



# Political Finance Reforms

How to respond to today's policy challenges?





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How to respond to today's policy challenges?

Yukihiko Hamada and Khushbu Agrawal

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# 1. Introduction

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## Political finance regulations must adapt and adjust to political, economic and societal changes

Money is a necessary component of any democracy: it enables political participation, campaigning and representation. However, if it is not effectively regulated, it can undermine the integrity of political processes and institutions, and jeopardize the quality of democracy. Therefore, regulations related to the funding of political parties and election campaigns, commonly known as *political finance*, are a critical way to promote integrity, transparency and accountability in any democracy. According to International IDEA's Political Finance Database, almost all of the 180 countries included in the database have some form of political finance regulation in place regarding public and private funding, spending and reporting, and oversight and sanctions mechanisms. Yet, recurring political finance scandals have revealed several regulatory shortcomings that are vulnerable to exploitation. Scandals and corruption, as well as the domination of money in the political process, weaken the voices of everyday citizens in several countries. This is slowly eroding public trust and faith in representative institutions.

Globalization, the development of new digital technologies and other events have drastically changed the political, economic and societal circumstances around the world over the last decade. Most recently, the COVID-19 pandemic has affected the funding of election campaigns across the world, for example by reducing public subsidies to political parties and restricting the avenues for raising private donations amid bans on large gatherings and fundraising events.

Political finance regulations must adapt to such evolving conditions. Every country must review the functioning of its political finance system and make the

necessary adjustments. This report contributes to the discussion of the future of political finance by exploring the following trends, opportunities and challenges related to money in politics that need to be taken into consideration when improving political finance systems:

- mainstreaming political finance regulations into an overall anti-corruption framework;
- supporting the implementation of existing political finance regulations and monitoring their performance;
- harnessing digital technologies to ensure transparency and accountability in political finance; and
- designing targeted political finance measures to encourage the inclusion of underrepresented groups in politics.

Examining these topics will provide an opportunity to highlight good practices and lessons learned in countries across the world, and to identify issues for further research in order to safeguard the integrity of democracy. This report is part of the policy toolkit developed by the International Institute of Democracy and Electoral Assistance (International IDEA). It serves as a repository of frontier issues in political finance for oversight agencies and other stakeholders. A series of reports analysing the themes identified in this report will be launched in the coming months.

## 2. Political finance and anti-corruption

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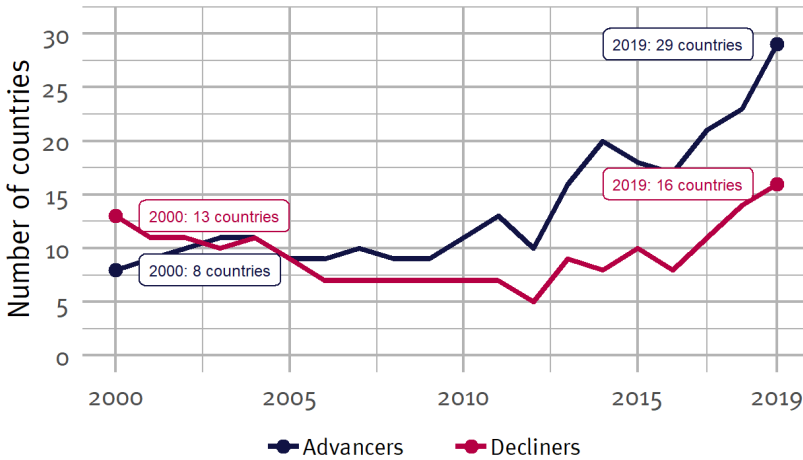
### **Towards a holistic and comprehensive approach to money in politics**

While corruption takes a number of different forms such as bribery, abuse of public resources, tax evasion, money laundering and accounting fraud, inadequately controlled political finance is one of the most widely exploited entry points for narrow private interests to exert undue influence over politics and political decisions (International IDEA 2019). Initial evidence suggests that the pandemic may have increased the risk of corruption in some countries by weakening the checks and balances of their institutions (Transparency International 2020).

While many countries have made progress in improving their anti-corruption efforts over the last 20 years (Figure 1), corruption scandals that implicate national leaders, politicians and business leaders remain prevalent in all regions, including recent cases in Brazil, Nigeria, the Slovak Republic and the Republic of Korea. Successful anti-corruption efforts in some countries have been cancelled out by setbacks in others to sustain a consistent level of perceived corruption around the world in the last 10 years (Figure 2). These findings highlight the need to intensify efforts to fight corruption and to keep improving the effectiveness of political finance systems.

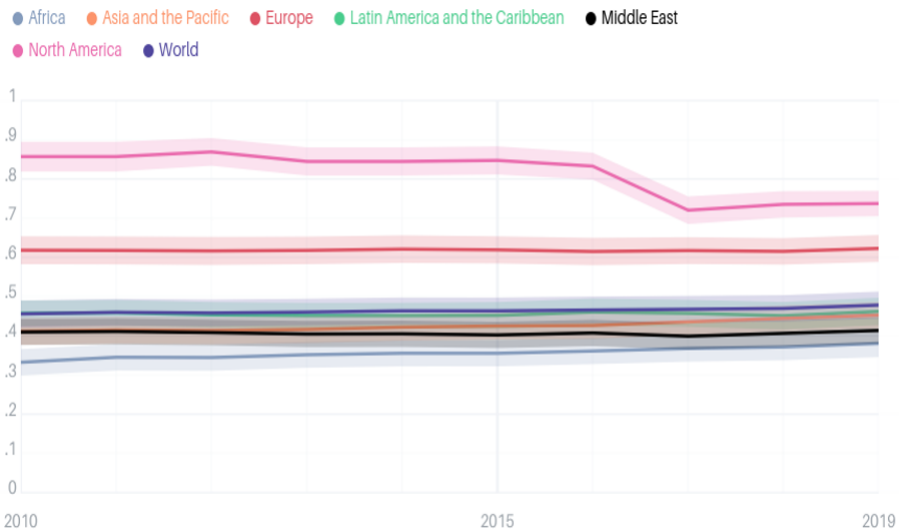


Figure 1. Declines and advances in the Absence of Corruption, 2000–2019



Source: International IDEA, Global State of Democracy Indices, 2020, <<http://www.idea.int/gsd-indices>>, accessed 23 November 2020.

Figure 2. Trends in Absence of Corruption, 2010–2019

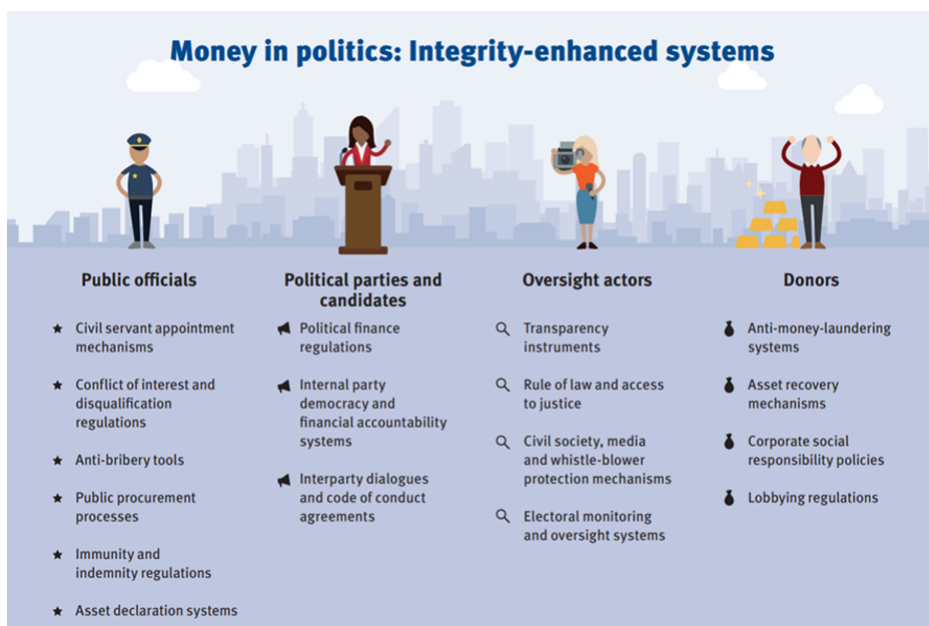


Source: International IDEA, Global State of Democracy Indices, 2019, <<http://www.idea.int/gsd-indices>>, accessed 23 November 2020.

Note: All scoring runs from 0 to 1, with 1 representing the highest achievement.

One of the major lessons in the fight against corruption is that political finance regulations alone cannot prevent undue interests from influencing political processes (International IDEA 2017; OECD 2016). For example, elected officials often award public procurement contracts to campaign donors. During the current pandemic, the procurement of personal protective equipment, for instance, has been marred by corruption scandals or manipulated for political favours. However, most political finance regulations do not prevent such practices. Similarly, the influence of organized crime over politics cannot be mitigated by simply tightening political finance regulations. In Latin America and South East Asia, organized crime organizations are thought to inject large amounts of money that is raised through money laundering, drug trafficking and other illicit activities into politics. International organizations and national governments are exploring how best to connect political finance with other related issues such as asset declaration systems, public procurement data, whistleblower protections and lobbying registers in order to design holistic integrity-enhanced systems (Figure 3).

Figure 3. Example of holistic integrity-enhanced systems



Source: International IDEA, *The Global State of Democracy: Exploring Democracy's Resilience* (Stockholm: International IDEA, 2017), <<https://www.idea.int/publications/catalogue/global-state-democracy-exploring-democracys-resilience>>, accessed 27 July 2020

In 2017, the Organisation for Economic Co-operation and Development (OECD) adopted a new legal instrument called the Recommendation on Public Integrity, which calls on countries to deal with political finance, managing conflicts of interest, lobbying transparency, asset disclosure of public officials and other aspects of anti-corruption issues in a holistic manner throughout the political cycle (OECD 2017). Similarly, the Open Government Partnership (OGP), which consists of 78 countries and 20 subnational governments, advocates adopting commitments to advance political finance transparency as part of broader national open government action plans. Several countries, such as Greece, Slovenia and the UK, have introduced similar national-level reforms. For example, with the assistance of European institutions, the Greek Government launched a comprehensive anti-corruption project in 2016 that featured safeguarding integrity through enhanced asset declaration, conflict of interest management and political financing systems. In addition, several civil society organizations such as Transparency International have developed online tools that compare information regarding donations to political parties and declarations of financial interests of Members of Parliament (Box 1).

### Box 1. Political finance as a key component of anti-corruption strategies

#### OECD: Recommendation of the Council on Public Integrity

The Recommendation on Public Integrity has been adopted by 37 Organisation for Economic Co-operation and Development (OECD) member countries. It gives policymakers a blueprint for a public integrity strategy. All OECD accession countries are expected to adhere to this legal instrument prior to joining the organization. The recommendation shifts the focus from ad hoc integrity policies to a comprehensive, risk-based approach that emphasizes cultivating a culture of integrity across the whole of society. One of its key components of building a comprehensive anti-corruption mechanism is instilling transparency in political finance and lobbying activities. The OECD published the *Public Integrity Handbook* in 2020 to support the implementation of the recommendation with practical examples to mainstream political finance within a wider anti-corruption strategy (OECD 2020).

#### Open Government Partnership (OGP): National Action Plans

OGP-participating countries are required to cocreate a National Action Plan (NAP) with civil society that focuses on significant national open government priorities and ambitious reforms. The OGP and International IDEA launched a joint campaign in 2019 to include political finance transparency in the NAPs. Through the process of developing the NAPs, countries are encouraged to consider adopting commitments to advance political finance transparency.

**Greece: political finance as part of the National Anti-Corruption Plan**

Greece's National Anti-Corruption Action Plan was revised in 2015 by the General Secretariat against Corruption. This plan aimed to integrate anti-corruption into the government's reform agenda and the private sector's business models. Political finance reform was one of their priority areas, together with an enhanced asset declaration system, stricter management of conflicts of interest, strengthened whistle-blower protection and anti-corruption education in schools. By connecting political finance to related issues, the General Secretariat against Corruption aimed to maximize the impact of its comprehensive anti-corruption reform.

**Transparency International: Integrity Watch Europe**

Transparency International's Integrity Watch Europe Project provides law enforcement, citizens, civil society and journalists with a series of online tools for the detection and prevention of political corruption in France, Lithuania, Slovenia, Italy, Greece, Spain, Latvia and the Netherlands. Some of their national Integrity Watch platforms such as Latvia and Italy compare information regarding donations to political parties and declarations of financial interests of Members of Parliament.

**United Kingdom: Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act**

This act was introduced in 2014. While it does not directly require lobbyists to disclose details of their political donations, the Act increases political finance transparency in relation to spending by some non-party campaigners by requiring them to publish more information about their expenditure and donations.

However, more needs to be done to mainstream political finance into the wider anti-corruption debate. For example, while the United Nations Convention Against Corruption (UNCAC) continues to be the leading global instrument for anti-corruption, the need for enhanced transparency in the funding of electoral campaigns and political parties is only mentioned in one short article (article 7.3) of the convention, and there is no active monitoring mechanism in place to assess the level of political finance transparency among the 187 state parties. The UNCAC states that parties should make more efforts to advance political finance transparency within a comprehensive anti-corruption framework. Similarly, regional frameworks fail to address the issue comprehensively. For instance, the African Union (AU) Convention on Preventing and Combating Corruption has only one article on the funding of political parties. This article does not require states to establish regulatory frameworks; nor does it have a monitoring mechanism. Insufficient attention to political finance is also evident in other sub-regional anti-corruption frameworks in Africa.

Incorporating political finance regulations and various anti-corruption measures into a wider coherent regulatory framework remains challenging. More

research and evidence are needed to determine how best to connect, for example, lobbying regulations, asset disclosure systems and political finance regulations. At the same time, it is equally important to understand the implications of emerging threats such as the global nature of organized crime and the pervasiveness of financial instruments that escape existing oversight in order to ensure the robustness of holistic integrity-enhanced systems.

## Good practices and issues for further research

- Political finance regulations are likely to be ineffective at combating corruption if they exist in isolation. They should be placed within a holistic anti-corruption mechanism that also deals with lobbying, conflicts of interest, asset disclosure and other related issues. Recent global instruments such as the OECD recommendation and the OGP initiative should guide countries to shift their political finance reform in this direction.
- Under the UNCAC as a leading anti-corruption legal instrument, political finance transparency should be more closely monitored and promoted by its 187 state parties. Other regional instruments such as the AU Convention on Preventing and Combating Corruption should also be strengthened by effective monitoring mechanisms.
- Expanding comparative data and collecting examples of good practices concerning the link between political finance and other anti-corruption measures are needed to advance a global reform debate on money in politics. Similarly, continuing efforts to understand the impact of external threats such as the role of organized crime and new technologies will be crucial to developing a robust and holistic approach to money in politics.

## International IDEA's policy tools

### **Global State of Democracy Indices** (<<https://www.idea.int/gsod-indices/#/indices/world-map>>)

The Global State of Democracy Indices depict democratic trends at the country, regional and global levels across a broad range of attributes of democracy in the period 1975–2019. They produce data for 163 countries around the world. Absence of corruption is a subattribute of the indices that denotes the extent to which the executive, and the public administration more broadly, does not abuse office for personal gain.

### **Political Finance Database** (<<https://www.idea.int/data-tools/data/political-finance-database>>)

This database has been the leading global resource of comparative political finance data for those interested in money in politics since its launch in 2003. It tracks 63 aspects of political finance regulations in 180 countries within four broad categories: (a) bans and limits on private income, (b) public funding, (c) regulations on spending and (d) reporting, oversight and sanctions. Users can search the comprehensive database by country, region or question as well as customize and download the data.

### **Policy papers**

Three policy papers, launched in 2019, analyse the political finance regulatory trends and identify corruption risk areas in such regulations in **Asia**, **Africa** and **Latin America**. They provide practical policy recommendations for key stakeholders to encourage better governance and improve the transparency and accountability of political finance systems in each region.

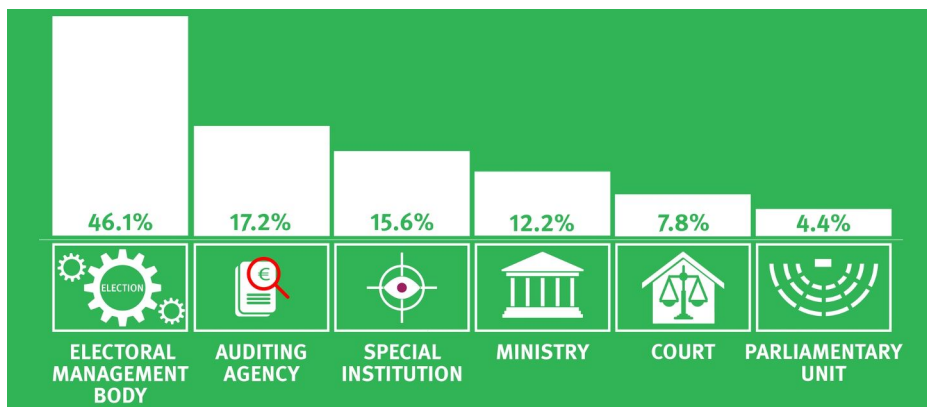
## 3. Implementation and compliance mechanisms

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### Assessing the functioning of political finance regulations and guidelines to support their implementation

Another priority issue for the future of political finance is to ensure the implementation of political finance regulations. In many parts of the world, political finance systems have come under scrutiny because political parties and politicians fail to comply with the set standards and procedures, or the oversight and monitoring authorities lack the capacity to monitor and ensure compliance. Institution(s) responsible for political finance oversight may differ from country to country and there is no one-size-fits-all model to regulate the negative impact of money in politics (see Figure 4). However, timely reporting and auditing, public scrutiny and dissuasive sanctions play a crucial role in ensuring the implementation of existing regulations (International IDEA 2019). Oversight agencies also need clear mandates and legal powers, political independence, and sufficient human and financial resources, and to provide necessary information and guidance to political parties and candidates.

Figure 4. What institution(s) receives financial reports from political parties and/or candidates?



Source: International IDEA Political Finance Database (n.d.), <<https://www.idea.int/data-tools/data/political-finance-database>>, accessed 10 December 2020.

Note: Data collected from 180 countries. Multiple answers allowed.

Given that the implementation of political finance laws has received less attention to date, there is a lack of empirical research on the strengths and weaknesses of different operational approaches to implementing political finance regulations. Various national-level assessments of the functioning of political finance systems have been conducted by international organizations such as the Council of Europe’s Group of States against Corruption (GRECO), the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR), the OECD and International IDEA, among others. These assessments have been instrumental in identifying a number of implementation gaps and have supported political finance reforms in multiple countries. Civil society organizations also play a crucial role in monitoring the effectiveness of political finance oversight. In addition, some countries have developed a practical tool kit to help oversight agencies consider the fundamental prerequisites for implementing a political finance regulatory system while outlining some of the challenges that might arise—and the tools needed to address them (Box 2).

Yet over-regulation could deter transparency and compliance. Providing education and training for political parties could be an important alternative way to promote compliance and strengthen parties’ internal practices. This could, for example, take the form of an advisory unit within the oversight agency focused on providing support and guidance to political parties. Setting up such a unit would support political parties to adhere to the rules as well as help oversight agencies identify where problems lie and how they could be better addressed.



## Box 2. International mechanisms and tools to support the implementation of political finance regulations

### **GRECO: third evaluation round reports on transparency of party funding**

GRECO evaluation procedures are based on information gathered through questionnaires and on-site country visits, which enables evaluators to solicit further information during high-level discussions with domestic stakeholders. The resulting reports provide recommendations to the concerned countries on how to increase their compliance with the provisions under consideration. GRECO then assesses the measures taken to implement its recommendations in a separate compliance procedure (GRECO n.d.). Launched in 2007, the third evaluation reports assess the level of transparency of party funding in GRECO member countries and are considered one of the most thorough monitoring mechanisms to ensure compliance with political finance regulations.

### **International IDEA: country assessment of political finance system in Mongolia**

In order to complement existing assessment reports by other organizations and to expand the regional coverage of this exercise, International IDEA launched its first country assessment of Mongolia's political finance system in 2018. The assessment examined how candidates and parties receive, use and report on private and public funding, how the authorities oversee these financial flows, and how sanctions are imposed to deal with violations. It provided a number of concrete policy recommendations to strengthen the capacity of Mongolia's political finance oversight bodies. Many of these recommendations were later incorporated into the government's proposal to update its political finance system. Similar assessments are currently in progress in Fiji and Panama.

### **Greece: Training Manual on Political Finance Regulation**

The Greek Government, together with the European Commission and the OECD, developed a training manual on political finance regulation in 2018 in order to support better implementation of political finance regulations (OECD 2018). This manual, the first of its kind in Greece, provides a set of practical insights such as how to define work streams and appropriate staffing, what kind of operational policy documents are needed, and how to work to written procedures.

Moving forward, more countries should review the functioning of their political finance systems and ensure their effective implementation. In order to obtain objective and non-partisan recommendations, countries may work with international organizations or other expert bodies on such an assessment. This is particularly relevant and urgent for countries where compliance remains challenging in the absence of strong regional and national frameworks to push country-level commitments to regulate political finance. Few country-level assessments have been conducted on the implementation of political finance systems in Asia and Africa.

Country assessments should pay particular attention to the implementation of political finance at the local level, since bypassing existing regulations and exerting undue influence over politics are more prevalent at this level. In addition, in order to effectively measure the level of implementation, countries are encouraged to collect necessary data such as the number of political finance violations and sanctions applied, and the response rate of political finance reporting from political parties.

## Good practices and issues for further research

- While comprehensive legislation is imperative for a robust political finance system, it is not a panacea. The implementation of political finance regulations requires more attention and effort in many countries.
- Countries could use assessment mechanisms created by international organizations to objectively review the functioning of their political finance systems. These assessments should go beyond general legislative reviews of political finance regulations and explore oversight agencies' operational approaches.
- Thorough assessments of political finance systems are needed in many parts of Africa, Asia and Latin America. Similarly, more research and analysis on political finance systems at the local level are needed.

### International IDEA's policy tools

#### **Political Finance Design Tool** (<<https://www.idea.int/political-finance-design-tool>>)

Drawing on comparative global data in International IDEA's Political Finance Database, the Political Finance Design Tool gives governments and policymakers a user-friendly guide for exploring policy options in the realm of political finance. The tool provides an overview of the issue with relevant country and regional data, as well as available policy options to address various issues.

#### **Political Finance in Mongolia: Assessment and Recommendations**

(<<https://doi.org/10.31752/idea.2018.68>>)

This report provides insights into Mongolia's political finance system as well as a number of actionable recommendations to support the implementation of the country's regulatory framework.

## 4. Digital technologies in political finance

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### Regulatory challenges and interventions to ensure transparency and accountability

Over the last decade, many aspects of political finance practices—from raising funds to reporting and disclosing political parties' spending—have changed drastically. Digitalization is playing an increasing role in the flow of money in politics, for instance through crowdfunding and online digital expenditure, creating both opportunities and challenges for political parties and politicians.

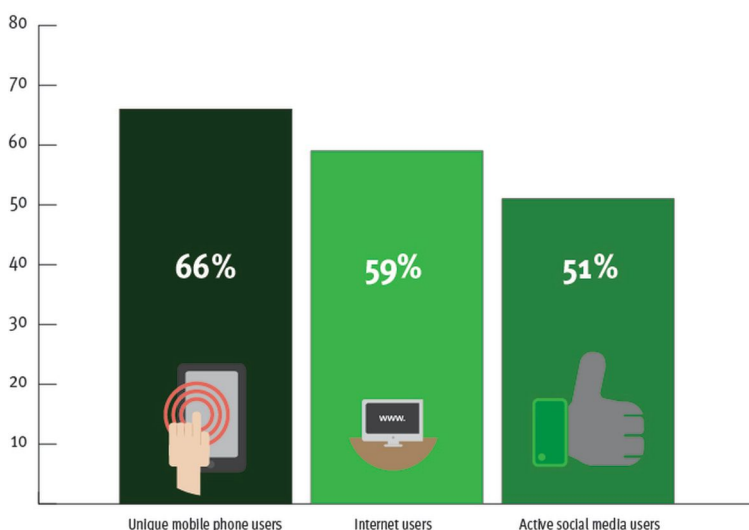
As for opportunities, digital tools such as online reporting and disclosure platforms have become a major driver of increased transparency and accountability in political finance. According to International IDEA's Political Finance Database, over 60 per cent of surveyed countries currently disclose political finance information in public (International IDEA n.d.). Among those countries, the development of digital applications to simplify public access to (and scrutiny of) political finance information has been on the rise. One successful example, among many, from Latin America is Colombia's digital application Cuentas Claras (Clear Accounts). This 'app' allows parties and candidates to report their income sources and expenses in a standardized digital format, which generates an online database (with information for each party, candidate, donor, type of income source, type of expense, etc.) that citizens can easily consult. Cuentas Claras was developed by a civil society organization and later donated to Colombia's electoral authority. Nearly all political actors in Colombia use it. This kind of app offers a low-cost way to improve transparency and allow the authorities, journalists, watchdog groups and citizens to exert their oversight role.

Similarly, the Internet's potential to mobilize millions of small donors has become apparent in countries such as the USA. In the 2020 US presidential race,

Democratic primary candidate Bernie Sanders managed to attract over USD 210 million in donations, 54 per cent of which came from small individual donors (Open Secrets 2020). Many of these small donors made contributions online (Lee 2019).

However, digital technologies also pose challenges. As of July 2020, there were approximately 4 billion active social media users in the world, accounting for 51 per cent of the total global population—up by 10.5 per cent from the previous year (Datareportal 2020). With the increasing number of Internet and social media users worldwide (Figure 4), political parties and candidates are spending significant amounts of money on online campaigning. Political finance regulations tailored to online political campaigns must accordingly be developed.

Figure 5. Global state of Internet and social media use (July 2020)



Source: Datareportal, *Digital 2020: July Global Statshot*, <<https://datareportal.com/reports/digital-2020-july-global-statshot>>, accessed 18 September 2020.

Online campaigning refers to any political message that a political party, candidate or third-party campaigner sends to a targeted audience using primarily an online platform, including a paid ad or online profile, as well as methods such as bots, troll armies or astroturfing. A bot is an automated software program that mimics human behaviour on social media by posting, liking and talking to real people. A troll is a real person who posts divisive or irrelevant messages and comments to annoy or anger other people; some parties use trolls to amplify their campaign messages to create an impression of grassroots support—a phenomenon known as astroturfing. Any expenditure incurred to create, promote, maintain and spread the message should be categorized as an online political expenditure.

Such increased spending on digital advertisements adds a layer of complexity to the regulation and oversight of political party expenditure.

Digital trends are likely to continue into the future, especially since political parties and candidates around the world are relying on digital technologies for campaigning as well as fundraising, particularly during the COVID-19 pandemic, as social distancing protocols disrupt traditional strategies. While this creates opportunities, the regulatory loopholes also pose challenges and risks, which requires updating the existing regulations (Box 3).

### Box 3. Potential regulatory loopholes in political finance posed by new technologies

#### Online spending by political parties

While political parties, candidates and other third-party campaigners increasingly spend more on their online campaigns, only 7 per cent of countries worldwide regulate how these actors can spend money online (International IDEA n.d.). Even in countries that *do* have such regulations, significant challenges remain, including a lack of access to data on payments by regulators, difficulties associated with tracing the source and destination of online expenditures, the speed of innovations outdating legislation, a lack of capacity within oversight and regulatory bodies, and weak inter-regulatory agency coordination.

#### Crowdfunding and other online fundraising tools

While crowdfunding and other online fundraising tools can help small donors contribute to political parties and campaigns, they can also pose regulatory challenges for political finance oversight bodies and the political parties themselves. For example, the automated nature of crowdfunding could make it easier to divide large donations into smaller amounts that do not meet the reporting threshold. In countries that prohibit donations from specific sources such as foreign donations and legal persons, political parties and candidates must take appropriate measures to ensure that crowdfunded donations come from legitimate sources (International IDEA 2018).

#### Cryptocurrencies

While cryptocurrencies such as bitcoin are not yet widely used to fund political parties and election campaigns, some parties and candidates have started to accept donations in cryptocurrencies. Depending on the design, some cryptocurrencies could make it very difficult to trace the donor identity and destinations of their donations, circumventing political finance regulations such as donation limits and bans on anonymous donations (Uribe Burcher 2020).

While such technologies are still relatively new and not fully utilized across the world yet, countries should start discussing how they could be used to better tame

the impact of money in politics. Moving forward, political finance oversight bodies should coordinate with other oversight bodies such as data protection agencies in order to increase transparency in parties' online spending. Additionally, there is an urgent need for a regulatory framework for political advertisement spending on social media platforms, including requirements to disclose data on targeting criteria, audience reach and spending. While some social media platforms have taken the initiative to report certain expenditures on political advertisements, self-regulation is hardly sufficient. Similarly, crowdfunding could support transparency by including data-driven checks to avoid the circumvention of regulations. Another option could be to develop a publicly owned common fundraising platform that all parties and candidates must use for their crowdfunding. Such a system could facilitate oversight without compromising access for small donors. Regulations also need to be considered regarding how to exchange cryptocurrencies into regular currency. Nonetheless, it is clear that digital technologies offer enormous possibilities to change traditional political finance practices. More comparative data and evidence-based research on the link between political finance and digital technologies are needed in order to update the regulations to effectively harness digital technologies.

### **Good practices and issues for further research**

- Digital reporting and disclosure portals should be considered in order to facilitate greater public scrutiny on political finance.
- It is increasingly important for political finance oversight agencies to have a better grasp of digital campaigning and the type of expenditures associated with it. Existing political finance regulations are often insufficient to address the challenges posed by new technologies.
- Digital technologies offer enormous possibilities to increase transparency and accountability in political finance. More empirical data are needed to advance the global debate on how best to harness new technologies in political finance.

## International IDEA's policy tools

### **Digital Solutions for Political Finance Reporting and Disclosure: A Practical Guide**

(<https://www.idea.int/publications/catalogue/digital-solutions-for-political-finance-reporting-and-disclosure>)

This Guide is a resource for those who are considering, planning or currently building an online reporting and disclosure system for political finance data. It aims to help oversight agencies design and build the right system for their needs and context by learning from the experiencers of other countries.

### **Digital Microtargeting: Political Party Innovation Primer 1**

(<https://doi.org/10.31752/idea.2018.32>)

This Primer discusses digital microtargeting by political parties and concentrates on examples of political parties around the world that have used legitimate microtargeting practices in their campaigns.

### **Fact Sheet: Protecting Political Campaigns from Digital Threats—Insights from Tunisia, Panama and Bolivia**

(<https://www.idea.int/publications/catalogue/protecting-political-campaigns-digital-threats>)

Electoral management bodies, oversight authorities, legislators and political parties face increasing difficulties associated with protecting the integrity of the political process against the manipulation of public opinion through digital information operations. Based on International IDEA's work in Tunisia, Panama and Bolivia, this Fact Sheet seeks to identify typical risk areas and provide recommendations on how to safeguard the integrity of elections against digital threats.

### **Cryptocurrencies and Political Finance** (<https://doi.org/10.31752/idea.2019.7>)

This Discussion Paper presents some of the basic notions behind cryptocurrencies and their regulation, especially their use in the financing of political parties and election campaigns.

## 5. Access to political funding by underrepresented groups

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### Utilizing political finance regulations to promote inclusive democracy

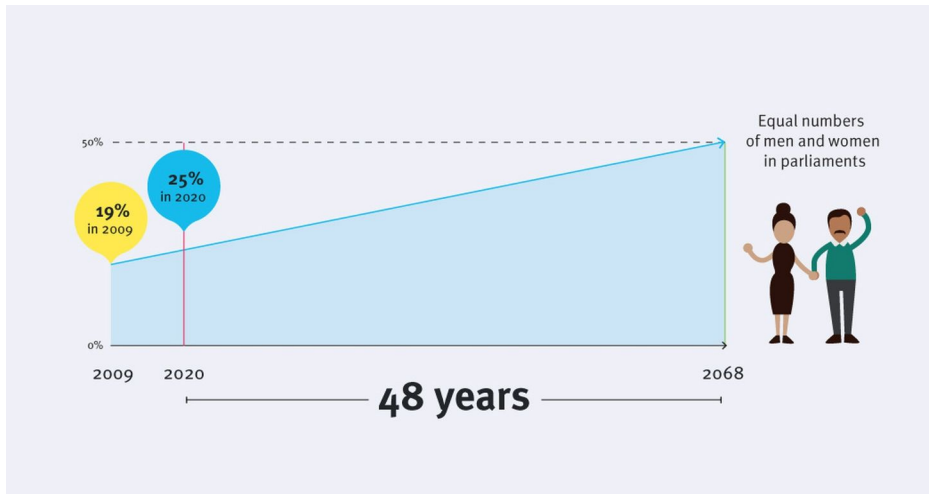
Political representation of women, LGBTQ people, people with disabilities, indigenous people, religious and ethnic minorities, and other marginalized groups remains low all over the world due to political, economic, social and cultural constraints. While they experience varying socio-economic differences, these groups often identify a lack of access to sufficient political funding, both from their own parties and from external funding networks, as a major obstacle to their participation in politics (International IDEA and OGP 2019). The exponential growth in campaign expenditure in many countries impedes the ability of those with little or no access to political funding to run successful election campaigns.

Women, for instance, represent only about 25 per cent of all elected parliamentarians globally (IPU 2020). With the current pace, it is estimated to take another 48 years to reach gender parity in parliaments (see Figure 6). While overcoming the obstacles to achieving gender equality in politics will require action in many areas, providing access to political finance is often identified as a major enabling factor. Women frequently have less access than men to the resources needed to successfully seek a party nomination or stand in an election. This is because all over the world, women on average earn less than men, are overrepresented in low-paying jobs and underrepresented in senior positions, have fewer personal assets to draw from, and have limited influence over how their personally earned income is spent (Ortiz-Ospina and Roser 2018). Moreover,



political parties tend to nominate men to winnable positions so they can benefit from the resources at their disposal (Ohman 2018).

Figure 6. How long will it take to reach gender parity in parliaments?



Source: Based on International IDEA, *The Global State of Democracy: Addressing the Ills, Reviving the Promise* (Stockholm: International IDEA, 2019), <<https://doi.org/10.31752/idea.2019.31>>.

Furthermore, one billion people, or 15 per cent of the world's population, experience some form of disability, and disability prevalence is higher in developing countries (World Bank 2020). While international, regional and national treaties protect and guarantee the rights of persons with disabilities to participate in political processes, they are still underrepresented in political and public life, particularly as candidates or members of institutions, including political parties, electoral management bodies, local governments and parliaments (OSCE/ODIHR, 2019). In the EU, about 15 per cent of people have some sort of impairment, but only around 1 per cent of politicians do (Waltz and Schippers 2020). Low income and a lack of financial resources have been identified as the major barriers for disabled people to run for office or become a member of a political party (OSCE/ODIHR, 2019). Some of the costs associated with their disability, such as the cost of sign language interpretation, speech-to-text services, and the potential extra cost of hosting an event at an accessible location, can be further prohibitive when seeking elected office. For individuals who are marginalized in more than one way, the challenges are amplified. For instance, one in every five women is likely to experience some form of disability in their lifetime (UN Women 2018). Yet they encounter multiple barriers to becoming candidates and elected officials based on both their gender and disability status, including financial hardship.

Other underrepresented groups, including LGBTQ individuals and ethnic minorities, are likely to continue to face financial barriers to political participation, as only a handful of countries have specific provisions to support the political aspirations of these groups. While providing targeted financial assistance does not automatically guarantee a seat for these groups in the political sphere, it can help encourage and promote their political participation. There are several innovative examples of political finance initiatives that have been set up to facilitate access to funding by underrepresented groups and promote diversity in politics (Box 4).

#### **Box 4. Innovative initiatives to promote inclusive democracy through political finance**

##### **Gender-targeted public funding**

By linking the amount of public funding to the level of gender equality among the candidates that a political party puts up for election or earmarking a certain portion of public funding for gender-related activities, political finance regulations could support women's participation in politics (Ohman 2018). Approximately 30 countries have such gender-targeted public funding, including Albania, Brazil, Costa Rica, France, Georgia, Kenya and South Korea.

##### **EMILY's List**

Founded in 1985, Emily's List is a US Political Action Committee that helps pro-choice Democratic Party female candidates get elected to office. They do so by recruiting and training women to run for office at every level across the country, supporting their campaigns through research, communication and fundraising, and mobilizing women voters. Over the last 30 years, EMILY's List has raised over USD 500 million, becoming one of the largest financial resources for minority women seeking federal office, and has helped elect 116 pro-choice Democratic women to the House, 26 to the Senate, 16 to governors' seats, and over 800 women to state and local office (EMILY's List n.d.).

##### **The Candidates' Fund (CF) of the Conservative Party in the United Kingdom**

The Conservative Party in the UK established the Candidates' Fund (CF) to grant funding to LGBTQ candidates of the party. In 2012, the CF funded 12 LGBTQ candidates including Stuart Andrew, Lee Rowley and Iain Stewart, all of whom were elected to parliament. It also funded the 2015 election campaigns of 19 LGBTQ candidates and 6 during the 2016 elections (LGBT+ Conservatives n.d.).

### **The Victory Fund in the United States**

The Victory Fund was created as a non-partisan Political Action Committee in 1991. It provides campaign, fundraising and communications support to openly gay, lesbian, bisexual, transgender and queer candidates to increase the number of openly LGBTQ elected officials across the United States at all levels of government. In 2018, the Victory Fund endorsed 274 candidates and invested more than USD 2 million to support them, from the US Senate to local school boards; 64 per cent of these candidates were successful (Victory Fund n.d.).

### **EnAble Fund for Elected Office in the United Kingdom**

The EnAble Fund, which was provided by the Government Equalities Office and worth GBP 250,000, ran from 3 December 2018 to 31 March 2020. The fund aimed to cover the cost of the reasonable adjustments required to enable people with disabilities to stand for elected office in England, including sign language interpreters, assistive technology, a personal assistant to help with specific tasks, or taxi fares where other modes of transport were not appropriate. It supported disabled people seeking election in the local elections of May 2019 (Disability Rights UK 2020).

### **Funding for ethnic minorities in Colombia**

Colombia's Bill 1475 of 2011 outlines the regulations related to the organization and functioning of political parties and movements, for the electoral processes and some other dispositions, including provisions for public funding for ethnic minorities. Article 18 of the bill affirms that public funding must be earmarked for 'effective inclusion of women, youth, and ethnic minorities in a political process'. It emphasizes that 'in any case, parties and movements will allocate in their annual budgets a sum not less than fifteen percent (15%) of the State contributions they were granted to conduct political and electoral training courses for the activities of their centres of thought, and for the effective inclusion of young people, women and ethnic minorities in the political process' (Senate of the Republic of Colombia 2011).

However, few countries have introduced such dedicated political finance mechanisms to support the inclusion of underrepresented groups in politics. In most cases they are spearheaded by right-based organizations and/or political parties. Countries should consider updating their political finance regulations to ensure that financial muscle is not a determining factor for equitable political participation. At the same time, since many such initiatives are still relatively new, it is equally important for countries to periodically evaluate the effectiveness of these measures. It is also important to recognize that these groups are not homogenous, and there are wide disparities within them. Therefore any efforts to target political finance should aim to reach those with the least access.

## Good practices and issues for further research

- Access to sufficient funding is often identified as a major obstacle preventing marginalized and underrepresented groups from running for office. Countries should consider how their political finance systems could be utilized to promote inclusive democracy. More countries have engaged in gender-targeted public funding in recent years.
- Only a handful of countries have introduced dedicated political finance initiatives to support LGBTQ individuals, people with disabilities and ethnic minorities. Future political finance reforms should seek to increase the access of these groups.
- Since some of these measures have only recently been adopted, assessing their cost effectiveness will be necessary to improve their ability to facilitate the political participation of marginalized and underrepresented groups.

### International IDEA's policy tools

#### **Gender-targeted Public Funding for Political Parties: A Comparative Analysis**

(<https://doi.org/10.31752/idea.2018.5>)

This report explores the concept of gender-targeted funding and its different modalities. Detailed case studies from Albania, Croatia, France, Haiti and Portugal illustrate experiences from different countries. The report presents recommendations for countries considering using these methods to increase women's political representation.

## 6. The way forward: making money play a positive role in promoting democracy

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Money is often perceived as a way for powerful interests to capture government policymaking processes, which leads to low levels of public trust in representative institutions. In this context, a transparent and effective political finance system can help restore public trust in democracy. Political finance regulations, compliance incentives and implementation mechanisms must all be motivated by a commitment to safeguard and promote democracy. To this end, political finance systems should be constantly updated to remain relevant to changing political, economic and societal circumstances. While the persisting and emerging challenges highlighted in this report touch upon different aspects of political finance systems, there are some common factors that policymakers need to take into consideration in order to effectively address future challenges.

- *Better cross-institutional coordination.* In order to tackle political finance-related corruption, promote compliance with existing regulations, harness digital technologies and encourage inclusive democracy through political finance regulations, oversight agencies must closely cooperate with other stakeholders such as anti-corruption agencies, data-protection agencies, IT companies and other private sector actors, and civil society organizations. Institutional mechanisms should be introduced to facilitate better information sharing and policy coordination among all stakeholders.
- *Data and evidence.* While almost all countries have some sort of political finance regulations, most struggle to monitor the regulatory effectiveness of such measures. There is insufficient data to assess and compare the practices of political finance regulations in different country contexts. In order to design effective political finance systems, countries should develop

benchmarks and indicators to monitor whether their policies deliver the desired outcomes, such as increasing the number of marginalized and underrepresented groups in politics and improving compliance with political finance regulations.

- *Region- and country-specific analysis.* Many prior political finance assessments focus on developed countries. In order to enlarge the evidence base of global political finance research, international organizations, civil society organizations and the media could conduct in-depth assessments of political finance systems in Africa, Asia and the Pacific, and Latin America. It is important to note that many opportunities and challenges identified in this report are global in nature. Therefore supporting developing countries to update their political finance systems will be even more important in the future. In addition, political finance systems at the local level tend to receive less attention, yet that is where the corruption risks are most prevalent in many countries. Future assessments of political finance systems should therefore examine how regulations are implemented at the local level.

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## About International IDEA

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The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with the mission to advance democracy worldwide, as a universal human aspiration and enabler of sustainable development. We do this by supporting the building, strengthening and safeguarding of democratic political institutions and processes at all levels. Our vision is a world in which democratic processes, actors and institutions are inclusive and accountable and deliver sustainable development to all.

### What do we do?

In our work we focus on three main impact areas: electoral processes; constitution-building processes; and political participation and representation. The themes of gender and inclusion, conflict sensitivity and sustainable development are mainstreamed across all our areas of work.

International IDEA provides analyses of global and regional democratic trends; produces comparative knowledge on good international democratic practices; offers technical assistance and capacity-building on democratic reform to actors engaged in democratic processes; and convenes dialogue on issues relevant to the public debate on democracy and democracy building.

### Where do we work?

Our headquarters is located in Stockholm, and we have regional and country offices in Africa, the Asia-Pacific, Europe, and Latin America and the Caribbean. International IDEA is a Permanent Observer to the United Nations and is accredited to European Union institutions.

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Money is a necessary component of any democracy: it enables political participation, campaigning and representation. However, if it is not effectively regulated, it can undermine the integrity of political processes and institutions, and jeopardize the quality of democracy. Therefore, regulations related to the funding of political parties and election campaigns, commonly known as political finance, are a critical way to promote integrity, transparency and accountability in any democracy.

Political finance regulations must adapt and adjust to political, economic and societal changes. This report contributes to the discussion of the future of political finance by exploring the following trends, opportunities and challenges related to money in politics that need to be taken into consideration when improving political finance systems:

- mainstreaming political finance regulations into an overall anti-corruption framework;
- supporting the implementation of existing political finance regulations and monitoring their performance;
- harnessing digital technologies to ensure transparency and accountability in political finance; and
- designing targeted political finance measures to encourage the inclusion of underrepresented groups in politics.



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