The importance of ICT for money in politics oversight

Speech by International IDEA Secretary-General Yves Leterme

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Check against delivery

Money and politics are intrinsically interlinked.

However, **if the financing of political parties and election campaigns is not adequately regulated, money** will be used for undue influence and policy capture by narrow private interests. This will disable inclusive growth and decrease trust in government and ultimately in democratic processes. And this is unfortunately true in today's world.

Sticking with the status quo is not an option.

There is an urgent need to better regulate the origin and destination of funds, and to do so in a transparent manner. Since the early 2000s, International IDEA has worked on improving the role of money in politics. Initially, we mainly focused on well-designed political finance regulations.

The importance of financial regulations

Regulations that are enforceable and anchored in a country's context play a vital role in any efforts to ensure that money is a positive force in politics.

Regulations include limiting campaign donations and spending, encouraging smaller donations, and providing public funding to political parties, including non-monetary support.

Today, there is virtually no country in the world without political finance rules. As International IDEA research shows, 78 per cent of countries even regulate to a medium or high level.[1]

Table 1.1. Levels of political finance regulation per country, by region

Level of regulation in each country[6]	Africa	Americas	Asia	Eastern, Central & South-eastern Europe and Central Asia	Western Europe	Anglophone	Global
Low	22%	11%	55%	0%	38%	17%	22%
Medium	53%	28%	5%	28%	33%	33%	38%
High	24%	61%	40%	72%	29%	50%	40%

Note: The percentages refer to the proportion of positive answers in a region to the 26 yes/no questions in the International IDEA Political Finance Database.

However, in the past two years, we have come to realize that rules alone are not enough. To enhance the integrity of and trust in politics, enforcement of these rules through effective reporting and auditing practices is equally essential. According to International IDEA's political finance database, although 62 per cent of counties require political parties to publicly disclose financial information, such data are often only available in hard copy. More often, they are only available to a select few working at the oversight agency.

At a time of declining trust in politics, and a simultaneously increasing availability of open data, offline-accountability is not enough anymore. Luckily, we are seeing a considerable progress in the use of IT to enhance transparency.

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[1] International IDEA, "Funding of Political Parties and Election Campaigns: A Handbook on Political Finance". Stockholm, 2014, p.3.

In a growing number of countries, parties and candidates file reports online and makes these publicly available on government websites. These become part of a wider societal effort to protect the integrity of politics. Today, there are only 16 countries with such systems. But the number is growing rapidly.[2]

Figure I.2. Online reporting and disclosure systems for political finance around the world
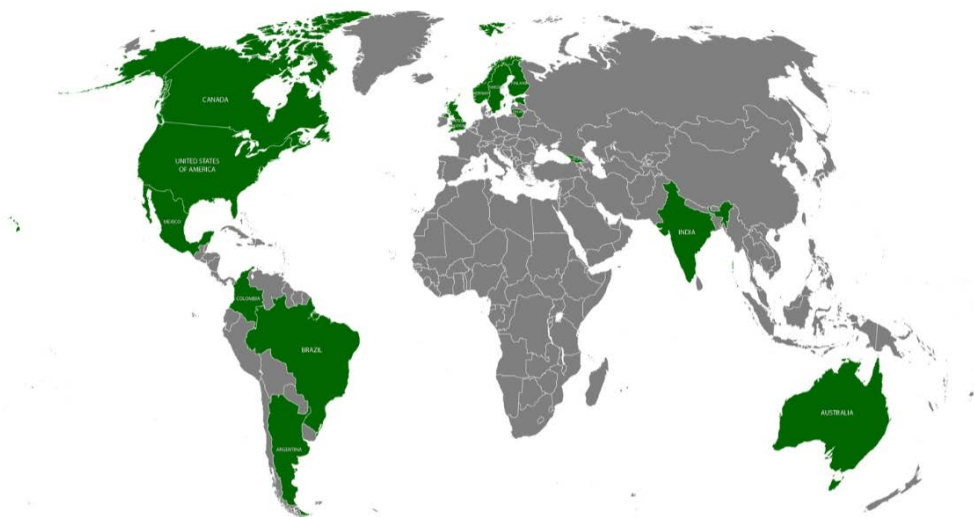
The benefits of e-reporting in political finance have been striking. As watchdogs have known for a long time, the foremost value of open data is the ability to connect multiple datasets, to discern patterns and expose signs of corruption. But there is an additional value: to the larger public, online searchable systems bring data to life. The public can now easily see, share and discuss the names of large donors and recipients in an election campaign. And last but not least, political parties can save time and avoid errors.

As with any IT system in government, there are risks. There are the traditional risks to do with costs, capacity and maintenance, which all government-developed IT systems face.

International IDEA's e-reporting guide discusses each of these. However, perhaps the most important risk is cybersecurity. Should hackers infiltrate or seem to infiltrate digital reporting

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[2] Argentina, Australia, Brazil, Canada, Colombia, Estonia, Finland, Georgia, India, Latvia, Lithuania, Mexico Norway, Sweden, United Kingdom and the United States of America.

systems, it would bring public trust in political finance oversight to a complete standstill. Early next year, International IDEA will release a handbook on inter-agency collaboration in cybersecurity in elections, from which lessons can be applied to cybersecurity in political finance oversight.

International IDEA's work: Increasing knowledge and minimizing risks

Some months ago, International IDEA released a manual, based on the experiences of the 16 countries that have an e-reporting system. **This Guide – "Digital Solutions for Political Finance Reporting and Disclosure" – helps oversight agencies that want to build e-reporting systems**.

International IDEA has also introduced these lessons in countries such as Georgia, Moldova, and Bosnia and Herzegovina. Georgia's system has now been running for nearly two years. Moldova plans to launch their system next year.

Increased online political crowdfunding, and online campaign spending

A last development in ICT and the transparency of money in politics I would like to discuss is the rise of online political crowdfunding and campaign spending. In Online Political Crowdfunding, "many individuals donate small amounts of money to a political party through digital means".

Today, there are almost no established political parties that don't fundraise online in one way or the other. It is estimated that Barack Obama's 2012 reelection campaign raised USD 214 million through small donations. 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, 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.

International IDEA's research on political crowdfunding[3] shows that this trend will only grow. With the global drop in political party membership online fundraising is allowing political parties to secure funding from a broader range of supporters, and to go beyond a few big donors. Online campaign spending is similarly on the rise. The Donald Trump campaign of 2016 spent between USD 500,000 and USD 1.5 million on digital operations per day in the last month prior to election day[4].

We should not be naïve: online crowdfunding and online spending create serious risks. First, online donations make it easier for big donors to split sums into smaller bits. Second, crowdfunding also makes it more difficult to check donor identities. And thirdly, online spending—such as on microtargeting—makes it more difficult to track who really pays for digital advertisements. The UK Electoral Commission recently called for urgent action to improve transparency around the targeting of voters online.[5]

International IDEA supports such calls for greater transparency in online campaign spending. International IDEA is currently updating our political finance database and among 137 countries we have surveyed so far, only New Zealand, Bhutan and Chad place limits on online media advertising spending for political parties in relation to election campaigns.

A latest development is that of cryptocurrencies. Cryptocurrencies can have a profound effect on the integrity of politics in the future, for better or worse. Georgia is now ranked second in the world for cryptocurrency mining—behind only China[6]. We understand that one Georgian political party has even started raising funds by mining cryptocurrency via the computers of willing supporters.

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[3] International IDEA, "Online Political Crowdfunding, Political Party Innovation Primer 2". Stockholm, June 2018. https://www.idea.int/sites/default/files/publications/online-political-crowdfunding.pdf

[4] International IDEA, "Digital Microtargeting, Political Party Innovation Primer 1". Stockholm, June 2018. https://www.idea.int/sites/default/files/publications/digital-microtargeting.pdf

[5] UK Electoral Commission (2018) https://www.electoralcommission.org.uk/i-am-a/journalist/electoral-commission-media-centre/news-releases-reviews-and-research/urgent-improvements-needed-to-ensure-transparency-for-voters-in-digital-age,-says-electoral-commission

[6] Global Cryptocurrency Benchmarking Study (2017) https://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2017-04-20-global-cryptocurrency-benchmarking-study.pdf

We should start initiating a debate now in order to better prepare ourselves to regulate them in the future. We know this because the same happened in the past with the introduction of other types of technologies, like social media and big data analytics.

I believe that this Summit will be an opportunity for all of us to advance a global debate on such cutting-edge issues.

The future

The future of money in politics is increasingly digital. All actors—political parties, oversight agencies, civil society and individual citizens—should therefore prepare for what lies ahead. Three recommendations for our upcoming discussion:

1. **Document and publish party and candidate finance information online**. Systematic documentation about the income and expenditure of political parties and candidates (not to mention third parties) is still rare. E-reporting systems can help disclose information in a systematic, timely and easily accessible way.

2. **Promote voluntary e-reporting where formal regulations and systems are weak**. In a climate of declining trust in political parties, showcasing integrity through voluntary e-reporting systems helps parties to gain voter confidence.

3. **Prepare for a future of online political crowdfunding and spending**. Political parties that invest in crowdfunding early on, stand to broaden their support base and lower their dependency on big donors. Oversight agencies need to act now, and build the capacity to monitor increased online fundraising and spending.

I look forward to the presentations and discussion. Thank you.