Online Political Crowdfunding
Political Party Innovation Primer 2
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International Institute for Democracy and Electoral Assistance
## Contents

1. Introduction ............................................................................................................ 6

2. What is the issue? The rationale of crowdfunding ............................................. 7

3. Perspectives on online political crowdfunding ................................................. 8

4. Issues to consider before engaging in online political crowdfunding ............ 10

   - Legal considerations and transparency ............................................................. 10
   - Crowdfunding design .................................................................................... 11

5. Models, tools and methods of crowdfunding ..................................................... 13

   - Crowdfunding tools and instruments ............................................................... 14
   - Earmarking ...................................................................................................... 14

6. Conclusion: beyond fundraising ........................................................................ 17

   - Transparency of party finances: building trust and winning elections .......... 17
   - Empowerment of excluded and less influential groups ................................. 18

References ............................................................................................................. 19

Further reading .................................................................................................... 20
1. Introduction

Political crowdfunding can be defined as the process whereby many individuals donate small amounts of money to a political initiative, very often a political party, through predominantly digital means. Political parties have always collected small donations from individuals in the form of membership fees and physical donation tins. These kinds of collections (which have more recently been described as ‘crowdfunding’) are both community-building and money-making exercises.

Crowdfunding, particularly online crowdfunding, can speak to much wider groups than a party’s usual supporter base, while minimizing time and effort for both the party and for donors. Crowdfunding also has the potential to enhance a sense of community between the party and its base. People without large amounts of wealth are seldom asked to support political parties financially. With the advent of crowdfunding, this has changed and supporters with relatively low financial strength are now seen as a huge resource for most parties.

This Primer introduces the concept of online political crowdfunding and the different forms that are currently used by political parties. It draws on experiences of a selection of political parties mainly from Europe, and aims to provide a snapshot of the crucial considerations innovative party leaders should be aware of when seeking to rejuvenate their organizations.
2. What is the issue? The rationale of crowdfunding

Reliance on large donations by relatively small numbers of people can give these donors leverage over a party. By lowering the donation threshold for the average citizen, crowdfunding can contribute to reducing the influence of big donors. It also lowers the threshold for new political parties and candidates to raise investment, since crowdfunding offers an avenue to raise funds that is independent of relations to big donors.

Lower levels of membership in political parties in Asia and the Pacific, Europe, Latin America and the Caribbean, and North America since 1994, and in Africa since 2005 (Klaukka, van der Staak and Valladares 2017: 109), have coincided with an increasing use of digital means by citizens to raise their voice and connect with like-minded people. This growing use of online spaces by citizens also paves the way for political parties to reconnect with them and to raise funds.

Crowdfunding, moreover, has the potential to raise a party’s understanding of its support base. The information gathered through large numbers of small donations can be analysed and used to design campaign activities. Lastly, in many cases, crowdfunding has an amplifying impact, as small donors with an enhanced sense of ownership are more likely to share information about the opportunity within their social network and support the party in other ways too.

In this way a donation, even a very small one, can function as a first, both symbolic and actual, commitment to a party and its cause. This means that the support garnered through a donation has a qualitative aspect, a surplus value to it, in the sense that it transcends its monetary significance. Simply put, a donation can function as a way of getting ‘skin in the game’ and therefore increase active participation.
3. Perspectives on online political crowdfunding

Collecting money from the public isn’t a new fundraising strategy. Online political crowdfunding is, however, a relatively new concept and there is as yet little research on its full potential and effects as a political strategy. It irrupted in the 2008 US presidential elections, when the campaign of Democratic Party candidate Barack Obama used unique online tools and continually provided perks (such as lotteries and other rewards), raising USD 137 million from small donations (De Buysere et al, 2012), with the total number of donors estimated at 3.9 million (Luo 2008). It is estimated that Obama’s 2012 reelection campaign raised USD 214 million through small donations (Marom 2012). Since then, a growing number of political campaigns in countries such as Austria, Czechia, India, Russia, Spain and the United Kingdom have attempted similar strategies. To take one example, in the week after the British general elections were called in 2017, more than GBP 200,000 was raised for political projects on the website Crowdfunder.co.uk and the number of British candidates who used crowdfunding was estimated to have increased by 50 per cent, compared to those in the run-up to the 2015 election (BBC News 2017).

Technological innovation has lowered the costs associated with the key organizational investments needed to run big political operations. Online fundraising in particular has proved to be a powerful instrument for political parties to secure funding from a wide range of supporters, freeing political parties from dependence on a few big donors. Supporters tend to agree that online crowdfunding serves as a mobilization strategy reaching beyond just fundraising. Donors are likely to commit themselves to action in addition to their donations, with a strong multiplying effect.
As the following sections of this Primer highlight, there are undoubtedly many advantages to online political crowdfunding. At the same time, it should be noted that political crowdfunding could pose some regulatory challenges for political finance monitoring bodies and political parties themselves. For example, the automated nature of crowdfunding could make it easier to divide large donations into smaller amounts under the reporting threshold, circumventing the existing regulations in some countries (see Section 4). In countries where there are bans on donations from particular sources such as foreign donations and legal persons, political parties and candidates must take appropriate measures to collect enough information from donors to be able to check they are allowed to accept their donations through crowdfunding. In addition to such legal considerations, there are also potential risks that may concern political parties and candidates, such as the cybersecurity of the online platforms used. It is common to underestimate how much time and resources crowdfunding takes. Some forms of crowdfunding may create additional costs too. Political parties and candidates may not have enough capacity and IT skills to launch a crowdfunding campaign.

While some reservations remain, it is likely that online political crowdfunding will become more prevalent in the age of digitalization. To this end, this Primer provides some food for thought on the rationale, potential benefits and other necessary considerations relating to online political crowdfunding, particularly as many political parties are beginning to consider investing in it as part of their political campaign.
Political crowdfunding starts from the premise that any donor, however small their donation, is likely to: (a) vote for you; (b) donate again; (c) engage in party volunteer work; and/or (d) convince their network to vote and donate to you. In addition, an (online) crowdfunding donor leaves behind a trail of data, which can be used for microtargeting purposes.

The key to the four-step process described above is to build a relationship with the donor. Getting someone to donate multiple times, to vote for you and to convince their network to donate to you too means creating a constructive relationship with the donor in the first place. This is where understanding the target audience and personalized communications are essential.

When crowdfunding is considered this way, online fundraising changes in nature from being a money-making exercise that pays campaign bills, to a strategic citizen engagement and community-building instrument that broadens the party’s long-term support base. It places the word ‘crowd’ in crowdfunding at centre stage.

**Legal considerations and transparency**

As with political party funding more generally, political parties that engage in crowdfunding have to take the legal framework into account. Most countries have regulations for donations and related privacy and transparency issues. In many countries, parties are only required to report donations above a certain threshold, to encourage smaller donations, while allowing the monitoring of potentially
4. Issues to consider before engaging in online political crowdfunding

risky larger donations. In the UK, donations below GBP 500 are not required to be registered with the Electoral Commission, and in India donations below INR 20,000 (roughly equivalent to EUR 260) do not need to be reported (Ramachandran and Chauhan 2017).

The automated nature of crowdfunding can allow donors to divide donations into smaller amounts more easily, thus circumventing the reporting obligations that apply to donors (although this only applies to some countries). When crowdfunding becomes more prevalent, the relevance of small unregistered donations is likely to increase. This will also test the efficiency of electoral regulators. Legislators may then have to reassess the traditional distinction between large and small donations. That includes revisiting the balance between privacy and transparency. Parties and candidates may pre-empt this by choosing to proactively be more transparent than legally prescribed and publish a detailed list of crowdfunding donors, according to each country’s privacy legislation. Appropriately customizing a crowdfunding system makes it easier for the party to establish a robust system of tracking the eligibility of donations as they are registered with the electoral management bodies.

Crowdfunding design

When considering how to develop a crowdfunding scheme, political parties have many options. The following list contains suggestions of what a scheme should include:

- A platform for publishing the call for, and collecting, the donations. This can be an internal party system, as was developed by the Aam Aadmi Party in India, or it can be outsourced to online providers of commercial crowdfunding platforms.

- A database or a record either owned or accessible by the party/candidate showing all the legally required details about the donor. This often includes the source of the donations (name of donors) and all donated amounts.

- Additional measures for achieving a reasonable amount of transparency that can help the party visualize the composition of their funding to enhance transparency and comprehensibility.

In some countries, employing a crowdfunding service clashes with the legal framework, which bans third-party or anonymous donations, even smaller ones. This was the case in Romania, where the Save Romania Union (Uniunea Salvați România) encountered questions by Romania’s electoral commission, which
Online Political Crowdfunding

dehemed crowdfunding not to be in compliance with transparency laws. If generally allowed, parties, nevertheless, should be wary of a few pitfalls:

- Service providers will charge for their services, often as a percentage of the funds collected.

- Parties must consider who will own the data that is collected in the transfer of money. Parties and/or candidates are usually obliged to keep records of donations over certain amounts. It might be the case that the service providers’ ‘terms of service’ stipulates that such data is owned by them, which could cause potential problems, such as leaks or the restriction of access to the data for the party.

- Data owned by crowdfunding sites might not be available to be used by the party for follow-up activities and microtargeting.

Those responsible for the crowdfunding system within a party should make donors aware of country-specific rules, especially when legislation requires that their name be made public. In some countries, political finance oversight agencies have developed specific guidance for crowdfunding, to support parties and donors alike in abiding by the rules. This is the case in the UK, where the Electoral Commission published a crowdfunding factsheet to help parties understand the legal requirements.
5. Models, tools and methods of crowdfunding

Crowdfunding originally hails from the corporate sector, small-sized entrepreneurial start-ups and not-for-profit initiatives. Traditional forms of crowdfunding distinguish between equity crowdfunding and reward-based crowdfunding. Equity crowdfunding is closer to an investment in shares, also known as equities. The people and institutions who fund businesses through equity crowdfunding purchase a stake in the business: that business might fail, in which case the investor could lose their investment, or it might prosper, in which case the investor could be in line for a tidy return.

Reward-based crowdfunding relates to a process in which an investor is funding a project, but not expecting a financial return. If the project succeeds, investors usually get some form of reward: this might be something symbolic, such as a signed copy of a book. If overall not enough funds are raised, the backers lose their investment without seeing the project come to life. This Primer focuses on reward-based crowdfunding, considering that the model of equity crowdfunding is not (yet) popular with political parties.

The immediate purpose of crowdfunding is to collect financial contributions. However, a secondary aim can be to strengthen the bond between a party and its affiliates, who are not yet strongly committed to the party. This can be enhanced through the design of crowdfunding calls, as described in more detail below.

Whichever method a party chooses for collecting donations, it should be accompanied by a strategy that informs the way the call for donations is made and a communication plan to inform the targeted groups about the fundraising initiative. Expert political campaigners emphasize the risk of asking for donations too often, which could result in ‘donor fatigue’. Those who already contribute regularly (e.g. monthly) are more likely to respond positively to calls for more
donations than someone who has only donated once. Some parties also test crowdfunding emails to find out which version works best, sending out two or three versions to a small sample of the mailing list to assess which is most effective, then sending this version to the full mailing list.

**Crowdfunding tools and instruments**

The infrastructure of crowdfunding relies largely on the Internet and new technologies. Instruments can vary from the use of online platforms to mobile apps and premium-rate SMS or phone numbers for donation calls—depending on how to best reach potential donors. Email and SMS appear to be the most popular options for fundraising, as they are considered one-on-one communication tools and therefore both more targeted and more personal. WhatsApp and other messenger services fall into this same category. Some social networking sites (e.g. Facebook for Politics) offer an option to create a dedicated page to support political campaigns and fundraising.

The Aam Aadmi Party in India developed a mobile app that facilitates direct donations. An important reason for this was the limited access to broadband Internet in India, and the fact that smartphone usage is rapidly rising among lower- and middle-income voters. For similar reasons, India’s Bharatiya Janata Party chose to use SMS-based fundraising. Fundraising with SMS could be done either as premium-rate text messages, meaning that the donor sends a text mentioning an amount to be donated to a specific number and the amount is billed on their invoice, or it could be conducted through sending out links to a website specifically made for collecting donations. In the USA, SMS is used in combination with Internet access, when donation web links are included in text messages.

Mobile applications can also be used as instruments for crowdfunding and citizen engagement. A good example of this is US Senator Ted Cruz’s app, originally designed for the 2016 Republican primaries (Detrow 2015). His supporters were able to earn ‘points’ (which donors were encouraged to collect) for sharing and liking certain social media posts and for inviting friends to donate to the Cruz campaign. Using crowdfunding in combination with active citizen engagement thus created a ripple effect, whereby individual donors helped to reach ever larger groups of potential donors. Cruz’s fundraising efforts ultimately reached a total of USD 26.6 million.

**Earmarking**

**Donation with no designated purpose**

Many political parties give people the ability to donate without offering control over what the money will be used for. Examples of parties that use this non-
5. Models, tools and methods of crowdfunding

earmarked method exist in many countries, and usually operate through fixed donation buttons (e.g. between EUR 10 and 50) on a party’s website. By clicking these buttons they arrive at an online payment website that allows them to easily transfer the said amount. Although the lack of purpose may generate a lesser sense of ownership, there are ways to increase the level of engagement with non-earmarked donations. Some parties boost the level of donor engagement by giving donors the option to have their name and a short testimony published on the party’s website. Others use even the smallest donation as the starting point for a series of personalized e-mails in which donors are thanked and asked to make the next step. After all, if people are willing to donate once, they are often likely to donate again in future, to convince their friends to donate, or to engage in simple volunteer work for the party.

Donations with specific (symbolic) purpose

The second crowdfunding method mentions specific, lightly-earmarked purposes to which a donor can choose to contribute. What distinguishes this method is that it allows the donor to make a decision about what category of expenditure their contribution will go to. The Czech Pirate Party (Česká pirátská strana) crowdfunded in support of the 2017 elections, specifically offering the possibility to support the purchase of a campaign boat, which would be able to carry Pirate Party messages up and down the Vltava river (Pirátská strana 2017). The idea of a pirate boat created much more interest than more traditional fundraising calls.

In some cases, political parties have used such lightly-earmarked purposes purely as an illustration of what a specific amount could buy for the political party or candidate. Fundraisers should be careful and make this clear to their donors to avoid undue expectations, or even legal or political backlashes. Austrian Prime Minister Sebastian Kurz’s crowdfunding page gives examples of what certain amounts could buy. For EUR 10, supporters could contribute towards 250 information folders (Oberösterreichische Nachrichten 2017). In many such cases, the purpose mentioned exemplifies potential spending rather than obliging the party to use the money solely for that purpose. The set-up is akin to overseas development aid donation calls, where supporters symbolically buy a tree or purchase a goat, but actually donate funds for more general deforestation or agricultural support in a specific country or region.

Contribution to a specific project

The third possible form of crowdfunding relates more to the essence of crowdfunding as used by social entrepreneurs. This method of crowdfunding combines the idea of accumulating small donations with specifically defined initiatives. The potential donor has the ability to choose a clearly described project to which they can contribute. This more heavily earmarked project is
displayed with a detailed description of the initiative, including information on its objective and its intended implementation process.

Instead of simply mentioning a general spending purpose, an earmarked description can read like a project proposal or business plan. Potential donors see how much money needs to be donated to get the project started. In most cases, the fundraising deadline is displayed on the website, showing potential donors the date and time up until when they can contribute to the project. Some projects only take off once the minimum threshold is reached, and funds are returned to the donor if it is not. Other projects do not refund supporters as their goals are more flexible and can be adjusted to a lower monetary backing. The latter option tends to be more common for political parties, as they usually have the option of supplementing the gains from crowdfunding with donations from other sources, such as state funding or non-earmarked private donations. Podemos, a Spanish political party, distances itself from bank loans and uses this crowdfunding method to fund party training days, print publications and questionnaires, or organize trips to attend political rallies. Between 2014 and 2017, Podemos collected approximately EUR 885,000 through crowdfunding.

**Box 1. Examples of online crowdfunding tools**

Crowdpac: [https://www.crowdpac.com](https://www.crowdpac.com)
Crowdpac is a for-profit website whose purpose is to help political outsiders raise money and run for office, and to track political data from across the USA. It was founded in 2014.

Fundly: [http://www.fundly.com](http://www.fundly.com)
Established in 2013, Fundly is a US-based donation platform that allows users to set up and customize their own donation website at no cost, with a 4.9 per cent fee on each donation.

Goteo: [https://en.goteo.org](https://en.goteo.org)
Goteo is an open network for crowdfunding, collaborations and training. The site is managed by the Goteo Foundation, a Spanish non-profit organization.

Indiegogo: [https://www.indiegogo.com](https://www.indiegogo.com)
Founded in 2008, Indiegogo was one of the first sites to offer crowdfunding. It allows people to solicit funds for an idea, charity or start-up business and charges a 5 per cent fee on contributions.

Rally: [https://www.rally.org](https://www.rally.org)
Established in 2009, Rally is a US-based social online fundraising platform that allows users to set up a fundraising page, allowing supporters to make donations via an online payment system.
Crowdfunding comes with additional benefits if it is managed in the correct way and it can be considered as a political tool that enables more than funding. The inclusion of non-traditional donors to the sphere of political financing and the ease with which IT enables communication can have positive implications, especially for transparency of party finances and empowerment of disenfranchised groups. Crowdfunding should be seen as an integral part of collecting data on supporters which can be used for improving microtargeting in elections. Parties should aim to treat data on donors and donations holistically and ensure that other parts of the party make full use of it.

**Transparency of party finances: building trust and winning elections**

If parties are willing to publicly disclose their income figures online, they can find synergies between the methods of collecting funds through crowdfunding and the methods of sharing this information with their supporters. This helps them gain credibility and strengthens the party’s accountability to its voters. The Aam Aadmi Party in India that originated from the anti-corruption movement is a case in point. Running on their anti-corruption platform, the party has chosen to openly disclose its sources of income online. Lists of donations are updated in real time and expenditures are uploaded online and can be accessed by all for free. Podemos in Spain has a similar online disclosure arrangement whereby it publishes the composition of party finances. Podemos views this sharing of financial information as a form of citizen control/over sight that adds to the statutory forms of disclosure and further strengthens the party’s accountability.
Empowerment of excluded and less influential groups

As a new avenue open to everyone, crowdfunding can function as a means to participate in politics for groups otherwise excluded from political decision-making. Many of the conditions that allow citizens to successfully run for political office depend on the availability of sufficient campaign funding. In particular, women as a group often have less financial capital and less access to big donors, making it harder for them to compete on equal terms. When helping a female candidate build a political platform and gain public visibility, crowdfunding could be a powerful tool to source funds for disenfranchised people. As an example, a candidate for the Democratic Party in the USA in Pennsylvania’s 16th district running for a seat in a district that has been considered a ‘safe Republican seat’ for nearly 200 years, started out with no money, no name or brand recognition and no party support. After a few months, she raised almost USD 1.2 million from small individual donors (Center for Responsive Politics 2016).

While an increasing number of political parties and candidates are now considering online crowdfunding as part of their political finance strategies, there is still a lack of empirical evidence regarding its effectiveness as a tool to promote inclusiveness, diversity, transparency and accountability in politics. Further efforts therefore need to be made to consolidate an evidence base and develop appropriate benchmarks to monitor the performance of online political crowdfunding.
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Further reading


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International IDEA’s Political Party Innovation Primers are designed to explain emerging trends and practices being adopted by political parties worldwide to reconnect with citizens. Current and forthcoming Primers include:

1. Digital Microtargeting
2. Online Political Crowdfunding
3. Collaboration between Citizen Movements and Political Parties
4. Inclusive Primary Elections

Download the Primers: <http://www.idea.int/publications/categories/primers>.
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International IDEA’s Political Party Innovation Primers are designed to explain emerging trends and practices being adopted by political parties worldwide to reconnect with citizens.

Each Primer provides guidance to citizens in general, and to members and sympathizers of existing or new parties in particular, on how to introduce innovative ideas and practices in their organizations.

The Primers aim to fill gaps in existing literature on selected topics, and draw on interviews and consultations with party activists and experts who have employed the innovative means in question.