



Controlling money in politics

A brief introduction

REPORT | 2023

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Controlling money in politics – a brief introduction

Money is both a necessary and a problematic part of any democratic system of governance. Transparency in how political leaders raise and spend money gives voters better choices and reduces the risks of political corruption.

IFES has supported transparency and accountability regarding money in politics for over a decade. A natural complement to IFES' work to aid democratic and electoral processes, political finance assistance can increase public confidence in the political system and reduce political corruption. IFES work with political finance covers all

continents and has so far involved work in over 50 countries, including assistance to parliaments, EMBs, political parties, civil society and media.

This document is a brief introduction to the issues of money in politics – how countries around the world have sought to address different challenges, and the role of different actors in increasing transparency and fighting corruption.

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About IFES

IFES advances democracy for a better future. We collaborate with civil society, public institutions and the private sector to build resilient democracies that deliver for everyone. As the global leader in the promotion and protection of democracy, our technical assistance and applied research develops trusted electoral bodies capable of conducting credible elections; effective and accountable governing institutions; civic and political processes in which all people can safely and equally participate; and innovative ways in which technology and data can positively serve elections and democracy. Since 1987, IFES has worked in more than 145 countries, from developing to mature democracies. IFES is a global, nonpartisan organization based in Arlington, Virginia, USA, and registered as a non-profit organization [501(c)(3)] under the United States tax code.

IFES By The Numbers



Reached 25M+
people with civic and
voter education in
2021



Supported 30
elections in
2021, training
300K+ election
officials



Worked across 58
countries in 2021

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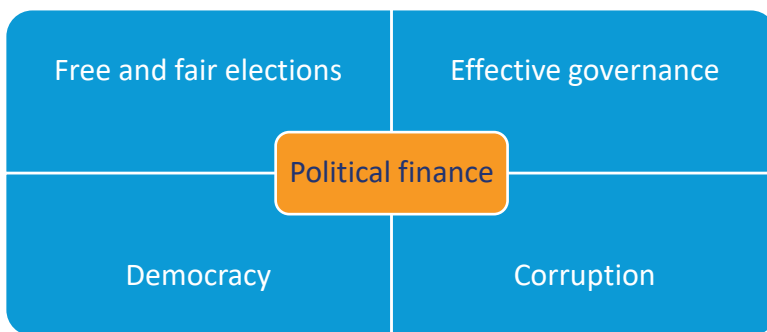


Why money in politics is important

“Money is the mother’s milk of politics” Jesse Unruh (U.S. politician and State Treasurer of California, 1922-1987)

To tackle the roots of political corruption and push back on autocracy, democratic actors must confront opaque and illicit political finance — from influence peddling to state capture. Illicit campaign finance has been called the “original sin” of corruption since it builds and bonds corrupt links between the public and private sectors.¹

Although the nature of politics varies significantly between different regions and countries, money plays an



important role in the political decision making process everywhere. Money in politics, or political finance, is linked to key aspects of any modern society. Resources are necessary for credible and engaged electoral campaigns, but money has the potential to skew competition between contestants. Proper management ensures

the country is governed effectively; however, corruption can easily damage good governance.

A democratic society requires ongoing dialogue between politicians and the citizens, a process that requires funding. Unfortunately, money can make politicians more responsive to those who made financial contributions than to voters. Access to uncorrupt, legal funding reduces the temptation for politicians, political parties and civil servants to engage in corrupt behavior – but the very existence of money in politics creates this risk.

If money is a necessary but problematic part of politics, we must consider how we can control its impact to nurture its positive aspects, while controlling and counteracting negative influences. There is no single model of oversight that fits all countries. The goals and problems individual nations wish to address must be assessed contextually. This does not mean that each country cannot draw lessons from the experiences of others.

This document is an introduction to key problems and solutions in political finance. This paper also addresses the global experience of regulating political finance in different countries and how regulations can be enforced. Rules regarding financial reporting; bans and limits on contributions and spending; and the provision of public funding are highlighted. The roles of civil society and media are also discussed, as well as global lessons learned in the oversight of money in politics.

¹ Council of Foreign Relations, “[Making Anti-Corruption Reforms stick in the Northern Triangle](#)” March 12, 2021.

Potential problems with money in politics

Wealthy Interests can gain undue Influence over politics

- While “one person, one vote” is an established principle of elections worldwide, differences in resources can make some voices heard more loudly than others. Those with money can influence politicians and political decisions in ways that are problematic for democracy. If politicians give preferential treatment to corporations that support them, this may have a negative influence on public procurement and development initiatives, and may hurt not only a democracy, but also the effectiveness of administration and governance.

Abuse of state resources

- In many parts of the world, political parties in government abuse their access to State resources to ensure they stay in power. This issue is discussed further below.

Illicit funding influencing politics

- Sometimes criminals wish to get into government to gain immunity, and in other cases, election campaigns launder money. Criminals may also use donations to exert influence on politicians to avoid investigations into their illegal activities.

Foreign funding can threaten the sovereignty of national politics

- If money from abroad is used in election campaigns, politicians may listen to interests outside of their country rather than voters. If this becomes widespread, the sovereignty of countries can be threatened.

High levels of campaign disadvantages new political forces

- If new political forces cannot make their voices heard because the cost of campaigning is very high, the political system will not be able to adjust to changes in popular opinion. High costs of campaigning is often a problem faced by women wishing to enter politics, as women commonly have less access to networks of wealthy stakeholders.

Vote Buying

- Efforts to win elections through spending, rather than through popular support, are common in many countries. Vote buying can take the form of direct transactions, where individual voters receive money upon evidence of voting in a certain way (including taking a picture of the ballot paper with their mobiles). Sometimes vote buying is indirect and communal, including when community or religious leaders are given an incentive to influence the votes of their followers. In either case, vote buying can become a serious hindrance for democratic elections.

Abuse of state resources

“Besides damaging electoral competition, putting state resources at the disposal of the incumbent party negatively influences the quality of government...”

Speck, Bruno & Fontana, Alessandra (from the publication *Milking the System*)

While there may be many electoral competitors, some compete as incumbents from a position of power. The temptation to use resources available through the State is often difficult to resist. Accusations that public resources are used to support parties or fund the election campaigns of incumbent officeholders are common across the world. In extreme cases, the line between the State and the government political party is blurred and one cannot be separated from the other. In such cases, transfer of power through elections becomes difficult and democracy will suffer as a consequence.



Incumbent politicians are often inventive in finding ways to abuse State resources. State resources are not only money; they can also include institutional resources such as personnel and publicly controlled media and communication tools. Incumbents may abuse their regulatory mandate to pass laws and regulations that control behavior – anything from altering the criminal code to the order in which candidates appear on the ballot paper. Finally, incumbents may abuse enforcement resources through the use of security and law enforcement institutions to implement regulations in a biased way. Denying the opposition the right to hold rallies or exposing opposition politicians, activists or supporters to harassment are ways of abuse used in many countries.

Just as there are many forms of abuse, there are different methods to counteracting these activities. These methods can be described under the following headings:

- Banning public entities from favoring or disfavoring any political actor
- Banning public entities from certain types of behavior, such as starting new infrastructure projects or increasing pensions or fuel subsidies shortly before elections
- Banning political actors from receiving favor from public entities

The abuse of State resources is a common and often disruptive aspect of money in politics. It is one that it is difficult to effectively address through formal regulations alone. Forceful and engaged monitoring activities by political finance oversight bodies, and vigilance by civil society and the media, is necessary to counteract the abuse of state resources. Ultimately, the withdrawal of popular support from political parties that engage in such activities is required if abuse is to be removed altogether.

Regulating political finance

“In a state where corruption abounds, laws must be very numerous.” Tacitus (Roman historian, 55-120 AD)

All countries have at least some legislation regarding money in politics. Rules on financial reporting aim at transparency, while bans and limits seek to counteract undesirable behavior. Public funding is often provided to reduce the dependency of political parties on private money. Other types of rules include those relating to the abuse of state resources and media, and rules that limit the period during which campaign funds can be spent. Whatever rules are chosen, they must be suitable to the situation and goals of each country, and they are of no value unless they are enforced in practice. See further the *Prague Principles on political finance regulation*.²

Financial reporting

The availability of information about political parties and candidates for public office, is key in any effective system of political finance control. Without such knowledge, it is often impossible to know whether other forms of regulations are being respected. Transparency in political finance has been established by the United Nations Convention Against Corruption (UNCAC), which states that:

all countries should “consider taking appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties.”³

The reporting system must be suited to the situation in each country - for example, it how well established the banking system is and the capacity of political parties/candidates to comply. Rules for financial reporting must not be so complicated that stakeholders are not able to abide by them. Having rules that demand reporting does not necessarily mean that submitted reports are accurate, or the reports are carefully audited.

Bans and Limits on Contribution and Expenditure

While essential, transparency may not always be sufficient for ensuring fair elections and for avoiding corruption in politics. Where the gap in access to funds is large, or where the media does not enjoy complete freedom, it may be difficult for information about political finance to get to the electorate. In such situations, regulations may need to target the behavior of political actors, not only the information available about such behavior.

One way to counter undesired behavior is to place bans. These bans can be used to stop political actors from receiving funds from sources considered “undesirable”. The International IDEA database on political finance regulations reveals that 70 percent of the 179 countries for which data was available banned contributions from

² https://www.unodc.org/documents/corruption/PragueEGM2019/Report_EGM_Transparency_in_Political_Finance_Prague.pdf

³ UNCAC Article 7(3).

foreign sources to political parties.⁴ Some countries also ban corporations from contributing to campaigns (28 percent of the 177 countries with available data banned such contributions in 2022). Banning contributions from public funds is one way of counteracting the abuse of state resources. Many countries ban anonymous donations on the basis that if such donations are allowed, it becomes next to impossible to verify whether bans on, for example, foreign or corporate donations are upheld. According to the IDEA database, 73 percent of the 177 countries for which data is available use a complete ban or a specific limit for anonymous donations, making it one of the most common type of contribution ban. Bans on expenditures can target obvious vices such as vote buying or bribing election officials. However, some countries also use bans to achieve other goals, such as leveling the playing field in election campaigns by banning activities like private advertising. Bans on advertising, combined with the provision of free and equal access to print and broadcast media, are sometimes seen as a way to limit the advantages of richer contestants. Critics argue that such rules may hinder free speech.

In certain situations, countries may not wish to ban certain activities altogether, but rather reduce them by setting limits. By limiting the amounts that donors can contribute, some countries hope to reduce the risk of large donations influencing the decisions of politicians. Contribution limits can also force political parties and candidates to target larger groups of people in their fundraising efforts – a change some hope may increase popular participation in politics. Limits can also be placed on how much political parties and candidates may spend. In many countries, such limits are aimed at leveling the playing field between rich and poor contestants, but limits can also aim to reduce spending on election campaigns overall, if it is considered that such spending is excessive in relation to the national economy or levels of poverty.

Bans and limits on contributions and expenditure can be one tool to control money in politics. However, there is little point to introducing such regulations unless there is a functioning system of financial reporting, including an effective process for detecting and sanctioning breaches of bans and limits. Simply imposing limitations is unlikely to have any effect unless those involved feel a credible threat that violations will be penalized.

Public Funding of Political Parties and Electoral Candidates

The provision of “clean” or “regulated” money from the State budget can help reduce the negative influence of money in politics without curbing healthy dialogue and competition. The provision of public funding to political parties and (less commonly) to candidates for public office was used in some Latin American countries as early as the 1920s, and spread to Europe in the 1960s. It is now used in all regions by two-thirds of the world’s nations.

Supporters of public funding argue that it can even the political playing field and give new and smaller political forces a voice. They also claim it can help reduce the temptation for politicians to receive illegal donations or abuse state resources. Critics fear the provision of public funding may reduce the connection between politicians and supporters, and make political parties more a part of the State than society. If public funding is only available to parties already represented in parliament, it can make it more difficult for new parties to compete.⁵

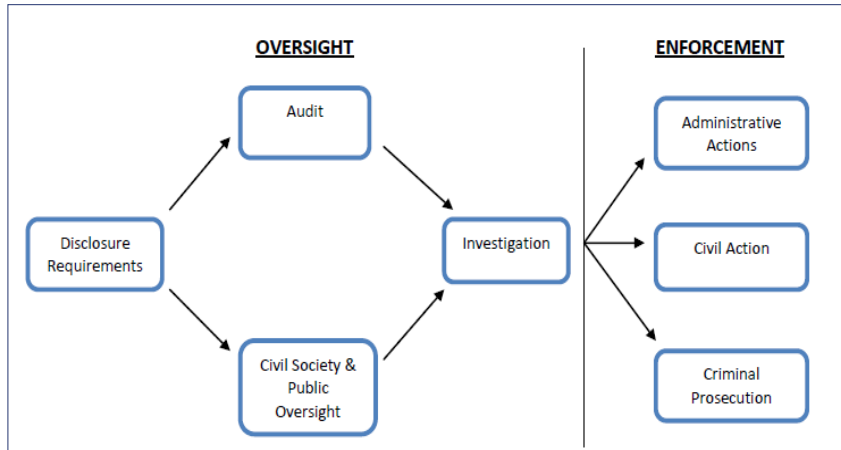
⁴ Data from International IDEA, as of mid-2023. see “Resources.”

⁵ There are many issues to consider in designing a public funding system. See the Chapter on public funding in the IFES book [Political Finance Regulation – the Global Experience](#).

Enforcement by public institutions

“Too many rules. Too little enforcement” Michael Pinto-Duschinsky (Political finance scholar)

Formal regulations can help counteract negative influences of money in politics, but only if such regulations are applied in practice. Most political finance regulations across the world are largely ignored, often with total impunity.



In many countries, the election management body has the responsibility to oversee political finance; however, the oversight body can also be a commission for political parties, an auditing institution, an anti-corruption agency or a court.

Whatever the setup, the institution is required to oversee individuals and entities that are often senior politicians, governing political parties and often the head of State. The institution may face pressure to not investigate financial records too carefully. For a person working in political finance oversight, taking your job seriously can threaten your career. Appointment structures for institution leaders become very important, as does the control the institution has over its own budget.

To be effective, the implementing agency must have access to effective sanctions. Appropriate sanctions should be available, ranging from mild administrative penalties for minor infractions – such as the delayed submission of a financial statement – to strict sanctions such as refusing political parties or candidates from participating in elections. Strict sanctions should be reserved for repeated serious offences. Whatever the approach, it is essential that the affected party may appeal decisions and that the process respects the rule of law.

The oversight institution must have the necessary independence, mandate and resources to effectively oversee political finance, and it must actively engage with all relevant stakeholders. Arguably more important is that the enforcing institutions has the political will to enforce existing legislations, also when the violators are powerful politicians. In the absence of these traits, any formal regulations are likely to be ignored.

Detailed guidance for official political finance oversight institutions the world over is available at www.IFES.org/Oversight

More information about official enforcement of political finance in Eastern Europe is available in the IFES database at www.IFES.org/FORT

Role of Civil Society and Media

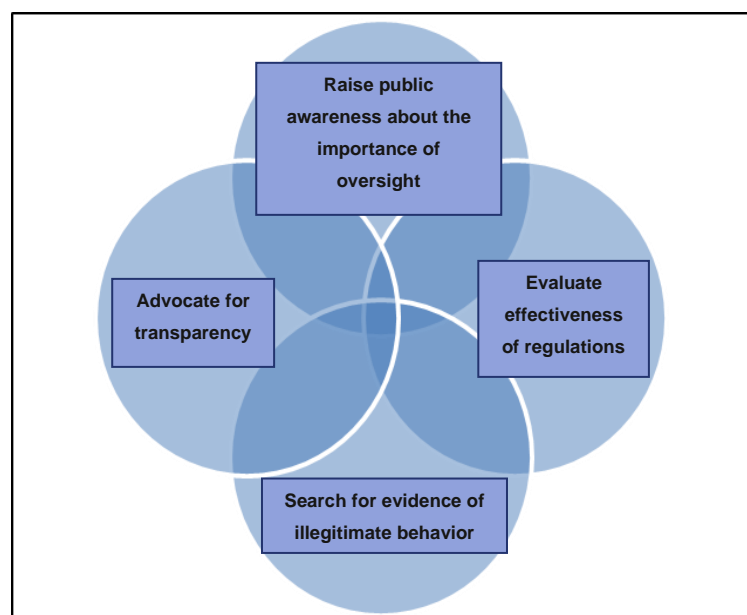
“The secret of getting things done is to act!” Dante Alighieri (Italian poet, 1265-1321)

While formal regulations that are well enforced by a capable state institution are important for controlling money in politics, experience shows it is never sufficient in a vacuum. Other stakeholders need to take an active role in overseeing how money flows in and out of the political system. Politicians and political parties have a crucial responsibility to act responsively, and non-state actors such as civil society groups and the media must engage voters on how political finance impacts the daily life of average citizens.

Civil Society

Civil society actors have key roles, including ensuring that people are aware of the long-term downsides of vote buying, and of abuse of state resources. They can monitor the behavior of political parties and candidates in a way that state institutions may not have the capacity or political independence to do (note that monitoring of political finance must always start long before polling day). For more information about civil society monitoring of campaign finance, see the IFES *Vote for Free, a Global Guide to Citizen Monitoring of Campaign Finance*.

Roles of Civil Society in Enhancing Political Finance Transparency



Media

Media, both online, broadcast and print media, has an essential role in making sure people know where politicians get money and how they use it, and how other actors use money in the political process. By exposing misbehavior and violations of rules, media can help punish those who attempt to substitute a lack of popular support with money in the competition for political power.

One factor stands out as a driving force behind regulatory reforms: scandal. Although scandals cannot explain the emergence of political finance reform in all cases, it can be an important force for change. If people are outraged enough by violations of campaign finance regulations, they can demand that something be done to prevent such infractions from occurring again in the future. For long-term progress, it is important that media not only focus on individual scandals, but also critically follow efforts made to improve the situation - politicians may promise political finance reform before an election and forget such promises after Election Day.

Conclusions

“Money won't create success, the freedom to make it will.”
Nelson Mandela (Former South African President)

Some years ago, IFES and several other organizations identified lessons learned from working on issues of political finance control and transparency over the last several decades. While the experiences vary from region to region and country to country (and indeed over time), five key understandings were identified as holding true globally:

1. Money is necessary for democratic politics, and political parties must have access to funds to play their part in the political process – regulation must not curb healthy competition.
2. Money is never an unproblematic part of the political system, and regulation is desirable.
3. Context and political culture must be taken into account when devising strategies for controlling money in politics.
4. Effective regulation and disclosure can help to control adverse effects of the role of money in politics, but only if well-conceived and implemented.
5. Effective oversight depends on activities and interaction by several stakeholders (such as regulators, civil society and the media) based on transparency.

Apart from the above, it is important to realize that achieving effective oversight of political finance (complete supervision is never possible) is likely to take decades, not years. Anyone setting out to enhance transparency regarding money in politics must have patience and expect work over a long time.

However, failing to address this issue risks a political system that is not controlled by the ballot, but by money. Effective control of money in politics can only come through a concerted and enduring effort by all key stakeholders.

Resources

IFES online content about political finance, available at www.ifes.org/issues/political-finance

IFES online content about abuse of state resources, available at www.ifes.org/abuse-state-resources

A comprehensive toolkit for public institutions mandated to oversee compliance with political finance regulations is available at www.ifes.org/Oversight

Group of States against Corruption (GRECO) Analysis of political finance regulations in the Council of Europe region. Available at www.coe.int/en/web/greco/evaluations/round-3

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Transparency International, *Buying influence – money and elections in the Balkans*, available at www.transparency.org/whatwedo/publication/buying_influence_money_and_elections_in_the_balkans



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