

Overview

Money has a vital and positive role to play in politics. Around the world, however, money is among the greatest threats to democracy today. More than ever, politics appears inseparable from large sums of money, not least in the context of electoral campaigns and the activities of political parties. Major challenges include the penetration of illicit funds and criminal networks into politics, the distortion of the electoral playing field due to unequal access to funds and the undue influence of business interests or state resources. Regulations can help mitigate such problems, but they need to be tailored to their context and implementable. Too often, the political will is lacking to enforce existing regulations. To address the negative role of money in politics, countries should at the least: focus less on rules and more on enforcement; consider limits on individual campaign donations and spending; and address the gender funding gap.

Political parties and candidates need access to money in order to play their part in the political process – both during and in between elections. Money helps parties reach out to the electorate and explain their policies and enables candidates to run campaigns. In theory, money can be a positive force in a democracy, strengthening parties and candidates and provide opportunities to compete on more equal terms. Indeed, sufficient access to funding that is provided with no strings attached is crucial to the overall vibrancy of a democracy.

Unfortunately, in practice things often look very different in both the global North and South. The media abounds with scandals of corrupt politicians, the abuse of state funds, the nefarious influence of drugs money in politics, and questionable alliances between wealthy donors and politicians. The topic is a matter of national debate in most countries. From large corruption scandals involving heads of government such as in Turkey, to the sudden popularity of new anti-corruption parties, as in India, and the US Supreme Court's decision to further relax donation rules.

A threat to democracy

All too often, money in politics contributes to a weakening of, and in some cases even a threat to, democracy. International IDEA's research shows that this is the case in election campaigns as well as the day-to-day running of political parties. The huge amounts of money involved in election campaigns in some countries make it impossible for those without access to large private funds to compete on the same level as those who are well funded. Women candidates in particular suffer disproportionately from a lack of access to campaign finance. And in many countries, the unfair allocation of public funds and

abuse of state resources distorts the playing field in favour of the ruling parties, all of which undermines the equality of political competition.

Politicians dependent on big donors are in danger of being beholden to them. When the voices of a few unduly influence legislation and the decisions of politicians, the wider public and democracy suffers. 'Corporate representation' is a particular problem in Asia.

Recent years have seen a growing penetration of transnational organized crime and illicit funds into politics. This poses a particular danger to democracy and its institutions in all continents. For drug cartels in Latin America or West Africa, for example, financing the campaign of sympathetic candidates can be an effective way to influence politics and facilitate the trade in drugs, sometimes even resulting in state-capture by criminal forces. There is a pressing need to control the origin of funds and prevent undue political influence (direct or indirect) by criminal elements.

Citizen disconnection

These and other problems stemming from money in politics contribute to a general lack of faith in politics and a feeling of underrepresentation and poor accountability. As the influence of money increases, the control citizens have over politics decreases. The sums often required, for example, to finance election campaigns effectively bar most ordinary people from competing. A case in point is Brazil, where the 2010 presidential elections are estimated to have cost USD 2 billion.

The way forward

There is clearly an urgent need to better regulate the origin and destination of funds and in a transparent manner. Well-designed political finance regulations that are realistically enforceable and anchored in their country context play a vital role in any efforts to ensure money is a positive force in politics. Among other things, transparency helps level the playing field by exposing and punishing undue influence over politicians, protects against the infiltration of illicit money into politics, and encourages parties and candidates to adhere to the rules.

For over fifteen years, International IDEA has tried to improve the role of money in politics: it has produced numerous knowledge products and advised governments and politicians when designing their political finance systems. International IDEA's most recent research, *'Funding of Political Parties and Election Campaigns'*, indicates that the greatest hurdles to overcoming the challenges associated with money and politics are a lack of implementation and enforcement of existing regulations

"I think we see that, across the globe, in different societies and cultures, women do not have as much access to campaign financing as men do, for one reason or another... Instead of looking for ways to increase women's access to astronomical amounts of money, I think we need to decrease everyone's expenditure and make it more manageable."

Dr Donya Aziz, member of the National Assembly, Pakistan

In two-thirds of countries worldwide there is no limit on the amount a donor can contribute to a candidate, while in more than half of countries there is no limit on the amount that can be donated to political parties in relation to an election.

Source: International IDEA Political Finance Database

and, tied to this, a lack of political will to really address the main problems.

Policy recommendations

To curb the negative influence of money in today's democratic politics, International IDEA sees three policy recommendations as being most urgent:

1. **Break the arms-race in fundraising and spending:** In an effort to level the political playing field in environments of ever-increasing campaign budgets and reduce the influence of large donors, policymakers should consider limits on individual campaign donations and spending in general.
2. **Focus less on rules and more on enforcement:** The weakest link in money in politics today is the monitoring and enforcement of regulations. Enforcement agencies need the mandate, independence and capacity to effectively enforce political finance laws and regulations. This is especially true for tackling illicit funding where weak enforcement is the main obstacle.
3. **Address the gender funding gap:** Women face more obstacles to raising or accessing funds than men. Political finance legislation needs to address these inequalities, and public funding can provide incentives and support for female candidates. Political parties have a key role to play in addressing this gender funding gap through voluntary internal reforms to promote women's participation and raise funds on their behalf.

In addition to the above overarching recommendations, countries are urged to consider the following:

To all actors

4. **Document and publish party and candidate finance information:** Systematic documentation about the income and expenditures of political parties and candidates (not to mention third parties) is rare. In the interests of transparency, encouraging adherence to the rules and building public trust, information should be disclosed in a systematic, timely and easily accessible way.
5. **Establish and support regional peer networks:** There is currently a near absence of regional initiatives on money in politics. Such networks provide forums to instill and institutionalize common standards, policies and procedures; identify national deficiencies; offer peer support and the exchange of knowledge and experiences. The European example of the Group of States against Corruption (GRECO) is one such regional initiative that could be followed in other regions.

To policymakers and enforcement agencies

6. **Balance private and public funding:** When administered and distributed appropriately, public funding to political parties can act as a good counterbalance to private donations and give a variety of actors access to funds, and hence help level the playing field. Yet political parties must not lose touch with their constituents or become overly dependent 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.

7. **Regulations should follow political context and institutional capacity:** No set of rules or regulations will work the same in two different countries. The political context and institutional capacity (in particular levels of trust in political institutions and how people view the role of political parties in society), have a great impact on whether regulations work. Both context and capacity to comply with new rules should be taken into consideration when designing regulations.

To political parties

8. **Limit the self-regulation of parties and candidates:** There is an inherent conflict of interest in politicians deciding their own financial regulations. More inclusively designed regulations, involving a wide range of stakeholders – from CSOs to citizen movements - stand a better chance of addressing the main problems, especially those related to an uneven playing field, as well as giving parties more legitimacy in the eyes of voters.
9. **Show good practice even where formal regulations may not exist:** In an environment of plummeting global trust in political parties, showcasing integrity helps parties themselves to gain voter confidence. Parties are urged to institutionalize self-regulatory mechanisms and adopt transparent internal financial procedures, paying particular attention to accounting. Parties would also benefit from communicating such voluntary good practice to the public, especially by demonstrating measures to prevent illicit funding.

Further information

For more information on money in politics, both in theory and in practice, 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 on *Funding of Political Parties and Election Campaigns*, which presents regional overviews of political finance, its challenges and recommendations for reform, and also includes a chapter on women and money in politics.