



Overview

Throughout the world today, politics has become an expensive affair, to the extent that money is now among the greatest threats to democracy. In essence, the greater the influence of money on politics, the less influence the average citizen has. Commercialized and expensive electoral campaigns are more prevalent than ever. Money determines the ability of candidates to compete in—and sometimes even win—an election. In many countries there is a pressing need to reduce the level of campaign spending and the influence of a few large donors. For more than 15 years, International IDEA has produced publications and databases, and advised governments and politicians on the design of their political finance systems. International IDEA's 2014 handbook on political finance: *Funding of Political Parties and Election Campaigns*, indicates that the greatest hurdles to overcoming the challenges associated with money and politics are weak implementation and enforcement of existing regulations and, related to this, a lack of political will to tackle the main problems.

About International IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with a mission to support sustainable democracy worldwide. www.idea.int

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Money in Politics

Democracy is ultimately about popular control over decision-making and should, at least in theory, allow for a system in which citizens and electoral candidates participate in politics on fair and equal terms.

As money gains influence in politics in both young and old democracies alike, it is becoming increasingly clear that it is one of the main factors influencing both policymaking and election outcomes. Media reports are full of scandals about corrupt politicians, abuse of state funds, the nefarious influence of drug money in politics, and questionable alliances between wealthy donors and politicians, all of which undermines the equality of political competition. Indeed, the role of money in politics is a matter of national debate in many countries.

Campaign spending in particular needs to be reined in. In many countries, the large funds involved in election campaigns (including non-monetary, in-kind donations) makes it impossible for those without access to large private funds to compete on the same level. Women candidates especially suffer disproportionately from a lack of access to campaign finance.

There is an urgent need to better regulate the origin and destination of funds, and to do so in a transparent manner. Well-designed political finance regulations that are enforceable and anchored in their country's context play a vital role in any efforts to ensure that money is a positive force in politics.

Political parties and candidates need access to money to play their part in the political process, both during and between elections. Public funding in particular has a key role to play in mitigating and balancing the influence of large private donors, as well as aiding parties sustain their day-to-day operations. Moreover, if made conditional, public funding can be used to encourage parties to comply with transparency or gender equality rules.

Policy recommendations

To curb the negative influence of money in today's democratic politics, International IDEA recommends the following:

- **End the arms race in fundraising and spending.** In an effort to level the political playing field in countries with high campaign spending; reduce the influence of large donors; and show voters that money is not driving political agendas, policymakers must find ways to end the arms race in fundraising and spending. In terms of regulatory measures, this includes limiting campaign donations and spending, encouraging smaller donations, and providing public funding to political parties, including non-monetary support.
- **Balance private and public funding.** When administered and distributed appropriately, public funding for political parties can be a good counterbalance to private donations and can also increase political pluralism. However, political parties must not lose touch with their constituents or become overly

For more information on money in politics, see:

- International IDEA's Political Finance Database, which contains comparative data on political finance laws and regulations from 180 countries, www.idea.int/political-finance.
- International IDEA's handbook *Funding of Political Parties and Election Campaigns*, presents regional overviews of political finance legal frameworks and related challenges, including abuse of state resources, unequal access to funds and illicit finance. The book includes a chapter on women and money in politics, and gives recommendations for reforms.



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dependent on public funding. Legislation should therefore aim to balance public and private sources of income for parties and candidates, and provide financial incentives to establish close connections with citizens.

- **Address the gender funding gap.** Obstacles to raising or accessing funds is one of the greatest barriers to women entering and competing in politics. Political finance legislation needs to address this, and public funding can be used to support female candidates. Political parties also have a key role to play in addressing the gender funding gap, for example through internal reforms that will promote women's participation and making funds available to women candidates.
- **Document and publish party and candidate finance information.** Systematic documentation about the income and expenditure of political parties and candidates (not to mention third parties) is rare. In the interests of transparency and building public trust, efforts should be made to encourage adherence to the rules and disclose information in a systematic, timely and easily accessible way.
- **Focus more on compliance and enforcement.** The weakest link in money in politics is poor compliance and weak enforcement of regulations. Enforcement agencies need a strong legal mandate, including independence from the political actors they are monitoring, as well as the capacity to carry out their functions. This is especially true for tackling illicit funding and abuse of state resources.
- **Establish and support regional peer networks.** There is currently almost a complete absence of regional initiatives on money in politics. Such networks could provide forums to instil and institutionalize common standards, policies and procedures; identify national deficiencies; offer peer support and the exchange of knowledge and experiences. *The Group of States*

against Corruption is a European example of a regional initiative that could be followed in other regions.

- **Involve more stakeholders in designing political finance regulations.** There is an inherent conflict of interest in politicians deciding the rules they shall abide by. More inclusively designed regulations, involving a wide range of stakeholders—including government and opposition parties, civil society organizations and enforcement agencies—stand a better chance of addressing the main problems, as opposed to the short term interests of politicians. This would also give parties more legitimacy in the eyes of voters.
- **Base regulations on the desired role parties play in a society.** Political finance regulations have a bearing on the way political parties function in a society, ranging from volunteer-led organizations to bodies resembling state utilities. Designing regulations should therefore be part of a broader discussion on how political life in general should be organized.
- **Promote good practice where formal regulations are weak.** In a climate of declining trust in political parties, showcasing integrity helps parties to gain voter confidence. Parties are encouraged to institutionalize financial management systems and adopt transparent internal financial procedures, paying particular attention to accounting. Parties would benefit from communicating voluntary good practices to the public, especially by demonstrating measures to prevent illicit funding. ■