

# Investigating the Financial Income Streams of Political Parties in Nigeria

E. O. Nwatarali and N. U. Dim

**Abstract**—This research work is based on the problems of inadequate finance regulation and enforcement of current regime of political parties finances in Nigeria. The Existing income streams of political parties in the country are characterized by, surreptitious financial support streams, influence peddling by few wealthy donors, who control the policy direction of the nation state and extensive use of state funds to finance political party activities. This study conducted structured interviews with policy makers in the Independent National Electoral Commission (INEC), political parties, international organizations that work to deepen democracy, political parties, and civil society organizations. The information from the interviews was further used to construct the research questionnaire, which was sent by email to a wider population, covering staff of the above organizations, and a segment of the voting public. The results achieved identified, that there is existence of weak legal and regulatory framework, haphazard administrative processes, and inadequate engagement and management of key segment of stakeholders in order to obtain their 'buy-in', as the major impediments to attaining an efficacious political finance monitoring and enforcement regime.

**Index Terms**—Corruption, financial regulation, INEC, income streams, political party finance laws, stakeholders engagement.

## I. INTRODUCTION

The National Democratic Institute for International Affairs in their study of political party financing regimes in 22 countries, determined that clandestine political party financial support streams, influence peddling and the use of state funds to finance parties, which erode the confidence of citizens in democratic/political process, and engender corrupt practices, with a negative impact on national development [1]. Corruption in Nigeria increases the inter ethnic and religious tensions, constrain the capacity of the state to provide for its citizenry, impugn the credibility of political leaders, enthrone nepotism, and enhance the ineffectiveness and inefficiency, resulting in economic under-development [2]. Corruption has debilitating effects on determinants of economic growth, like capital accumulation, and governance structures [3]. Even in developed democracies like the United Kingdom, with strong institutions and comprehensive political party finance reforms, public perceptions characterize political party finances with corruption, undue influence from few wealthy donors, and frivolous spending [4].

Manuscript received July 20, 2015; revised October 19, 2015.

The authors are with the School of Project Management; Federal University of Science and Technology Owerri, Nigeria (e-mail: nwtr1@yahoo.com, nattedims@yahoo.com).

The three models of political party financing regulation and law among nations as: 'unregulated autonomy, transparency, and advocacy' [5]. And, the normal sources of funding for political parties include; membership dues, income from party owned assets and businesses, membership levies, earnings from party publications, donations from individuals, corporate organizations, and industrial unions, as well as, subsidies from government [6]. In Nigeria, the constitution bars foreign donations of all sorts, to political parties. However, most party members are not economically buoyant, and this invariably results in elected officials dipping into state resources to finance parties, or the hijack of political party by a few wealthy individuals (Godfathers). The research conducted on the use of state resources to finance political party activities within South African Development Community (SADC) identified that the causative factors includes; absence of distinctive line between the party in power and government, prevalence of dominant parties within the community, weak national institutions and regulatory mechanisms, weak opposition parties, and existence of fragile and confused civil society groups [7].

### A. Corruption in Political Parties' Finance

Political parties are organizations with individuals as members and employees, and are expected to have disparate cultures. The motives for the provision of political funding can be categorized into three; idealistic or ideological motive- engendered by the urge to propagate the providers ideological beliefs, social motive- aspiring to achieve social admiration or access to integrity and reputation, and financial motive, pushing for material gains [8]. While the third motive is understandable, as every investor would want some form of reward for the investment, it lies at the root of the problems associated with political corruption and can result in devastating consequences, as evidenced in several scandals related to political finance. The report of an integrated project - 'Making Democratic Institutions Work' carried out for the Council of Europe, cited numerous scandals that have occurred in member nations linked to financing political parties and elections, and established the urgent need to address this issue in order to restore the confidence of the citizenry in their political institutions and systems [9].

Corruption in political finance can take the form of illegal contributions, use of campaign resources for illegal transactions, use of state resources for campaign and political party activities, sourcing donations in return for favors when elected into office, acceptance of illicit contributions, among others [10]. Also, the identified typology of political finance-related corruption includes; unlawful expenses, inclusive of purchasing, accessing funds

from iniquitous sources, selling credibility, political appointments and information, misappropriation of state assets, private economic enhancement, solicitation of donations from public servants, engaging in activities that run counter to the existing political finance regulations, accessing political contributions in exchange for governmental patronage and favors, extorting 'protection money' from the private sector organizations, and deliberately blocking access to political contributions for oppositions political parties [8].

The survey conducted in 2007, in Nigeria, determined that; most funds available to the political parties come from personal sources; corruption and sharp practices, pervade the Nigerian political party financing because of lack of internal democracy and stranglehold of few wealthy individuals (godfathers); and that the monitoring and regulatory functions of the Independent National Election Commission (INEC) are not appropriately performed [11].

The essence of political finance in Kenya and further expound the linkage between political finance and corruption, citing two mega-scandals that occurred in the country under both single and multi party systems [12]. The author's position is that political finance corruption has increased with multi party democracy. This agrees with our study as stated earlier that the issue of funding political parties and elections has become a visible problem globally, because there is an immediate link between political parties' affairs, wealth and fraud. As previously espoused, the numerous scandals that have occurred in European Union member nations, associated with finance of political parties, determined that there is an urgent need to deal with the issue, so that public confidence in democratic structures and institutions will not be completely eroded [9].

#### *B. State Funding for Political Parties*

The public funding of political parties can take the form of direct or indirect resourcing, either from within the jurisdictions or from foreign interests [6]. However, it is natural for most nation states to make conscious effort to limit the influence over national politics to forces within their jurisdiction. In Africa, most countries do not allow foreign funding of political parties, either directly or indirectly. The data obtained from International Institute for Democratic Electoral Assistance (IDEA) with respect to Africa, indicated that of the 48 countries, surveyed (there were no data for three countries) 30 countries banned any form of foreign funding for political parties (about 60%). The prevalent and most acceptable form of assistance are in the form of targeted workshops, retreats, and seminars funded by multilateral organizations promoting the tenets of democratic norms routed through the election management bodies (EMBs) of individual countries.

Direct funding has to do with directly providing monetary resources to candidates or parties to aid their campaigns and party administration, while indirect funding will involve provision of resources in kind to parties and/or their candidates. A plethora of reasons have been advanced for state funding of political parties. Some of these include; that such funding will create a level playing ground for all parties, while curtailing corruption; that the funding

requirements, currently, for running a successful electioneering campaign is so enormous, that parties have to rely on large conglomerates and wealthy individuals, whose ideas supplant the ideologies of such parties, and that public funding represents the very ingredients that define democracy - government of the people by the people for the people [13]. On the converse side, public funding has the capability of engendering corruption, because of the complexities involved. The use of public funds for parties will dwindle resources available for national development, public funding could give rise to nationalist and extremist parties which have very little number of followers, and that such funding negates the very principle of civil liberty, which is the hallmark of democratic societies [6], [14].

The various identified bases for public funding of political parties includes; the number of candidates elected on the parties platform, the number of parliamentary seats won by each party, the membership strength of each party, the number of votes cast for the party in previous elections, the age of the party (with new parties given preference over existing parties), and distribution of equal resources to each of the parties without taking cognizance of the other bases previously itemized [6]. Timing of distribution of these resources may follow electoral cycles, annually, prior to the commencement of electoral campaigns, or as stipulated in the state funding regulatory framework established for that jurisdiction. It should be noted that public funding of parties will inevitably be tied to some threshold of representation of the parties in parliamentary assembly, size of the party, votes cast for the party or a combination of these bases, so as to have a fairly transparent and equitable basis of distributing and allocating state resources.

In Canada, as in some other democratic countries, the law entitles parties to government subsidies, but on attainment of specified vote threshold [15]. However, the problem is that parties require huge resources to attain this benchmark, before accessing government funding. The use of these criteria, will inevitably create a situation where parties that can access resources outside the state coffers, end up collecting the larger proportion of public funds. In line with this, the 5 largest opposition parties in South Africa, received only 68% of the funds that accrued to African National Congress (ANC) between 1998 and 2000. From the foregoing, it is evident that the provision of equitable and level playing ground for parties, which public funding is said to encourage, may not be feasible and attainable in all situations, and nation states must take cognizance of their individual peculiarities while enacting political finance laws and developing regulatory and enforcement frameworks.

## II. METHODOLOGY

This study used a mixture of both qualitative and quantitative approaches in carrying out the research, with the predominance of the former. The forte of mixed research methods lies in the multiplicity of innovative viewpoints, as well as, improved legitimacy, reliability, and assurance in the results of such inquiry [16]. Moreover, using different processes for data collection, and utilizing a variety of data sources will increase the validity and consistency of such data and their elucidation [17]. This research endeavors to

encompass these approaches and approaches to engender requisite research outcomes.

Semi structured research interviews were designed to ask the question-Are the inter-organizational structures and linkages between INEC and financial regulatory authorities adequate to trace and follow through the sources of funding and expenditure for political parties?.Theinterview questions will be tailored to identify the most effective means of constructively engaging and managing the stakeholders in political finance regulations, with a view to attaining a high level of voluntary compliance. Three classes of interviewees are envisaged in providing solutions to the research questions, namely;

- The executive management of INEC, CBN & political parties or their representatives,
- The middle level managers of INEC and CBN, as well INEC desk officers responsible for political finance regulation, and
- Representative samples of political party members and eligible voters.

Information regarding the identification of an appropriate monitoring and enforcement framework for political party finances, obtained through interviews, was also included in the survey questionnaire, which was administered to a broad spectrum of stakeholders; officials of INEC, CBN, political parties and multilateral institutions helping to broaden and deepen democracy in the country (IFES, UNDP & IDEA). A total of 1,000 research questionnaires were administered through email to the 4 groups of respondents. The first group consisted managers and employees of the election management body (INEC) and those of the apex financial institution - CBN, while the second group are those of the multilateral institutions working for furtherance of democracy. The third group is members of political parties, their officials, consultants and sympathizers, and the forth group are extracted randomly from the voters register.

The questionnaires that were administered were designed to include the mixture of; multiple choice (single answer and multiple answers) and essay to enable the respondent convey their thoughts unambiguously. Similarly, the questions regarding caps on electoral expenses, and the sufficiency of caps stipulated by the electoral act 2010 were designed to understand the respondents inclinations regarding monitoring and enforcing political finance regulations, and what weights to attach to suggestions for improvement of the regulatory framework, while those relating to the role(s) of the national financial regulatory authority (CBN) are intended to elicit the most feasible task(s) to be included in the proposed framework.

### III. RESULTS

The result of 429 questionnaires returned from the 1,000 questionnaires sent comprised 124 (29%) females, and 305 (71%) males. Further analysis showed that 34% were between 18 to 40 years, 49% between 41 to 60 years, and 17% between 61 to 80 years. From the analysis, it showed that the most politically active are those aged between 41 & 60 years, and most Nigerian politicians are known to actively participate in political policy articulation, only in the run up

to elections. A total of 47% response came from group 1, 53% from group 2, 25% from group 3, and 43% from group 4. As shown on figure 1 below, the analysis showed that 62.7% of respondents from the entire groups were dissatisfied with the current regime of political finance regulation, and wanted stricter disclosure requirements from political parties, so as to enable the electoral management body (INEC) follow through with their sources of finance and expenses details.

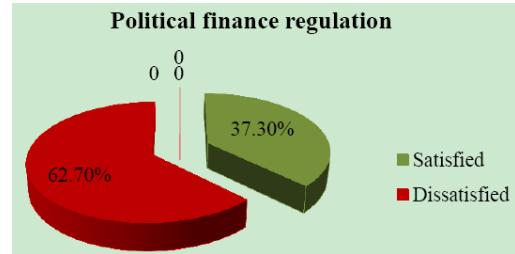


Fig. 1. Response about the Nigerian political finance regulation.

Furthermore, 77% of respondents from the entire groupsstrongly agreed that that the CBN should be involved in liaising with INEC to set limits of election expenses, in ensuring that the financial Institutions discloses the source of political party funds to INEC, and in providing INEC with bank inspection reports relating to political party funds. However, efforts to conduct interviews with the Governor of CBN or his/her representative, and other management staff of the institution on this subject were not successful.

The interview response from the Chairman of INEC acknowledged that the commission has not done much appreciable work in monitoring political party finances. However, he informed us that the commission has made appreciable effort in building capacity among the management of staff of the commission saddled with the responsibility of election and political party monitoring. It was his contention that 'mounting any program of political finance regulation and enforcement, without the requisite manpower will be futile'. He is in agreement that the current legal and regulatory regime may not be adequate to enable INEC deliver on its statutory mandate. While he is not averse to creating appropriate inter-organizational structures to interface with the apex financial regulatory institution (CBN) and stakeholders, he stated that the focus of the commission is to create a very good working relationship with the IPAC - Inter Party Action Committee (a representative body of political parties). He was in agreement that application of project management principles will go a long way, in helping INEC to deliver on its statutory mandate. However, he believes that getting political parties and politicians to comply voluntarily with extant rules and regulations, may not be achievable, given the contemporary charged political climate in the country, with 'winners take all mentality'.

The Commission's Secretary, who is a trained lawyer, as expected focused on the contemporary legal framework for political finance regulation. She pointed that while the electoral act of 2010 (as amended) gave INEC, the authority to regulate and monitor political party and campaign expenses, with limits for each level of candidature, there were no express provisions as to reporting and disclosure levels that they will have to adhere to. Again, while there

are campaign expenditure caps for individual candidates, there were no specific limits for political parties that present them for elective offices. It, therefore, follows that a candidate who is about to cross the recommended threshold, can hide under the party's umbrella to expend more resources. She was of the opinion that establishing appropriate inter-organizational structures with external bodies, may lead to conflict of interest, and subsequently impinge on INEC's ability to dispassionately and appropriately discharge this onerous constitutional assignment.

The lead director, CSJ, provided quite some perspectives to the issue of political finance regulation and enforcement. He agreed that the provisions of the Electoral Act, 2010 [20], as amended in respect of political finance regulation, were not adequate, in so far as it did not expressly define what constitutes election expenditure, and did not provide a timeline from when the expenditure should be calculated. Also, given that the level of inflation in the country, he posited that there may be need to adjust the expenditure caps to more realistic levels. He was not impressed by the proposition of involving the CBN in the process, as according to him, this will create further bureaucratic bottlenecks, which INEC can plead as excuses. The application of proposed project life cycle and stakeholders management models to monitor and regulate the finance of political parties were welcomed by him.

Summarily, the analysis of the responses from the questionnaire and semi structured interviews has shown that an appropriate framework for monitoring and enforcement of political finance regime is recommended on the following;

- Effective legal and regulatory framework, which must be strictly enforced
- Enhanced financial transactions disclosure rules and requirements, in tandem with the freedom of information (FOI) Act, 2011
- Effective inter-organizational co-operation between the election management body (INEC) and the apex financial regulatory authority (CBN)
- Effective and constructive stakeholder engagement and management
- Application of project management principles of initiation, planning, execution, monitoring & controlling, and closeout (project life cycle model)

However, based on the responses from the questionnaire and discussions during the semi structures interviews, it has become apparent that the reformation of the contemporary legal framework for political finance, cannot be achieved and incorporated in this research.

#### IV. CONCLUSIONS AND RECOMMENDATIONS

The purpose of this inquiry was articulated into three research questions, viz;

- Whether the current legal and regulatory structure for political party finance monitoring and enforcement are appropriate and would guarantee compliance by political parties?
- Whether there exist inter-organizational structures and linkages between INEC and CBN (the apex financial regulatory authority) to enable the EMB

trace and follow through sources and application of funds of political parties?, and

- What are the most appropriate controlling, monitoring, managing, and enforcing structures, as well as, mechanisms, ( probably based on principles & models of project management) that can be deployed to ensure effective supervision of political party finances?

The route and activities undertaken towards resolving the research questions, involved; Documentation of the contemporary political finance regime, to identify gaps, and proffer ways of filling such gaps, through either reformed legislation, or other administrative processes, engaging the key political finance stakeholders, through semi-structured interviews, so as to establish which possible improvements that could enhance the current regime, and instituting and testing an enhanced and feasible political finance monitoring and enforcement framework, within INEC, incorporating the key options elicited from respondents..

The major stakeholders (comprising INEC, Multilateral organizations working to deepen democratic tenets in the country, political parties, through Inter Party Action Committee (IPAC), etc.) that were sounded out at inception of this research, all agreed that the existing regulatory regime, which rested basically on requesting the parties to provide statements of electioneering sources and application of funds, as well as, auditing the annual financial statements of the political parties, were grossly inadequate, and needed improvement. Moreso, the idea of linking up with CBN, to assist INEC with requisite information on the finances of political parties was found acceptable. However, the authors met considerable difficulties in accessing information and interacting with officials in the Central Bank of Nigeria. Further inquiry into the best inter-organizational framework that will best suite the relationship between INEC and CBN is recommended.

Furthermore, this study recommend an enforceable and effective framework for the regulation and monitoring the finance of political parties on and before the election year in order to prevent or reduce the diversion of state resources meant for development to funding political parties, as shown in the flowchart below.

#### REFERENCES

- [1] NDI. (2005). Money in politics: A study of party financing practices in 22 countries. S. Bryan and D. Baer. Eds. [Online]. Available: <http://www.ifes.org/Content/Publications/Reports/2005/A-Study-of-Party-Financing-Practices-in-22-Countries.aspx>
- [2] D. Agbigboa, "Between corruption and development: the political economy of state robbery in Nigeria," *Journal of Business Ethics*, vol. 108, issue 3, pp. 325-345, 2012.
- [3] S. S. Everhart, J. Martinez-Vazquez, and R. M. McNab, "Corruption, governance, investment and growth in emerging markets," *Applied Economics*, vol. 41, issue 13, pp.1579-1594, 2009.
- [4] J. VanHeerde-Hudson and J. Fisher, "Parties heed (with caution): public knowledge of attitudes towards party finance in Britain," *Partypolitics*, vol. 19, issue 1, pp. 41-60, 2013.
- [5] D. S. Hutcheson, "Party finance in Russia," *East European Politics*, vol. 28, issue 3, pp. 267-282, 2012.
- [6] B. Teshome, "Political finance in Africa: Ethiopia as a case study," *International Journal of Humanities & Social Sciences*, vol. 3, issue 2, pp. 119-132, 2009.
- [7] K. Matlosa and K. Mbaya, "An analysis of the utilization of State/Public Resources during elections: A comparative survey of experiences in the SADC region," *The Politics of Stateresources: Party Funding in South Africa*, pp. 11-58, 2004.

- [8] M. Walecki. (2008). Political finance in challenging the norms and standards of election administration. [Online]. pp. 75-93. Available: <http://www.ifes.org>
- [9] I. Van Biezen, 'Financing political parties and election campaigns: Guidelines,' Council of Europe, 2003.
- [10] M. Pinto-Duschinsky, "Financing politics: A global view," *Journal of Democracy*, vol. 13, issue 4, pp. 69-86, 2002.
- [11] M. T. Aluaigba, "Financing political parties in Africa: The Nigerian experience, 1999-2008," *Journal of Interdisciplinary Studies*, vol. 22, issue 2, pp. 104-127, 2009.
- [12] O. G. Mwangi, "Political corruption, party financing, and democracy in Kenya," *Journal of Modern African studies*, vol. 46, issue 2, pp. 267-285, 2008.
- [13] H. Phillips. (2007). Strengthening democracy: fair and sustainable funding of political parties' in the review of the funding of political parties. [Online]. Available: <http://www.guardian.co.uk>.
- [14] A. Poire. (2006). From the public interest to the poisoned subsidy: Public funding of political parties in democratizing countries. [Online]. Available: <http://www.innovations.harvard.edu>.
- [15] C. Feasby, "Continuing questions in Canadian political finance law: Third parties and small political parties," *Alberta Law Review*, vol.47, issue 4, pp. 993-1016, 2010.
- [16] M. Easterby-Smith, R. Thorpe, and P. Jackson, *Management Research*, 4<sup>th</sup> ed. London: SAGE Publications, 2012.
- [17] M. Zohrabi, "Mixed method research: instruments, validity, reliability, and reporting findings," *Theory & Practice in Language Studies*, vol. 3, issue 2, pp. 254-262, 2013.
- [18] INEC, 'The report of the technical committee on election project plan (TCEPP, 2015)' December, 2013.
- [19] The constitution of the federal republic of Nigeria. (1999). [Online]. Available: <http://www.nassnig.org>.
- [20] The electoral act. (2010). [Online]. Available: <http://www.nassnig.org>.

**Edwin Offor Nwatarali** is a graduate of civil engineering from the University of Nigeria, Nsukka. He holds a master of science degree in project management from the University of Liverpool, United Kingdom, graduating with distinction. He is also a qualified accountant, and a fellow of the Institute of Chartered Accountants of Nigeria (ICAN). His working life spans various sectors of the Nigerian economy, including: Chief Accountant of an oil drilling company, Dual Drilling Nigeria Limited; General Manager of an equipment leasing company, Mingi Services Limited; Project Manager of the first Automated Water Metering (AMR) Project in Abuja for Federal Capital Territory Water Board; and Resident Electoral Commissioner (REC), Independent National Electoral Commission for Bayelsa and later Anambra State. He is currently a doctoral student, in the Department of Project Management Technology (PMT), Federal University of Technology. Owerri, Nigeria. His hobbies include research & acquisition of knowledge, tennis and swimming.

**Nathan Uche Dim** is a graduate of mechanical engineering from Anambra State University of Technology, Uli, Anambra State of Nigeria. He obtained a master of science degree from the University of Salford, Greater Manchester, United Kingdom, specializing in Construction and Project Management. His working experiences include: Kiosk Assistant, at Manchester United Ltd (Football Club) in the United Kingdom, Assistant Technical Supervisor, at Calabar Oil Palm Estate (COPE), and Project Manager, at Starz Marine & Engineering Limited in Port Harcourt. He is currently a doctoral student, in the Department of Project Management Technology (PMT), Federal University of Technology. Owerri, Nigeria. His hobbies include project planning & management, football and swimming.