed light on the importance of television outlays as part of all advertising spending, but not on its share of overall campaign spending. In Bolivia, an estimated 89 per cent of advertising purchased with government subsidies for the 2005 general election was for television (Romero Ballivián, 2011: 112). In Peru, the generous authorized electioneering time slot granted by Peruvian electoral authorities (nearly USD 6 million for television and radio) limited parties' advertising spending to approximately USD 4 million for the 2006 elections. Television spending comprised 80 per cent of that total (Tuesta Soldevilla, 2011: 458). Similarly, in the Dominican Republic, it is estimated that television comprised 82 per cent of advertising spending monitored (over a very short time, less than a month) during the weeks prior to the 2008 elections, 56 per cent of which was by the party in power, Partido de la Liberación Dominicana (Cueto, 2001: 487).

There is better information on Paraguay, where parties spent an estimated USD 4 million on television for the 2008 election, equivalent to 36 per cent of the total campaign spending (Barreiro and Echauri, 2011: 425). In Argentina, presidential candidates in the 2007 election reported that advertising (without any breakdown) accounted for 77 per cent of total spending (Corcuera, 2011: 88). The situation in Uruguay is, in some respects, less clear. Based on very fragmentary information, Casas-Zamora identified a high proportion of advertising spending by Uruguayan parties (close to 70 per cent of total spending for some), of which only 25 per cent was for television. This apparent statistical inconsistency can be attributed to the generous discounts offered Uruguayan parties (particularly some of them) by private television stations, for decades imbedded in a complex, mutually dependent relationship with the political system (Casas-Zamora, 2005: Chapter 4).

Table 2.4 summarizes the principal findings of this section.

Table 2.4. Estimates of campaign spending on advertising and television in the Americas

Country	Type of Election	Year	Advertising as % of total spending	TV and radio as % of total spending	TV spending as % of advertising spending	Source
Argentina	Presidential	2007	77%	N/A	N/A	Corcuera (2011)
Bolivia	General	2005	N/A	N/A	89% (1)	Romero Ballivián (2011)
Brazil	Federal	–	N/A	0 (2)	0	–
Canada	Federal	2008	54% (1)	46%	N/A	Elections Canada
Chile	All	–	N/A	N/A	0 (Open TV) (3)	–
Costa Rica	General	1990–94–98	24%	10% (TV)	41%	Casas-Zamora (2005)
	Presidential and legislative	2006, 2010	N/A	>50% (TV)	N/A	Casas-Zamora (2013)
El Salvador	Presidential	2009	N/A	N/A	89%	Artiga González (2011)
United States	All	1988	N/A	>10% (TV)	N/A	Alexander & Bauer (1991)
	Presidential	2008	39%	20%	N/A	Open Secrets
Honduras	General	2005	70%	40% (TV)	57%	Casco Callejas (2011)
Mexico	Federal	2006	78%	56%	N/A	Mena Rodríguez (2010)
	Federal	Since 2007	20% of electoral subsidy	0 (2)	0	–
Nicaragua	National	2006	56%	46%	N/A	Zelaya Velázquez (2011)
Paraguay	General	2008	N/A	36% (TV)	N/A	Barreiro & Echauri (2011)
Peru	General	2006	N/A	N/A	80% (4)	Tuesta Soldevilla (2011)
Dominican Republic	General	2008	N/A	N/A	82%	Cueto (2011)
Uruguay	General	1994, 1999	Approx. 2/3	25% (TV)	N/A	Casas-Zamora (2005)

Notes: (1) Includes only expenses financed by state subsidy. (2) There is an authorized electioneering time slot. Parties cannot privately purchase radio or television airtime. (3) There is an authorized electioneering time slot. Parties cannot purchase free-to-air television airtime, but can purchase cable television and radio airtime. (4) Only includes monitoring of advertising privately purchased by parties.

In short, we cannot assert that there is a single pattern in the breakdown of electoral costs in the Americas. Based on the precarious and inconsistent information available, we can say that in those countries where parties and candidates are allowed to purchase advertising, television comprises an overwhelming proportion of advertising spending, and a significant, if not overwhelming, percentage of total campaign spending. With the exception of El Salvador, and probably Costa Rica, there is no evidence showing that television spending is growing in proportion to total campaign spending.

If this is all we know about spending, which is the most visible aspect of electoral activity, it is only to be expected that the characteristics of the other, less visible side of campaign finance—fundraising—are much murkier, as we will see next.

2.4. How are campaigns financed?

The true operation of campaign finance mechanisms is one of the least explored and probably most controversial aspects of political activity. State subsidies, public by definition, have expanded to practically every country in the Americas. As we will see below, because of the way in which state subsidies are disbursed and their varying levels of generosity, private campaign financing remains of vital importance in most countries in the region. In spite of increasing regulatory efforts, very little is known about who finances campaigns in the region. The prevailing opacity has given way to a profuse mythology that identifies private financing of campaigns as being at the root of all sort of political pathologies and mishaps. This section will attempt to briefly summarize what is known about this complex dimension of political life in the region, highlighting what has been reasonably shown, and setting aside the prevailing mythology as much as possible. To that end one should start with the most accessible and public aspect, state subsidies.

2.4.1. Public financing and its importance for elections

Systems for regulating political finance in the Americas are extremely varied. There is only one characteristic that they all share: mechanisms for publicly financing parties and candidates. Of all the countries included in this study, Venezuela is the only one lacking any form of state subsidy for parties.

This tells us very little about how political finance operates in practice. The fact that public financing is a shared characteristic of political finance regulation in the hemisphere does not necessarily mean that it is a dominant factor of political financing in the region. The capacity to mold the financing practices and behaviors of the party system depends on any number of factors, beginning with how the subsidy mechanisms are set up, which may vary widely. As noted by Bradley A. Smith, 'to say that one favors government financing of campaigns is a bit like saying that one enjoys sports. Are we talking football? Kayaking? Downhill skiing? Ballroom dancing? Chess? The options are endless'. (Smith 2001: 89) Therefore it is important to take a moment, however brief, to examine the characteristics of public financing systems in the hemisphere (see Table 2.5).

Table 2.5. Main characteristics of public financing systems in the Americas, 2011

Country	Public Subsidies		Direct Subsidies		Electoral Subsidies					
								Allocation Rule		
	Direct	Indirect	Electoral	Permanent	Prepay	Back Pay	Barrier to Entry	Electoral Strength	Egalitarian adjustment	Other
Argentina	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	–
Bolivia	No	Yes	No	No	–	–	–	–	–	–
Brazil	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	
Canada	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes (1)
Chile	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No	–
Colombia	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–
Costa Rica	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	–
Ecuador	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–
El Salvador	Yes	Yes	Yes	No	Yes	Yes	No	Yes	No	–
United States	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes (2)
Guatemala	Yes	Yes	No	Yes	–	–	Yes	Yes	No	–
Honduras	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	–
Mexico	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–
Nicaragua	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	–
Panama	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–
Paraguay	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	–
Peru	Yes	Yes	No	Yes	–	–	–	–	–	–
Dominican Republic	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	–
Uruguay	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	–
Venezuela	No	No	–	–	–	–	–	–	–	–

Note: (1) 50 per cent of spending incurred by parties at the federal level is reimbursed and 60 per cent of spending incurred by candidates in each electoral district is reimbursed. (2) For primary elections, presidential candidates must raise USD 5,000 in at least 20 states to receive state subsidies that pay up to USD 250 for each donation received.

Sources: Canada: Elections Canada; United States: Weintraub (2011); All other countries: see Appendix.

As can be observed in the table, the overwhelming majority of countries studied use both direct subsidies (that is, funds disbursed to parties or candidates according to a procedure previously defined by law) and indirect subsidies (generally in-kind contributions, such as access to mass media, tax exemptions for donors, postage, etc.). Besides Venezuela, Bolivia is the only country in the hemisphere that does not have direct subsidies for parties.

Direct subsidies make up the bulk of public financing in the vast majority of countries covered in this chapter. The only possible exception is Brazil, where the commercial value of the media segments provided to the parties by the state is probably greater than or equal to the value of direct contributions from the government. In practically every country in the hemisphere that has direct subsidies, government spending is geared, either entirely or in part, to supporting the electoral activities of parties and candidates. Guatemala is the only country where the amount of direct government assistance disbursed does not vary during election years.[12] It is worth noting, however, that the adoption of state mechanisms for supporting the regular functioning of parties has become common in the hemisphere in recent years. To date, 13 of the 20 countries included in this study use a combination of electoral and permanent subsidies. In a few cases, the permanent operational subsidy is considerably higher than the electoral subsidy. In Mexico, for example, public financing for electoral activities during the 2010–2011 cycle was less than one-fifth total public financing for political parties.[13] According to Panamanian law, 40 per cent of all subsidies disbursed per five-year government term are to be used for electoral financing. But these are the exceptions in the region.

Electoral subsidies vary significantly in how they are disbursed, their rules of access, and the principles governing their distribution. Eleven of the countries included in this study have configured their systems such that part of the subsidy is disbursed before elections—so that parties and candidates need not finance themselves during campaigns—and the rest is disbursed following elections. Only in Argentina and the United States are subsidies disbursed in their entirety before elections. In Canada, Nicaragua and Paraguay, on the other hand, state funds are only disbursed post-election. Similarly, and in line with common international practice, 11 of the countries have established an electoral threshold (an absolute number of votes, legislative representatives or, more commonly, a percentage of the vote nationally or within an electoral district) that must be surpassed in order to access public financing. Finally, with the exception of Canada and the United States, the bulk of electoral subsidies are allocated in proportion to the votes obtained by eligible parties and candidates. However, establishing a certain percentage of funds to be

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12 The situation in Peru is ambiguous. See Chapter 1, note 22.

13 Calculation based on figures from Tépach (2013: 10).

disbursed equally among all parties and candidates has become a common practice, geared to leveling opportunities and counteracting the inertial effect that may favor parties or organizations with an electoral past. This equalizing adjustment is in effect in a dozen countries in the region. Canada and the United States have different approaches: in Canada a fixed percentage of electoral expenditures is reimbursed to parties and candidates that surpass the electoral threshold, and in the United States a matching funds system is used in presidential primaries that distributes funds in accordance with the candidates' ability to raise funds from small donors.

All of these variations make it very difficult to abstractly predict the effect of electoral subsidies in the hemisphere. An additional variable that decisively conditions the effect of public financing is overlaid on these: the generosity of the resources. If electoral subsidies are to have a visible effect on financing practices—in particular, reducing the dependence of parties and candidates on private financing—it is obvious that they must be more than symbolic. As we will see below, there is a considerable disparity among levels of electoral subsidies in the hemisphere. And in some countries—including some where the possibility of illicit funds entering campaigns is problematic—subsidies are so small that could not even be considered modest (see Table 2.6).

Table 2.6. Total direct electoral subsidies as a percentage of GDP and per registered voter in some countries of the Americas

Country	Year	Total electoral subsidy (USD million)	Electoral subsidy as percentage of GDP	Amount per registered voter (USD)
Argentina	2007	5.1	0.002	0.2
Bolivia	2005 (1)	4.5	0.05	1.2
Canada	2008	51.0	0.003	2.2
Chile	2005	12.6	0.009	1.5
Colombia	2010	12,8	0.004	0.4
Costa Rica	2010	23.6	0.07	8.4
El Salvador	2009	12.5	0.06	2.9
United States	2008	135.7	0.001	0.7
Guatemala (2)	2007	0.15	0.0001	0.03
Honduras	2005	2.5	0.03	0.6
Mexico (3)	2006	382.5	0.04	5.4
Nicaragua	2006	9.3	0.18	2.5
Panama (4)	2009	13.2	0.05	6.0
Peru (2)	2011	3.0	0.002	0.15
Dominican Republic	2008	30.3	0.07	5.3
Uruguay	1999–2000	20.5	0.09	8.5

Notes: (1) Direct subsidies have since been eliminated. (2) Guatemala and Peru do not have direct electoral subsidies. For the sake of comparison, the permanent subsidy disbursed during the election year is included. (3) This includes both electoral and permanent state subsidies disbursed during the election year. (4) This amount corresponds to pre-electoral financing disbursed to political parties.

Sources: subsidy figures: all countries except Canada, United States, Mexico and Uruguay: Gutiérrez and Zovatto (2011). Canada: Elections Canada. United States: Federal Election Commission (1998). Mexico: Tépach (2013). Uruguay: Casas-Zamora (2005). Registered Voter Figures: International IDEA, Voter Turnout Database. GDP Figures for Corresponding Years: World Bank (1999–2011).

As is apparent, there are some notable differences among these figures. Only in Uruguay, Costa Rica, Panama, Mexico and the Dominican Republic do electoral subsidies reach USD 5 per voter, which is not even close to being among the most generous in the world.[14] In seven of the countries, electoral subsidies do not even reach USD 1 per voter, rendering them quite possibly inadequate for generating any visible difference in how parties seek electoral financing. It is foreseeable that parties and candidates in these countries will continue to rely overwhelmingly on private financing. When measured as a proportion of GDP, electoral subsidies in Nicaragua are by far and away the most generous in the hemisphere. Among the rest of the countries in the hemisphere—excluding Bolivia, where direct subsidies were repealed in

[14] See Table 1.1 from previous chapter. For purposes of comparison note that Table 1.1 shows figures that are annualized, not figures for the whole electoral cycle of each country, as in Table 2.6.

2008—only in Uruguay, Costa Rica, the Dominican Republic, El Salvador, and Panama is the subsidy greater than or equal to .05 per cent of GDP. This figure underestimates state contributions to parties in countries like Mexico or Panama where, as we have seen, permanent subsidies are considerable. In every other country, electoral subsidies are derisory in relation to the size of the economy. Whatever our opinion may be of state subsidies for parties, this table should introduce a certain measure of moderation vis-à-vis the frequent demagogic allegations about the unjustified cost of public financing. In most cases, the most serious problem with state subsidies for parties is not that they are too high, but rather that they are so low that they are completely ineffective. Table 2.7 helps to illustrate this last point.

Table 2.7. State subsidy as a percentage of total spending

Country	Type of election	Year	State subsidy (USD millions) (1)	Total spending (USD millions) (1)	State subsidy as % of total spending
Argentina	Presidential	2007	5.1	14	36.5
Canada	Federal	2008	50.9	100	50.9
Chile	Presidential and legislative	2005–2006	12.6	22	57.0
Costa Rica	Presidential and legislative	2010	23.6	27	87.4
United States	Presidential (2)	2008	135.7	1,325	10.2
Honduras	General	2006	2.5	40.5	6.2
Mexico	Federal	2006	382.5 (3)	301	127.1
Nicaragua	General	2006	9.3	18.2	50.9
Uruguay	General (2)	1999–2000	20.5	38.8	52.8

Notes: (1) All figures converted to USD at the average exchange rate during the respective electoral year. (2) Includes primaries. (3) Includes total state subsidies disbursed during the electoral year, both permanent and specifically electoral.

Sources: State subsidy: Argentina, Chile, Honduras, and Nicaragua: Gutiérrez and Zovatto (2011); Canada: Elections Canada; United States: Federal Election Commission; Mexico: Tépach (2013). Total spending: Argentina: Corcuera (2011: 80); Canada: Estimate based on Elections Canada figures; Chile: Riffo (2010); Costa Rica: Casas-Zamora (2013); United States: Open Secrets; Honduras: Casco Callejas (2011: 342–343); Mexico: Mena Rodríguez (2010); Nicaragua: Zelaya Velázquez (2011: 377); Uruguay: Casas-Zamora (2005: 198).

The information in the table suggests that relatively generous subsidies, such as those in Uruguay, Costa Rica, and Nicaragua, cover a significant part of electoral costs incurred by parties and candidates. Information on other countries is less clear. Figures for Argentina, Chile, Mexico, and Canada do not include the cost of subnational contests. Furthermore, in the first three countries there are well-founded doubts about the reliability of expense reports submitted by parties to electoral authorities. It is highly likely that in these four countries—even in the case of the generous Mexican system—the proportion of total campaign spending covered by the subsidy is much lower than reflected in the table. Finally, in the United States and Honduras, the state subsidy is, at most, of marginal importance.

In short, based on the imperfect spending estimates at our disposal, we can infer that state subsidies—the most widely used form of political finance regulation—are capable of significantly altering the dependence of parties and candidates on private financing in only a few countries in the hemisphere. In the vast majority of countries, raising funds from private donors continues to be the driving force that sustains the electoral activities of parties and candidates. The following section will cover private financing.

2.4.2. Private financing: who contributes?

Despite the importance of this question for the health of any democracy, very few countries have reasonable reliable information to sustain a good answer. This includes some of the most consolidated democracies in the world, such as Switzerland and the Scandinavian countries, which practically lack any mechanism requiring political actors to reveal their sources of financing. Undesirable though it may seem, the lack of information on campaign finances is not necessarily a symptom of the underdevelopment of democratic institutions.

In our hemisphere there is a clear dividing line between the characteristics of private financing in Canada and the United States, on the one hand, and in Latin America, on the other. The fundamental difference concerns the visible role donors of small amounts play in Canada and the United States, a phenomenon that is practically unknown in the rest of the Americas. Moreover, while it is true that the experiences of Canada and in particular the United States reveal the major presence of business interests in campaign finance, the importance of such interests in practically all of Latin America is of an order of magnitude unknown to any developed country. The scant systematic evidence available shows that once one discounts for the proportion covered by state subsidies, the financing of election campaigns in Latin America is borne, almost without exception, by an extremely small circle of donors, both individuals and firms, recruited from within the business circles of each country. This reality poses major problems, to a greater or lesser extent, from the standpoint of political equality, and introduces visible biases into public policies in the region.

In the case of Canada, the introduction in 1974 of caps on electoral spending, limits on contributions, and in particular tax incentives for small political donations radically changed the dynamics of financing, which until then was almost exclusively dominated by less than 500 large corporations (Paltiel, 1970: 109; Ewing, 1992: 94). At present, the limit on contributions has been set at USD 1,100 annually per political party at the federal level and

USD 1,100 annually for the candidates of each party in the various electoral districts. The tax incentive to make donations accounts for more than half the amount of the donation. So it is not surprising that the number of individual donors to all Canadian parties grew from just under 85,000 in 1975 to nearly 250,000 20 years later (Stanbury, 1993: 83; Elections Canada). That change, however, should not lead one to lose sight of the fact that this figure represents no more than 1 per cent of registered voters in Canada. Nor should one ignore the recent Canadian experience, which features, with some regularity, clear examples of business influence in campaigns, whether through campaign spending directly by the donors, intervention in the poorly regulated internal struggles in party leadership, or simply financial maneuvers to get around existing regulations.[15] Those problems and biases, however, are very little compared to what one finds in other countries of the hemisphere, and have led the Canadian political system to re-assess the mechanisms for regulating campaign political financing, and eventually to their complete reform in 2014 (Beange, 2009).[16]

In the United States the situation is much more complex. First, the US system almost certainly has the largest number of political donors in the world, possibly some eight million persons, counting all levels of election (Wilcox, 2001: 109). Small donors have significant weight in the presidential competition; those who contributed less than USD 1,000 provided 45 per cent of the private resources received by the candidates in the presidential primaries in 2007–2008. This figure owes much to the extraordinary success of President Barack Obama in attracting small donations via the Internet. For the Obama campaign, donations of less than USD 1,000 accounted for nearly 58 per cent of campaign resources (including the primaries and the national election), almost one-third of which came in donations of less than USD 200 (Corrado, 2010: 16). This is a major transformation that should not, however, obscure the fact that there are clear social biases in that base of donors. One research study on donors of USD 200 to USD 1,000 in the 1988 and 1992 primaries revealed that even in that modest economic range, those contributing were overwhelmingly white, had some university education, and had high incomes (Brown Jr., Powell and Wilcox, 1995: Chapter 3).

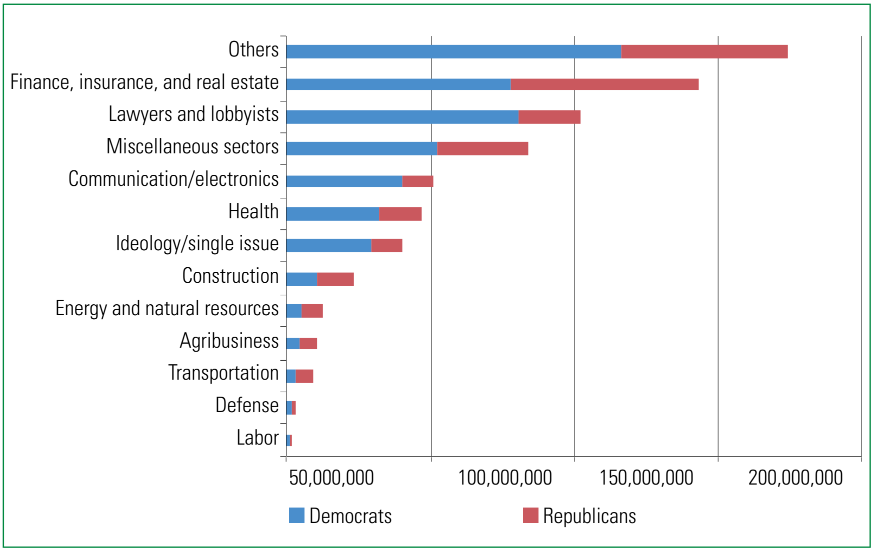
15 See, for example, 'Political contributions: money, money, money', *CBC News Online,* June 5, 2006.

16 In effect, there was a reform in 2014 (Bill C-23, known as the 'Fair Election Act'), which changed some rules regarding the system of financing. The most important changes are as follows: (1) stiffer penalties related to violation of the financing rules; (2) increase in the cap on general individual contributions, including those by candidates to their own campaigns; (3) change in the spending cap for the elections in each electoral district; (4) finally, the reform established the reduction of the reimbursement of electoral expenses (public financing) in cases in which the spending limit was exceeded. See: <http://www.parl.gc.ca/About/Parliament/LegislativeSummaries/bills_ls.asp?source=library_prb&ls=C23&Parl=41&Ses=2&Language=E&Mode=1>.

The situation is more biased still in the elections for House of Representatives and Senate, in which political actions committees (PACs) continue to play a determinant part. There, unlike in the presidential contest, donations of less than USD 1,000 accounted for just 19 per cent and 23 per cent, respectively, of the total collected in 2007–2008 (Corrado, 2010: 21–22).

While the social biases of donations are rather simple to establish, it is more complicated to determine the financial weight of the various economic industries in the campaigns. Of the almost USD 1.8 billion taken in by presidential candidates in 2007–2008, less than USD 700 million can be directly attributed to one or another economic sector (Open Secrets). As illustrated in the next figure, that sample shows some conspicuous clusters, for example in the financial, real estate, and insurance sector (USD 132.6 million), and in the law firm and lobbying firm sector (USD 95.2 million). Labor organizations weigh in at only USD 1.2 million.

Figure 2.9. Contributions by sector of economic activity, US presidential elections, 2008



Source: Open Secrets.

Yet this last figure is itself an indicator of the caution with which one must approach these numbers, as the financial contribution of labor organizations is actually much larger and almost always channeled to the Democratic Party's congressional candidates. One estimate of the largest donors to all federal elections from 1989 to 2010 shows, surprisingly, trade union organizations in 6 of the first 10 places on the list (Open Secrets). The complications don't end there, for the data on contributions to the presidential election do not take into account the many ways in which one may have influence on campaigns in the United States, including directly making electoral expenditures without coordinating with any campaign and making contributions channeled through non-party organizations, but with agendas closely aligned with one or another party.

In coming years the dynamics of campaign finance in the United States will undergo considerable changes in counterposing directions. While on the one hand the experience of the Obama campaign has shown the enormous potential of the Internet for democratizing campaign financing by mobilizing millions of small donors[17], on the other hand, the controversial decision by the US Supreme Court in *Citizens United v. Federal Election Commission*, in early 2010, has done away with limitations long observed on the participation of private companies in financing independent expenditures in favor of or against one of the parties or candidates in the contest. It is possible that this decision, justified as protection for the freedom of expression, will considerably increase the business presence in political financing at every level (Mann, 2010). It is impossible to predict, today, which of the two influences, one democratic, the other plutocratic, will prevail. In principle, while technological change is essentially irreversible, the legal interpretations of the First Amendment of the US Constitution are not.

Finally, whatever the social or economic biases of political contributions in the United States, it is important to situate the discussion in a broader context. As regards the mechanism for bringing pressure to bear on decision-makers in favor of certain economic interests, political contributions pale in comparison to other forms of pressure that are entirely legal and accepted in the US context. Accordingly, the USD 5.3 billion spent at all electoral levels in the 2007–2008 cycle, which includes, as we have seen, the contributions of very large numbers of small donors, is notably less than the USD 6.150 billion disbursed for lobbying activities during the same period (Open Secrets). Unlike the political contributions, these latest disbursements are highly concentrated in a handful of economic sectors. The two sectors that make the most intense use of lobbying, the pharmaceutical and insurance industries, invested USD 760 million in lobbying during the 2007–2008 period, 55 times more than they disbursed in contributions to presidential candidates (USD 13.8 million) (Open Secrets). One must inevitably conclude that more than the donations to political campaigns, the money mobilized for lobbying activities deserves attention as an explanatory factor when analyzing US public policy outcomes.

While there may be some confusion as to the determinant weight of business donations to campaigns in the United States, there is no such confusion

[17] See Corrado (2010).

in Latin America. The analyses available on countries such as Argentina, Brazil, Colombia, Ecuador, and the Central American nations suggest the overwhelming importance of business contributions, collected in an exclusive social circle (Olivero, 194: Chapter 6; Kinzo, 1998: 129–132; Aguiar, 1994: 79; Cepeda-Ulloa 1997: 99; De la Calle, 1998: 121; Ardaya and Verdesoto, 1998: 278; and Casas-Zamora, 2003). In particular, the reconstruction of campaign financing practices in Costa Rica and Uruguay by Casas-Zamora suggests how even in these two countries, each endowed with a large highly politicized middle class, the notion that private financing should be sought exclusively from the wealthiest businesspersons—and that it is futile to encourage the participation of many small donors—is accepted as an axiom by all those in charge of financing the parties (Casas-Zamora, 2005: chapters 3 and 4).

However, there are exceptions. In the political groupings of the left—both in major parties as well as in small ones—the model of financing still grants a major place to the contributions of active party members and party 'taxes' collected from elected officers, usually combined with a high degree of dependence on state subsidies. This last model was visible in the cases of the Frente Amplio in Uruguay and, to a lesser extent, the Partido dos Trabalhadores in Brazil before their rise to power at the national level in the previous decade (Casas-Zamora, 2005: 183–186; Kinzo, 1998: 123; and Samuels, 2001: 39). In both cases it has yet to be analyzed whether their electoral victories and the moderate approach to governing of their administrations, have modified this pattern of financing, making it possible to attract contributions from business sectors that previously objected to them on ideological grounds and now seek them out for instrumental reasons.

Holding generally that large businesses and business consortia are the source par excellence of private political financing in Latin America is very different from noting in detail the sectors and the specific names of those who are making the donations. There is very little information in the region in this regard, with a few exceptions. From Brazil, Kinzo has reported that 93 per cent of the private donations that financed the presidential campaign of former President Fernando Henrique Cardoso in 1994 came from private companies, particularly from the financial and construction sectors (Kinzo, 1998: 130–131). Her findings have been corroborated by the detailed research by David Samuels on the financing of campaigns at different electoral levels in Brazil in 1994 and 1998 (see Table 2.8) (Samuels, 2001). Samuels shows not only the very relevant role of those two sectors at all levels, but also the significant participation of heavy industry and, in elections for members of Congress, agroindustry.

Table 2.8. Campaign donations by business sector in Brazil, 1994–1998 (%)

Sector	Type of election							
	President		Governor		Senate		Lower house, Federal Congress	
	1994	1998	1994	1998	1994	1998	1994	1998
Finance	31.1	32.7	10.9	8.6	25.6	19.7	15.9	10.6
Construction	22.1	15.2	49.2	42.3	25.3	31.6	28.7	26.0
Heavy industry	17.2	27.6	9.6	12.4	10.7	19.0	13.1	13.9
Light industry	9.2	6.0	6.0	7.9	10.0	4.4	4.3	8.7
Administration	3.8	2.6	2.9	4.9	3.8	1.5	3.4	4.6
Education	3.7	0.3	0.7	0.0	0.1	0.0	0.3	0.5
Agroindustry	3.6	4.8	6.0	4.1	2.2	5.8	9.0	11.1
Media	3.2	0.9	2.7	4.1	3.7	2.8	5.9	5.0
Processed foods	2.4	0.9	3.5	2.1	4.3	6.3	4.0	3.3
Vehicles	1.8	1.1	2.5	3.9	6.0	2.8	4.8	5.3
Transport	0.7	2.5	1.1	1.2	0.9	1.1	3.3	2.5
Entertainment	0.6	1.0	0.6	0.6	1.2	0.1	2.0	1.4
Health	0.4	0.0	0.4	0.6	0.5	1.0	2.6	1.2
Commerce	0.1	4.1	4.1	7.3	5.8	3.8	3.0	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Samuels, 2001: 36.

A similarly conspicuous role of construction firms has also been detected in Costa Rica, Uruguay, Panama, and Nicaragua (Casas-Zamora, 2005: Chapters 3 and 4; Casas-Zamora, 2003). The obvious implication here concerns the importance for the companies in the sector to influence the public decisions on the construction of basic infrastructure works and low-cost housing projects, whose economic impact is considerable, almost without exception.

In general, the vulnerability of business operations vis-à-vis public officials' plans operates as a considerable incentive to make political contributions. A paradigmatic case in this regard can be seen in the Banca de Cubierta Colectiva de Quinielas of Montevideo, the private consortium that, under state oversight and by commission, operates the Uruguayan lottery and soccer-related gaming system. The Banca, which holds a legal monopoly over a business with sales greater than USD 100 million yearly, is particularly dependent on the good will of the political system. Using a wide variety of tools, particularly the decisions of the National Lottery and Gaming Bureau (Dirección Nacional de Lotería y Quinielas), the Uruguayan government directly defines the profit margins of the Banca and the scope of its monopoly; it may authorize, by executive decree, new games of chance beyond the reach of the consortium. It is no mere coincidence that the Banca is widely recognized as a generous contributor to all political parties in Uruguay (Casas-Zamora, 2005: 181).

Much more important, in light of both its magnitude and its political implications, is the situation of the private television channels in those countries that still allow parties to invest in advertising during campaigns. In many cases the selective discounts given by these companies have made them de facto the largest political donors, giving rise to questionable exchanges between them and those in public decision-making positions, as well as serious distortions in the electoral competition. The cases of Uruguay, Costa Rica, and Guatemala are worthy of mention, though similar situations may well be unfolding in other contexts.[18]

In Uruguay, the family consortia that have held the three private television channels for more than half a century have reached the point of running a powerful cartel of businesses, with the acquiescence of the authorities. Examples have included the government's decision in 1994 to convert the cable TV market in Montevideo into a closed business controlled jointly by three private operators of free-to-air television, as well as the decision in 2000 to prohibit the import of satellite television descramblers unless done by the existing cable operators (this decision was later overturned). In consideration of this role, the political actors rarely pay the official prices for advertising. Indeed, the discounts offered during the campaigns to some parties (particularly the historic Colorado and Blanco parties) have been as much as 95 per cent of the nominal price. The impact of these discounts is accompanied by the television channels' usual practice of cancelling campaign debts. For many years, the leftist Frente Amplio, today in government, systematically denounced these practices, which is thought discriminated against it.

In Costa Rica, the legal requirement for media companies to publish their prices for advertising and afford equal treatment to all parties does not keep them from making in-kind donations to specific parties. In the case of the winning party in 1998, Partido Unidad Social Cristiana, the expenditures the party reported were equivalent to one-fourth the official price for the advertising time purchased, meaning the discount was equivalent to a net donation of USD 1.7 million, almost certainly the largest contribution of any economic sector throughout the electoral cycle. The weight of official advertising and the fact that the frequencies are state property granted to private operators for ridiculously low sums operate as major incentives for the media owners to be generous with the future state authorities.

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18 The following paragraphs are based on Casas-Zamora (2004: 70–71; 2005: Chapters 3 and 4).

Guatemala is perhaps the most disturbing case. As mentioned above, in Guatemala free-to-air television has been monopolized for a long time by a single private operator, the Mexican-US businessman Remigio Ángel González. Since the mid-1980s, this monopoly has given González extraordinary political influence in Guatemala. During the 1999 presidential campaign González put the full power of his monopoly at the service of the candidacy of the eventual winner, Alfonso Portillo, donating most of his campaign's television advertising. After the election, the son-in-law and legal adviser to González, Luis Rabbé, was appointed minister of communication and infrastructure, in charge of the task of regulating the operation of his father-in-law's channels. Rabbé was removed in June 2001, when the Congress accused him of several acts of corruption. Despite the commitment of then-President Portillo to issue a tender for two state-owned television frequencies, González's monopoly remains intact to this day.

Accordingly, in some particularly acute cases in Latin America, the most serious problem is not the large sums spent by political parties on television advertising, but the small amount they actually pay for it. This makes media owners uniquely generous and powerful donors. In the words of former Uruguayan President Julio María Sanguinetti, this is *the* most important factor in campaign finance in Uruguay (Casas-Zamora, 2005: 182).

If, as can be observed, the origin of the private financing of campaigns is the subject of speculation in almost every respect, opacity is naturally much greater in relation to two other very problematic sources in the region: foreign financing and money from organized crime.

There are legal prohibitions on foreign financing throughout the hemisphere with the exception of El Salvador and, in part, Nicaragua.[19] Neither of these exceptions is fortuitous: in both cases, as in the Dominican Republic, one of the modalities of political financing used in campaigns consists of mobilizing the considerable diaspora of nationals, mainly in the United States (Casas-Zamora, 2003; and Espinal and Jiménez, 1998: 536). To this relatively inoffensive phenomenon are added other much more controversial aspects, such as those related to the intervention of foreign governments in electoral financing. The examples range from support from the former Soviet Union, which was channeled communist parties in the region for many decades (Casas-Zamora, 2005: 141, 183–186), to much more recent cases, suggestive

[19] According to the 2012 reform to the Nicaraguan Electoral Law, donations from foreign citizens are permitted, but not from foreign state institutions. In addition, the contributions from foreign institutions must be for technical assistance or training (Article 103). See:

<http://legislacion.asamblea.gob.ni/SILEG/Gacetas.nsf/15a7e7ceb5efa9c6062576eb0060b321/ef42b42027388e3806257a75005927ce/USD FILE/2012-05-15-%20Ley%20No.%20331,%20 Ley%20Electoral%20con%20reformas%20incorporadas.pdf>.

of the intervention of the governments of Venezuela and Taiwan in financing campaigns in several countries. The secret shipment of USD 800,000 in a suitcase from Venezuela to the campaign of President Cristina Fernández in Argentina in 2007 and the evidence of support from companies allegedly tied to the government of Taiwan in the campaign of former Costa Rican President Abel Pacheco, in 2002, come to mind.[20] In addition, one should mention the contributions of multinational corporations, which are and have long been denounced by leftist groups in the region, but which have rarely been demonstrated. The evidence of its participation in financing the Chilean opposition in the period of turmoil prior to the 1973 coup d'état in Chile appears to correspond to a past historical phase. Chile's unfortunate experience led in 1977 to the adoption of the Foreign Corrupt Practices Act in the United States; it explicitly prohibits US multinationals from making campaign contributions in the countries in which they operate. Be this a legal fiction or reality, what is clear is that the detailed investigation of Costa Rican and Uruguayan political parties' financing practices, for example, did not produce any evidence whatsoever that would suggest that this legal mandate is not on point (Casas-Zamora, 2005: 187).

Much more ominous are the signs of the participation of organized crime in financing campaigns in Latin America.[21] The region has seen such cases for a long time. Let's take a look at the Costa Rican experience. In 1973, financier Robert L. Vesco arrived in Costa Rica to flee from the United States justice authorities, just as the country was preparing to hold the 1974 elections. At that time Vesco, a consummate embezzler, was involved in heroin trafficking, according to informants of the Drug Enforcement Agency (DEA). In the following years Vesco would become an irresistible magnet for Costa Rican politicians until he was expelled from the country in 1978. Years later, former President José Figueres would cause a huge scandal when he publicly accused his own party, as well as other parties, of having used Vesco's resources to finance a large part of their electoral spending in 1974.

At that time, apart from the early introduction of a generous public subsidy system in the 1950s, campaign finance was totally unregulated in Costa Rica. Despite the Vesco affair, the legal framework would continue unchanged. Predictably, the same problems returned the next decade later, but with much greater intensity. In the late 1980s a series of legislative investigations revealed that during the 1986 campaign the majority parties in Costa Rica had accepted contributions from several donors with ties to drug trafficking,

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[20] 'Maletín: apuntan al gobierno venezolano', *BBC Mundo.com*; 'Conviction in Spy Case Over Cash-Filled Suitcase', *The New York Times*; Casas-Zamora (2004: 240; 2005: 141, 155 No. 96).

[21] On this issue see Casas-Zamora (2010); Curzio (2000); and De la Calle (1998: 118–119). In addition, see the studies on Argentina, Brazil, Colombia, Costa Rica, and Mexico in Casas-Zamora (2013).

who in some cases helped the parties with fundraising. One of the most conspicuous donors was General Manuel Antonio Noriega, at the time the dictator of Panama, whose involvement in international narcotics trafficking would lead to his overthrow by a US military intervention in 1989.

At that time the Costa Rican experience was nothing exceptional. The campaigns of former Bolivian President Jaime Paz Zamora in the 1980s were accused of having ties to drug traffickers, as was the presidential campaign of former Panamanian President Ernesto Pérez Balladares in 1994. And all of that is in addition to the much more serious cases of Colombia and Mexico, where the role of the drug kingpins in campaign finance was a well-known secret since the 1970s. In Colombia, in particular, the 1982 election of Pablo Escobar to Congress was a watershed event in this process. The decisive moment would come, however, afterwards, with the appearance of tapes that showed that the campaign of former President Ernesto Samper had sought and received several million dollars from the Cali Cartel in the final days of the 1994 presidential campaign. This finding laid the basis for the most serious scandal involving illegitimate political financing in the history of the region, one which seriously shook up not only the Samper administration, but Colombian democracy itself.

Since then the phenomenon has not disappeared, and there are abundant reasons to think that it has worsened in several countries. The scandals in what is known as the *parapolítica*, or the entry of several leaders of rightwing paramilitary groups into official politics, suggest the continuing seriousness of the problem in Colombia. Meanwhile, the situation in Mexico, faced at present with a rising tide of drug trafficking, offers many reasons for concern. Just one example, among many, suffices to denote the seriousness of the situation. In February 2010, the Partido de Acción Nacional (PAN), the party in government, decided to suspend all primary elections of its candidates in the state of Tamaulipas, which shares a border with the United States, explicitly noting that it was doing so due to the real risk of systematic infiltration of criminal organizations in the electoral process. The then-president of the PAN, César Nava, stated with unusual candor that 'in the particular case of Tamaulipas everyone is aware of the possible influence of crime in the designation of candidates, thus we don't want to leave any space for that to happen' (El Universal, Mexico, 2010). In some parts of Mexico open primaries have become, it appears, an intolerable risk to democracy.

It is impossible to know the full extent of this phenomenon, which is obviously important in Latin America, particularly in northern South America, Central America, and Mexico. Yet it is possible to determine some of the factors giving impetus to it. One of them merits particular attention. The few studies on this subject agree on noting the risks posed by political decentralization processes in the region in this connection. On the one hand, decentralization processes open up new arenas of electoral competition that add additional costs to political activity. Often, these new levels of competition are beyond the reach of the already flexible financial controls that operate on campaigns at the national level. On the other hand, devolving powers—including police powers—to the local authorities creates an obvious incentive for the intervention of organized crime. Even in small countries, co-opting national institutions—whether through campaign contributions, bribes, or the threat of violence—is a much more difficult, costly, and conspicuous task for drug traffickers than assuring the cooperation of the local authorities. In any event, the local authorities are often the ones who have the power to disrupt or protect criminal activities in a given locale. Therefore, whatever the benefits of decentralization in Latin America, one must keep in mind the risk of facilitating the capture of local elections and institutions by organized crime.

The preceding paragraphs are but an approximation to phenomena of which very little is known in Latin America, and, in general, in most modern democracies. This offers little consolation to the region, for the opacity surrounding the question of who finances campaigns entails particular risks in Latin America. That opacity helps consolidate the plutocratic characteristics of political financing practically throughout the region, which threatens to turn its political institutions into mere conveyer belts of the enormous socioeconomic inequalities that have always prevailed in the region. Perhaps more serious is that the reigning obscurity poses considerable risks in a region facing problems of organized crime that are likely without parallel anywhere else in the world. In brief, when looking at risks to democracy, it is not the same thing for Scandinavian countries to be unable to answer with certainty the question of who finances their campaigns as it is for Latin American countries to be unable to do so.

2.5. Conclusions

The foregoing pages lead to the following general findings:

a. To the limited extent that one can establish and compare, electoral costs in the hemisphere vary widely, including comparatively expensive elections as in the United States and Brazil, as well as relatively modest elections, as in Canada.

b. There is no information that makes it possible to state clearly the existence of a uniform trend in electoral spending in the hemisphere, either upward or downward.

c. In those countries in which parties are allowed to invest in advertising, television generally accounts for an overwhelming proportion of advertising spending, and a significant but not overwhelming share of total electoral spending.

d. In very few countries (Costa Rica and El Salvador) is there evidence that the proportional weight of television in electoral spending has increased in the recent past. In the rest of the region there is no data one way or the other.

e. Even though practically the whole hemisphere has introduced public financing systems, there is considerable heterogeneity in their characteristics and the generosity of resources disbursed. In general, the electoral subsidy systems in Costa Rica, Mexico, Nicaragua, Panama, and Uruguay appear to be the most generous in the hemisphere, in some cases covering more than half of total campaign spending. In all other cases, direct subsidies play a limited or even insignificant role.

f. In the vast majority of countries of the hemisphere private financing is the pillar supporting the electoral activities of parties and candidates.

g. In terms of the sources of private financing, there is a clear separation between Canada and the United States, on the one hand, and Latin America, on the other. The Canadian and US democracies have been capable of mobilizing a considerable number of small donors, who have significant financial weight in the campaigns. In Latin America private financing comes almost entirely from the business sectors.

h. The visible presence of the construction sector in financing campaigns has been identified and documented in several Latin American countries, as have the practice of discounting official advertising fees on television, which turns broadcasters into significant in-kind donors.

i. Despite greater regulation of political financing, Latin America offers abundant examples of foreign financing being used in campaigns (it is prohibited in practically all the countries) and of the penetration of resources from organized crime in campaign finance. The involvement of organized crime poses particular risks at the local level.

This list of findings, relatively short, makes it possible to highlight one final point, which is a recurrent theme in these pages: there is very little information on the reality, as distinct from the law, when it comes to political financing in the vast majority of the countries in the hemisphere, with the possible exception of the United States. That precariousness is the result of three problems. First, it results from the imperfect design and weak actual enforcement of many legal controls on political financing that the countries of the hemisphere have introduced in recent decades. Adopting regulations and controls is no doubt a major advance in the democratic development of the entire hemisphere, but in most cases the rules in force continue to allow large areas of penumbra or total obscurity, which makes the legal image of political financing dramatically different from the actual image, when it is discerned. Second, it is the consequence of the adaptation and propagation, by the media, of a series of conventional truths on political financing that are rarely supported by evidence. In many cases that conventional wisdom becomes an intellectual shortcut and a barrier of prejudice that blocks a rigorous inquiry. Third, it is the result of the methodological indiscipline and failure to communicate of those of us who have undertaken empirical research on this topic. In the rare cases in which the task undertaken is to reconstruct the practices of political financing in a given context, it is done without paying all that much attention to the international or inter-temporal comparability of the information obtained. The gains in our knowledge on this subject may be much more fragmentary and tentative that what would be the case if one were to observe a minimum of methodological rigor.

This last conclusion is perhaps the most important one that emerges from this study: it is urgent to encourage empirical research on political financing in Latin America. Yet, it is important to do so on the basis of a solid methodological dialogue. Only then will the field yield truly comparable findings and rigorously supported public policy recommendations.

Appendix: Campaign Finance Regulation in Latin America (as of 31 December, 2014)

Chart A.1. Year public financing of political parties and election campaigns was introduced in Latin America

Country	Year
Argentina	1957 (Indirect) and 1961 (Direct)
Bolivia	Incorporated in 1997, suppressed in 2008
Brazil	1971
Colombia	1985
Costa Rica	1956
Chile	1988 (Indirect), 2003 (Direct)
Ecuador	1978
El Salvador	1983
Guatemala	1985
Honduras	1981
Mexico	1973 (Indirect), 1987 (Direct)
Nicaragua	1974
Panama	1997
Paraguay	1990
Peru	1966 (Public Indirect), 2003 (Direct)
Dominican Rep.	1997
Uruguay	1928
Venezuela	Incorporated in 1973 and eliminated in 1999

Source: compiled by the authors.

Chart A.2. Activities that receive direct public financing in Latin America

Country	Electoral and party	Only electoral	Only party	Research and strengthening
Argentina	Yes	No	No	Yes
Bolivia	No	No	No	No
Brazil	Yes	No	No	Yes
Colombia	Yes	No	No	Yes
Costa Rica	Yes	No	No	Yes
Chile	No	Yes	No	No
Ecuador	Yes	No	No	No
El Salvador	Yes[1]	No	No	No
Guatemala	Yes[2]	No	No	No[2]
Honduras	No	Yes	No	No
Mexico	Yes	No	No	Yes
Nicaragua	Yes	No	No	No
Panama	Yes	No	No	Yes
Paraguay	Yes	No	No	Yes[3]
Peru	No	No	Yes	Yes
Dominicana Rep.	Yes	No	No	No
Uruguay	Yes	No	No	No
Venezuela	No	Yes[4]	No	No

Source: compiled by the authors, based on the legislation of Latin American countries.

1 During non-electoral periods the parties have the right to access state-owned radio and television stations free of charge.

2 The legislation is not explicit about how the funds are used, thus they are used discretionally. Nonetheless, it allows for foreign contributions from 'academic entities or foundations … for educational purposes'. (Article 21(a)).

3 The parties must earmark no less than 30 per cent of what they receive as the state contribution to finance activities for education and training of citizens, sympathizers and members, and research into the national situation.

4 Thus far only in referenda, and restricted to television advertising. The Constitution of the Bolivarian Republic of Venezuela notes at Article 67: 'The financing of associations with political aims with funds from the State shall not be allowed'. According to the National Electoral Council, this constitutional provision does not stand in the way of financing advertising in favor of or against a proposal being put to a vote in a referendum.

Chart A.3. When direct public contributions for electoral purposes are disbursed in Latin America

Country	Before	After	Before and After	Facilities for new parties	Others (permanent financing)
Argentina	Yes	No	No	Yes	Yes
Bolivia	No	No	No	No	No
Brazil	No	No	Yes	No	Yes
Colombia	No	No	Yes[1]	Yes	Yes
Costa Rica	No	No	Yes[2]	No	Yes[3]
Chile	No	No	Yes	Yes	No
Ecuador	No	No	Yes	Yes	Yes
El Salvador	No	No	Yes[4]	Yes[4]	No
Guatemala	No	No	No	No	Yes[5]
Honduras	No	No	Yes	Yes	No
Mexico	No	No	Yes	Yes	Yes
Nicaragua	No	Yes	No	No	Yes
Panama	No	No	Yes	Yes	Yes
Paraguay	No	Yes	No	No	Yes
Peru	No	No	No	No	Yes[6]
Dominican Rep.	No	No	Yes	No	Yes
Uruguay	No	No	Yes	No	No
Venezuela	No	No	No	No	No

Source: compiled by the authors, based on legislation of Latin American countries.

1. Political parties and movements and groups of citizens who register candidates shall have the right to state financing of the respective election campaigns through a system for repayment of expenditures based on valid votes obtained, so long as one obtains the percentage of votes required for each election. If the party, movement, or significant group of citizens has not participated in the previous election the advance will be calculated mindful of the lowest amount repaid for the respective position or list in the previous election.

2. Only in presidential elections. For the other elections the disbursement is done subsequently.

3. The political groupings must pre-determine, in their bylaws, what part of the state contribution they will earmark to cover training and political organizing expenses during the non-electoral period. Once the election of the president of the Republic and the members of the Legislative Assembly has concluded, and once the overall amount of the state contribution that corresponds to each party has been established—in light of the results, depending on application of the statutory pre-definition—it will constitute a reserve to cover future expenses for those items, to be paid successively and quarterly.

4. Each political party or coalition has the right to an advance of 70 per cent of the votes obtained in the previous election of the same type in which it has participated. The rest of the political debt is delivered no later than 30 days after the election results have been formally declared. The parties or coalitions that participate for the first time in a given type of election receive an advance of 50,000 dollars.

5. Disbursement of four annual installments in the month of July, while the presidential election period lasts (Article 21).

6. The transfer of the funds to each political party is based on one-fifth per year, charged to the general budget of the nation.

Chart A.4. Direct public financing in Latin America: conditions of access to financing and legal barrier

Countries	Conditions of access to financing and legal barrier	Criteria for distribution
Argentina	Ongoing activities: 80 per cent of the resources available for the annual contribution directed to institutional development should be distributed in a manner proportional to the number of votes the party obtained in the last election of national legislators. In order to participate in this distribution one must show having won at least 1 per cent of the votes based on the voter rolls. The remaining 20 per cent is distributed equally among all the parties recognized. Contributions to the electoral campaign in presidential elections: 50 per cent of the total amount to be distributed, allocated in the general budget, is divided equally among the lists put forth, and the remaining 50 per cent is distributed among the 24 districts, in proportion to the number of voters in each district. Once that is done, the distribution is made to each political grouping proportional to the number of votes obtained in the previous general election for the same category. For legislative elections, and in the case of the election of national legislators in the lower house, the total of all contributions is distributed among the 24 districts in proportion to the total voters in each. Once that operation has been performed, 50 per cent of the resulting amount for each district shall be distributed equally among the lists presented; the remaining 50 per cent is distributed to each grouping proportional to the number of votes obtained in the previous general election for the same category. In the case of national senators, the total contributions are distributed among the eight districts in which senators are up for election. Once that operation has been performed, 50 per cent of the amount resulting for each district is distributed equally among the lists put forth, and the remaining 50 per cent to each group proportional to the number of votes obtained in the general election for the same category.	Mixed (electoral strength/ equity)
Bolivia	—	—
Brazil	Article 41-A. 5 per cent (five percent) of the total in the Party Fund will be earmarked in equal parts to all parties that have registered their bylaws with the Supreme Electoral Tribunal, and 95 per cent (ninety-five percent) of the total in the Party Fund will be distributed among the parties that have representation in the Federal Congress, proportional to the votes they have obtained in the last election of members of the lower house (Art. 41-A. of Law 9096/95, contained in Law No. 11,459 of 2007).	Mixed (electoral strength/ equity)

Countries	Conditions of access to financing and legal barrier	Criteria for distribution
Colombia	The state will participate in financing the ongoing operations of the political parties and political movements with juridical personality though the National Fund for Political Financing using criteria of equity and electoral strengthen as established in Article 17 of Statutory Law (Ley Estatutaria) 1475. For the financing of electoral campaigns through the system of repayment based on valid votes cast one must meet the following legal requirements: 1. For offices of mayor and governor, those candidates who won at least 4 per cent of the valid votes cast in that election have the right to repayment based on number of votes. 2. For lists to elected public office, the lists that have obtained 50 per cent or more of the threshold for the respective public office. 3. In the election of the president of the Republic, repayment shall be recognized for those candidates who have obtained a vote equal to or greater than 4 per cent of the valid votes cast. If the right to state financing was not obtained, the beneficiary of the advance must return it in full within three months of the declaration of the election outcome, except in the case of presidential campaigns, in which there shall be no return of the amount received as an advance so long as it was spent in keeping with the law.	Mixed (electoral strength/ equity)
Costa Rica	Parties that obtain at least 4 per cent of the valid votes for the election of president of the Republic or members of the Legislative Assembly, at the national level or in a particular province, or that elected at least one legislator. In the case of municipal elections, which are held at a different time, the parties that obtain 4 per cent in the respect canton or that elect at least one town council member receive a contribution.	Electoral strength
Chile	There is financing for all the parties and candidates registered in the Electoral Service.	Electoral strength
Ecuador	Parties that meet one of the following requirements: (a) garnered at least 4 per cent of the valid votes cast in two consecutive multi-person elections at the national level; (b) have at least three representatives in the National Assembly; (c) hold 8 per cent of the mayor's offices; (d) have at least one council member in each of at least 10 per cent of the municipalities in the country.	Mixed (electoral strength/ equity)
El Salvador	Political parties or coalitions that participate in the elections have the right to receive from the state a sum of money for each valid vote they obtain in the elections for president and vice-president of the Republic, legislators to the Central American Parliament and the Legislative Assembly, and municipal council members. The political parties that participate in a second presidential election shall have the right to receive, for each valid vote obtained in that election, an amount equal to 50 per cent of what was paid in the first election.	Electoral strength
Guatemala	Parties that obtain at least 5 per cent of the total valid votes cast in the general elections. The calculation is based on the number of votes obtained in the first election for president and vice-president of the Republic. Or parties that obtain at least one legislator in the Congress of the Republic.	Electoral strength
Honduras	Having obtained at least 10,000 votes in the category with the highest vote (president, National Congress, mayors and municipal councils) in the previous election.	Electoral strength
Mexico	3 per cent of all valid votes cast in one of the regular elections for members of the lower house of Congress, senators, or president of the Republic. For new parties, formed after an election, having become legally registered.	Mixed (electoral strength/equity)

Countries	Conditions of access to financing and legal barrier	Criteria for distribution
Nicaragua	For national parties (excludes regional parties): Obtain at least 4 per cent of the valid votes cast in the national elections. Obtain at least the minimum number of legislators (4) to constitute a legislative caucus.	Electoral strength
Panama	Pre-electoral financing: For political parties: they have to communicate their decision to participate in the elections and must have nominated a presidential candidate. For freely-nominated candidates: they must have been recognized as such by the Electoral Tribunal, after complying with the personal requirements and requirements on collection of signatures for support in a number equal to or greater than 4 per cent of the valid votes cast in the last election for the position in question. If there are more than three candidates who qualify, the only ones who may participate in the elections are the three who have the largest number of signatures. Post-electoral financing: For the political parties: they must have subsisted as such, based on having obtained a number of votes equal to or greater than 4 per cent of the total of valid votes cast in any of the four elections held: for president, national legislators, mayors, or local representatives, whichever turned out best for them. For the freely-nominated candidates: they must have won the position to which they aspired.	Mixed (electoral strength/equity)
Paraguay	Being properly recognized and registered, and having obtained a number of votes in the last elections for Congress not less than 2 per cent of the voter rolls. In the case of alliances, the contribution is distributed proportional to the number of seats each party in the alliance has in the Senate.	Mixed (electoral strength/ legislative representation)
Peru	Obtain representation in Congress.	Mixed (electoral strength/ equity): 40 per cent equally among all the political parties with representation in the Congress, and 60 per cent proportional to the votes obtained by each political party in the election of representatives to the Congress.
Dominican Republic	Being legally recognized and maintaining this recognition by obtaining at least 2 per cent of the valid votes in the last presidential elections or having representation in the Congress or the municipal council *(Sala capitular)*.	Mixed (electoral strength/ equity)
Uruguay	Obtaining votes in the national election or in the municipal election and having presented the sworn statement of campaign expenses in proper time and form as per Law No. 18,485. In order to obtain permanent financing one must have legislative representation.	Electoral strength
Venezuela	N/A	—

Source: compiled by the authors, based on legislation of Latin American countries.

N/A: does not apply

Chart A.5. Access to the media in Latin America

Country	Prohibition on paid advertising in the media	Free access to the media	Formula for distribution of times and spaces
Argentina	Yes	Yes	The spaces are distributed, for the primary and general elections, by allocating 50 per cent, equally, among all the political groupings that officially designate pre-candidates, and the remaining 50 per cent proportional to the number of votes obtained in the previous general election, for the category of national legislators. The distribution of schedules and the media on which electoral advertising will be broadcast is determined by public drawing; all groupings that present official lists are to be guaranteed rotation in all scheduled time slots, and at least twice a week during prime time. In public and private media outlets.
Bolivia	No	Yes	Equally among parties or coalitions and their candidates. Only in public media.
Brazil	Yes (Radio and television)	Yes	One-third equally among all the parties with legally registered candidates, 2/3 divided proportional to the number of representatives of each party in the lower house of Congress. In public and private media.
Colombia	No	Yes	Within the two months prior to and up to 48 hours before the election, the social organizations and significant groups of citizens who have registered candidates, and those promoting the casting of blank ballots, shall have the right to free space in the media that make use of the electromagnetic spectrum, proportional to the number of persons elected, for the campaigns of their candidates or options for Presidency of the Republic and their lists for Congress of the Republic. In the case of campaign advertising in subnational electoral districts, the electoral body must allocate spaces with coverage in the corresponding districts free of charge. An equal number of spaces shall be granted to each of the lists, candidates, or electoral options registered in each broadcast segment, which is why the number of spaces allocated will be as necessary to ensure equality.
Costa Rica	No	No	—
Chile	No[1]	Yes[2]	Presidential elections: equally among candidates. Legislative elections: proportional to the number of votes in the previous elections. On public and private free-to-air television.
Ecuador	No	Yes	—

1. One can take out advertising from radio stations, cable television, and the print media. It is only prohibited on free-to-air television.

2. It is only free on public and private free-to-air television.

Country	Prohibition on paid advertising in the media	Free access to the media	Formula for distribution of times and spaces
El Salvador	No	Yes	During the five days prior to the suspension of the election campaign there is free and equitable access only in state-owned media. Each state-owned radio and television station shall set aside 30 minutes for the dissemination of each electoral proposal. Half of the time available is distributed equitably among all the political parties that have registered candidates in the electoral process. The other half is distributed in proportion to the number of legislators each group has in the Legislative Assembly at the time the election is held. In that distribution, the parties participating for the first time shall have a time equivalent to that of the party awarded the least time. In a non-electoral period the political parties have free access to state-owned radio and television stations in a monthly informational spot that lasts 60 minutes, which are distributed proportional to the number of votes obtained in the previous legislative election, and so long as they have obtained at least one seat in the Legislative Assembly.
Guatemala	No	Yes	Equally among parties. Only on state-owned radio or television stations, to make known the political program (the maximum can be no less than 30 minutes weekly during election periods).
Honduras	No	No	—
Mexico	Yes	Yes	In electoral periods, including in the run-up to the electoral campaigns, 70 per cent will be distributed to the parties with or without representation but with a current registration, in proportion to their electoral strength as per the last election of federal legislators and 30 per cent equally. This 30 per cent will consider newly-registered parties. In public and private media.
Nicaragua	No	No	For national elections the Supreme Electoral Council guarantees equal access for all political parties or alliances to state and private radio and television outlets, establishing maximum limits on time or space allowed for each party or alliance. Within those limits actual use will be determined by the principle of freedom of contract. In municipal and regional elections the Supreme Electoral Council guarantees equal access for all political parties and alliances to state radio and television outlets, establishing minimum limits (for radio stations) and maximum limits. Within those limits, actual use will be determined by the principle of freedom of contract.

Country	Prohibition on paid advertising in the media	Free access to the media	Formula for distribution of times and spaces
Panama	No	Yes	Equally among parties, but only in state-administered media outlets. The time not used by the parties can be used by the Electoral Tribunal to promote civil and electoral education. For the elections held in 2014, the Electoral Tribunal issued a regulation recognizing the right to space in the state radio and television system for both political parties and candidates otherwise nominated (Decree 7 of March 3, 2013).
Paraguay	No	Yes	Equally among parties during the 10 days immediately prior to the end of the election campaign. In public and private media.
Peru	No	Yes	Half is distributed equally among the parties, and half proportional to their legislative representation. New parties have time equivalent to the political parties with the fewest minutes allocated. In public and private media.
Dominican Republic	No	Yes	Equally among parties. Only in state-owned media outlets.
Uruguay	No	Yes	Equally among presidential candidates from the political parties that have legislative representation, plus those parties which in the internal elections have attained a number of votes that represents at least 3 per cent of all those eligible to vote. Only in public media.
Venezuela	No	Yes[3]	As it is a referendum, an equal time is established for each competing option.

Source: compiled by the authors, based on legislation of Latin American countries.

3. Only in the case of referenda.

Chart A.6. Prohibitions relating to the origin of private contributions in Latin America

Country	Foreign	Political and social organizations	Juridical persons	Government contractors	Anonymous
Argentina	Yes	Yes	Yes[1]	Yes	Yes
Bolivia	Yes[2]	Yes	No	Yes	Yes[3]
Brazil	Yes	Yes	Yes	Yes	Yes
Colombia	Yes[4]	Yes	Yes[5]	Yes	Yes
Costa Rica	Yes[6]	Yes	Yes	Yes	Yes
Chile	Yes	Yes	No[7]	Yes	No[8]
Ecuador	Yes	No	No	Yes	Yes
El Salvador	Yes[9]	Yes[10]	No[11]	No	Yes
Guatemala	Yes	No	No[12]	No	Yes[12]
Honduras	Yes	No	Yes	Yes	Yes
Mexico	Yes	Yes[13]	Yes[14]	Yes[15]	Yes
Nicaragua	No[16]	No	No	No	Yes
Panama	Yes[17]	No	Yes[18]	No	Yes[19]
Paraguay	Yes[20]	Yes	Yes[21]	Yes	Yes[22]
Peru	Yes	No	No	Yes[23]	No[24]
Dominican Republic	Yes	No	No	No	No
Uruguay	Yes	Yes	Yes	Yes	Yes[25]
Venezuela	Yes	No	No	Yes	Yes

Source: compiled by the authors, based on legislation of Latin American countries.

1. Juridical persons who operate games of chance and juridical persons or other bodies corporate *(personas de existencia ideal)* for the campaign.
2. Contributions from foreign juridical persons are only accepted if they are for technical assistance and training.
3. Except for public collections.
4. Except those done in the name of technical cooperation for carrying out activities other than electoral campaigning.
5. There is a prohibition on donations from juridical persons more than half of whose revenues are from state contracts or subsidies that administer public or para-fiscal resources or that have licenses or permits for operating state monopolies or games of chance.
6. They are prohibited, except in the case of international organizations engaged in fostering culture, political participation, and the defense of democratic values previously accredited with the Supreme Electoral Tribunal, which are legally authorized to collaborate in the process of training political parties.
7. Donations from non-profit juridical persons are prohibited. For-profit juridical persons may make donations.
8. There are limits, set in *unidades de fomento* for anonymous donations, donations kept under seal, and donations that are made public.

9. Prohibited for political parties and foreign government agencies.
10. Prohibited for professional associations and trade unions.
11. Not prohibited, except for entities at public law, state-owned enterprises, and enterprises with state participation.
12. The law prohibits anonymous donations as well as receiving more than 10 per cent of financing from a single individual or juridical person. Nonetheless, the Commercial Code allows the existence of joint stock corporations *(sociedades anónimas)* with bearer shares, which makes it difficult to enforce these provisions of the Electoral Law.
13. In the case of political and social organizations, they may make contributions so long as they are reported to the INE as organizations affiliated with political parties.
14. In the case of juridical persons, they may contribute within statutory limits; only trading companies face an absolute prohibition on contributing.
15. The same holds for government contractors; they may contribute so long as they are not trading companies.
16. They are not prohibited, but it is indicated that donations coming from abroad should be for training and technical assistance.
17. They are prohibited unless the donor is engaged in economic activity in Panama.
18. The prohibition is only for juridical persons who do not exercise any economic activity in Panama and those in which the state is a shareholder.
19. Anonymous contributions are prohibited, except those that originate from community collections, which shall be regulated by the Electoral Tribunal.
20. There is a prohibition on receiving contributions from governments, public entities, and foreign natural and juridical persons, unless, in the case of natural and juridical persons, they establish residency or domicile in Paraguay.
21. No donations are allowed from any office of the public administration, decentralized or autonomous entities, public-private companies, binational entities, companies holding concessions for public works or public services, or that operate games of chance.
22. Except those that arise from mass-scale, occasional lawful proselytizing for the purpose of obtaining funds for the campaign, so long as the amount obtained, in a single electoral campaign, is no greater than the equivalent of 1,000 days work at minimum wage for various unspecified activities.
23. Political parties cannot receive contributions from any public law entity or state-owned enterprise, or enterprise with state participation.
24. Not expressly regulated. Nonetheless, contributions are allowed from proselytizing activities in which the donor cannot be determined up to a limit of 30 UITs annually.
25. Parties may not accept anonymous contributions directly or indirectly, except for those that are no more than 4,000 UI (300 dollars). In no case may the sum of anonymous donations exceed 15 per cent of total revenue declared in the annual rendering of accounts.

Chart A.7. Political financing oversight bodies in Latin America

Country	Oversight bodies
Argentina	Federal judges with jurisdiction over electoral matters (one per district) and the National Electoral Court, with jurisdiction nationwide[1]
Bolivia	Electoral Management Body
Brazil	Electoral Management Body
Colombia	Electoral Management Body
Costa Rica	Electoral Management Body
Chile	Electoral Management Body/Office of the Comptroller
Ecuador	Electoral Management Body
El Salvador	Electoral Management Body and Court of Accounts[2]
Guatemala	Electoral Management Body
Honduras	Electoral Management Body
Mexico	Electoral Management Body
Nicaragua	Office of the Comptroller General, Electoral Management Body, Ministry of Finance and Public Credit[3]
Panama	Electoral Management Body/Office of the Comptroller[4]
Paraguay	Electoral Management Body
Peru	Electoral Management Body (Office of Manager for Supervision of Party Funds of the ONPE)
Dominican Rep.	Electoral Management Body/Office of the Comptroller
Uruguay	Electoral Management Body
Venezuela	Electoral Management Body

Source: compiled by the authors, based on the legislation of Latin American countries.

1. With the intervention of the Office of the Attorney General *(Ministerio Público Fiscal)* and the Corps of Auditors and Accountants.
2. The Electoral Management Body is responsible for oversight of private financing, and the Court of Accounts for oversight of public funds.
3. The Office of the Specific Electoral Prosecutor assists in the oversight work; it is under the Public Ministry and is established six months before the elections. Its functions cease once its work has concluded.
4. The Office of the Comptroller General is involved in relation to the state contribution.

Chart A.8. Sanctions regime related to political financing in Latin America

Country	Pecuniary sanctions			Criminal sanctions		Administrative sanctions	Other sanctions
	By party	By candidate	By donor	By candidate	By candidate		
Argentina	Yes	No	Yes	No	Yes	No	Yes
Bolivia	Yes	No	No	No	No	Yes	No
Brazil	Yes	Yes	Yes	No	No	Yes	Yes
Colombia	Yes	Yes	No	Yes	No	Yes	Yes[1]
Costa Rica	Yes	Yes	No	Yes[2]	Yes	No	Yes[3]
Chile	Yes	Yes	No	No	No	Yes[4]	No
Ecuador	Yes	Yes	Yes	Yes	Yes	Yes	No
El Salvador	Yes	No	No	No	No	No	No
Guatemala	Yes[5]	No	No	No[5]	No[5]	Yes[5]	No
Honduras	Yes	No	No	No	No	No	No
Mexico	Yes	Yes	Yes	Yes	Yes[6]	Yes	Yes
Nicaragua	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panama	Yes	Yes	No	No	No	Yes	No
Paraguay	Yes	No	Yes	No[7]	No	Yes[8]	No
Peru	Yes	No	No	No	No	No	No
Dominican Rep.	No	No	No	No	No	No	No
Uruguay	Yes	No	No	No	No	No	No
Venezuela	Yes	Yes	No	Yes	No	No	No

Source: compiled by the authors, based on the legislation of Latin American countries.

1. The violation of limits shall be punished by loss of the office or appointment. The provisions in the case of presidential elections include freezing payments and total or partial return of the contributions made.
2. Also penalized are various forms of conduct of the party authorities, especially the treasurer.
3. Fines are imposed on: (a) the director or persons in charge of a media outlet that authorizes or allows the broadcast of publicity or dissemination of opinion polls in the conditions and at the times when doing so is prohibited; (b) any person who contracts or is also responsible for said prohibited broadcast or dissemination; (c) the entities that produce such polls or surveys and who do not maintain the documents supporting them in the custody of and available to the Supreme Electoral Tribunal, or that fail to submit them to it when so required; and (d) banks that allow for anonymous contributions.
4. Administrative sanctions are applied to staff of the state administration by the Office of the Comptroller General of the Republic.

5. The most recent reform of the law (2004) provides for administrative and criminal sanctions, but without clearly defining what this means in the legal framework. This has limited the sanctions imposed by the Electoral Management Body. Nonetheless, as the law authorizes it to do so, it could rely on the criminal law structures, yet it does not.

6. Only if the donor is a federal civil servant.

7. Nonetheless, the law indicates that the managers appointed by the parties to run their campaigns are personally responsible for the use of the funds provided to the campaigns, along with the candidates and the president of the party, who are jointly and severally liable, and all of whom are treated like public servants who manage state funds for the purposes of the criminal sanctions that could be imposed for improper management.

8. The failure to submit financial reports to the Electoral Tribunal will result in the suspension of any contribution, subsidy, or support by the state for up to three years and two elections, as the case may be.

Chart A.9. Accountability and dissemination in relation to political financing in Latin America

Country	By party	By candidate	By donor	Publicized	Oversight bodies
Argentina	Yes	No	No	Yes	Federal judges with electoral jurisdiction (one per district) and National Electoral Court with national jurisdiction.
Bolivia	Yes	No	No	No[1]	Electoral Management Body
Brazil	Yes	Yes	Yes	Yes	Electoral Management Body
Colombia	Yes	Yes	No	Yes	Electoral Management Body
Costa Rica	Yes	No	No	Yes	Electoral Management Body
Chile	Yes	Yes	Yes[2]	No[3]	Electoral Management Body/Office of the Comptroller
Ecuador	Yes	No	No	Yes	Electoral Management Body
El Salvador	Yes	No	No	No	Court of Accounts of the Republic and Electoral Management Body[4]
Guatemala	Yes	No	No	Yes[5]	Electoral Management Body
Honduras	Yes	No	No	No	Electoral Management Body
Mexico	Yes	No	No	Yes	Electoral Management Body
Nicaragua	Yes	No	No	Yes	Office of the Comptroller /Electoral Management Body/Ministry of Finance and Public Credit
Panama	Yes[6]	Yes [6]	No	Yes (Public contribution)	Electoral Management Body/ Office of Comptroller General[7]
Paraguay	Yes	No	No	Yes[8]	Electoral Management Body
Peru	Yes	No	No	Yes[9]	Electoral Management Body (Office of the Manager for Supervision of Party Funds of the ONPE)
Dominican Rep.	Yes	No	No	No	Electoral Management Body/ Office of Comptroller General
Uruguay	Yes	Yes	No	Yes	Electoral Management Body
Venezuela	Yes	Yes	No	No	Electoral Management Body

Source: compiled by the authors, based on legislation of Latin American countries.

1. The resolutions approving the renderings of account are made public. Nonetheless, there is no express prohibition on publicizing the reports submitted by the parties.
2. So long as they are private donations that are public in nature.
3. In Chile there are no provisions for disseminating information on campaign expenditures. Nonetheless, some information is disseminated through gazettes or publications in local newspapers and newsletters. The electoral service publishes information after the election has been verified.

4. The Court of Accounts is the body that oversees public financing, while the Supreme Electoral Tribunal oversees private financing.
5. The means of publicizing is left up to the Electoral Management Body. To date only some general data have been published at the webpage of the Supreme Electoral Tribunal, and it is difficult to access any other information (Article 25 of the Regulation on Oversight…).
6. The information is provided solely to the Electoral Tribunal, which cannot disclose it but is obligated to deliver it to the competent authorities.
7. The Office of the Comptroller General exercises oversight over the public contribution.
8. The reports on the political parties' expenses and income are published by the Electoral Tribunal at the website of the Electoral Justice body.
9. All the information related to the financing of political parties and the work done by the Office of the Manager for Supervision of Party Funds (GSFP), as well as the detailed accounting and technical financial reports put out by the parties for subsequent oversight, can be found at the institutional website of the ONPE. Rulings on sanctions are published in the official gazette El Peruano.

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About the authors

Kevin Casas-Zamora

Senior Fellow and Director of the Peter D. Bell Rule of Law Program at the Inter-American Dialogue, in Washington, DC. Previously, he served as Secretary for Political Affairs at the Organization of American States; Senior Fellow in Foreign Policy at the Brookings Institution; Second Vice President and Minister of National Planning and Economic Policy of Costa Rica; and general coordinator of Costa Rica's National Human Development Report for the United Nations Development Program (UNDP).

He has a law degree from the Universidad de Costa Rica, a MA in Government from Essex University, and a PhD in Political Science from Oxford University. He is the author of several studies on campaign finance, elections, democratic governance, and citizen security in Latin America. In 2007, Mr. Casas was selected by the World Economic Forum as a member of the Forum of Young Global Leaders. In 2013 he became a member of the Bretton Woods Committee.

Daniel Zovatto

Regional Director for Latin America and the Caribbean of the International Institute for Democracy and Electoral Assistance (International IDEA). Doctorate in international law from Universidad Complutense and doctorate in government and public administration from the Instituto Universitario de Investigación Ortega y Gasset. Master's in Public Administration from the John F. Kennedy School of Government of Harvard University (United States of America), and Master's in Diplomacy from the School of Foreign Service (Escuela Diplomática) of the Ministry of Foreign Affairs of Spain.

Political analyst, international lecturer, and visiting professor at universities in Latin America, Europe, and North America. Adviser to several Latin American governments. Member of the International Advisory Board of Latinobarómetro; member of the Latin America Program of the Woodrow Wilson International Center for Scholars; nonresident senior fellow at the Brookings Institution; member of the International Advisory Council to the Ibrahim Index of African Governance of the Mo Ibrahim Foundation (United Kingdom); member of the Council of Arab World Relations with Latin America and the Caribbean (CARLAC) and of the editorial board of the journal Foreign Affairs in Spanish. Former chair of the Advisory Commission for Electoral Reform of the province of Córdoba and of the Strategic Planning Council of the province of Córdoba. Author of more than 20 books and 100 articles on law, democracy, elections, political parties, and governance in Latin America.