



## GHANA CENTER FOR DEMOCRATIC DEVELOPMENT

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# PRESS RELEASE

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### Rising Cost of Politics in Ghana Attracting Illicit Funding from Organized Crime – CDD-Ghana/ASI Study

#### **Background**

Since the inception of the Fourth Republic, the role of money in Ghanaian politics has grown exponentially. The large sums of monies used in political party campaigns make the process susceptible to demand and supply-side corruption and illicit money. The absence of an effective campaign financing regime provides opportunities for ill-intentioned donors, local criminals, and organised crime actors to gain influence over elected officials by financially supporting their campaigns. This not only undermines democracy, good governance, and the rule of law, but also has negative consequences for economic and social development.

Earlier studies have demonstrated that the cost of politics and campaign financing in Ghana is high and increases astronomically from one election cycle to another. A 2018 report by the Ghana Center for Democratic Development (CDD-Ghana) and the Westminster Foundation for Democracy (WFD) revealed that the cost of running for office as a Member of Parliament (MP) increased by 59% between 2012 and 2016.

In 2020, CDD-Ghana with funding from the Adam Smith International (ASI) undertook a similar study to understand the role of money in Ghana's campaign financing, investigate the sources of campaign funding, the role of illicit money and the nature of illicit money in campaign financing in Ghana.

#### **Methodology**

The study adopted a three-tier approach with a mixture of desk research (literature review) and newspaper content analysis forming tier one. The desk research and analysis sought to provide a basic understanding of the issues of campaign financing in Ghana, identify any patterns and manifestations of the phenomenon, examine the laws and institutions governing political financing in Ghana, discuss the effectiveness of the legal and institutional framework, and understand why challenges persist.

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The second tier, which was exploratory, sought to find out the names and demographic data of the financiers of the two major parties in Ghana – the National Democratic Congress (NDC) and the New Patriotic Party (NPP). This phase investigated the two political parties and their campaigns in four out of the 16 administrative regions of Ghana, namely, Greater Accra, Eastern, Ashanti and Western Regions. To ensure the accuracy of the data, researchers/investigators living in the four regions were recruited and trained to find out the names and demographic data of the major financiers in the region they had been assigned to. A second set of researchers/investigators were assigned to one of the four regions they did not reside in to use snowballing methods to identify party insiders and informants who could provide the names and demographic data of the major financiers in the regions they had been assigned to.

The third tier was a final verification check of the names of the financiers. This was done through validation sessions held under Chatham rules on March 19, 2021, in Takoradi, Western Region, and Accra, Greater Accra Region on March 24, 2021.

### **Key Findings**

- The more tangible sources of campaign financing were from major campaign financiers - some of whom are engaged in Serious and Organized Crime (SOC) activities.
- The majority of campaign financiers provided their funds with the expectation of receiving some form of reward such as procurement favours in the form of works, services, and construction contracts; appointments; protection of businesses; protection from prosecution in the case of illegal activities; tax waivers; and access to power.
- Specific sources of funds identified as money from illicit activities include illegal mining, illegal oil diversion, and kickbacks from procurement of goods, services, and works contracts and from proceeds of organised crime.
- The gaps in the legal and regulatory framework and oversight of campaign financing in Ghana has enabled the inflow of money from illicit sources into Ghanaian politics.
- The high cost of running for elections is exacerbating exclusionary politics and preventing the reforming of the status quo. This, in turn, is inhibiting real change actors to enter the political arena and drive influential changes for positive developmental outcomes.

### **Main Findings**

#### **Source of Contribution/Funding**

- Analysis of 40 media reportage of contributions to the NDC and NPP spanning elections in 2000, 2004, 2008, 2012 and 2016, showed that the source of campaign financing is dominated by high-profile political personalities at both national and local levels; accounting for a little more than half (52.5%) of all the sources of contribution observed in our analysis.

- The least commonly mentioned sources of contributions were organic grassroots-membership fundraising (12.5%); corporations (2.5%); and foreign entities (2.5%).
- The type of contribution or support political parties were commonly reported to have received were non-monetary (48%) ranging from the provision of buildings, cars, motorcycles, phones, stationery, and bales of second-hand clothing.
- Majority of the contributors (23 out of 40 contributors) are from the upper echelons of the political elite (political party official, 20.5%; former government official, 18%; current government official, 15.4%; and parliamentarian, 2.6%).

### **Monetization of Politics in Ghana**

- The rising cost of running for political office and the amount of money candidates must raise to contest elections at the constituency level and run as a parliamentary candidate is directly linked to both demand-driven and supply-side corruption, creating interdependencies. On the demand-driven corruption side, party officials and delegates at the constituency level expect and or are given money and items of value to influence the election of a parliamentary aspirant. This demand-driven corruption at the party primaries increases during the national parliamentary election.
- Increases in the cost of filing fees at both the party level and by the Electoral Commission (EC) with increases running over 500% also contributed to the rising cost of politics in Ghana.
- Interviews with party informants, past and current candidates and MPs revealed that aspirants/candidates have to nurture the constituency for a number of years, spending on voters in the constituency and financing the campaigns for the election of party executives and coordinators in the constituency nearly three years before they contest in the primaries, which we estimated at GHC 2 million. A further estimated GHC 2 million is spent during the run-up to the primaries, bringing the total estimated amount to GHC 4 million (\$693,000) which is up from up from GHS 389,803 (\$85,000) CDD-Ghana and WFD study in 2018.

### **Sources of Funding for Political Parties and Candidates**

- Less than 1% of funding for campaign (political) activity originated from membership dues/subscriptions due to irregular payments. This, however, contradicts to the nearly 50% income the two parties have reported in the returns and audited statements submitted to the EC.
- The biggest contributions come from special interests, particularly businesspeople who support the party and candidates at several levels in return for contracts, contacts, positions, and protection of businesses from governmental interference or clampdown. Cash amounts donated by special interests and business financiers in support of the candidature of a president candidate ranged from GHC 40,000 to GHC 11.5 million (\$2 million).

- Other funding sources include voluntary contributions from party members and sympathisers; donations from “Kingmakers” in the party; funds from short codes, donations via mobile money codes established with Telcos for direct deduction of airtime and or donations from users accounts; donations from wealthy individuals not affiliated to the party; funds from fundraising activities in Ghana and overseas; funds from foreign donors, administrations, and businesses – which are breaches of the prohibition against non-citizens funding a political party or candidates.
- For candidates running for office as MP, the study found that the bulk of their funding comes from their personal savings and loans. While the sources of financing an aspirant's campaign remained unchanged, at least 8 in 10 of the former aspirants and current MPs told our researchers during the fieldwork and validation sessions they were increasingly falling into debt from the high cost of financing their campaign before, during the election, and when they win the election and are serving as MP or after they leave office.

### **Key Businesses Financiers Are Engaged In**

- Nine (9) financiers were found to be involved in illicit and Serious and Organized Crime (SOC) related activities. The SOC activities identified include Illegal mining/galamsey (7 financiers); Illegal Oil Bunkering (One financier); and alleged fraudulent business (One financier).
- Ten (10) of the financiers are engaged in the procurement of works (construction of roads and buildings) and three (3) of the major financiers are Chiefs in the Eastern region.

### **Conclusion**

- The cost of politics in Ghana is prohibitively high and notably increasing. The estimated costs of politics established from this study is much higher than previously reported estimations.
- There is an unsustainable expectation of politicians being cash cows to both their party leaders and the electorate.
- Money from illicit, illegal, and criminal activity, conducted by both local criminal and SOC actors, has found roots in Ghanaian politics.

### **Recommendations**

- The Political Parties Act must be amended to include prohibition of funding with illicit sources
- Donations must be tax deductible to encourage transparency in donation
- Campaign period must be defined as a way of reducing the rising cost of politics
- The EC and political parties must adopt a formula to determine the rate of increment in filing fees.

- Political parties must reconsider the candidate selection process to mitigate the cost implication in primaries
- Candidates must be required to file returns as it in the case of the political parties
- Increase public education to address demand-driven cost in elections campaign

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### **About CDD-Ghana**

With a mission to promote and deepen democratic consolidation, good governance, and inclusive growth and development, the Ghana Center for Democratic Development (CDD-Ghana) works to support and promote a free, peaceful, and a well-governed democracy in Ghana and in other parts of Africa. CDD-Ghana has cultivated an enduring reputation as a leader in the field of democracy and governance, which enables the adoption and implementation of targeted strategies aimed at addressing the fundamental issues hindering citizens from enjoying the full benefits democracy and good governance has to offer.

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