POLITICAL FINANCE AND PUBLIC FUNDING OF POLITICAL PARTIES IN PAKISTAN

Challenges and Opportunities

Fernando Casal Bértoa and Nazeer Mahar

FRIEDRICH EBERT STIFTUNG
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FOREWORD

Political parties are a cornerstone of every parliamentary democracy and sufficient public funding enables them to perform their constitutional duties in a transparent and reliable manner. Thus, in many places the regulation of political party financing has evolved in the last hundred years both to level the playing field and to combat corruption. Today, many countries ban donations from certain sources, specify ceilings for private contributions and oblige political parties to public accountability with regard to their finances.

In comparison, public financing of political parties in Pakistan has room for improvement. Political parties in Pakistan are too dependent on private funding and, for the sake of improving democratic governance, should be more transparent on the sources and the use of their funds. Hence, the authors of this study argue that Pakistan needs an elaborate political party finance system that includes public funding to foster a more level playing field and contribute to the sustainable development of Pakistan's parliamentary democracy.

The publication at hand, "Political Finance and Public Funding of Political Parties in Pakistan", is a highly useful contribution and provides an understanding of Pakistan's legal framework on political party financing and also identifies some of its most relevant regulatory weaknesses. At the end, Fernando Casal Bertoa and Nazeer Mahar have concluded this study with a set of recommendations to legislators, political parties, the Election Commission of Pakistan, media and civil society watchdogs on how to improve the transparency, accountability and integrity of Pakistan's democratic institutions.

We sincerely hope it will contribute to a fruitful policy debate, to further strengthen the democracy in Pakistan.

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EXECUTIVE SUMMARY

Money plays a critical role in enabling political processes all over the world. If unregulated, this has the potential to undermine democracy, and erode public trust in political and representative institutions. It engenders corrupt practices, making political parties and candidates beholden to big money and interest groups; weakens institutionalization of political parties and dilutes their linkages with their support base; and puts already underrepresented groups such as women at a further disadvantage. Therefore, for a robust democracy, an elaborate and transparent political party finance (PPF) system is absolutely essential. All financial matters relating to political processes are dealt with under the PPF, including political parties' annual accounts covering their funding and spending during election campaigns and otherwise; candidates' funding and spending; and legislators' annual assets and liabilities statements.

Pakistan's legal framework for PPF, dealt with under Article 17 (3) of the Constitution of Pakistan and the Elections Act, 2017 (Chapter VIII and XI), has regulatory weaknesses (e.g. no bar on seeking funds from corporate entities, and no ceiling on spending for a political party during an election campaign); and ineffective enforcement mechanisms (e.g. on enforcing prescribed spending limits). Likewise, the Election Commission of Pakistan (ECP) lacks capacity to scrutinize in a timely manner the submitted statements of accounts by candidates, legislators and political parties. All of this put together provides for a nearly open field for interest groups to influence politics.

Unlike many other countries in the world and the region, Pakistan does not have a public funding mechanism for political parties. This complete dependence on private funding leaves the Pakistani politicians and political parties' prone to exploiting the loopholes in the law to meet their burgeoning financial needs. Most recently, one of the major parties has been accused by the ECP of having received prohibited funds from foreign nationals and foreign-based companies. Private funding is also known to disincentivize political parties from establishing grassroots linkages with the voters. It also further alienates underrepresented groups such as women and

religious and ethnic minority groups, due to their lack of access to sufficient financial support.

In a highly polarized political climate such as Pakistan, where political parties vie for the time-tested electable candidates, belonging to the landed and industrial elite, to not only fund their own campaigns but also offer financial support to their respective political party, it may seem far-fetched to expect those parties and candidates to accurately report their finances. Instead, parties and candidates are further encouraged to conceal their finances by legislative lacunae, weak enforcement of the law and the absence of any meaningful sanctions. Moreover, since the 2018 general elections political parties have begun to use the hyperactive digital media platforms for political advertising, which has further added to their financial strain. Unsurprisingly, political parties are among the least-trusted institutions in Pakistan (Dawn, 2015), which contributes to the traditionally low voter turnout in Pakistan and potentially undermines the legitimacy of democratic institutions.

Hence, to restore trust in democratic institutions, Pakistan needs a robust and digitally integrated PPF system, anchored in a strict enforcement and sanctions regime. Besides introducing reasonable restrictions on private funding in politics, it must introduce public funding to foster a more level playing field, to hinder political polarization and combat financial irregularities in political funding and spending. Guaranteeing such public financial support would also address other, related longstanding problems such as weak political party structures and exclusionary trends towards women and minorities.

This report presents examples from existing regimes that show how public funding decreases political parties' dependence on private funding, relieving them of pressure to pursue their donor's agenda; encourages them to abandon illegal funding practices due to a stricter audit regime; reduces polarization by enabling the political parties to adopt moderate ideological views and pursue the public interest rather than the sometimes more radical preferences of their individual donors; facilitates grassroots connection with the voters and institutionalization of party structure at the local level; and gives a lifeline to small political parties and marginalized groups who are generally deprived of the benefits of legislative representation.

1. CHALLENGES OF POLITICAL PARTY FINANCING IN PAKISTAN

Pakistan's PPF is governed by the Elections Act 2017 (Chapter VIII & XI). The ECP is constitutionally mandated to oversee the system that mainly deals with: a) statements of assets and liabilities by election candidates submitted at the time of filing nomination papers; b) annual audit of assets and liabilities of parliamentarians, and their spouses and dependents; c) statement of accounts submitted by political parties and candidates after each general election; and d) annual statement of accounts submitted by political parties (The News, 2022a). All of the abovementioned submissions by individuals and political parties are made public through gazette notifications. The ECP's Political Finance Wing monitors the entire spectrum of information on political finance. It has an elaborate monitoring mechanism in place that is operationalized through field monitoring teams to check the electoral expenses being incurred by candidates, and their compliance with the PPF laws and rules (The News, 2022b).

1.1. Regulatory landscape

Political parties

Pakistan's PPF legal framework is defined in Article 17 (3) of the Constitution and in Chapter VIII and Chapter XI of the 2017 Elections Act. The PPF law prohibits political parties from accepting any contribution or donation (in either cash or kind) made, directly or indirectly, by any foreign source including any foreign government, multi-national or public or private company, firm, trade or professional association, or individual (Elections Act 2017, Section 204, Sub-section 3). Nonetheless, contributions made by any Pakistani holding a National Identity Card for Overseas Pakistanis issued by the National Database and Registration Authority do not fall into the abovementioned foreign funding category.

The law puts a clear ban on the use of state resources in favour of or against a political party or candidate, covering media advertisements at the cost of public exchequer and misuse of official mass media by the federal, provincial, and local governments. The law also prohibits any person in any way employed by the national or local government from misusing his official position to influence the results of any election (ECP, 2013b).

The law does not prohibit contributions to political parties from corporate entities or trade unions, notwithstanding the overseas restrictions mentioned above (Elections Act 2017, Section 204). There is no limit on the amount a donor can contribute to a political party during a non-election specific period. There are no rules for stopping political parties engaging in commercial activities. Neither is there any ban on donors to political parties or candidates participating in public procurement processes. There is no direction in any rule or statue regarding these three issues.

The political parties may accept a membership fee and other contributions and donations by a supporter or member. There is no prescribed limit for these contributions. A party nevertheless is bound to submit to the ECP within 60 days from the close of a financial year, a consolidated statement of its accounts audited by a chartered accountant, revealing sources of its funds along with a list of all contributors who have donated 100,000 rupees or more for its election campaign expenses (Elections Act 2017, Sections 210 and 211).

Political party candidates

As in the case of a political party, election candidates are also prohibited from accepting any contribution or donation from a foreign source. If not foreign-based, there is no explicit bar on candidates accepting contributions from corporate entities or trade unions (Elections Act 2017, section 204, sub-section 4).

The election expenses of a contesting candidate cannot exceed: (a) 1,500,000 rupees for election to a seat in the Senate; (b) 4,000,000 rupees for election to a seat in the National Assembly; and (c) 2,000,000 rupees for election to a seat in a Provincial Assembly (Elections Act

2017, Chapter VIII. Section 132). It is also mandatory for a candidate that he or she should open a bank account and maintain all record of receipt and expenditure of funds, donations, etc. (Elections Act 2017, Section 133).

1.2. Sources of funding

With the exception of PTI, Pakistani political parties have a very narrow base of contributors to the party fund. Below are three major sources of funds for the parties:

1. **Fee for party tickets:** A major source of income for most of the parties is the fee charged from applicants for party tickets for national or provincial assembly elections. This is a legal source of income for political parties under the Elections Act 2017 Section 204, sub-section 1.[1] For instance, Pakistan People's Party (PPP) collected about 89 per cent of its total funds through ticket fees during the 2018 elections. Pakistan Muslim League-Nawaz (PML-N) collected one-third of its income from party ticket fees over the last 10 years. PTI collected only 24 per cent of its income from party ticket fees as it has established a wider and better organized funders' base (Mehboob, 2022a).
2. **Percentage from legislators' salaries:** Another possible source of revenue for the political parties is receiving a certain percentage from their legislators' salaries as donations (Mehboob, 2022a).
3. **Interest on savings:** Political parties in Pakistan also rely on interest on party fund deposits (Mehboob, 2022a).

1.3. PPF system: Problems and challenges

While the Constitution of Pakistan (Art. 17.3)[2] and the relevant law (Elections Act 2017) bind political parties to disclose their sources of income, the law does not specifically require the disclosure of the names of their donors. Although an exception is made for the election campaign fund as, when a donation exceeds 100,000 rupees, parties

1. "A member of a political party shall be required to pay a membership fee, if provided in the political party's constitution and may, in addition, make contributions or donations towards the political party's funds."
2. "Every political party shall account for the source of its funds in accordance with law."

are bound to mention the name of the donor (Elections Act 2017, section 211, sub-section 1). The PPF law is also silent on the spending limit for political parties in an election campaign, which leaves the door open for powerful interest groups to influence politics.

Although there is a legal spending limit for all electoral candidates (Elections Act 2017, chapter VIII, section 132, sub-section 3), it is not fully enforced as the law in practice allows individuals other than the candidate to spend beyond the prescribed limit for the candidate as long as it is without the consent or connivance of the candidate (Elections Act 2017, chapter VIII, section 132, sub-section 2).

Moreover, the ECP has its own limitations regarding effective enforcement of the PPF system, particularly its capacity to timely scrutinize election expenditures and statements of accounts by candidates, legislators, and political parties (Ilyas, 2022). This has been evident from prolonged hearings of PPF-related cases against both political parties and election candidates; it took the ECP seven years to decide on the PTI foreign-funding case (Dawn, 2022). Furthermore, it is hard to find any example other than the PTI (aforementioned ECP verdict of August 2022, which is challenged by the PTI at the time of writing) when a political party was penalized for violating the PPF law. As of December 2022, three major political parties (Pakistan Muslim League – Nawaz, Pakistan Peoples' Party, and Jamiat-i-Ulama Islam) are also facing charges of receiving prohibited foreign funds (Mehboob, 2021). There is no evidence that these cases will conclude any time soon.

While there are serious consequences for a political party accepting foreign funds, the due process to ascertain the legality or otherwise of the funds received by a political party takes a long time. Sub-section 4 of Section 204 allows the government to confiscate all such funds. Furthermore, section 212 (1) of the Act states that "where the Federal Government is satisfied on the basis of a reference from the Commission or Information received from any other source that a political party is a foreign-aided political party … the Government shall, by a notification, in the official Gazette, make such declaration." Sub-sections 2 and 3 of this section require the Government to refer the matter to the Supreme Court of Pakistan within 15 days of making the declaration. If the Supreme Court upholds the declaration against a political party, it shall stand dissolved. The elected members of that political party, as per Section 213 of the Elections Act 2017, shall be disqualified for the remaining duration of the legislature. However, political parties might be encouraged by a long-winded, ineffective accountability process to hide facts or mis- or underreport their funding and spending status.

Likewise, there is no incentive mechanism in the law to encourage political parties to report in a timely and accurate manner. Political parties are not legally bound to make public their statements of accounts, assets or liabilities. And there is very little pressure from civil society to make such records public, although this has begun to change with increased media attention on the subject (Dawn, 2015b).

Lastly, it has been reported that judicial interference in PPF matters create undue complications and causes delays in judicious disposal of PPF-related cases (The Express Tribune, 2022a). Political parties themselves have a proclivity to approach the judiciary in matters purely falling under the purview of the ECP (Bhatti, 2020b). A pertinent example of court proceedings hindering the ECP functioning can be found in none other than PTI's foreign funding case where PTI approached the higher courts in Pakistan challenging *inter alia* the jurisdiction of ECP in the matter. The party also approached the Islamabad High Court (IHC) alleging ECP's bias against the PTI in the funding case. Besides, rather than approaching the ECP, the constitutionally mandated body, it called on the IHC to direct the ECP to scrutinize funds of 17 other political parties (Pakistan Today, 2022). Judicial interventions in ECP affairs can also be ascertained from the fact that at one point the IHC ordered the Commission to decide the PTI foreign funding case within a month, although the order was later rescinded (The Express Tribune, 2022b). Due to procedural or capacity-related delays on the part of ECP (95 hearings, in addition to delays of the type described above), the extended nature of work, and multiple stays by courts, the ECP Scrutiny Committee took no less than 44 months to complete the audit of the PTI's accounts for 2009 to 2013, while the Commission itself took seven years to pass its verdict (Khan, 2021; Mehboob, 2022b).

The abovementioned challenges have grave implications for the political and electoral system in Pakistan, which are dealt with in the next chapter.

1.4. Weak PPF system: Implications for political system, political parties, and corruption

The outdated and weak nature of Pakistan's PPF legal framework has multiple implications for the political system and political parties. The PPF law does not bind a political party to disclose the names of their donors, places no ceiling on spending in an election campaign for a political party or its candidate, and does not apply a conflict-of-interest lens as it does not explicitly deny political donors a right to participate in public procurement processes or engage in lobbying with the legislators.

While money is vital for the continuation and strengthening of political and electoral processes, if unregulated it can undermine democracy and erode public trust in elected institutions (Hamada *et al*, 2020). Lack of robust PPF regulatory mechanisms leave the door open for vested interests to capture the policymaking processes and exploit the political system in their favour. These favours can range from the award of contracts, licenses, tax exemptions and access to loan and financing facilities, to anonymous election and non-election campaigns.

In Pakistan's case, corruption charges against politicians and particularly the top leadership of political abound and, every new government brings forward corruption and nepotism allegations of the previous regime (Gul, 2022a). This provides all the more reason for the Government of Pakistan to reinforce and align its PPF regime with the emerging new political, economic and societal changes by addressing the following specific challenges:

1) The PPF law does not take into account the latest digital transformation, which has a tremendous potential for fund-raising as well as spending. Digitalization has opened up further avenues for political fund-raising as well as digital campaigning (Gul, 2022b). The existing PPF law does not cater to this upcoming massive challenge. Nor does the enforcement mechanism have the tools e.g. to trace funds contributed through crypto currencies. This avenue of funding can also be potentially used by global organized crime as well as global corporate entities.

2) The PTI foreign funding case has highlighted some serious weaknesses in the ECP’s institutional capacity to scrutinize the financial transactions of political parties. Certain loopholes in the existing laws (identified above) make it easier for interest groups to pour money into election and non-election campaigns without any serious consequences for political parties, candidates or donors.

3) The PPF law is a standalone instrument that is not in sync with the overall national accountability regime, and is ill-equipped to achieve accountability and transparency in electoral processes.

4) The existing PPF regime that does not effectively check the liberal use of money in politics precludes economically disadvantaged groups such as women, people with disabilities and minorities from participating in the electoral processes as they already are “on the margins of social and economic strata” (The Express Tribune, 2022b). Following the 2018 general elections, women were elected to only about 3 per cent of the non-reserved seats in the lower house of Pakistan’s parliament (Mehboob, 2022c). Alongside socio-cultural reasons, the lack of access to financial resources is a major reason for this abysmally low number.

5) Political parties, particularly smaller ones, lack the capacity to maintain financial records and meet the reporting requirements of the ECP, which include proof of a payment of 200,000 rupees as enlistment fee, photocopies of the national identity cards of at least 2,000 of their members, furnishing party constitution, accounts, and results of intra-party elections, as per Election Act 2017, section 202, sub-section 2 (Pak Voter, 2017). Failure to meet these requirements puts political parties at risk of being delisted. In 2017, there were no fewer than 325 political parties that were never part of the parliament. Of those 300 were inactive and not fulfilling the ECP requirements (Pak Voter, 2017). As of December 2022, 168 political parties are registered with the ECP (ECP, 2022) which implies a large-scale delisting of parties over the previous five years.

6) Last but not least, unlike many other countries in the world and the region, Pakistan has no public funding mechanism for political parties. The complete dependence on private funding leaves Pakistani politicians and political parties prone to exploiting the loopholes in the law to meet their burgeoning financial needs.

The next chapter illustrates how Pakistan's PFF regime compares with other democracies in the region and how Pakistan politics can mitigate the negative implications of a weak PFF system by adding a public funding stream to political and electoral finance.

2. OPPORTUNITIES FOR POLITICAL PARTY FINANCING IN PAKISTAN

2.1. Background of PPF regulation in Asian democracies: Comparison with Pakistan

PPF regulation in Asia is not as comprehensive as in other regions such as Europe or Latin America (see Casal Bértoa and Biezen, 2018; Scherlis, 2021). Table 1summarizes the main aspects of PPF regulations in 12 Asian democratic countries.

Table 1: Party funding regulation in 12 Asian democracies

	East Asia				**South Asia**				**South-East Asia**			
	Japan	Mongolia	Taiwan	South Korea	India	Nepal	Pakistan	Sri Lanka	Indonesia	Malaysia	Philippines	Timor Leste
Public funding												
Direct subsidies for												
Campaigns	--	X+	X	--	--	--	--	X	--	--	--	--
Organization	X+	X+	X	X	--	--	--	--	X+	--	--	X+
Indirect subsidies for media												
Candidates	X	X	--	X	--	--	X	X	X	--	X	X
Parties	X	X	X	X	X	X	X	X	--	--	--	--
Indirect subsidies for												
Tax	X	--	X	--	--	--	--	--	--	--	X	X
Other	X	--	X	X	X	--	--	X	--	X	--	--
Gender equality												
Elections	--	--	--	X	--	--	--	--	--	--	--	--
Activities	--	--	--	X	--	--	--	--	X	--	--	--
Private funding												
Ban on donations												
Foreign	X	X	X	X	X	X	X	--	X	--	X	X

Company	Xc	--	--	X	--	--	--	--	--	--	--	X
Public	X	X	X	X	X	X	--	--	X	--	--	X
Anonymous	X	X	--	--	--	X	--	--	X	--	X	X
Contracted companies	X	--	X	X	X	--	--	--	--	--	X	X
Trade union	Xc	X	--	X	--	--	--	--	--	--	--	X
Caps on												
Donations	X	X	X	X	X	--	--	--	Xl	--	--	--
Ban on state resources	X	X	X	X	X	X	X	nd	X	--	X	X
Spending												
Caps on												
Candidates	X	X	X	X	X	X	X	--	X	X	X	--
Parties	--	X	--	X	--	X	--	--	--	--	X	--
Ban on vote buying	X	X	X	X	X	X	X	X	X	X	X	X
Oversight												
Financial reporting												
Regular	X	X	X	X	X	X	X	X	X	X	--	X
Electoral campaign	X	X	X	X	X	X	X	--	X	Xc	X	Xc
Public	X	X	X	X	X	X	X	--	X	--	X	X
Institution												
Electoral commission	X	X	--	X	X	X	X	--	X	X	X	X
Audit office	--	X	X	--	--	X	--	X	--	X	--	--
Government	X	--	--	--	--	--	--	--	--	--	--	--
Anti-corruption agency	--	--	--	--	--	--	--	--	--	X	--	--
Other	X	--	--	--	--	X	--	--	X	--	--	--
Sanctions												
Fines	X	X	X	X	X	--	X	--	X	X	X	X
Prison	X	--	X	X	X	--	X	--	X	X	X	X
Forfeiture	--	--	X	--	X	X	--	--	--	X	X	--
Suspension/loss of funding	--	--	--	--	--	--	--	--	X	--	--	X
De-registration of party	--	--	--	--	--	--	X	X	--	X	--	--
Other	--	--	--	X	X	X	--	--	X	X	X	--

Notes: X = presence; -- = absence; + = only for parliamentary parties; c = only for candidates; l = only legal persons; nd = no data.

Source: Updated from Mobrand *et al*. (2019: 44-45), using International IDEA Political Finance Database (2022).

One of the first things to notice is that Pakistan has, together with Malaysia and Sri Lanka, one of the least-regulated PPF regimes in the Asian region. In terms of public funding, the main focus of the analysis undertaken in this paper, Pakistan is only surpassed in its lack of regulation by Malaysia and Nepal. In fact, and in clear contrast to other more consolidated democracies located in the Eastern Asian region (e.g. Japan, Taiwan and South Korea), Pakistan only provides for indirect public funding. This is extremely problematic for the reasons we will outline in the next sections.

The same can be said of private funding regulation. Pakistan only bans foreign donations and the use of state resources for campaigning purposes, but it allows for other corporate and anonymous donations, and does not impose caps on any type of private contributions. No wonder then that so many corruption scandals, as exemplified in previous sections, are constantly taking place in the country.

In terms of spending and financial reporting the picture seems to be more in line with other Asian countries' legislations. The existing monitoring mechanism consists of the Political Finance Wing at the ECP Secretariat, comprising of about a dozen staff, including a financial analyst, which is responsible for *inter alia* scrutinizing the consolidated statement of accounts of political parties (Form D), statement of assets and liabilities of members (Form B), return of election expenses (Form C) and campaign finance by political parties (ECP). Moreover, there are district monitoring teams that work under the supervision of the deputy commissioner concerned to verify whether the election-related expenditure by the candidates is in line with the spending limits (ECP, 2013b). These monitoring teams are neither sufficiently trained nor adequately equipped to monitor electoral campaign-related expenses that are mostly conducted through cash or in-kind forms by a candidate (Ilyas, 2022). Besides, within the given resources, it is also challenging for the ECP to keep track of spending carried out by financiers and supporters of a candidate (EOM, 2018). Hence it is common knowledge that contesting elections in Pakistan is a resource-intensive venture. Only those candidates are favoured by political parties, and therefore stand a better chance at winning the elections, who simply have the capacity to spend more and still meet the legal reporting requirements of the ECP (Dawn, 2018a).

Furthermore, the commission's capacity to conduct audit of the election spending within 90 days of the elections has been tested time and again (Dawn, 2018b).[3] In the recent electoral history of Pakistan, there have been no reported cases of candidates exceeding the spending limit or underreporting their expenses and facing sanctions as a result. It seems reasonable to assume that this is because they have gone undetected, and not due to perfect compliance by parties and politicians. As described in the first part of this paper, the lack of proper control, beyond yearly formal checks by the ECP, and subsequent absence of adequate sanctions, makes PPF oversight in Pakistan very superficial and, consequently, insufficient.

2.2. Why is it important

Given Pakistan politicians' and political parties' complete dependence on private funding which, as shown by both practitioners and academics (OECD, 2016; Tomashevskiy, 2022), is more prone to corruptive practices and polarized political styles, it is important that Pakistani legislators consider the benefits of public funding as an element to foster a more level playing field, hinder political polarization, combat corruption, increase societal (e.g. female) representation and, in general, improve the functioning of democracy in the country.

Stabilizing party systems

Party system stability has been found to be a sufficient condition for the survival of democracy (Casal Bértoa, 2017a; Casal Bértoa and Enyedi, 2021). This is especially important for Asian states, as many of them have seen their democracies backslide in recent times, and even more so for countries that, like Pakistan, have recurrently experienced authoritarian overhauls.

As scholars have repeatedly pointed out (Bruhn, 2017; Sanches, 2018) one of the main factors that have helped party system stability in general, and the closure (i.e. predictability) of partisan interactions

3. The ECP has created a political wing for the scrutiny of expenditure results and the code of conduct within 90 days. The commission is also empowered to engage the Auditor General of Pakistan or other auditors of government departments as well as hire specialized auditors from the private sector.

at the time of government formation in particular, is public party funding. There are mainly three ways in which state subsidies to political parties have led to higher levels of systemic stability and closure. First of all, they have allowed parties to maintain strong and professional organizations that enable continued contact with party members, supporters more widely, and the rest of the electorate; furthermore, public funding of political parties helps to strengthen the links between parties and voters, making the partisan preferences of the electorate predictable over time (Birnir, 2005). This positive effect increases with the lowering of eligibility thresholds, such as percentage of voters required to perceive state subsidies (Su, 2022).

Secondly, state subsidies have been shown to deter the creation of new parties (Potter and Tavits, 2015) and, consequently, reduce the fragmentation of the party system (Booth and Robbins, 2010), making political alternatives more predictable and government coalitions more stable over time.

Thirdly, public funding also makes political party relationships to be more stable over time. Indeed, as explained in detail by Casal Bértoa (2017b), by diminishing electoral volatility, reducing fragmentation, and discouraging frequent party turnovers, public funding helps political parties to collaborate, cooperate and colligate in a predictable manner. This in turn allows for the formation of established government alternatives characterized by familiar coalition-building among organizationally stable and ideologically proximate political parties, alternating in a wholesale manner.

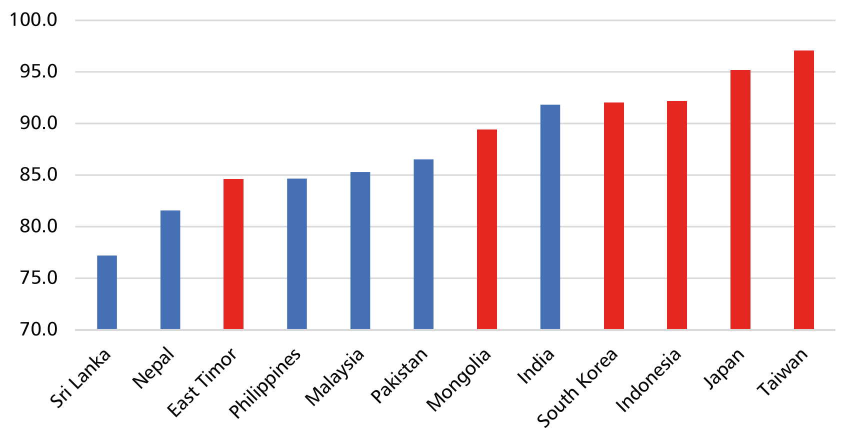
Figure 1 displays the level of party system closure in 12 Asian democracies,[4] with those where political party organizations have access to public funding in red.[5] As it is clearly visible, five of the six more stable party systems in the continent provide regular public funding to political parties; India being the only exception. Conversely, out of the six more inchoate party systems, only Timor-Leste guarantees political parties' regular access to state subsidies, but it limits such access to those parties that have obtained parliamentary seats.[6]

4. We understand as democratic those countries displaying a score of at least 6 in Polity V (Marshall and Gurr, 2021).

5. Sri Lanka also provides financial help, but only at the time of elections.

6. That is, those obtaining at least 4 per cent of the votes.

Figure 1: Party system closure in 12 Asian democracies



Note: In red countries with regular public party funding.

Source: Casal Bértoa and Lee (2021).

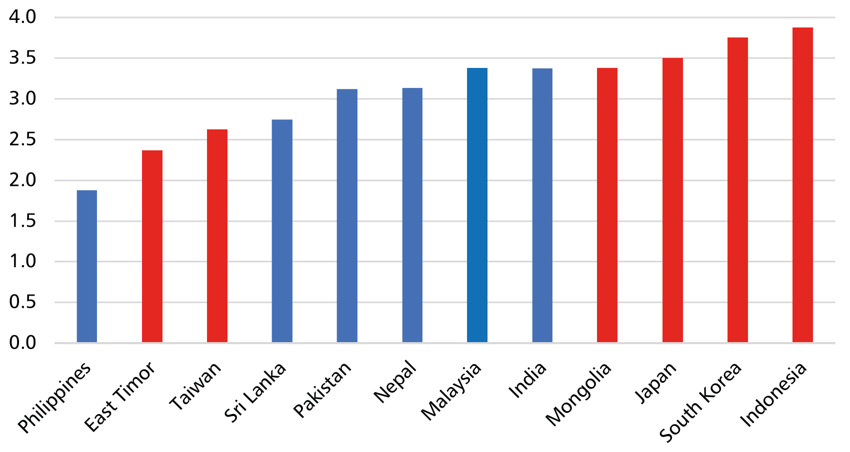
Strengthening political party organizations

State subsidies also contribute to the institutionalization of political parties in two ways. First of all, public funding not only provides financial support for the creation of new parties, but also the necessary monetary resources for them to persist and, finally, survive in the longer term (Spirova, 2007). The likelihood of political parties to continue in the system and seek their goals (office, votes, policies) will very much depend on the type and amount of funding available (Casal Bértoa and Taleski, 2016; Casal Bértoa and Walecki, 2018). This is especially true for extra-parliamentary parties which, deprived from all the benefits that come with legislative representation (e.g. political exposure, access to executive office, patronage), are able to secure a minimum level of financial support to continue existing (Casal Bértoa and Spirova, 2019).

It is important to note here that, contrary to what it is traditionally thought, state subsidies do not help parties to strengthen their social links (e.g. increase their membership, attract new sympathizers, etc.) or to win elections (Bolleyer, 2013), but contribute instead to the creation of a level playing field (Venice Commission and OSCE/ODIHR, 2020). This is especially so at the organizational level, as publicly funded political parties will have the capacity "to build a routinized infrastructure [with] party officials who establish routines and standard operating procedures […], socializing followers into party rules" (Bolleyer and Ruth, 2017: 291) and, consequently, increase their level of autonomy, behavioural routinization and make them more structurally systematic (Levistky, 1998; Panebianco, 1988; Randall and SvÍsand, 2002).

Using data from the internationally-funded, Sweden-based V-Dem Institute (Coppedge *et al*., 2022), and looking at "how many political parties for national-level office have permanent organizations" (Bizarro *et al*., 2017: 7) in our 12 Asian democracies at the end of 2021, Figure 2 shows that the four countries showing the strongest party organization all regularly provide financial help to support their parties' organizational activities.[7]

Figure 2: Party organizational institutionalization in 12 Asian democracies



Note: Red indicates countries with regular public party funding.

Source: Coopedge *et al.* (2022).

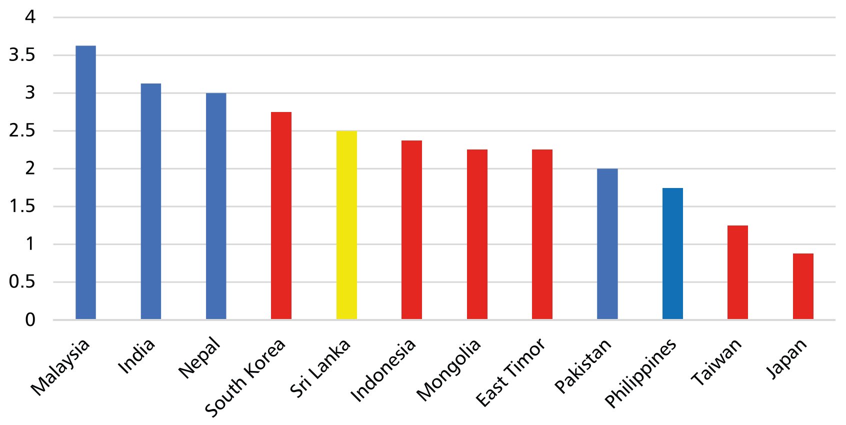
Scholars have found that the public funding of political parties, both for electoral campaigns (Jones, 1981) and ordinary activities (Casal Bértoa and Rama, 2022), can also help to reduce polarization. This is because publicly funded political parties have more incentives to pursue the public interest, rather than the preferences of their individual donors (Nassmacher, 2009), which are usually more radical (Tomashevskiy, 2022). Moreover, because most public party funding

7. Looking at "how many parties have local party branches" (Bizarro *et al*., 2017: 7) would yield very similar results.

regimes reward parties on the basis of their electoral support, political parties will also have an incentive to moderate their ideological views to target the majority of voters located at the centre of the political spectrum (Baron, 1994). In other words, by encouraging parties to target the median voter, state subsidies have a clear moderating effect. This will consequently increase voters' satisfaction and trust in mainstream parties, while reducing electoral support for anti-establishment parties.

Figure 3 shows the level of political polarization in the 12 countries included in this study. Unsurprisingly, while the three most politically polarized countries in the region do not provide public funding to political parties, both Japan and Taiwan, the least polarized, do so.

Figure 3: Level of political polarization in 12 Asian democracies



Note: Countries with regular public party funding appear in red. Countries with public party funding exclusively for elections in yellow.
Source: Coppedge *et al.* (2022).

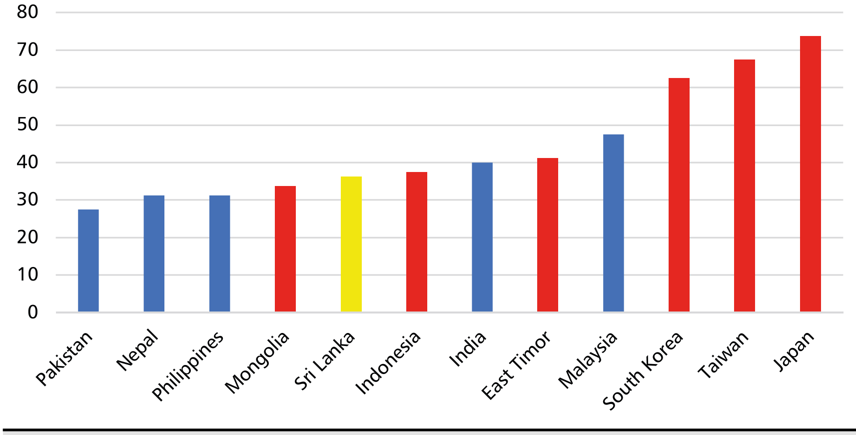
Combating corruption

Still another, and perhaps one of the most important, ways in which public party funding fosters the quality of a democracy is by helping to reduce a country's level of corruption. This is so because, on the one hand, if parties have guaranteed financial support they are less encouraged to seek private funding, which is more prone to illegalities and situations of blackmail (Biezen, 2003; Transparency International, 2009). On the other hand, and given that they are directly coming from the state budget, public subsidies are easily controlled by the oversight authorities in a country (Nassmacher, 2001; Roper, 2008).

Thus, in a study of covering 154 countries over a period of 112 years Hummel *et al*. (2021: 886) found that state "subsidies reduce corruption by displacing bribes and embezzlement, and accompanying campaign finance regulation increases the legal and social sanctions for being caught" (see also Kostadinova, 2012; Ben-Bassat and Dahan, 2015). In a similar manner, and focusing more on public campaign finance, International IDEA (2017: chapter 5) showed how corruption tends to be lower in countries where parties receive financial help from the state at the time of elections. And this is also visible not just in Europe and Latin America, where almost all countries provide public funding, but also in other continents like Asia (IDEA, 2017: figure 5.2 in page 132).

Figure 4, which ranks Asian democracies according to their level of corruption (where higher scores denote less corruption), shows a clear association between lack of regular public party funding (countries in red) and corruption. Thus, while the three most corrupt countries do not provide public funding, the three least corrupt do. Indeed, five of the seven countries with the lowest levels of corruption in Asia do provide parties with access to public funding. Even the eighth one (Sri Lanka) does, but only at the time of elections.

Figure 4: Level of corruption in 12 Asian democracies
(lower scores mean more corrupt)



Note: Countries with regular public party funding appear in red. Countries with public party funding exclusively for elections in yellow.
Source: Transparency International (2021).

It is important to note, however, that, with the exception of Japan, most countries providing funding exclusively for parliamentary parties or just at the moment of elections (Sri Lanka) tend to have higher levels of corruption than the two Asian democracies with a more liberal public funding regime (South Korea and Taiwan), where extra-parliamentary parties also receive state subsidies. This seems to be in line with those studies such as Casal Bértoa *et al*. (2014) that show how restrictive public funding regimes not only fail to contribute to combat corruption, but might increase it. In other words, state subsidies help to reduce corruption as long as they do not make parties overly dependent on them; a moderate level of public funding is ideal (Venice Commission and OSCE/ODIHR, 2020).

Fostering gender equality

Another way public funding can help to improve the quality of democracy is by increasing female representation. Thus, states subsidies can be used to promote the participation of women in politics. Table 2 summarizes the most important types of gender-targeted public funding (i.e. earmarking, eligibility-based and allocation-based).

Table 2: Gender-targeted public funding regulations across the world

Criteria	Example
Earmarking	
Part of public funding to party specifically set aside for gender-related activities.	Certain percentage of public funding allocated to a political party should be used for activities to reduce gender inequality.
Based on eligibility	
Eligibility for part of public funding dependent on having a certain level of gender balance among candidates.	A certain percentage of the total public funds is distributed in proportion to the number of female candidates nominated.
Eligibility for state subsidies dependent on having a certain level of gender balance among internal party officeholders	At least one-third

Based on allocation	
Parties receive additional flat rate of funding for female candidates.	Parties receive extra funds per elected woman.
Additional public funds distributed to parties in relation to the gender balance among candidates.	Political parties that have a certain percentage of women among their candidates receive an extra percentage of public funding
Reduction of public funding if a party fails to reach a given level of gender balance.	If a party has less than a certain percentage of female candidates, it will lose a certain percentage of public funds

Source: Adapted and updated from Ohman (2018: 25).

Like in the case of gender quotas, gender-targeted public funding measures *per se* are not enough to guarantee gender equality in politics (Feo and Piccio, 2020). Still, scholars have shown how "using financial mechanisms to incentivize the selection of women candidates is a powerful tool for increasing access for the underrepresented in politics" (Murias *et al*., 2022: 513; Ohman, 2018).

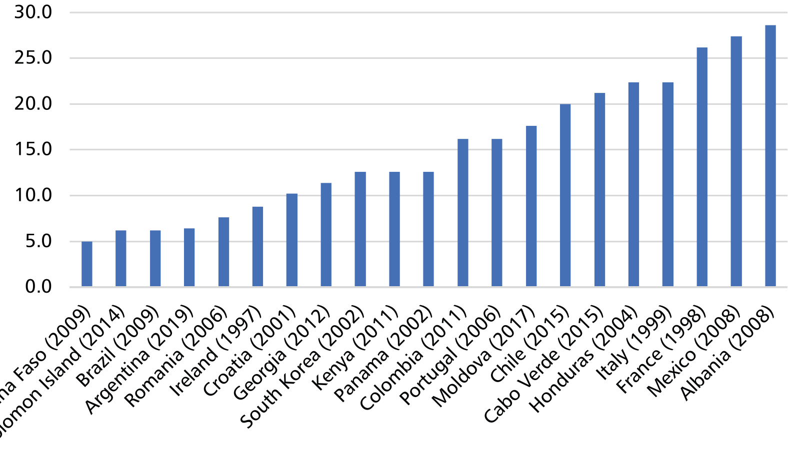
Almost 40 per cent of countries include one type or another of gender-targeted legislative public funding, as mandated by Article 4 of the 1979 Convention on the Elimination of All Forms of Discrimination against Women (IDEA, 2022). However, in Asia only South Korea seems to have adopted a clear policy aimed at using state subsidies to promote female representation. Thus, and according to Article 28 of the 2021 Political Funds Act, every political party that is allocated public funding should earmark at least 10 per cent of those subsidies for activities aimed to promote women in politics. In a similar vein, Article 26 of the same law guarantees extra funding (100 won multiplied by the total number of eligible voters in the most recent election) for political parties that field female candidates to run.[8]

Looking at the impact of gender-targeted public funding on women representation, Figure 5 displays the change in female representation between the moment such measures were adopted (see year in brackets) and the most recent parliamentary elections. As it can be

8. South Korea also introduced in 2002 a gender quota of 30 per cent in combination with additional funding the nominated women above such threshold, but this measure was repealed just three years later (Soh, 2011).

observed female representation has increased, without exception, in all countries: with increases ranging from just 5 percentage points in Burkina Faso to almost 30 percentage points in Albania. In South Korea, female parliamentary representation increased from just 6 per cent in 2002 to 18.6 at the time of writing.

Figure 5: Change in percentage of women in parliament for countries adopting gender-targeted public funding



Source: International Parliamentary Union (2022).[9]

2.3. Challenges and opportunities for Pakistan

It follows from this analysis that Pakistani politics is characterized by a relatively high level of party system instability, low levels of party institutionalization, and extremely high levels of corruption. While not among the most politically polarized countries in the region, there is significant space for improvement, especially if we want to further reduce polarization at the party level to combat polarization in society. Finally, while approximately one fifth of parliament consists of female members, in comparison Pakistan does not fare so well: it is only the 112th (out of 186) country in the world (IPU, 2022).

9. Costa Rica and Finland, which currently have more than 45 per cent of female members of parliament, were not included as no baseline data could be found on female representation when regulations on gender-targeted public funding were introduced (1975 and 1990, respectively).

As we have seen, the introduction of public funding could constitute a way to make important improvements in all the above-mentioned fields. A relatively liberal PPF regime that would extend beyond parliamentary parties (e.g. those obtaining at least 2 or 3 per cent of the vote) and earmarked an important part (between 10 and 30 per cent) of the state subsidies for the promotion of female politicians would not only help to make political party organizations stronger and more representative, but would also help to create a level playing field, reducing the differences between bigger and smaller parties, and helping to establish stable and predictable patterns of inter-party competition and government formation. Moreover, as state subsidies, which are relatively easy to control, would satisfy part of the parties' financial needs (matching them up with spending limits), it would also allow to combat corruption in the country.

This is not to say, of course, that public funding of political parties would be a panacea. Legislators should also consider limiting private donations, not just in terms of capping individual yearly contributions, but also banning certain types of corporate donations (if not all of them). Similarly, a less formal system of oversight under a more independent (both humanly and financially) and more powerful organ should be introduced, with competences both to investigate and to impose sanctions. As a matter of fact, deprivation or suspension of public funding could also help to encourage parties not just to provide accurate and timely reporting, but also to abandon former corruptive and illegal funding practices.

3. RECOMMENDATIONS

To ensure transparency, accountability and integrity, in order to, in turn, facilitate a level playing field for all regardless of their social or economic status as well as to boost public confidence in the democratic institutions, Pakistan **legislators** should introduce meaningful reforms to:

a) bring the PPF regime on par with the global political finance system that hinges on disclosure, enforcement and sanction;

b) mainstream the PPF into the wider anti-corruption drive by, among other steps, making stringent conflicts-of-interest laws, and making lobbying transparent;

c) introduce a compliance-incentives structure for political parties and candidates; and

d) above all, legislate to introduce public funding for political parties.

Political parties should:

a) broaden their funding base and make their accounts transparent and public; and

b) build their capacity to meet the ECP financial reporting requirements.

ECP should:

a) enhance its capacity to ensure periodic scrutiny of statements of accounts of political parties;

b) clearly define the election expenses for a person making election expenses on a candidate's behalf;

c) devise a mechanism to enforce the relevant provisions of law and sanction non-compliance; and

d) publish financial statements by members and political parties on digital platforms for the public.

Media and civil society watchdogs should conduct scrutiny of the assets and declarations made by the political parties and candidates, and raise awareness among the public of the need for more transparency and accountability of political finance.

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