



[ADRN Online Seminar] Examining Systems of Political Finance in Asian Democracies: Reforms for Transparency and Integrity

Searching for Ways to Improve : The System of Checks and Balances in Political Funds

I. Overview

Inadequate political finance systems pave the way for corruption and abuse (...) What are viable ways to enhance transparency and integrity?

The term “political finance” is used to describe all funds that are raised and spent for political purposes. Across democratic countries, various models exist based on which political parties and candidates can raise funds for political campaigns and contest for public offices. Regarding the use of political funds, a system of checks and balances is crucial to ensure level of the playing field for all associated actors.

Through this online seminar, panelists from Pakistan, Indonesia, Taiwan, and Malaysia provided an overview of their respective systems of political finance. Through comparing, contrasting, and providing comprehensive feedback of each system, panelists provided policy recommendations on how to reform each system.

II. Systems of Political Finance in Asian Democracies

Pakistan

- **System of Political Finance Based on the Constitution:** In Pakistan, the system of political finance is enshrined in the constitution. It is detailed in the Elections Act of 2017, the latest Act of Parliament on the subject. The Elections Commission of Pakistan (ECP) is the focal institution that is legally charged with the responsibility to implement clauses dealing with financial matters in the electoral and political domain. The ECP has the authority to monitor political finance, and takes action in the case of a violation of election financial laws. Election laws in Pakistan put a cap on election expenses for candidates running for the National Assembly and each of the 4 Provincial Assemblies. Additionally, at the time of the submission of nomination papers to contest election for Parliament and Provincial Assemblies, each candidate is required to submit a financial statement and an elaborate 23-point affidavit, including details of outstanding loans, whether or not they defaulted any outstanding dues or bills, any associated, businesses, details of foreign travel, and the like. However, despite the aforementioned constitutional regulations, the lack of adequate capacity and the will to enforce such laws limits the effectiveness and transparency of the system of political finance. Therefore while the legal and constitutional aspect of political finance system in Pakistan is quite elaborate, its effective implementation needs to be improved by the ECP.



- **The Emergence of New Election Dynamics and Change:** The lack of a financial limit on election expenses for a political party had not been a huge issue in the past when the scale of overall party spending was rather limited and all election-related expenses were incurred by candidates. However, the advent of new election dynamics has increased the consequences of its absence. Additionally, political parties are increasingly using electronic media for their direct and indirect political messaging, of which expenses are not legally categorized as party expenses.

Indonesia

- **A Clear System of Checks and Balances:** In Indonesia, political parties can run for elections only after having undergone procedures such as the submission of the organization and structure of the political party to the General Election Commission (GEC), verification by the GEC, and its approval. For the 2019 elections, the Election Law of 2019 stipulates that each political party must deliver their campaign report to the GEC not only to disclose their political party campaign finance, but also to increase the accountability of the political parties in managing their finances. Likewise, political parties are subject to financial disclosure.
- **Regardless, Corruption is Prevalent:** A report by the Commission for Eradicating Corruption shows that the number of corruption cases involving politicians seeking funds to satisfy the needs of political parties has been on an increase. The legal foundations for increased accountability of the political party do not enforce the submission of financial reports based on correct accounting standards; instead, they only state the necessary contents. Financial reports are also often not disclosed for public access.

Taiwan

- **Regulations by the Control Yuan:** Since the enactment of The Political Donations Act in 2004, the only legal political finance system in Taiwan has been to tolerate donation towards dedicated accounts regulated by the Control Yuan. The basic legal framework was set up according to the proposals submitted by members of Legislative Yuan or the Executive Yuan before the deliberation of the members of Legislative Yuan. Consequently, the Control Yuan oversees the declaration of donations, accounts permission, change and cancellation of donations. This act specifies the period during which contributions can be accepted and limits the amount of money individuals, civil associations, and businesses can contribute to political parties and groups.
- **Concerns Derived from Complexity and Strictness:** The complexity of the system makes it difficult for lawmakers and judges to determine whether the exchange has been quid pro quo. Additionally, complexities arise from the regulations' associations with other laws such as the lobbying law. Therefore, despite strict measures taken from regulators, judges, and prosecutors, politics is still highly monetized in Taiwan.

Malaysia

- **The Absence of Legislation Regulating Political Finance:** Malaysia does not currently have any legislation that regulates the financing of political activities and its absence opens room for



corruption. Malaysia has a long history of corporate involvement in the political sector. The lack of accountability is another key issue that elected representatives face. It is difficult to find trusted proxies; therefore, people within political parties often carry out unconventional transactions unknown to the MPs. Additionally, it has been observed that smaller parties obtain lesser funding, which potentially stalls their growth.

- **Six Key Issues with the Current Political Financing System:** IDEAS outlines six key issues associated with current political financing system – monetization of politics, unequal access to funds, factionalism, covert funds, inadequate law enforcement and weak institutions. This is fertile ground for corruption, patronage and cronyism. The situation is worsened by the fact that Malaysia lacks an asset declaration law at the federal level.

III. Areas for Reform

Pakistan

- In Pakistan, two key areas of reform are (1) to place a reasonable limit on electoral spending by political parties and (2) to build and enhance the capacity of the Election Commission to fully analyze and enforce a reformed system of political finance.

Indonesia

- In Indonesia, there are three key areas of reform, which are respectively (1) to increase the efficiency of regulations through the enforcement of the implementation of regulation by an independent body and to increase government assistance, (2) to increase political education related to campaign activities and conduct separate reporting, and (3) to maintain a balance in the portion allocation towards political education and office needs and in public and private sources.

Taiwan

- Areas for improvement identified are (1) to increase the manpower of the Control Yuan to check violations (2) to prevent corporations eluding from the upper limit (3) and to strengthen grounds for laws associated with the Political Donations Act.

Malaysia

- There are three key areas of reform in Malaysia. The first is to bring in and effectively implement a political financing act, consisting of rules and procedures for a party to raise money, how to keep that money, and how that money can be spent; requirements for party accounts to be audited and its financial report to be made available to the public; clear punishment mechanisms for those who violate the rules; and limits on the amount that can be donated and tax exemptions for donors. The second is to adopt a public funding framework in the system, with a maximum of 0.05% of the annual budget administered by the Election Commission (EC). The third is to provide indirect funding to political parties. ■



Speakers, Discussant, Moderator Biographies

■ **Aira Azhari** manages IDEAS' Democracy and Governance Unit, where she oversees research and advocacy on the topics of accountable governance, anti-corruption and creating a more policy-oriented political culture in Malaysia. She provides political analysis for IDEAS and various audiences including diplomats, MNCs, the media, the corporate sector as well as civil society organisations. Aira has been interviewed by the BBC (World News and Radio), Astro Awani, Bernama, Channel News Asia, Radio Televisyen Malaysia, Lite FM and BFM on matters relating to Malaysian politics, economics and governance. Aira graduated with a Master of Laws in Public International Law from the London School of Economics and Political Science and a Bachelor of Laws from the University of Liverpool, United Kingdom.

■ **Ahmed Bilal Mehboob** is the founder President of PILDAT, Mr. Ahmed Bilal Mehboob has over 25 years experience in senior management and advisory positions and over 8 years experience in design, planning and implementation of projects in the field of Parliamentary development, strengthening democratic institutions, democratisation, political discourse, election monitoring and dialogues for reconciliation. Mr. Mehboob is considered an authority on political, legislative and electoral affairs of the country.

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