

### 3.6 Financing of political parties and electoral campaigns

Political parties and election campaigns are the basis of modern democracies, reflecting the interests of citizens and playing a crucial role in the election of representatives. Financial contributions enable individuals and entities to support candidates and political parties that align with their political views. However, unregulated contributions pose a risk of undue influence and policy capture. Ensuring transparency through rules and oversight of electoral finance is therefore crucial for strengthening the integrity of the democratic process.

Political parties and election campaigns can be financed through the allocation of resources by the state (direct and indirect public funding) or from resources given by individuals and legal entities (private funding). Establishing clear and equitable allocation criteria for public funds, and increasing transparency about sources, are key measures to level the playing field in political competition. Levels of public funding of political parties and election campaigns vary considerably across countries. In the six Latin America and the Caribbean (LAC) countries with data available, 38% of political parties' revenues come from public sources. In Brazil (63%) and Mexico (53%) public funding makes up more than half of parties' revenues, whereas in Chile (24%) and Peru (20%) the share is considerably lower (Figure 3.13).

Countries should have regulations on both the use of public funds and on mitigating the risk of undue influence in politics. All six LAC countries with available data have regulations that ban anonymous donations, and all contributions made to political parties and candidates must be registered and reported. These restrictions exist in only 55% of OECD countries. Similarly, all six LAC countries prohibit political parties from receiving financial contributions from publicly owned enterprises (compared to 80% of OECD countries) and require parties and/or candidates to report their finances, including expenses, during electoral campaigns, which enable the use of public funds to be monitored, compared to 93% for OECD countries (Figure 3.14).

However, rules and regulations serve little purpose if they go unimplemented or if non-compliance does not result in appropriate enforcement actions. It is essential to have mechanisms for overseeing compliance and sanctioning breaches. All six LAC countries have an independent oversight body responsible for overseeing the financing of political parties and election campaigns. However, only in Argentina, Mexico and Peru have these oversight bodies published information about the number of cases related to breaches of political finance regulations, the number of investigations conducted and a breakdown of the different types of sanctions issued. Furthermore, despite being required to in all countries, only Mexico reports that all its political parties have submitted annual

accounts within the timelines defined by national legislation for the past five years, indicating lack of transparency in the region. In contrast, political parties in 54% of OECD countries have submitted their annual accounts in time over the same period (Figure 3.15). These data indicate a gap between the existence of strict regulations on political finance and actual compliance, whether voluntary or through the use of oversight mechanisms.

#### Methodology and definitions

Data were collected through a questionnaire based on the OECD Public Integrity Indicators on Accountability of Public Policy Making. Six countries from the LAC region responded. Respondents were senior officials responsible for integrity policies in central government. The OECD Public Integrity indicators measure the state of play against the OECD Recommendation on Public Integrity.

#### Further reading

OECD (n.d.), Public Integrity Indicators, <https://oecd-public-integrity-indicators.org/> (accessed on 15 November 2023).

OECD (2020), *OECD Public Integrity Handbook*, OECD Publishing, Paris, <https://doi.org/10.1787/ac8ed8e8-en>.

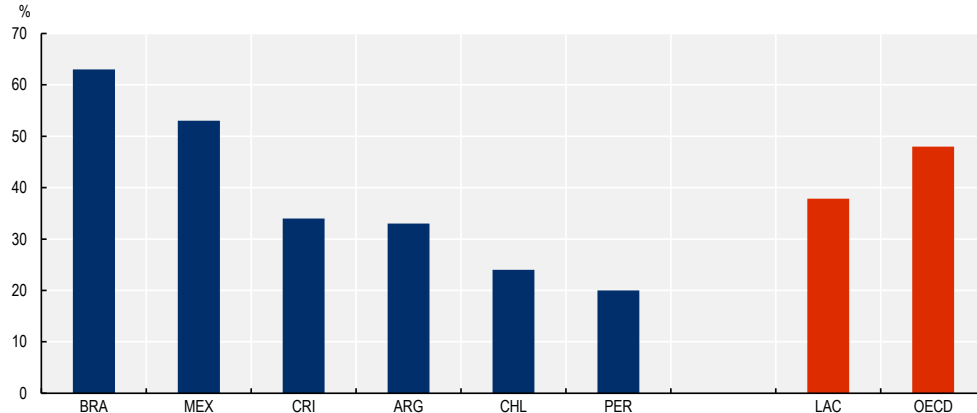
OECD (2017), "Recommendation of the Council on Public Integrity", *OECD Legal Instruments*, OECD, Paris, <https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0435>.

#### Figure notes

Figure 3.14. Inner ring: ban on anonymous donations, and all contributions made to political parties and/or candidates must be registered and reported. Middle ring: ban on contributions from publicly owned enterprises. Outer ring: parties and/or candidates must report their finances (funding and expenses) during electoral campaigns.

Figure 3.15. Inner ring: all political parties have submitted annual accounts within the timelines defined by national legislation for the past five years. Middle ring: The body has published as a minimum the following information: 1) number of cases related to breaches of political finance regulations; 2) number of investigations conducted; and 3) a breakdown of the different types of sanctions issued. Outer ring: an independent body has the mandate to oversee the financing of political parties and election campaigns. Data for Costa Rica on political parties' compliance with the submission of annual accounts are not available.

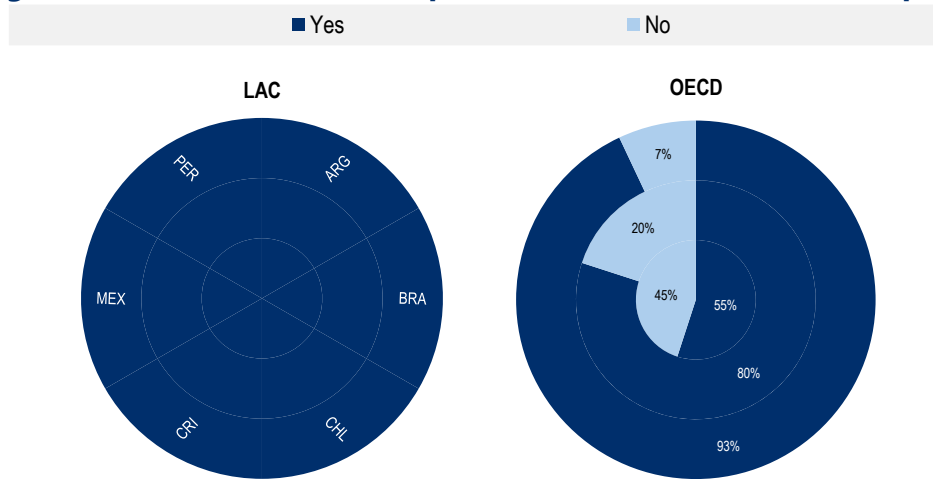
**Figure 3.13. Public funding as a share of political parties' revenues, 2022**



Source: OECD (2022), Public Integrity Indicators (database), <https://oecd-public-integrity-indicators.org/>.

StatLink <https://stat.link/v9d74a>

**Figure 3.14. Regulations on contributions to political finance and election campaigns, 2022**

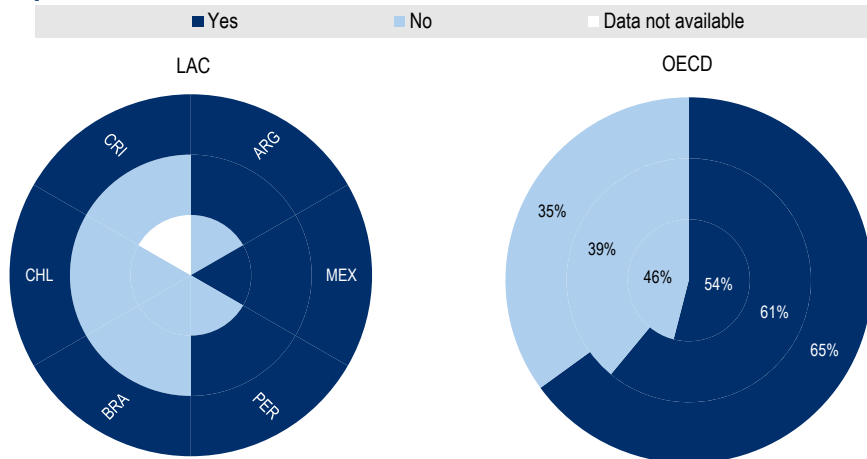


Note: Inner ring: ban on anonymous donations, and all contributions made to political parties and/or candidates must be registered and reported. Middle ring: ban on contributions from publicly owned enterprises. Outer ring: parties and/or candidates must report their finances (funding and expenses) during electoral campaigns.

Source: OECD (2022), Public Integrity Indicators (database), <https://oecd-public-integrity-indicators.org/>.

StatLink <https://stat.link/vf70lz>

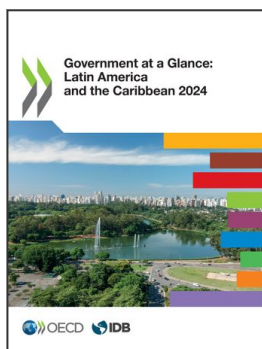
**Figure 3.15. Oversight of political finance and election campaigns: Independent oversight and public information, 2022**



Note: Inner ring: all political parties have submitted annual accounts within the timelines defined by national legislation for the past five years. Middle ring: information on breaches, investigations and sanctions are published. Outer ring: an independent body has the mandate to oversee the financing of political parties and election campaigns.

Source: OECD (2022), Public Integrity Indicators (database), <https://oecd-public-integrity-indicators.org/>.

StatLink <https://stat.link/wpt4mv>



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