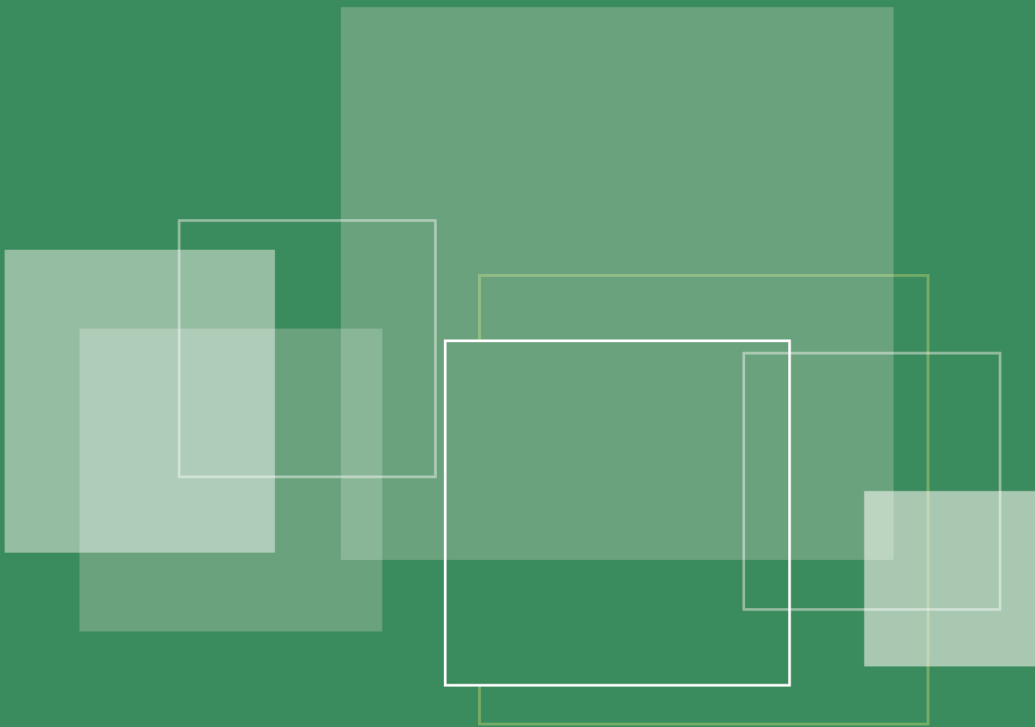




# The Integrity of Political Finance Systems in Asia: Tackling Political Corruption

International IDEA Policy Paper No. 19





# **The Integrity of Political Finance Systems in Asia: Tackling Political Corruption**

International IDEA Policy Paper No. 19

Erik Mobernd, Fernando Casal Bértoa and Yukihiro Hamada

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## Key recommendations

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1. Conduct periodic assessments of political finance regulations to ensure their relevance and effectiveness to mitigate the risk of corruption.
2. Expand efforts to record and disclose parties' financial activities. Financial reports should be independently audited and made available in a timely manner, especially during election campaigns. Consider developing an online platform for political finance reporting and disclosure.
3. Introduce public subsidies to political parties, especially to fund their ordinary activities. Also ensure the distribution criteria are fair and reasonable in order to level the political playing field.
4. Earmark a proportion of public subsidies to promote the participation of women in politics. Additional subsidies could be channelled to promote the participation of youth and for educational or research purposes.
5. Place reasonable regulations on donations from legal persons and consider caps on party spending. Ensure that proper measures are in place to calculate these spending caps.
6. Provide trainings for political parties in complying with political finance regulations.
7. Give oversight authorities, particularly those in charge of auditing financial reports, independence and sufficient capacities to conduct meaningful investigations and apply sanctions.

## Executive summary

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Enhancing the integrity of political finance systems is one of the main ways to address political corruption. While political parties and election campaigns require funds to enable democratic political participation and representation, an ineffectively regulated flow of money in politics can also lead to political corruption and damage public trust in political processes and institutions. In Asia, the comprehensiveness of political finance systems and the level of implementation vary significantly across countries. This policy paper draws on the 2018 data of the International Institute for Democracy and Electoral Assistance (International IDEA) Political Finance Database and covers South Asia, South East Asia and East Asia. It investigates three key questions: What are the main corruption risks associated with the funding of political parties and election campaigns in Asian countries? What types of political finance regimes do those countries have? And, why do these regimes fail to tackle the risk of corruption?

The resulting analysis highlights that political finance systems in Asia are often influenced by the intertwined nature of business–government relationships, political parties’ informal bookkeeping practices, unrealistic regulations, and procedures and regulations that favour the ruling parties. In order to safeguard the integrity of political finance systems in Asia, this policy paper stresses that any meaningful political finance reforms should involve multiple stakeholders, including civil society organizations, and be tailored to the local context such as the traditional business culture and informal practices embedded in the society. Reforms should ensure that both ruling and opposition parties enjoy fair access to funding. In addition, the region is weak in promoting gender-based access to political funding and struggles to implement regulations at the local level. Moving forward, countries in the region should adopt realistic and comprehensive strategies to update their political finance systems, especially through framing the impact of private funding by providing public funding and strengthening parties’ capacity to comply with the political finance regulations.

## 1. Introduction

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While money enables the expression of political support as well as competition in politics and elections, poorly regulated political finance regimes can undermine the integrity of processes and institutions of political participation and representation, resulting in corruption and a loss of public trust in politics. Asia—defined here to include South Asia, South East Asia and East Asia—is a diverse region with a range of challenges relating to transparency and the fair funding of parties. In some countries, regulations are strongly articulated on paper, but are poorly implemented. Other countries may have no effective regulations. In some countries the regulations are enforced, but only to enable a dominant party to block potential rivals. In such cases political finance practices often diverge sharply from their intended purpose.

Asia is home to democracies, hybrid regimes and non-democracies. It has exceptionally diverse levels of socio-economic development, encompassing both highly impoverished regions and affluent, fast-growing states. The countries included in the report have conducted multiparty elections in recent years. In some cases, such as Pakistan and Thailand, periods of civilian government have been interrupted by military rule. In other cases, such as Cambodia, multiparty elections have only recently collapsed. Moving in the opposite direction, in 2018 Malaysia experienced its first post-independence change of ruling party after it began transitioning from military rule in 2010. Although initially lauded, the post-transition government has garnered great criticism since then. In the aftermath of the country's civil conflict in 2017, party leaders were criticized for taking an ultimately passive role in the crisis (Holliday and Roman 2018). Some countries, such as Indonesia, South Korea and India, have had multiple peaceful transfers of power. Given the variety of colonial histories, the region is also home to a mix of civil and common law jurisdictions.

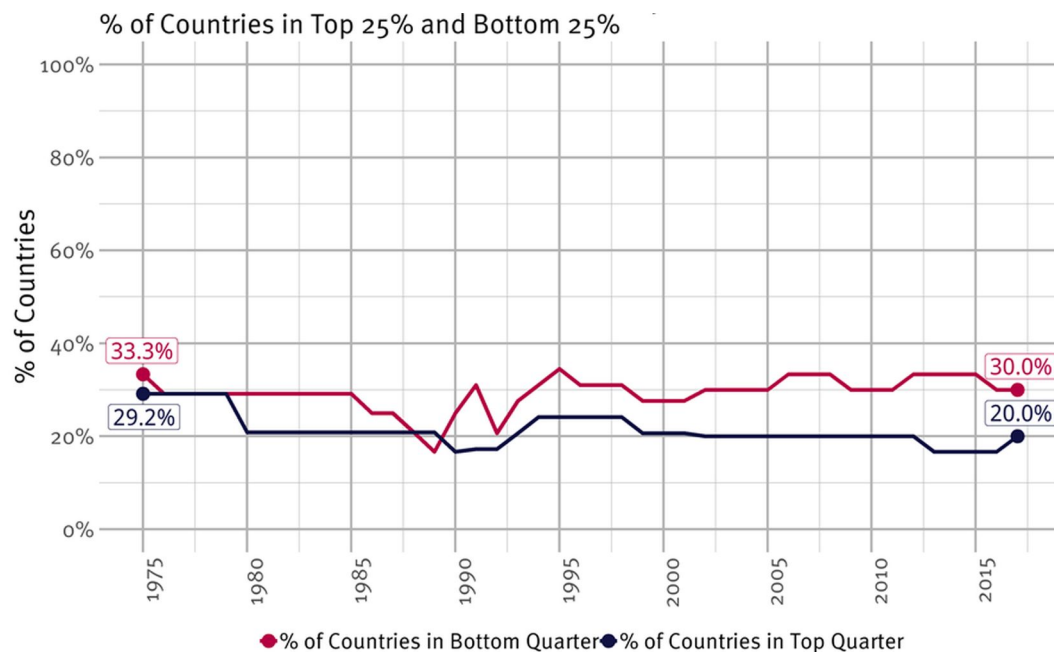
Several countries discussed in this paper have experienced long periods of single-party rule. For instance, Japan's Liberal Democratic Party (LDP) has had its power interrupted only briefly on two occasions since 1955. In Singapore and Malaysia (until 2018), the countries' ruling parties have stayed in power since those polities separated in 1965. In India, the Nehru-Gandhi family built a political dynasty that maintained a tight grip on power through the Congress Party from 1947 until 1977, after which government by coalition became the norm. In Taiwan, the KMT (Kuomintang, or Nationalist Party) governed from 1945 until 2000, and it remains the core of one of the two main political blocs on the island. Since many of these



traditionally dominant parties have a significant financial advantage over their rivals, it is a challenge to impose political finance rules that limit their power.

International IDEA's Global State of Democracy Indices (GSoDI) reflect diverging levels of corruption among countries in the region. One-fifth of countries in the region ranked in the top quarter of all countries in the world on the 'absence of corruption' measure in 2017. Figure 1.1 illustrates that another 30 per cent of countries in the region were in the bottom quarter (International IDEA 2018: 4). The region therefore features countries that are effectively fighting corruption (such as Japan, Singapore and Taiwan) as well as those that struggle (e.g. Afghanistan, Bangladesh and Timor-Leste).

Figure 1.1. Absence of corruption in Asia and the Pacific



Source: International IDEA, The Global State of Democracy Indices, <<http://www.idea.int/gsod-indices>>

## 2. Political finance challenges in the region

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### 2.1. Absence of regulation

The lack of regulation represents a significant challenge to political finance in Asia. The practice of imposing rules on political finance is relatively new in much of the region. Several countries have large areas of political finance that are unregulated. In Pakistan, anonymous donations cannot be made to parties, but they are permitted for candidates rendering this rule ineffective. Malaysia offers an even starker example, as several areas of political finance are unregulated and foreign donations are permitted. The country's former Prime Minister, Najib Razak, became embroiled in the 1Malaysia Development Berhad (1MDB) scandal, which implicated a wide array of individuals and entities including Goldman Sachs when USD 700 million in public funds designated for the 1MDB company ended up in the prime minister's personal accounts (Case 2017). While the practice of undocumented money exchanging hands before elections is well established in Malaysia (Gomez 2012), Razak could even claim that these funds were a legal 'campaign donation' from a foreign country. The money therefore comprised part of a legitimate political finance transaction, though placing it in his own bank account was illegal. Only since his government lost power in May 2018 has he faced legal trouble; charges are currently being brought against him.

### 2.2. Intersections between business and politics

In many Asian jurisdictions, elected office provides lucrative returns. Politicians exploit their positions to enrich themselves, expand their businesses and help their friends. Control over mechanisms that guide the political economy involves a significant amount of money. For instance, former Thai Prime Minister Thaksin Shinawatra (2001–2006) used his business interests to fund his political activities, and his elected positions to further his business interests (Phongpaichit and Baker 2005). In Taiwan, local electoral politics have long been the domain of business people. This proximity of business and politics has significant consequences. In particular, business actors treat politics as an investment: they provide patronage to a specific political actor in exchange for economic and political benefits. These relationships make it harder to curtail unwanted influences in policy creation and

political agenda setting, and ultimately undermine the goal of political finance regulation.

In Asia's democracies, the interconnection between business and politics began decades ago. During Indonesia's New Order regime (1965–1998), President Suharto maintained close ties with major business groups, which gained favours in exchange for sharing their resources (Robison and Hadiz 2004). In South Korea, *chaebol*—conglomerates coordinated by owner-families—forged close ties with political elites. These businesses, including familiar brands such as Samsung and Hyundai, won favourable loans and other government support while supplying funds to the coffers of former dictators, including Park Chung Hee and Chun Doo Hwan (Kim 1997). After democratization, these relationships shifted but did not disappear. In Japan, the LDP has long worked closely with major business groups.

There are several notable recent cases of powerful politicians using their public control to enrich themselves and their business allies. In South Korea, former Hyundai executive Lee Myung Bak served as president from 2008 to 2013. Several large construction projects funnelled public funds to developers during this time. In 2018, he was convicted of embezzling USD 11 million. In the Philippines, which has a long history of local elections, the creation of elected offices encouraged the government to become a business enterprise. Elections in the country often attract candidates who are motivated to run for office in order to gain access to resources (Sidel 1999). If successful, they use these funds and other means to build electoral bases. In Indonesia, democratization has prompted the commercialization of political office, which is a major challenge for the country (Mietzner 2013).

Due to the expense of elections, politics attracts those who are willing to invest money in campaigns. For example, in India, election campaigns have become extremely costly, partly as a result of business pressure on the political system. Under such circumstances, politicians may compel local businesses to contribute to their campaigns in exchange for benefits if they win office (Kapur and Vaishnav 2018).

### **2.3. Informal management practices within parties and campaigns**

Many parties and campaigns lack expertise in managing accounts; they often engage in only basic bookkeeping. In Bangladesh, for example, political parties have weak capacities to record their finances. Parties lack sufficient staff to record donations and spending; accounts contain only the briefest information and are not audited. While the law states that a failure to comply with political finance regulations can lead to the cancellation of parties' registration, this rule has not been enforced (Transparency International Bangladesh 2009; Mahmud 2010: 11). In Nepal, parties are legally required to keep proper accounts, to have the accounts audited, and to submit them to the election commission. In practice, though, parties rarely keep accounts accurately and almost never audit them (Transparency International Nepal 2010: 17–18). Although a new Nepalese federal constitution has been introduced, the problem has not been resolved: candidates regularly under-report their spending, and a majority (57 per cent) spend more than the legal limit (Samuhik 2018).

## 2.4. Unrealistic rules

Even when regulations are in place, they may be unrealistic in the context of a country's actual political finance practices. If the rules depart so sharply from reality, then faithful implementation can be next to impossible. India, for example, has traditionally allowed anonymous cash donations of up to INR 20,000 (EUR 253). Undocumented money, and the possibility of illicit exchanges, entered the political system through this route (Sen 2009). The rules were updated to decrease the amount allowed to INR 2,000 (EUR 26) in an attempt to make it more difficult for black money to enter politics. Yet parties now simply receive smaller, but more frequent, donations. The overall amount of donations is expected remain the same. The reform therefore appears to have created more paperwork but done little to address the issue of undocumented funds in politics (Deka 2018).

Bangladesh also has unrealistic limits on campaign spending that are widely violated. In 2014, the spending limit was raised in most constituencies to BDT 2.5 million (EUR 26,247). However, this ceiling appears to be extremely low: in the run-up the January 2007 election, candidates who had not even received party nominations had already used three times this amount before the campaign period had even started (*Dhaka Tribune* 2018).

Enforcement of campaign finance declarations is weak in the Philippines as well. In late 2018, COMELEC, the country's election commission, ruled that 460 candidates should face penalties for failing to report their past campaign spending (Esguerra 2018). These included a former senator who now faces permanent disqualification from running for office because he was late declaring his election expenses on two occasions (Chrisostomo 2018). While the expected punishments represent a step toward improving enforcement, they also reveal that candidates do not take the rules seriously.

## 2.5. Regulations that discourage competition

Rules governing parties and elections cannot always be considered neutral norms that foster fairness in political competition. Rule-making, as much as rule breaking, involves taking a position in struggles for power and domination (Davidson and Mobrand 2016), including those related to political finance. For instance, incumbent groups can regulate political finance as part of a strategy to exclude or discriminate against others. Where a dominant ruling party enjoys a wealth of resources for campaigning, placing tough restrictions on political finance can only disadvantage opposition groups. The ruling party gains an advantage through its reputation, everyday press coverage and its control over the state apparatus. Opposition parties may have to rely on private funding to gain public attention. In this situation, political finance regulations can unintentionally facilitate ruling party domination.

Singapore, for example, has rules on political finance that appear strong to external observers, which it enforces effectively (Ufen 2015). The ruling People's Action Party (PAP), in power since 1959, has a wealth of resources to draw from, and therefore does not require private political funding to win elections. The PAP can rely on its reputation and the credit it gets from running the government. While holding a few

seats in parliament gives the opposition a place in the news, the PAP gains the most attention from the media. Political finance regulations preclude the possibility of large donations that would empower the opposition.

## 3. Main trends and emerging issues

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Using data from International IDEA's Political Finance Database (2018), and examining the most important aspects of party finance regulation (van Biezen and Casal Bértoa 2014: 80–82; Ohman 2014: 21–30; Tan 2015; Casal Bértoa and van Biezen 2018: 17–22; Hummel et al. 2018), this section discusses the main trends observed in the regulation of political finance in Asia.

### 3.1. Public funding

State help to political parties and candidates can take two forms—direct or indirect. The most popular form of indirect support is free access to media, mainly television and radio. Most Asian countries distribute free airtime to parties (Bangladesh, India, Malaysia, Mongolia, Singapore, Taiwan), to candidates (Afghanistan, Maldives) or both (Bhutan, Indonesia, Japan, Pakistan, the Philippines, South Korea, Sri Lanka, Timor-Leste), usually on an equal basis. Yet in some countries airtime is distributed proportionally on the basis of electoral support (e.g. Thailand), parliamentary seats (e.g. Mongolia) or the number of candidates (e.g. Japan). In others (e.g. Taiwan), the Electoral Commission decides before each election. Four Asian countries (Cambodia, Myanmar, Nepal and Thailand) provide no free airtime.

Other, less popular, types of public funding include: (1) tax relief, like in Bhutan, India, Myanmar and Timor-Leste and (2) free-of-charge premises for campaign meetings like in the Maldives or Mongolia (but only for parties with at least 20,000 members). Parties in Japan and Thailand receive both forms of indirect state funding, as well as free space for campaign materials for campaigners. The latter is also typical in the Philippines and South Korea. Free postage (Sri Lanka) or the production of electoral posters (Japan) is less popular.

Direct public funding is usually provided in the form of state subsidies for electoral campaign expenses or day-to-day activities. In Europe, all states except five (Belarus, Italy, Malta, Monaco and Switzerland) guarantee parties access to some type of public subsidies, and all Latin American countries except Bolivia receive direct financial help from the state. However, state subsidies to parties and candidates are less widespread in Asia. Of the 20 states examined here, almost half (Afghanistan, Bangladesh, India, Pakistan, Malaysia, Myanmar, the Philippines and Singapore) deny parties any such help.

Of the states that provide public funding to political parties, some (e.g. Bhutan, Cambodia, Nepal, Sri Lanka) limit support to electoral reimbursements. In Bhutan, for example, election campaigns are expected to be entirely funded through public subsidies. In others, such as Japan, parties only receive subsidies to finance day-to-day activities, but not for electoral campaigns. In the remaining countries, funding can be directed to both regular organizational activities and electoral campaigns, and this takes place on a regular basis. In Mongolia and Taiwan, parties are granted a (partial) reimbursement of their electoral expenses.

The number of parties that are granted access to state subsidies, and the way in which such financial help is distributed among them, varies by country. For instance, Indonesia, Japan, Mongolia and Timor-Leste only provide public funding to parliamentary parties. Other countries grant additional financial support to extra-parliamentary parties that surpass a certain threshold of support, which ranges from as low as 1 per cent of the vote in Sri Lanka to as high as 10 per cent in Bhutan. In Bhutan, parties must also have registered to contest the primary round of legislative elections in all 20 districts. The threshold is 3 per cent for Cambodia and Taiwan, and in South Korea, parties with no parliamentary seats but at least 2 per cent of the votes are granted partial state subsidies. In Maldives, only parties with at least 10,000 members are eligible for state funding. Thailand grants state subsidies to all political parties.

Some countries distribute the subsidies equally to all eligible parties (e.g. Bhutan, Cambodia), while others do so in proportion to their level of electoral support (e.g. Indonesia, Sri Lanka, Taiwan), or in combination with the number of members (e.g. Japan). Others combine both criteria: a portion of the total funds is distributed equally, and the other part (usually half) is allocated according to the percentage of votes (e.g. Mongolia, South Korea) or seats (Timor-Leste). Thailand has adopted a 'matching-funds' regime in which 40 per cent of the subsidies are granted to parties on the basis of their electoral support, another 40 per cent in accordance with their subscription fees and the rest (20 per cent) depending on the number of branches they have.

Funding regulations in only four countries require political parties to spend part of their state subsidies in particular ways. Therefore, while the Thai and Bhutanese legislations contain more or less general descriptions on how political parties should use public funds, the Mongol party finance law stipulates that half of the subsidies should finance parties' parliamentary election unit areas. In South Korea, 30 and 10 per cent should be destined for the creation and maintenance of a policy development institute, respectively; while another 10 per cent should be spent to encourage the participation of women in politics. Similarly, in Indonesia up to 60 per cent of state subsidies should support the political education of party members, as well as the public. Moreover, according to section 10.3 of the Government Decree on Political Finance to Political Parties (2012):

The political educational activities [...] shall be implemented with paying attention to equity and gender equality to build appropriate ethics and political culture in accordance with *Pancasila*.

In this context, Indonesia, together with South Korea, where parties may also receive state funds to promote women in their electoral lists (in addition to the 10 per cent of earmarked funds mentioned above), and Taiwan, where reimbursement of electoral expenses is linked to compliance with the gender quota legislation, are the only Asian countries with gender-equality friendly legislations (Tan 2015; Ohman 2018).

### **3.2. Private funding**

One of the main concerns in party politics is the excessive influence of private interests, especially from affluent and influential elites who might not be particularly committed to the public good. Allowing such private entities to have unlimited financial influence in politics—and therefore a say in political decision-making—ultimately contravenes the principle of equal competition. For this reason, countries have banned or limited the amount that natural and/or legal persons can contribute to political parties and/or candidates.

The first type of donation that most countries tend to ban are those from foreign individuals and/or companies. All Asian countries except Sri Lanka and Malaysia ban foreign donations to both parties and candidates. However, several countries have notable loopholes. For example, Maldives allows donations to parties from abroad after obtaining written permission from the Electoral Commission, and in India, under certain conditions (thresholds) of participation, a foreign company might not be considered ‘foreign’.

Donations from public companies are also commonly banned. Parties and candidates in Bhutan, Cambodia, India, Indonesia, Myanmar, Nepal and Timor-Leste, and in all East Asian countries (i.e. Japan, Mongolia, South Korea and Taiwan) cannot receive donations from companies with any percentage of state ownership. The same is the case in Maldives (but only for candidates) and Thailand (but only for parties). Yet in most Asian countries (Afghanistan, Bhutan, South Korea and Timor-Leste) private corporations are permitted to donate to both parties and candidates. However, in Japan only parties (not candidates) can receive donations from (private) legal persons. In India, it is only legal for non-state corporations, older than three years, to make donations to both parties and candidates. India, Japan, the Philippines and Taiwan also prohibit parties and candidates from accepting donations from companies with a government contract.

In order to avoid undue influence and to allow for better control of political finances, most Asian countries ban anonymous donations. In Bangladesh, Bhutan, Indonesia, Mongolia, Nepal, the Philippines and Timor-Leste, all donations require the identification of the donor. The same is the case in Maldives, but parties there can apply in writing to the Electoral Commission for an exception. In some countries, only anonymous donations to parties (Pakistan) or candidates (Afghanistan, Japan and Myanmar) are banned. In other countries, anonymous donations are illegal above a certain threshold—from as little as INR 2,000 (EUR 25) in India or KRW 100,000 (EUR 78) in South Korea to SGD 5,000 (EUR 3,226) in Singapore. In Thailand the threshold for parties is THB 5,000 (EUR 136) whereas in Japan, anonymous donations to parties up to JPY 1,000 (EUR 8) are allowed,



provided that they are collected on the street or in meetings. In a clear effort to make sure the identity of donors is not hidden, half of the Asian countries (e.g. Bhutan, Cambodia, Maldives, Timor-Leste) require all donations to be made via a banking system. In others, this obligation is limited to donations (1) over a certain threshold (INR 2,000 or NPR 25,000, EUR 25 and 195, respectively) or (2) to presidential and/or regional candidates (e.g. Afghanistan, Indonesia). This is not the case in the most advanced Eastern Asian democracies or in Bangladesh and Pakistan.

Notwithstanding the traditional links that trade unions have had with political parties in many advanced democracies (e.g. Australia, Chile, United Kingdom), their donations are banned in Afghanistan, Bhutan, Cambodia, Singapore, South Korea and Timor-Leste. Japan and Mongolia only prohibit trade union donations to candidates.

Another type of ban refers to the prohibition of use of state resources in favour or against a party/candidate. With the aim to avoid the partisan exploitation of state resources as well as the undue influence of the state in party politics, such prohibition is in place in all countries, except Malaysia and Singapore. In these two countries, together with the Philippines, Pakistan and Taiwan, parties and candidates can be the beneficiaries of state resources. The same is true in Afghanistan, although there such state resources should be distributed equally among all candidates.

Finally, in order to avoid external influences in the political arena, some Asian states forbid donations from certain types of organizations, such as religious (Mongolia, Myanmar, Taiwan, Thailand and Timor-Leste), non-governmental (Cambodia and Nepal), charitable (the Philippines and Timor-Leste), financial (the Philippines), university (Nepal), recently founded (India and Mongolia), financially problematic (Japan and Mongolia), criminal (Indonesia), gambling (Thailand) or party owned (Taiwan).

With the notable exceptions of Cambodia, Malaysia, Myanmar, Nepal, Pakistan, the Philippines, Singapore and Sri Lanka—which have adopted a pure principle of *laissez-faire*—most Asian countries cap party and/or candidate donations made by natural and/or legal persons (Table 3.1). All other East Asian democracies have established limits on the amount that candidates (during campaigns) and parties (outside campaigns) can receive from natural and legal persons. While Mongolia and South Korea have introduced important limits on the amount parties can accept during election campaigns, Japan and Taiwan have not. With the exception of South Korea, which has adopted a variable criteria for party donations (see Table 3.1), all East Asian countries use flat rate caps—from as little as individual donations of TWD 100,000 (EUR 2,800) to candidates in Taiwan, to as high as corporate donations of JPY 30 million (EUR 242,400) to political parties in Japan.

Table 3.1. Donation limits in Asia (approximate amounts appear in euros)

| Region          | Country     | Ordinary activities  | Electoral campaign |   |
|-----------------|-------------|--|--------------------|---|
|                 |             |  | Political Parties  | Candidates                                |
| East Asia       | Japan       | 20m (€161.6k) for N<br>7.5–30m (€60.6–242.4k) for L            | –                  | 1.5m (€12.1k) for both                    |
|                 | Mongolia    | 2m (€667) for N<br>20m (€6.7k) for L                           |                    | 3m (€1k) for N<br>15m (€5k) for L         |
|                 | South Korea | 20% of revenue   | 10% of expenses    | 20m (€15.7k) won for N                    |
|                 | Taiwan      | 300k (€8.5k) for both  | –                  | 100k (€2.8k) for both                     |
| South Asia      | Afghanistan | 2m (€23.3k) for N  | n.d.               | 50k (€581) for both                       |
|                 | Bangladesh  | 500k (€5.2k) for N<br>2.5m (€25.9k) for L                      | –                  | –   |
|                 | Bhutan      | 500k (€6.3k) per member  | –                  | –   |
|                 | India       | 7.5% of a L's average NET profits during the 3 preceding years |                    | –   |
|                 | Maldives    | –  | –                  | Variable & different                      |
|                 | Nepal       | –  | n.d.               | n.d.                                      |
|                 | Pakistan    | –  | –                  | –   |
|                 | Sri Lanka   | –  | –                  | –   |
| South East Asia | Cambodia    | –  | –                  | –   |
|                 | Indonesia   | 1b (€61.4k) for N<br>7.5b (€460.3k) for L                      | –                  | 2.5b (€153.4k) for N<br>25b (€1.5m) for L |
|                 | Malaysia    | –  | –                  | –   |
|                 | Myanmar     | –  | –                  | –   |
|                 | Philippines | –  | –                  | –   |
|                 | Singapore   | –  | –                  | –   |
|                 | Thailand    | 10m (€273.3k) for N<br>5m (€136.6k) for L                      | –                  | –   |
|                 | Timor-Leste | –  | –                  | –   |

*Notes:* b = billions; k = thousand; L = legal persons; m = millions; N = natural persons; n.d. = no data; – = no limit.

*Source:* International IDEA, Political Finance Database, <<http://www.idea.int/data-tools/data/political-finance-database/>>, accessed 5 December 2018

In South Asia (except Afghanistan, India and Maldives), parties and candidates can accept unlimited funds from private sources. Afghanistan and Maldives have established two types of thresholds for donations to electoral candidates: a fixed threshold (EU 581 for both natural and legal persons) and a variable threshold (0.5 per cent and 2 per cent of a 'value' for natural and legal persons, respectively—MVR 1,500 (EUR 8) x total number of registered voters by constituency). India caps

donations to parties from legal persons at 7.5 per cent of their average net profits during the last three years. Outside campaign periods, donations to parties are not capped except in Afghanistan, Bangladesh, Bhutan and India. In Bangladesh, donation caps range from EUR 5,200 for natural persons to EUR 25,900 for legal ones.

South East Asian countries are the most liberal in this respect: only one country (Indonesia) imposes limitations on donations to parties outside the electoral campaigning period (EUR 61,400 for natural and EUR 460,300 for legal persons) and to candidates during campaigns (EUR 153,400 for natural and EUR 1.5 million for legal persons). Caps to candidates, however, are different in the case of regional elections (EUR 46,000 for natural and EUR 92,000 for legal persons). Thailand employs much more limited donation caps, but only for the financing of ordinary partisan activities (EUR 273,300 and 136,600 for natural and legal persons, respectively).

This liberal approach to private funding in general, and donation limits in particular, also applies to regulating in-kind donations. This type of donation is limited to both parties and candidates in only three East Asian countries (Mongolia, South Korea and Taiwan). In the remaining five countries, restrictions only refer to parties (in Bhutan, India and Thailand) or candidates (in Japan and Myanmar; the latter prohibits donations of food, alcohol or juice). In the rest of Asia, in-kind donations are not limited at all.

Compared to other regions, Asian states have adopted a liberal approach to the regulation of private funding: donations from entities participating in public tender and/or procurement processes are allowed in several countries, and parties and candidates can take out bank loans whenever they consider it appropriate. Only Bhutan and Mongolia ban parties and candidates from using the loans, although Bhutanese parties are allowed to take out loans to finance ordinary activities—not campaigning.

The only exception, perhaps, to this type of *laissez-faire* legislation is auto-donations—the amount a candidate can contribute to her or his own election. With very few exceptions (e.g. Maldives, Mongolia and Nepal), most countries limit this type of funding. For example, in Pakistan candidates can only contribute up to INR 4 million (EUR 25,200) to their own congressional election campaigns, and INR 1.5 million (EUR 9,450) and 2 million (EUR 12,600) to Senate and provincial election campaigns, respectively.

### 3.3. Spending

Another way to reduce the undue influence of external forces, make political finances easy to control and increase citizens' trust in party politics is to limit both party and candidate spending during elections. In Bhutan, India, Myanmar, Pakistan, South Korea and Thailand, this limit also applies to money spent by others of behalf of parties/candidates. In Afghanistan, spending limits are set at AFN 50,000 (EUR 550) for individuals and AFN 500,000 (EUR 5,500) for companies during presidential elections, and AFN 20,000 (EUR 220) for individuals and AFN 50,000 (EUR 550) for companies during provincial council elections. Although most countries have

introduced caps on candidate spending, only seven limit party spending. Therefore while Bangladesh has established a progressive cap according to the number of candidates, in the other six countries that cap party electoral expenditure, the limits are similar to those of candidates. And while in Bhutan and Myanmar the limit is fixed (BTN 260,000 [EUR 3,378] and MMK 10 million [EUR 5,906], respectively), in the Philippines and Thailand the total limit depends, respectively, on the number of candidates and registered voters per constituency (see Table 3.2). In Nepal and South Korea, the limit depends on the type of election. In South Korea the cap is usually composed of a fixed sum (e.g. KRW 100 million for the majoritarian tier in legislative elections or KRW 40 million in local elections) and another that varies according to population size. For presidential elections, only the second component is used (e.g. KRW 950 x number of inhabitants). In Mongolia, the State Central Audit Office sets the spending limit 120 days prior to the election.

India and Indonesia also defer decisions about how much a candidate can spend during elections to a state authority (see Table 3.2). Afghanistan, Bangladesh, Malaysia, Maldives, Nepal and Pakistan establish a fixed sum per candidate which, with the exception of Bangladesh and Maldives, is based on the type of election. Japan and Taiwan adopted a rather complex regime, similar to that of South Korea (see above).

Finally, Cambodia, Singapore, Sri Lanka and Timor-Leste do not limit electoral spending at all, by parties or candidates. Yet they do ban vote buying, in keeping with all other Asian countries. However, this practice occurs regularly in many Asian countries (e.g. Malaysia, the Philippines).

Table 3.2. Spending limits in Asia

| Region          | Country     | Parties   | Candidates  |
|-----------------|-------------|---|---|
| East Asia       | Japan       | –   | Decided by EC prior to elections. Spending limits are different for Upper House and Lower House elections. Most limits are based on fixed sum + the number of eligible voters in a constituency |
|                 | Mongolia    | Decided by the SCAO prior to elections  |   |
|                 | South Korea | Fixed sum + another based on population (different for each type of election)   |   |
|                 | Taiwan      | –   | Fixed sum + another based on population (different for each type of election)   |
| South Asia      | Afghanistan | n.d.  | 1m (€11.6k) for presidential<br>500k (€5.8k) for provincial   |
|                 | Bangladesh  | Progressive based on number of party candidates   | 2.5m (€25.9k)   |
|                 | Bhutan      | 260k (€3.3k)  |   |
|                 | India       | –   | Determined by CG in consultation with EC  |
|                 | Maldives    | –   | 1.5k (€84) * constituency voter   |
|                 | Nepal       | PR: 200k (€1.6k) * candidate for legislative elections<br>150k (€1.2k) * candidate for regional elections<br>FPTP: 2.5m (€19.5k) for legislative and 1.5m (€11.7k) for regional elections |   |
|                 | Pakistan    | –   | 4m (€25.2k) for Congress<br>1.5m (€9.5k) for Senate<br>2m (€12.6k) for provincial   |
|                 | Sri Lanka   | –   |   |
| South East Asia | Cambodia    | –   |   |
|                 | Indonesia   | –   | Decided by the Provincial EC and District/City EC on the basis of (1) number of voters, (2) coverage/area and (3) regional cost standards   |
|                 | Malaysia    | –   | 200k (€42.6k) for Congress<br>100k (€21.3k) for Senate<br>10k (€2.1k) & 3k (€639) for different local elections   |
|                 | Myanmar     | 10m (€5.6k)   |   |
|                 | Philippines | 1.5 (€0.02) * registered constituency voters  |   |
|                 | Singapore   | –   |   |
|                 | Thailand    | 1.5m (€41k) * candidate   |   |
|                 | Timor-Leste | –   |   |

*Notes:* CG = Central Government; EC = Electoral Commission; FPTP = first past the post; k = thousand; m = millions; n.d. = no data; PR = proportional representation; SCAO = State Central Audit Office; – = no limit.

*Source:* International IDEA, Political Finance Database, <<http://www.idea.int/data-tools/data/political-finance-database/>>, accessed 5 December 2018

### 3.4. Oversight

None of the abovementioned regulations will have any positive effect, such as stabilizing the party system (Casal Bértoa 2017), reducing corruption (Hummel et al. 2018) or enabling small parties' survival (Casal Bértoa and Spirova 2019), without a proper oversight regime that involves reporting and control.

At least formally, and with the only exceptions of Myanmar and the Philippines, all Asian countries require political parties to regularly report on their finances, even if Afghan parties only have to report on their income and not their expenditures. Even if parties are not required to officially submit any reports, they are obliged to keep careful accounts in case of an investigation request from the relevant authorities.

Asian legislations are more lenient than those in other regions towards electoral campaign reporting, especially in Sri Lanka, which has no such requirement. In Bangladesh, Bhutan, Cambodia, Indonesia, Mongolia, Nepal, the Philippines, Taiwan, Thailand and South Korea, both parties and candidates are obliged to submit electoral reports soon after the elections. The same is the case in India, Japan and Pakistan, which also require reporting from third parties. In five countries (Afghanistan, Maldives, Malaysia, Singapore, Timor-Leste) only candidates are obliged to file reports. Myanmar regulates reporting obligations for both candidates and third parties (electoral agents).

However, many party and/or candidate financial reports are incomplete and/or not transparent. In many cases (e.g. Bangladesh, Malaysia and Nepal), the act of reporting becomes a simple formality. Therefore with very few exceptions (e.g. Pakistan and Sri Lanka), reports from parties and/or candidates are required to include itemized income. In Bhutan, Indonesia, Malaysia, Maldives, Myanmar, the Philippines and Thailand this entails identifying the donor. In other countries, the donor must only be identified for donations over a certain amount—i.e. in Japan (JPY 50,000, EUR 404), India (INR 20,000, EUR 253), Bangladesh (BDT 5,000, EUR 52 for parties, as all donations to candidates should be reported), Singapore (SGD 5,000, EUR 3,226), Afghanistan (AFN 20,000, EUR 232) and Nepal (NPR 25,000, EUR 195). In some countries this obligation does not extend to spending at all (e.g. Malaysia, Mongolia, Singapore) or applies only during electoral campaigns (e.g. Pakistani candidates) or above a certain amount.

In Cambodia, Malaysia and Sri Lanka, for example, reports are not made public. In Bhutan they are only publicized very indirectly, via the annual reports elaborated by the Audit Office, and in Myanmar only reports submitted by candidates are made public. In the Philippines:

[A]ll statements of contributions and expenditures [are] kept and preserved at the office where they are filed and shall constitute part of the public records thereof for three years after the election to which they pertain. Statements shall not be removed there from except upon order of the Commission or of a competent court and shall, during regular office hours, be subject and open to inspection by the public (section 110 of the Electoral Code).

Effective political finance control requires oversight from adequate (and independent) authorities that are provided with sufficient resources and powers. The type of oversight institution ranges from governmental (e.g. in Cambodia) or parliamentary (e.g. in Malaysia) to judicial (e.g. in Singapore) or administrative (e.g. in most countries). Some countries, such as Nepal (e.g. the Commission for the Investigation of Abuse of Authority), Singapore (e.g. the Register of Political Donations), Japan (e.g. the Public Fund Inspector) and Indonesia (e.g. the Election Supervisory Body), have even created special institutions to receive reports (Nepal and Singapore), to investigate financial violations (Japan) or to do both (Indonesia). In contrast with other regions of the world—such as Southern (van Biezen and Casal Bértoa 2014: 81) or Eastern (Casal Bértoa and van Biezen 2018: 20–22) Europe—parties have no relevant oversight capability in Asia.

Although in most countries the same institution (usually the Electoral Commission) is in charge of receiving and examining party and/or candidate reports, in others the competences are split (e.g. Maldives, Mongolia, Nepal, Singapore). An Electoral Commission is the most common oversight institution in Asia. In a few countries, more than one institution has the power to receive or examine the reports. For instance, both the Electoral Commission and the Auditing Agency in Nepal or the Public Fund Inspector and Ministry of Internal Affairs in Japan can receive reports. In Cambodia, Maldives and Thailand, the Electoral Commission and other institutions (e.g. audit office, courts, Ministry of Economy and Finance) can refer the case to the competent authority, carry out an investigation themselves or impose sanctions. Non-judicial oversight authorities can also impose sanctions in Afghanistan, Bhutan, Indonesia, the Philippines and Taiwan. In the rest of the continent, non-judicial authorities are usually given the power to refer the case to the competent authority and/or only carry out investigations.

As follows from International IDEA's *Handbook on Political Finance* (Falguera, Jones and Ohman 2014: 32), the OSCE/ODIHR *Guidelines on Political Party Regulation* (2011), and various recommendations of the Council of Europe (2003/4 and 1516-2001), a proper political finance regulatory framework should also contain meaningful, clear, realistic, effective, dissuasive and proportional sanctions in response to legal violations by political parties and candidates.

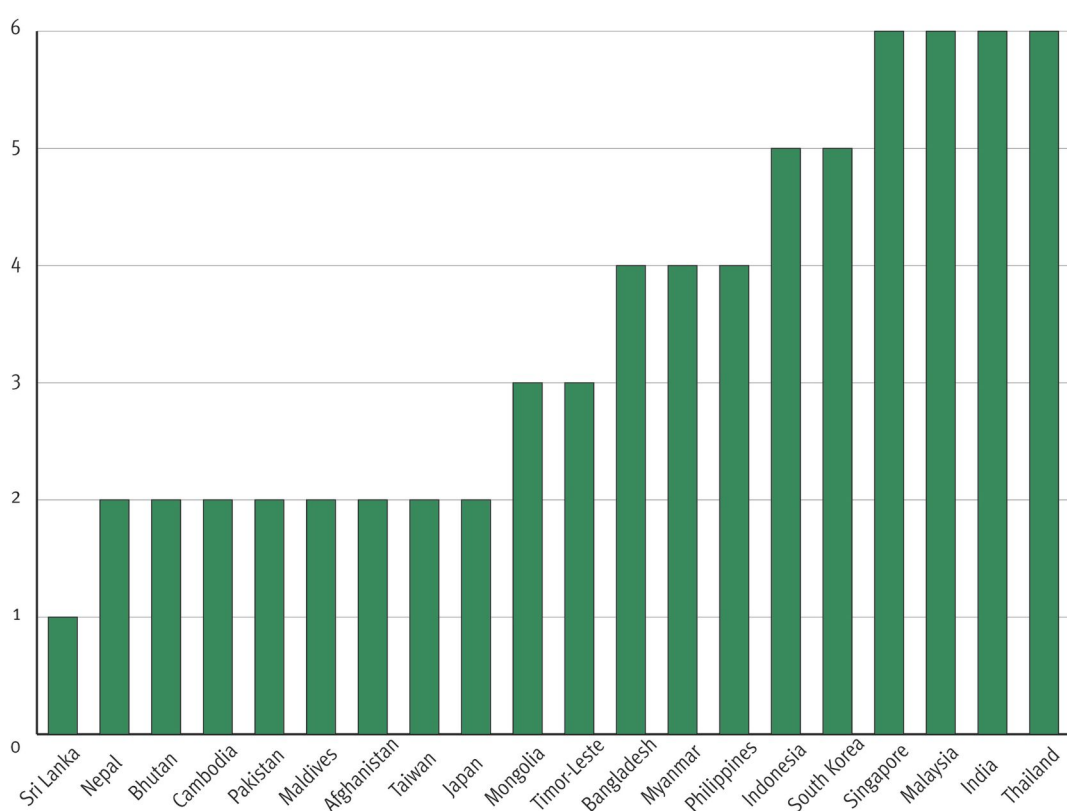
Most Asian countries provide for at least one type of sanction: from a loss of political rights only in India or the suspension of candidate(s) in Singapore to the suspension of and/or de-registration of parties in Bangladesh, Bhutan, Cambodia, Malaysia, Myanmar, Pakistan, Singapore, Sri Lanka and Thailand. As in other regions of the world (Casal Bértoa and van Biezen 2018), the most popular sanctions are pecuniary fines (Bhutan, Pakistan, Nepal and Sri Lanka are the only exceptions), followed by criminal penalties (i.e. prison). Bhutan, Cambodia, Maldives, Nepal and Sri Lanka are the only countries in Asia that do not consider these types of sanctions for violations of funding regulations. More than half of the countries examined here disqualify candidates found guilty of finance violations.

Other, less common, types of sanctions include the loss of effective office (India, Indonesia, Malaysia, the Philippines and South Korea) or the forfeiture of illegal financial gains (stipulated in the legislation of India, Malaysia, Nepal, the Philippines, Singapore, South Korea and Thailand). The suspension or eventual loss

of public funding, which can serve as an effective deterrent (Uribe Burcher and Casal Bértoa 2018), is only contemplated in four countries—Indonesia, Maldives, Thailand and Timor-Leste—and rarely applied in practice.

Figure 3.1 shows that Sri Lanka has the most liberal sanctions framework on the continent, while India, Malaysia, Singapore and Thailand are the strictest. Only the last contemplates the loss of public funding on top of other pecuniary, criminal or administrative sanctions. However, these four countries do not necessarily have the most effective regimes, as sanctions tend to be implemented less often there than in other more advanced democracies such as Japan or Taiwan.

Figure 3.1. Number of types of sanctions in Asian countries



Source: International IDEA, Political Finance Database, <<http://www.idea.int/data-tools/data/political-finance-database>>, accessed 5 December 2018



## 4. Lessons learned on the effectiveness of regulation

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Understanding how regulations have been developed and implemented to manage the risks of electoral corruption requires a broader understanding of the political context.

### 4.1. Broader mechanisms for checking political finance corruption can be effective: elections, media and popular pressure

Popular pressure, combined with tools of accountability, has proven remarkably effective at combating political finance corruption. In Malaysia, the first change of government in 50 years—albeit under the leadership of a former prime minister—was a historic (and unexpected) event in 2018. The ruling Barisan Nasional coalition had used a wealth of means to retain its electoral advantage (*The Economist* 2018). For example, it redrew constituencies to favour itself. It also exerted pressure on the election commission, which reports to the prime minister's office, to discriminate against opponents and used state instruments to encourage citizens to support its parties. A crucial contributing factor in the coalition's loss was a finance scandal that directly implicated Prime Minister Najib. The reaction to a political finance scandal helped dislodge Malaysia's longstanding position as a single-party regime. Domestic media were limited in how much criticism they could make. Yet a citizens' movement against corruption, Bersih, had drawn attention to the country's political and electoral corruption in recent years (Khoo 2016), which likely laid the groundwork for the electoral response to Najib's scandal (Dettman and Weiss 2018).

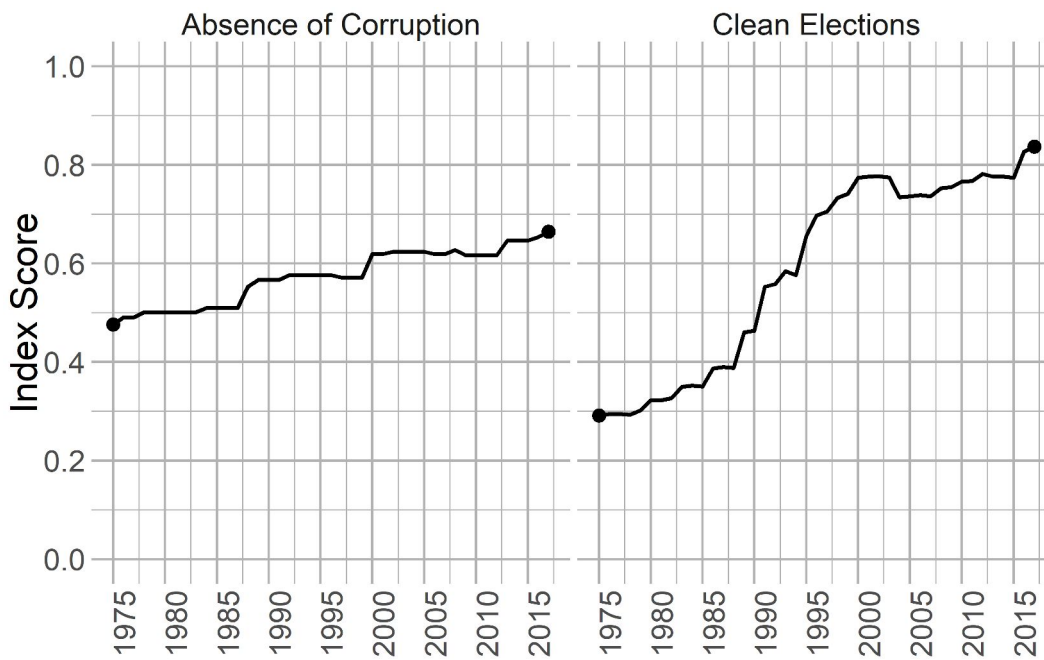
In a similar process, civil outcry and popular social movements, combined with legislative and judicial pressure, pushed South Korea's very corrupt president, Park Geun-hye, out of government in 2017. Revelations the previous year that she was neglecting her duties, accepting illicit donations in exchange for favours, and using her position to enrich and grant benefits to close associates led to calls for her departure. The grassroots Candlelight Movement, which involved weekly peaceful protests, organized the largest demonstrations since the country's transition to democracy in 1987, involving nearly one million people at its peak. These protests focused media coverage on the case (Doucette 2017; Kim 2017). The legislature eventually impeached Park. The Constitutional Court ordered her departure, and she

was later given a lengthy prison sentence. The new government immediately sought to demonstrate its commitment to transparency and citizen accountability; this shift is reflected in an increase in most dimensions of the Global State of Democracy indices in 2017.

These examples from 2017 to 2018 demonstrate the importance of political movements, rather than rules or enforcement, and the attention they draw—and the pressure they exert for change—in fighting political corruption. Open societies allow citizens to investigate and take action in response to political finance scandals, which serves as a check on corruption. For example in India, an anti-corruption movement gained so much support that it led to the formation of the Aam Admi Party (AAP) in 2012. Frustration with political corruption fuelled the party's popularity (Diwakar 2016). The AAP now dominates the Delhi legislative assembly.

A similar pattern has contributed to reining in political finance problems over a longer time-frame. In Taiwan, where elections had long attracted 'black-gold politics' (*heijin zhengzhi*) under authoritarianism; the trend increased as elections became more competitive (Chin 2003). By the 1990s, when the country's democratic reforms were reaching maturity, the ruling KMT—which transformed from an authoritarian party into one of the country's many democratic parties—faced a dilemma. On the one hand, the party relied on shady patronage networks to build electoral support, especially in local elections and rural areas. On the other hand, its association with black-gold politics damaged the party's reputation, especially in cities and island-wide elections (Göbel 2004). It was widely believed that the KMT could ensure that the judiciary did not prosecute cases of alleged vote buying (Wu and Huang 2004). If the KMT turned away from its patronage networks, it would lose some elections; if it maintained them, it would upset many voters. Taiwan's population had shifted into cities, and fewer people were tied to local networks. Moreover, expanded media freedoms meant that the KMT could not control coverage of its scandals. Pressure from the more liberal environment and from electoral competition slowly forced the regime to tackle political finance problems. Clientelism lost favour as the dominant mode of political mobilization (Wang 2006). As a result, these problems declined steadily. The Global State of Democracy indices show that 'absence of corruption' in Taiwan grew steadily from 0.48 (out of 1) in 1975 to 0.66 in 2017. 'Clean elections' jumped from 0.29 in 1975 to 0.77 in 2000 and 0.84 in 2017 (Figure 4.1).

Figure 4.1. Political corruption in Taiwan



Source: International IDEA, The Global State of Democracy Indices, <<http://www.idea.int/gsod-indices>>

In these examples, political leaders broke social norms, which in turn provoked responses from citizens. Yet in many cases, illicit political finance follows social norms that are permissive of behaviour that might be formally illegal. This situation directly challenges the effectiveness of regulation.

#### 4.2. Political finance reform should consider established informal practices

The purpose of elected office in many countries in the region is to provide resources that political networks can enjoy. Therefore it is difficult to determine what constitutes a campaign contribution. Personal relationships between politicians and their supporters can be essential to building political networks, and often involve informal transactions. Money often flows alongside these networks, without regard for the legality of the transactions. Such exchanges provide the greatest challenges to regulation. These challenges can appear at various points in the regulatory process. For example, actors that are dependent on these ties can prevent regulatory legislation from passing.

Authorities can struggle to keep track of and penalize violations. Electoral management bodies vary in their ability to oversee compliance with political finance regulations. For instance, India's election commission is one of the country's most respected political institutions, due to its reputation as being impartial and independent. It is quick to respond to every scandal by condemning even powerful politicians. Yet its struggle to enforce political finance regulations demonstrates the leap required from setting the direction for political finance regulation and insisting

on a standard, on the one hand, to trying to make reality approach that standard on the other hand.

Finally, and most fundamentally, regulations only rarely produce disciplined political actors who follow the regulations of their own accord. This challenge is not primarily technical. It does not simply involve underfunded, poorly organized or incompetent election management bodies. The difficulty for political finance regulation is that competing sets of norms and practices exist alongside the regulatory regime. In many places, political actors—if not the wider public—perceive violations of internationally agreed upon political finance norms as *legitimate*. This is not because of some innate tendency to ‘corruption’, but because alternative norms are more deeply embedded. Among politicians, the protocol of give and take with associates in the business realm can be viewed as the way politics is done. This attitude can make politicians unresponsive to the regulatory environment.

Citizens can be pulled into these established informal practices. A portion of investment in politics targets ordinary voters, including gifts or money to individuals and households, in the hope they will vote for their candidate. Such exchanges mostly fall into an established pattern that becomes almost custom. Voters may be aware that receiving such gifts is illegal, but they also know it is common practice (Hicken et al. 2018).

Voters may also support politicians in spite of allegations of corruption. In Thailand, former Prime Minister Banharn was known as ‘Mr ATM’ because he was well known to use his office to enrich himself and his friends. Yet he was widely popular in his constituency. He had built good infrastructure in the province and had helped make residents feel proud of their once disregarded community (Nishizaki 2011). In such a situation, the state regulatory framework struggles to effectively claim that it is a higher authority.

A possible strategy is to mobilize norms and cultural sentiments in support of political finance reform. Certain norms resonate better with efforts to fight political corruption. For example, India’s anti-corruption AAP builds on Gandhian principles of frugality and self-reliance. These values strike a chord with many in the country and help build momentum for anti-corruption measures.

### **4.3. Reforms should ensure fairness of access to funding among ruling and opposition parties**

Regulation is not necessarily neutral; it is political in nature and can be used to benefit particular actors and disadvantage others. In some instances, regulation operates with a systematic political bias. In South Korea, for example, an illegal upward flow of money, from aspiring politicians to party superiors, functions as illicit campaign finance but is widely tolerated (Mobrand 2019). Financial flows from abroad and from politicians to voters are not as tolerated. Scandals linked to nomination buying are common, but rarely punished. In many cases in South Korea, funds delivered by a candidate or hopeful candidate to a legislator or other high party representative are labelled a ‘special party fee’. Korean politicians have sometimes openly defended these practices as necessary (Mobrand 2019: ch. 3). There is no similar tolerance for vote buying: anyone caught distributing funds to voters is

required to pay a penalty equivalent to five times the amount exchanged. Legislators express no sympathy for this practice. There is a similar dynamic in Singapore, where it is not in the interest of the well-funded ruling party to allow opposition parties to receive more funding or media attention (Ufen 2015).

These findings follow a broader pattern in the region of using regulation to suppress the opposition or at least decrease competition. In 2017, Cambodian Prime Minister Hun Sen revised the law on political parties in order to cancel the registration of the opposition party. Unsurprisingly, in the 2018 election, Hun Sen's party won all available seats. Rule has become increasingly personal there (Sutton 2018). In Hong Kong, authorities have used regulation to ban a minor party that advocates independence from China.

#### **4.4. The region is weak in promoting gender-based access to political funding**

Most of the region lacks specific rules supporting gender-based funding. Even in countries that have passed legislation on gender-based political finance, the effects have been minimal. Political parties in South Korea are given extra funding if they have a certain proportion of female candidates, but parties rarely attempt to meet this target (Mobrand 2018). The challenge of making gender-based political funding a common practice is that men dominate political recruitment networks in much of the region (Bjarnegård and Kenny 2015; Tan 2015). Even if funding incentives were offered on the basis of gender considerations, there may be few women in parties to benefit from such rules. While legislation linking political finance to gender can help, such measures should be part of a broader programme to recruit more women into politics.

#### **4.5. Regulation is more difficult in local elections**

Political finance regulation has, on the whole, struggled more in local than national elections. In some countries, local politics has been characterized by an overflow of money. Taiwan held local elections through most of the period of one-party KMT rule. The purpose of these elections was to try to shore up regime support among Taiwanese, who had been alienated by the mainland-dominated KMT in the regime's early years (Chu 1992; Rigger 1999). Holding local elected office offered no influence in national politics, but it came with control over how local resources were distributed and how discretionary state power was exercised. Business groups formed alliances with local notables to contest these elections. As the KMT provided funding to candidates running under its name, many candidates demonstrated an enthusiasm for spending. Gift packets distributed to households were a staple of elections well into the 1990s (Wang and Kurzman 2007).

While political finance corruption has decreased in Taiwan over the past two decades, local politics elsewhere remains a breeding ground for political finance corruption. In the Philippines, with its long history of local elections, money enters politics primarily through local contests (Sidel 1999; White 2015). Local political dynasties have become entrenched in many parts of the island nation. These families

have used their wealth and the wealth-generating power that comes with office to become nearly permanent fixtures in local government (Ordinario 2017).

In other places, decentralization has exacerbated the monetization of elected office. In Indonesia, for example, democratization has led to a programme of decentralization. Offices at two local tiers were granted greater autonomy and elections were introduced. Powerful actors were attracted to elected local offices as they gained control over resources. Lucrative construction contracts and natural resource concessions, among other potential patronage opportunities, were at stake particularly in local elections (Aspinall 2013; Davidson 2015).

## 5. Areas for improvement

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Significant improvements to political finance regulation are needed across the board. However, given that holding public office may yield significant financial gains, any regulation of political finance becomes a secondary consideration, at best, to office seekers. Yet even the most comprehensive rules are meaningless if they are not put into practice.

### 5.1. Expand realistic regulations

Given that most regulations have not increased discipline in the realm of political finance, there is little reason to simply pass more regulations. Rather, it is important to pass *realistic* regulations. Most of the region needs regulations that can be followed and that can be used in monitoring. If authorities lack the capacity to monitor party accounts, for example, then regulations related to party accounting are of little value.

### 5.2. Consider expanding public financing of politics and limiting corporate donations

Most of the region has few effective limitations on corporate donations and little public financing for parties. Due to the influence of business in politics, implementing real restrictions on corporate donations is a priority. Providing public funding can further help wean parties off of funds from firms. The expansion of public funding could also be used to create incentives for parties to put forward more women as candidates.

### 5.3. Strengthen party bookkeeping practices

Accounting is a weak area of parties throughout the region. If parties had the capacity to keep complete and accurate accounts, then reporting donations and expenditures would be much simpler. It would be easier for parties to comply with regulations on reporting. Parties should therefore be encouraged to maintain accounts with more detailed information, especially on donations. Having full-time staff dedicated to this purpose would be one step. Another would be to ensure that accounts are regularly audited.

## 6. Recommendations

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### 6.1. Electoral management bodies

- Help arrange and assist trainings for political parties in complying with political finance regulations.
- Conduct periodic assessments of political finance regulations to ensure their relevance and effectiveness to mitigate the risk of corruption.
- Expand efforts to record and disclose parties' financial activities. Financial reports should be independently audited and made available in a timely manner, especially during electoral campaigns. Consider developing an online platform for political finance reporting and disclosure.
- Ensure that oversight procedures are clearly stipulated and regulated accordingly (i.e. clear timeframes and reporting guidelines).
- Establish more formal networks of coordination and information sharing between the various oversight bodies (e.g. tax authorities, anti-corruption agencies).

### 6.2. National governments and parliaments

- Introduce public subsidies to political parties, especially to fund their ordinary activities. Also ensure the distribution criteria are fair and reasonable in order to level the political playing field.
- Earmark a proportion of public subsidies to promote the participation of women in politics. Additional subsidies could be channelled to promote the participation of youth, and educational or research purposes.
- To reduce parties' dependence on public subsidies and encourage them to engage with the electorate and collect small, private contributions, consider allocating state subsidies as matching funds.
- Place reasonable regulations on donations from legal persons.



- Introduce caps for individual donations, especially to parties during electoral campaigns. Ensure that proper measures are in place to calculate these donation caps (i.e. bearing in mind factors such as fluctuations in inflation levels, average monthly salaries or minimum monthly wages).
- Consider caps for party spending. Ensure proper measures are in place to calculating these spending caps (as above).
- Ensure that in-kind donations are regulated by introducing measures to objectively and independently appraise their value.
- To facilitate improved oversight, encourage donations via a banking system.
- Ensure that public officials and politicians have no political ties to (or control over) oversight authorities; oversight authorities should be empowered in their own right.
- Give oversight authorities, particularly those in charge of auditing financial reports, independence and sufficient capacities to conduct meaningful investigations and apply sanctions.
- Ensure enforcement and sanctioning are fair and understood by the public. Sanctions should be robust, legitimate and proportional.

### 6.3. Political parties

- Initiate and maintain appropriate bookkeeping practices so that party finances can be easily tracked. Parties should periodically report their income and expenses to electoral management bodies.
- All financial reports should be detailed yet comprehensible to the public. Ensure that reports are submitted to oversight authorities regularly and in a timely manner, especially during an electoral campaign.
- Ensure effective compliance within a party and impose penalties on party members that violate the rules.
- Ensure that political parties have no political ties to (or control over) oversight authorities.

### 6.4. Civil society

- Actively cooperate with political parties and government officials to positively impact policy decisions and political practices in line with the recommendations made in this report.
- Advocate transparent, fair political finance practices and legislation. Campaign against significant infringements of current political finance regulations, and work to overturn loopholes in current regulations.
- Build alliances among civil society groups and the media to raise awareness and monitor political finance.

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## About the organizations

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### The Global Agenda Center

The Global Agenda Center is an institute based at Kyung Hee University in Seoul, South Korea. The Center is linked to Kyung Hee University's Global Academy for Future Civilizations, which offers summer training programmes for future leaders.

<[http://gafc.khu.ac.kr/html\\_2013](http://gafc.khu.ac.kr/html_2013)>

### International IDEA

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.

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.

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.

<<http://idea.int>>

## **REPRESENT**

The Research Centre for the Study of Parties and Democracy (REPRESENT) is a collaboration between the University of Birmingham and the University of Nottingham in the United Kingdom. It aims to bring together, and drive, innovative research in three areas: the falling social penetration of established political parties, the rise of populism and the effectiveness of foreign aid given to support democracy.

<<https://represent-research.org>>

## Annex

Table A.1. Party funding regulation in 20 Asian states

|                               | East Asia |    |    |    | South Asia |    |    |    |    |    |    |    | South East Asia |    |    |    |    |    |    |    |
|-------------------------------|-----------|----|----|----|------------|----|----|----|----|----|----|----|-----------------|----|----|----|----|----|----|----|
|                               | JP        | MN | TW | SK | AF         | BG | BU | IN | MD | NP | PK | SL | CB              | ID | ML | MY | PH | SG | TH | TL |
| <b>Direct subsidies for</b>   |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Campaigns                     | -         | X  | X  |    | -          | -  |    | -  |    |    | -  |    |                 |    | -  | -  | -  | -  |    |    |
| Organization                  | X         | X  | X  | X  | -          | -  | -  | -  | X  | -  | -  | -  | -               | X  | -  | -  | -  | -  | X  | X+ |
| <b>Indirect subsidies for</b> |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Media                         | X         | X  | X  | X  | X          | X  | X  | X  | X  | -  | X  | X  | -               | X  | X  | -  | X  | X  | -  | X  |
| Tax                           | X         | -  | -  | -  | -          | -  | X  | X  | -  | -  | -  | -  | -               | -  | -  | X  | -  | -  | -  | X  |
| <b>Ban on donations</b>       |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Foreign                       | X         | X  | X  | X  | X          | X  | X  | X  | X  | X  | X  | -  | X               | X  | -  | X  | X  | X  | X  | X  |
| Company                       | -         | -  | -  | X  | X          | -  | X  | -  | -  | -  | -  | -  | -               | -  | -  | -  | -  | -  | -  | X  |
| Public                        | X         | X  | X  | X  | X          | -  | -  | X  | X  | X  | -  | -  | X               | X  | -  | X  | -  | -  | X  | -  |
| Anonymous                     | X         | X  | -  | -  | X          | X  | X  | -  | X  | X  | X  | -  | -               | X  | -  | X  | X  | -  | -  | X  |
| Contracted companies          | X         | -  | X  | X  | X          | -  | X  | X  | -  | -  | -  | -  | -               | -  | -  | -  | X  | -  | -  | -  |
| Trade union                   | X         | X  | -  | X  | X          | -  | X  | -  | -  | -  | -  | -  | X               | -  | -  | -  | -  | X  | -  | X  |
| <b>Caps on</b>                |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Donations                     | X         | X  | X  | X  | X          | X  | X  | X  | X  | -  | -  | -  | -               | X  | -  | -  | -  | -  | X  | -  |
| Expenditure                   | X         | X  | X  | X  | X          | X  | X  | X  | X  | X  | X  | -  | -               | X  | X  | X  | X  | -  | X  | -  |
| Ban on vote buying            | X         | X  | X  | X  | X          | X  | X  | X  | X  | X  | X  | X  | X               | X  | X  | X  | X  | X  | X  | X  |
| <b>Gender equality</b>        |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Elections                     | -         | -  | X  | X  | -          | -  | -  | -  | -  | -  | -  | -  | -               | -  | -  | -  | -  | -  | -  | -  |
| Activities                    | -         | -  | -  | X  | -          | -  | -  | -  | -  | -  | -  | -  | -               | X  | -  | -  | -  | -  | -  | -  |

|                            | East Asia |    |    |    | South Asia |    |    |    |    |    |    |    | South East Asia |    |    |    |    |    |    |    |
|----------------------------|-----------|----|----|----|------------|----|----|----|----|----|----|----|-----------------|----|----|----|----|----|----|----|
|                            | JP        | MN | TW | SK | AF         | BG | BU | IN | MD | NP | PK | SL | CB              | ID | ML | MY | PH | SG | TH | TL |
| <b>Reporting</b>           |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Regular                    | X         | X  | X  | X  | X          | X  | X  | X  | X  | X  | X  | X  | X               | X  | X  | -  | -  | X  | X  | X  |
| Electoral campaign         | X         | X  | X  | X  | X          | X  | X  | X  | X  | X  | X  | -  | X               | X  | X  | X  | X  | X  | X  | x  |
| Public                     | X         | X  | X  | X  | X          | X  | -  | X  | X  | X  | X  | -  | -               | X  | -  | X  | X  | X  | X  | X  |
| <b>Oversight</b>           |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Party                      | -         | -  | -  | -  | -          | -  | -  | -  | -  | -  | -  | -  | -               | -  | -  | -  | -  | -  | -  | -  |
| Parliament                 | -         | -  | -  | -  | -          | -  | -  | -  | -  | -  | -  | -  | -               | -  | -  | X  | -  | -  | -  | -  |
| Electoral Commission       | X         | X  | -  | X  | X          | X  | -  | X  | X  | X  | X  | -  | X               | X  | -  | -  | X  | -  | X  | X  |
| Audit Office               | -         | X  | X  | -  | -          | -  | X  | -  | X  | X  | -  | X  | -               | -  | X  | -  | -  | -  | X  | -  |
| Judiciary                  | -         | -  | -  | -  | -          | -  | -  | -  | X  | -  | -  | -  | -               | -  | X  | -  | -  | X  | -  | -  |
| Government                 | X         | -  | -  | -  | -          | -  | -  | -  | -  | -  | -  | -  | X               | -  | -  | -  | -  | -  | -  | -  |
| Anti-corruption agency     | -         | -  | -  | -  | -          | -  | -  | -  | -  | -  | -  | -  | -               | -  | -  | -  | -  | -  | -  | -  |
| Other                      | X         | -  | -  | -  | -          | -  | -  | -  | -  | X  | -  | -  | -               | X  | X  | -  | -  | X  | X  | -  |
| <b>Sanctions</b>           |           |    |    |    |            |    |    |    |    |    |    |    |                 |    |    |    |    |    |    |    |
| Fines                      | X         | X  | X  | X  | X          | X  | -  | X  | X  | -  | -  | -  | X               | X  | X  | X  | X  | X  | X  | X  |
| Prison                     | X         | X  | X  | X  | X          | X  | -  | X  | -  | -  | X  | -  | -               | X  | X  | X  | X  | X  | X  | X  |
| Forfeiture                 | -         | -  | -  | X  | -          | -  | -  | X  | -  | X  | -  | -  | -               | -  | X  | -  | X  | X  | X  | -  |
| Suspension/loss of funding | -         | -  | -  | -  | -          | -  | -  | -  | X  | -  | -  | -  | -               | X  | -  | -  | -  | -  | X  | x  |
| De-registration of party   | -         | -  | -  | -  | -          | X  | X  | -  | -  | -  | X  | X  | X               | -  | X  | X  | -  | X  | X  | -  |
| Others                     | -         | X  | -  | X  | -          | X  | X  | X  | -  | X  | -  | -  | -               | X  | X  | X  | X  | X  | X  | -  |

Notes: X = presence; - = absence.

JP = Japan, MN = Mongolia, TW = Taiwan, SK = South Korea, AF = Afghanistan, BG = Bangladesh, BU = Bhutan, IN = India, MD = Maldives, NP = Nepal, PK = Pakistan, SL = Sri Lanka, CB = Cambodia, ID = Indonesia, ML = Malaysia, MY = Myanmar, PH = the Philippines, SG = Singapore, TH = Thailand, TL = Timor-Leste

Source: International IDEA, Political Finance Database, <<http://www.idea.int/data-tools/data/political-finance-databases>>, accessed 5 December 2018

Enhancing the integrity of political finance systems is one of the main ways to address political corruption. In Asia, the comprehensiveness of political finance systems and the level of implementation vary significantly across countries. This policy paper draws on the 2018 data of the International Institute for Democracy and Electoral Assistance (International IDEA) Political Finance Database and covers South Asia, South East Asia and East Asia.

It investigates three key questions:

- What are the main corruption risks associated with the funding of political parties and election campaigns in Asian countries?
- What types of political finance regimes do those countries have?
- How could existing political finance regimes be improved to tackle political corruption?