

# POLITICAL FINANCE & DONATIONS

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## PURPOSE

To ensure greater transparency and real time disclosure of political donations and funding – as a means of strengthening trust in Australian election processes and representative government.

## THE PROBLEM

Heightened risk of political corruption as a result of out-of-date and inconsistent regimes for ensuring integrity in political party and election campaign funding is an issue of high public concern throughout Australia.<sup>1</sup> For example:

- in NSW, the Independent Commission Against Corruption is investigating claims that, contrary to NSW law, “certain members of parliament and others solicited and failed to disclose political donations from companies, including prohibited donors,…”
- at the federal level, ‘mystery’ Chinese donors have been able to contribute to political parties;<sup>2</sup> and
- media reports indicate that some mining companies are more generous donors to Government than to Opposition parties in states where the company is seeking government approvals or licences, or contributions by governments to infrastructure.<sup>3</sup>

In many jurisdictions disclosure of political donations is not timely, with delays in publication of party funding of up to 19 months after elections. This means that electors cannot exercise their vote in an informed way and there are increased possibilities of skewing democracy with secret donations and vote buying. It is of little use to the democratic process if the law allows donations to be declared many months after an election.

The risks of corruption are heightened by inconsistencies in Commonwealth and State legislation relating to electoral finance, disclosure and lobbying.

## HISTORY AND PREVIOUS RECOMMENDATIONS

Federal and State Governments have all legislated in relation to electoral finance, disclosure and lobbying. These laws are inconsistent and of varying effectiveness. Underlying problems of transparency and disclosure, is an ongoing debate on whether political donations are necessary or if election activities should be entirely publicly funded, as occurs in some other democracies.

Irrespective of the precise answers, there is a need for national consistency, and an opportunity for the Commonwealth Government to lead the search for national best practice, in place of the present piecemeal arrangements.

Best practice should include real-time continuous disclosure (of political donations) of the kind to which the corporate sector is already accustomed. In the 2005 report of the first National Integrity System assessment of Australia, TI Australia was one of the first organisations to recommend real-time, continuous disclosure.<sup>4</sup>

The December 2014 *Political Donations* report,<sup>5</sup> led by Kerry Schott, commissioned in the wake of serious political finance scandals in NSW, provided many recommendations on how to prevent corruption in relation to political donations. TI Australia supports the principles underlying these recommendations and believes they should be implemented in all jurisdictions and form part of national 'best practice'. The principles underlying the report's recommendations are:

- a ban on anonymous political donations
- a ban on political donations from foreign sources
- online, real-time disclosure of political donations of \$1000 or more
- registered political parties be required to identify where a political donation has been solicited or made for the direct benefit of an endorsed candidate of the party
- regulation of 'associated entities' (i.e., entities that are controlled by a political party or that operate solely for the benefit of a political party)
- the disclosure obligations of associated entities should be the same as those of political parties.

On the 'supply' side, in relation to political donations Transparency International's 2013 publication '*Business Principles for Countering Bribery*' recommends that:

- an enterprise, its employees, agents, lobbyists or other intermediaries should not make direct or indirect contributions to political parties, organisations or individuals engaged in politics, as a way of obtaining unfair advantage in business transactions.
- an enterprise should publicly disclose all its political contributions.

## TI AUSTRALIA'S POSITION

- **The Australian Government should lead the search for national best practice in the regulation and transparency requirements governing political finance, in place of present piecemeal legislation and practice at Commonwealth and State levels.**
- **On-line, real-time continuous disclosure of donations to political parties and campaigns should be introduced in all jurisdictions.**
- **'Associated entities' and third party donors should be regulated and subject to the same disclosure provisions as political parties.**
- **Businesses should observe the relevant aspects of TI's *Business Principles for Countering Bribery* if donating to political parties or undertaking election campaign expenditure.**

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<sup>1</sup> This Paper focuses on political donations, but the broader issue of buying access to Ministers and members of parliament and including issues such as lobbying and the timely publication of Minister's diaries, are also important related issues.

<sup>2</sup> <http://www.smh.com.au/federal-politics/political-news/mystery-chinese-donor-zi-chun-wang-tops-political-donations-with-850000-gift-to-labor-20150202-133ofe.html>

<sup>3</sup> *The Australian* 3 February 2015 p2.

<sup>4</sup> See Chaos or Coherence? Strengths, Challenges and Opportunities for Australia's Integrity Systems, *National Integrity Systems Assessment Final Report*. TI Australia & Griffith University, December 2005, pp 73-6: [http://transparency.org.au/wp-content/uploads/2012/08/nisa\\_final.pdf](http://transparency.org.au/wp-content/uploads/2012/08/nisa_final.pdf).

<sup>5</sup> [http://www.dpc.nsw.gov.au/\\_\\_data/assets/pdf\\_file/0004/167521/Volume\\_1\\_-\\_Final\\_Report.pdf](http://www.dpc.nsw.gov.au/__data/assets/pdf_file/0004/167521/Volume_1_-_Final_Report.pdf).