

1. Introduction

Transparency International New Zealand (TINZ) is the national chapter of the global Transparency International (TI) movement, with its Secretariat based in Berlin, Germany. TI advocates that accountability, transparency and good governance lies at the heart of good government and the responsible use of state power. TINZ is a not-for-profit, member-based and strictly non-partisan organisation.

The following submission reflects our concern to ensure maximum transparency in governance, particularly as it relates to governmental procedures.

2. Electoral Funding Symposium

Members of Parliament will be aware that on 15 June 2007 Transparency International New Zealand joined with the Institute of Policy Studies at Victoria University of Wellington to sponsor a Symposium on the Funding of Political Parties and Election Campaigns. The Symposium was not a forum to determine agreed courses of future action. The aim was to ensure that a range of views were expressed. The Symposium, which was addressed by the Presidents of seven of the political parties represented in Parliament, was endorsed by:

- The Rt Hon Dame Silvia Cartwright, former Governor General
- The Rt Hon Mike Moore, Former Prime Minister and Director General of the World Trade Organisation
- The Hon Doug Kidd, former Speaker of the House of Parliament
- The Rt Hon Sir Douglas Graham, former Minister of Justice and of Treaty Settlements
- The Hon Russell Marshall, former Minister of Foreign Affairs and of Education
- The Rt Hon Edward Thomas, former Judge of the Court of Appeal and former Acting Judge of the Supreme Court.

Symposium Outcomes: Issues Needing to be Addressed

- *Political Use of Parliamentary Funds*

The Symposium considered that any review of the rules surrounding political party funding and election spending would have to include the use of public money by political parties, particularly the political purposes of parliamentary expenditure.

- *Transparent donations to political parties*

The use of trusts to make donations to political parties should be addressed.

- *Broadcast election advertisements*

State funding of broadcast election advertisements should be addressed in the light of new technologies and insure that citizens know the advertisements are state funded.

- *Political party membership*

The relationship between state funding and party membership needs to be recognized to ensure that parties have an incentive to maintain widespread membership.

- *Voter Turnout*

Long-term declines in voter turnout and national and local body elections need to be considered in any reform of the rules surrounding the funding of political parties, and the rules surrounding election spending.

- *Third Parties*

There must be clearer rules surrounding the rights and restrictions faced by individuals or groups seeking to influence the outcome of the elections without actually contesting the election. Such rules need to ensure that the identity of political participants is clear without discouraging political participation.

- *Electoral Agencies*

The Symposium considered that there is an urgent need for a consolidation of the agencies which administer New Zealand's elections to ensure that there are clear areas of responsibility without institutional clutter so that citizens can get information from - or make complaints to - one source. Agencies must be free of any inhibition to take action against breaches of the electoral law

The symposium asked the critical question of who should set the initial oversight framework - the politicians who used the system or some independent body? There was a general consensus that an independent body be established to set the rules. This body would be disestablished when the rules have been sent.

3. TI Global Standards on Political Funding.

The Secretariat of Transparency International in Berlin has established a policy position on standards on political funding. The relevant paper may be accessed on the Transparency International website under the heading "Transparency International Policy Position paper No. 01/2005".

Policy positions in the paper are expressed in broad terms and are not country specific. New Zealand has established an enviable record of governmental transparency and can ignore many of the comments made. But there are areas which the parliamentary committee would wish to look at in some detail. These include:

- "Corruption in political finance erodes trust in the institutions of democracy".
- "Faced with evidence that voters do care about the ways in which electoral politics is financed, governments around the world have taken steps to regulate political party and campaign financing. Many have introduced disclosure laws, whereby parties must establish details about who gave them money, how much, and what they used it for. Others have banned certain types of donations that are considered more prone to corruption, such as corporate donations".

- “While there is no model for how to regulate corruption in politics, some attempts have been more successful than others. Transparency International's ‘Standards on Political Party Funding and Favours’ reflects best practice”. The comment goes on to say that "the Standards go further than external regulation and consider the importance of vigilance by civil society and the media and of internal political party and business controls. The development of the Standards reflects the importance of the issue to the Transparency International movement and responds to the body of knowledge built up by Transparency International’s National Chapters”.
- "Transparency of political finance [through] disclosure is the starting point of any regulatory framework. Transparency also empowers voters to make informed choices on election day. The importance of disclosure to the problem of corruption in politics is reflected in international law. The United Nations Convention against Corruption calls on states to "enhance transparency in the funding of candidates for elected public office and, where applicable the funding of political parties."
- "The motivation behind efforts to regulate campaign finance has not only been to curb corruption, but also to promote fair competition between political parties and to nurture emerging parties. This is usually done through the provision of public funding, whether in direct subsidies, albeit indirect subsidies such as broadcasting time on public television stations, franking of campaign materials, use of telephones or public office space and tax relief on political donations”.
- “the aim in all cases is to reduce the comparative advantage of wealthy parties and stem the ‘arms race’ for campaign funds.”

The Transparency International policy paper refers to corporate funding noting that private interests must be prevented from subverting the democratic process through purchase of control and favours. From the perspective of business, clear rules can help mitigate exposure to demands for bribes and subsequent reputational damage if quid pro quo donations all bribes are exposed.

The paper states, separately, that the aim of campaign finance regulations is not to hamper the performance of political parties. Indeed, Transparency International underlines the importance of political parties and says that "representative democracies cannot function without political parties and, in turn, political parties and candidates to elected office need money to communicate their platforms and policies to voters. The paper recognizes that the need for money has become more acute in recent decades as election campaigns become more sophisticated and party membership wanes.

The Policy Paper emphasises that any effort to curb corruption and campaign finance needs to directly engage with political parties. And notes that "parties and candidates must themselves practise transparency and demonstrate commitment to ethical standards in public life." Thus Transparency International maintains that parties need to introduce internal reforms, such as their candidate selection procedure and funding requirements for internal party elections. This is another way of saying that parties and candidates must themselves practise transparency and demonstrate commitment to ethical standards in public life.

The Policy Paper refers to the need for a strong "regulatory framework" but considers that this alone is insufficient to counter political corruption. TI notes that countries with sophisticated regulations continue to suffer scandals. One reason for this is that regulations are "not adequately enforced because oversight bodies are adequately equipped, laws are too complex and cumbersome to be practicable or there is a lack of political will to allow enforcement bodies to carry out their functions free from political interference."

In an article in The New Zealand Herald of 20 April 2007 the New Zealand Chapter of Transparency International referred to the Auditor General's report on the illegal use of public funding by political parties during the last election. In 2003 we also expressed concern about the dangers of "deliberately opaque political funding practices" where donors to parties have been intentionally hidden. We would repeat here that while this practise was and still is lawful, it is not in the best interests of democracy where openness is a vital pre-requisite.

4. Current Proposed Legislation

Because the contents of the proposed Electoral Finance Bill 2007 (Bills Digest No. 1527) have been subject to a number of exchanges and, we understand, changes, we have not commented in specific terms.

We look forward, however, to making a submission to the Committee when public hearings are called.

I take this opportunity to thank the Committee for its consideration.

Gerald McGhie

Chairman

Transparency International (New Zealand Chapter)

5 September 2007

The 2006/2007 Board of Transparency International New Zealand is:

- Gerald McGhie, QSO – Chairman (retired senior diplomat).
- Claire Johnstone – Deputy Chair (senior manager Ministry of Transport).
- Pamela Jeffries - Director.

- Ash Johnstone – Director.
- David McDonald, QSO – Director (former Auditor General).
- Michael Morris, ONZM – Director (former national Chairman KPMG NZ, and founding Chairman New Zealand Post).
- Murray Petrie – Director (former Treasury, MFAT official and IMF consultant).
- Trevor Roberts – Director (senior lawyer).
- Dr Rodger Spiller – Director, Money Matters, and Director of Centre for Business Ethics and sustainable development.
- Hon. Hugh Templeton – Director (former Minister of the Crown).