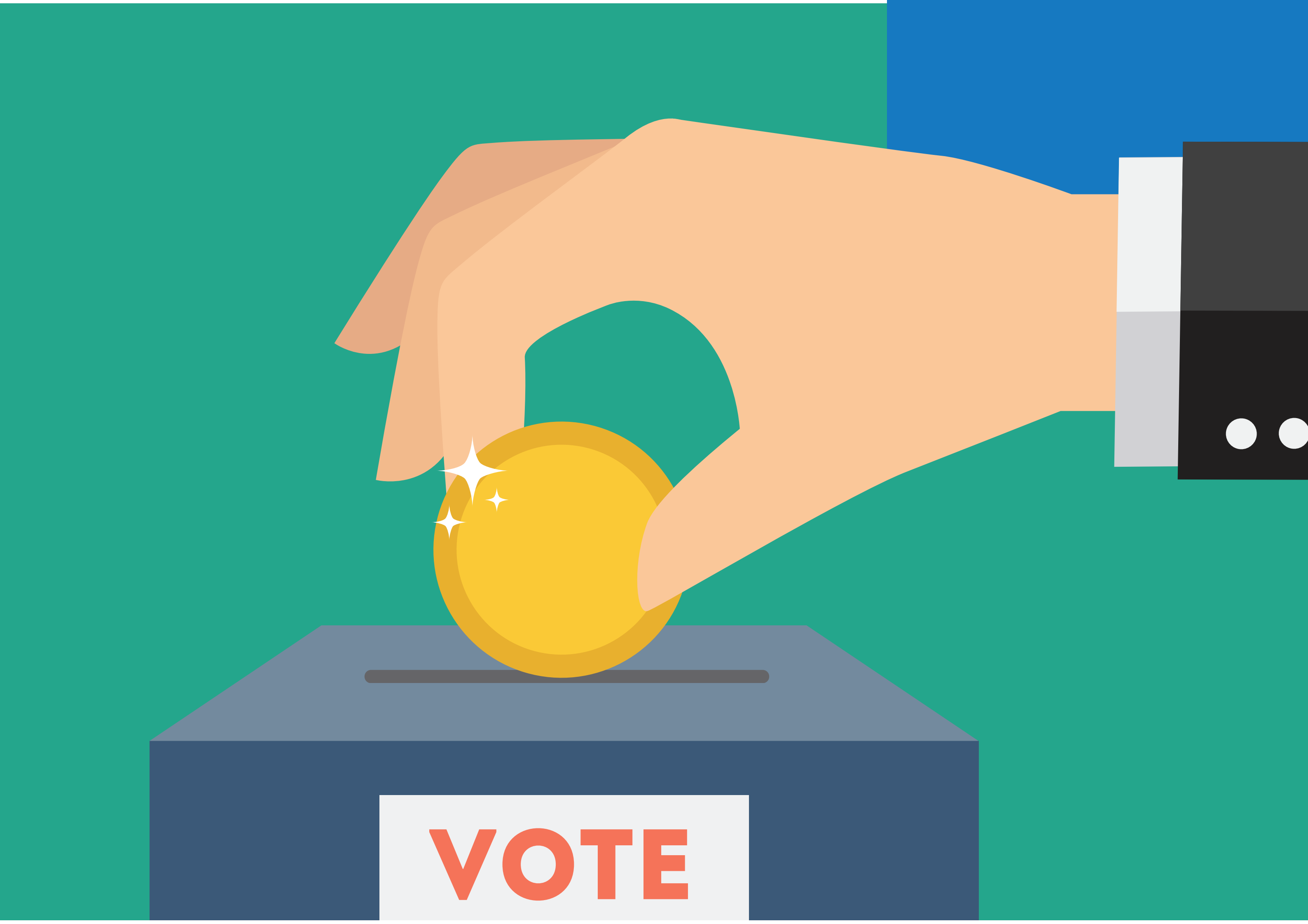


Political Party Finance Reform in Southeast-Asia

RESPECT (The Asia Pacific Regional Support for Elections and Political Transitions) Program in collaboration with:

- **Perludem (Perkumpulan untuk Pemilu dan Demokrasi/The Association for Elections and Democracy) - Indonesia**
- **Bersih 2.0 - Malaysia**
- **LENTE (Legal Network for Truthful Elections) - Philippines**
- **PRADET (Psychosocial Recovery and Development in East Timor) and Caucus Women in Politic Foundation – Timor Leste**
- **International IDEA (The International Institute for Democracy and Electoral Assistance)**

Comparative Overview of Political Finance Systems in Indonesia, Malaysia, the Philippines and Timor-Leste: The regional context and the way forward

Yukihiko Hamada and **Khushbu Agrawal**
International IDEA

INTRODUCTION

Regulations concerning the funding of political parties and election campaigns, commonly known as *political finance*, play a critical role in safeguarding the integrity of political processes and institutions in any democracy. While money enables political participation and representation as well as the expression of political support, ineffectively designed political finance systems could lead to corruption, threatening key democratic principles and values.

Improving the quality of political finance systems is high on the global anti-corruption agenda. For example, Article 7.3 of the United Nations Convention Against Corruption (UNCAC) calls on countries to enhance 'transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties'. Political finance reforms are particularly needed in Southeast Asia in order to mitigate corruption risks and restore public trust in politics. Recent studies (Mobrand, Casal Bértoa and Hamada 2019; Simandjuntak 2021) highlight persisting political finance challenges that are common to the region, such as the absence of regulations, intertwined business-government relations, weak bookkeeping practices of political parties, and a low level of compliance. Such findings underscore the need to intensify efforts to review the functioning of existing political finance systems at a country level in order to advance evidence-based reforms for greater transparency and accountability in politics.

The countries included in this publication are Indonesia, Malaysia, the Philippines and Timor-Leste. They have all conducted multiparty elections over the last three years. While the robustness of political finance systems and the level of implementation vary across these countries, undue influence of large donations and limited capacities of oversight agencies continue to be major bottlenecks in mitigating corruption risks in all of them. Most countries still struggle to monitor and evaluate the performance of their political finance systems and there is a shortage of objective data comparing the practices of political finance regulations in different country contexts.

This chapter provides a concise comparative overview of political finance systems in Indonesia, Malaysia, the Philippines and Timor-Leste and also puts them in a wider Southeast Asia[1] and global context. The assessment provided in this chapter mostly draws from desk research, analysis of relevant political finance regulations in the respective countries, and data from International IDEA's Political Finance Database and Global State of Democracy (GSoD) indices. It aims to highlight similarities and differences among the political finance systems in these countries and sets the scene for the subsequent papers that look closely at the details of each country. In terms of analytical framework, this paper focuses on four key components of political finance systems—regulations of private donations, provisions of public funding, regulations on spending and oversight mechanisms—with reference to comparative data and good practices. In addition, this paper points out several emerging issues that are not currently covered under political finance systems in the region in order to provide a basis for future debates on reform. This paper also aims to analyse the level of implementation of each regulatory component. At the end of the chapter, a set of recommendations is also provided in order to enhance transparency and accountability in political finance in all four countries.

1 In this paper, Southeast Asia refers to Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

OVERVIEW OF POLITICAL AND ELECTORAL ENVIRONMENTS IN INDONESIA, MALAYSIA, THE PHILIPPINES AND TIMOR-LESTE

Southeast Asia has exceptionally diverse levels of socio-economic development, including both impoverished regions and affluent fast-growing countries. Political and electoral environments in Indonesia, Malaysia, the Philippines and Timor-Leste also reflect the diversity of the region and present both similarities and differences (Table 1).

Table 1. Comparative overview

	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Population (2019 Worldbank Data)	270,625,568	31,949,777	108,116,615	1,293,119
No. of registered voters	192,866,254	14,940,624	63,643,263	784,286
Electoral system for national legislature	List proportional representation	First past the post	Parallel system	List proportional representation
Parliamentary system	Bicameral	Bicameral	Bicameral	Unicameral
No. of political parties in the parliament	9	18	22	8
% of women in the parliament	21%	14.9%	28%	38.5%
Main institution(s) responsible for political finance oversight	General Elections Commission of Indonesia (KPU) General Election Supervisory Agency (BAWASLU)	Malaysian Electoral Commission Registrar of Societies (ROS)	COMELEC (Commission on Elections)	National Elections Commission (CNE)
Main political finance regulatory framework	Law No. 2/2011 (Law on Political Parties) Law No. 10/2016 (Law on the Government Procedures and Regulations on the Elections of the Governor, Regent, and Candidates) Law No. 7/2017 (General Election Law 2017)	(There is no dedicated law on political finance) 1954 Election Offences Act 1966 Societies Act 2009 Malaysian Anti-corruption Commission Act	Omnibus Election Code Corporation Code (2019 amendments) Republic Act No. 7166	2006 Law No. 2 (Political Parties Law) Governmental Decree Law No. 5/2017 (Regulation for the Electoral Campaign) Political Parties Decree Law No. 6/2008 (Financing of Political Parties)
Public funding to political parties	Yes, regularly provided funding	No	No	Yes, both regularly and in relation to campaigns
Year of last national election	2019	2018	2019	2018
Corruption Perceptions Index (CPI) rank out of 180 countries (2020)	102	57	115	86

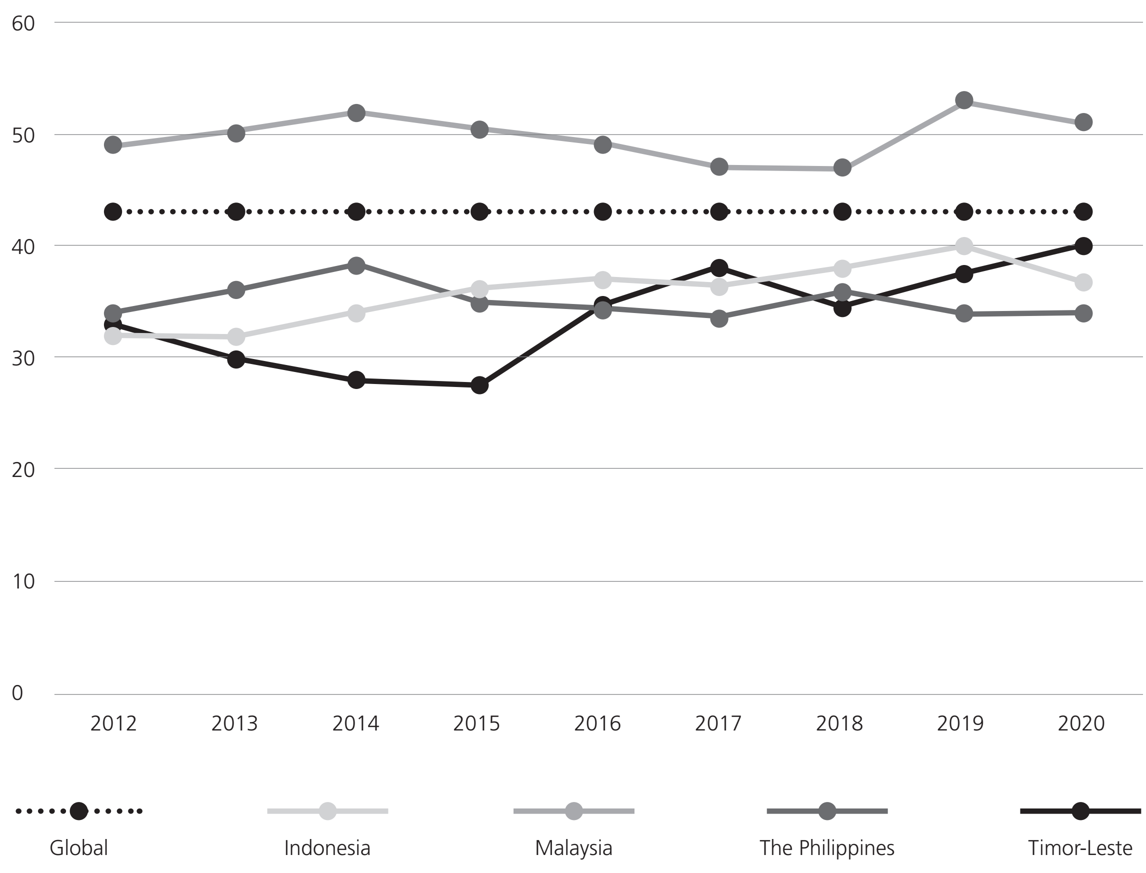
SOURCES: WORLD BANK GROUP (2019), INTERNATIONAL IDEA VOTER TURNOUT DATABASE, INTER PARLIAMENTARY UNION (2021), INTERNATIONAL IDEA POLITICAL FINANCE DATABASE AND TRANSPARENCY INTERNATIONAL (2020)

The current state of democracies in the four countries

Since the fall of the authoritarian regime in 1998, Indonesia has undergone a democratic transformation and has been the world's third largest democracy since 2000. The country now holds vibrant reform discussions and has an active civil society. The Philippines also transitioned from authoritarian rule to democracy in 1986. While having a series of democratic elections, the country recently experienced democratic backsliding, for example in the area of social group equality (International IDEA 2019). Timor-Leste, on the other hand, is a small, young, emerging nation, with a population of 1.3 million inhabitants. While the country is still in the process of building its administration and governmental institutions, it has managed to hold several democratic elections since its independence in 1999 and the restoration of independence in 2002. Malaysia also transitioned to a democracy from one of the most persistent hybrid regimes in Southeast Asia in 2018, when an opposition alliance won the 2018 elections and ended the Barisan Nasional's 60-year monopoly over power. A period of political turbulence in early 2020 and the collapse of the coalition, however, led to a new governing coalition involving the old ruling party, and to a break in what had seemed like a democratic transition in Malaysia (International IDEA 2020).

While the four countries experience different democratic trajectories, there is room for improvement in all of them. In particular, systematic corruption in politics is one of the areas that has not been mitigated effectively in the region (Figure 1). Corruption Perception Indices (CPI) of Indonesia, the Philippines and Timor-Leste have been consistently below the global average, while that of Malaysia has not improved significantly in the last decade. The perceived prevalence of corruption in politics underscores the need to intensify efforts to reform political finance systems to make money play a more positive role in politics.

Figure 1. Corruption Perceptions Index (CPI), 2012–2020



SOURCE: TRANSPARENCY INTERNATIONAL 2020.

Electoral and parliamentary systems

Indonesia, Malaysia and the Philippines all have bicameral legislatures, with a Senate (upper house) and a House of Representatives (lower house). In Indonesia, the members of the lower house are elected through an open-list proportional representation system from 80 constituencies; in the 2019 election, representatives from nine different political parties were elected to the Indonesian parliament (Russel 2020). In Malaysia, the members of the lower house are elected through elections in single-member constituencies using a first-past-the-post (FPTP) system. Currently, 18 political parties are represented in the Malaysian legislature (Parliament of Malaysia 2021). The Philippines uses a parallel system: 243 seats (the district representatives) are elected through a FPTP system in single-member constituencies, and 61 seats (the party-list seats) through a list proportional representation system. In the national election in 2019, representatives from 22 political parties were elected to the national parliament. Timor-Leste is the only one of the countries that has a unicameral national parliament, where the 65 seats of the parliament are elected by a closed-list proportional representation system using the d'Hondt method. Compared with other methods for seat allocation, the d'Hondt method tends to lead to less proportional results. However, it is effective in securing parliamentary operability by facilitating majority formation. Eight political parties are currently represented in the national legislature of Timor-Leste. As for representation of women in national parliaments, both Indonesia and Malaysia fall below the global average of 25.4% (IPU 2021). The Philippines and Timor-Leste have a higher percentage of women parliamentarians in their national parliaments than the global average. Timor-Leste is the only country among the four with more than 30% women parliamentarians, which is considered the 'critical mass' (IPU 2021).

Political finance regulatory frameworks

While Indonesia, the Philippines and Timor-Leste all have political finance legal frameworks in place, Malaysia does not have a formal law that regulates how political parties fund their operations. Hence, there is no mechanism to oversee or hold political parties accountable for their funding (Tayeb and Ragu 2021). All countries do, however, have at least one institution responsible for political finance oversight, including the monitoring and auditing of the financial reports of political parties. In Indonesia and Timor-Leste, political parties regularly receive public funding, while in Malaysia and the Philippines they receive no public funding (International IDEA 2020). The following section closely examines key components of political finance systems—regulations of private funding, provisions of public funding, regulations on spending, and oversight—in Indonesia, Malaysia, the Philippines and Timor-Leste with reference to global and regional comparative data.

REGULATIONS RELATING TO PRIVATE FUNDING

Private funding, mostly in the form of donations from various permissible sources, constitutes a large part of party and campaign income in many countries. Private funding allows for political expression and support by citizens. However, if inadequately regulated, private funding could be a means by which powerful undue interests could capture the policymaking process and its outcomes. In practice, regulating private funding often means banning or limiting certain sources as well as setting certain donation limits.

Corporate donations are still largely unregulated

In Southeast Asia, regulations relating to private funding are particularly important as business interests are often criticized for receiving favourable treatment in exchange for generous donations to political parties, forming patronage government–business relations (International IDEA 2019; Mietzner 2015). There are different types of donation bans for different purposes (Table 2).

Table 2. Types of banned private donations to political parties

TYPE OF DONATION BAN	MAIN RATIONALE	% OF COUNTRIES WITH A BAN (GLOBAL)	% OF COUNTRIES WITH A BAN (SOUTHEAST ASIA)	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Anonymous sources	To ensure transparency of party funding and a greater chance of monitoring compliance with political finance regulations	67.8%	62.5%	Yes	No	Yes	Yes
Foreign sources	To prevent foreign influence (principle of self-determination)	68.3%	87.5%	Yes	No	Yes	Yes
Corporations	To limit influence of financing from vested corporate interests	25.6%	12.5%	No	No	No	Yes
Corporations with government contracts	To reduce corruption risks and safeguard the integrity of public procurement systems	35%	25%	No	No	Yes	Yes
Corporations with partial government ownership	To avoid use of public funds for political purposes	48.9%	25%	No	No	No	Yes

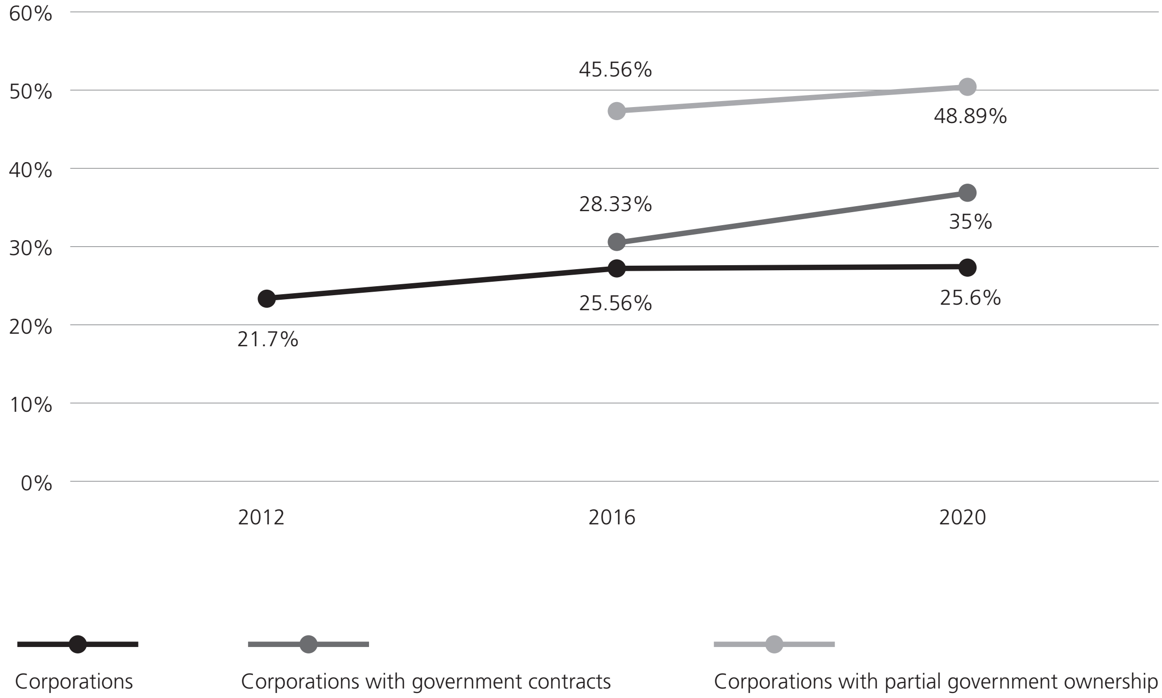
SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE; FALGUERA, JONES AND OHMAN (2014).

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. The ban on anonymous donations includes a partial ban above certain thresholds. No data is found in 2.2% of countries on anonymous donations; 1.1% of countries on foreign donations; 3.3% of countries on corporate donations; 10.6% of countries on corporations with government contracts; and 12.2% of countries on corporations with partial government ownership.

While Malaysia has no law that regulates how political parties fund their operations, Indonesia, the Philippines and Timor-Leste ban both foreign and anonymous donations in line with global and Southeast Asian trends. When it comes to regulations concerning corporate donations, the data confirms that business interests are generally not subject to strict donation bans in Southeast Asia. Within the region, only Timor-Leste places a ban on corporate donations. As of 2020, 25.6% of countries around the world prohibit corporations from making donations to political parties (International IDEA n.d.-a). Globally, the number of countries with bans on corporate donations to political parties has been increasing slightly over time (Figure 2). For example, Canada, Chile and Estonia ban all corporate donations to political parties. In Asia, South Korea also has such a ban. This was a result of incidents in which political parties received large amounts of illegal funds from corporations to cover their campaign expenses for the 2002 presidential election. In August 2005, South Korea revised the Political Funds Act so that corporations were fundamentally prohibited from making donations to political parties.

If corporate donations are allowed, it would be worth considering restrictions for certain corporate donors, such as corporations with government contracts and corporations with partial government ownership. The award of public contracts is particularly vulnerable to corruption and could be exploited by politicians to return the favour of large corporate donations. Similarly, donations from corporations with partial government ownership could end up channelling public funds into supporting particular political parties and distorting the level playing field among political parties. Globally, bans on donations from state-owned corporations and corporations with government contracts are found in 48.9% and 35% of countries, respectively; Southeast Asian countries lag behind such regulatory trends with just 25% banning these types of donations. Timor-Leste bans donations from both corporations with government contracts and those with partial government ownership, while the Philippines bans donations only from corporations with government contracts. In Asia, countries such as Japan, India and South Korea ban donations from both corporations with government contracts and those with partial government ownership. It appears that regulations concerning various types of corporate donation are one of the weakest aspects of political finance systems in Indonesia, Malaysia and the Philippines, thus creating a large loophole in the integrity of those countries' democracies.

Figure 2. Percentage of countries with a ban on various corporate donations to political parties



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Donation limits could help frame private funding in the region

In addition to various donation bans, setting a limit on the amount a donor can contribute to political parties and candidates could provide a legal safeguard against a few large donors gaining excessive influence in politics (Table 3). Donation limits could also encourage political parties and candidates to reach out to a larger number of smaller donors, creating a more diverse support base.

Table 3. Overview of the use of donation limits

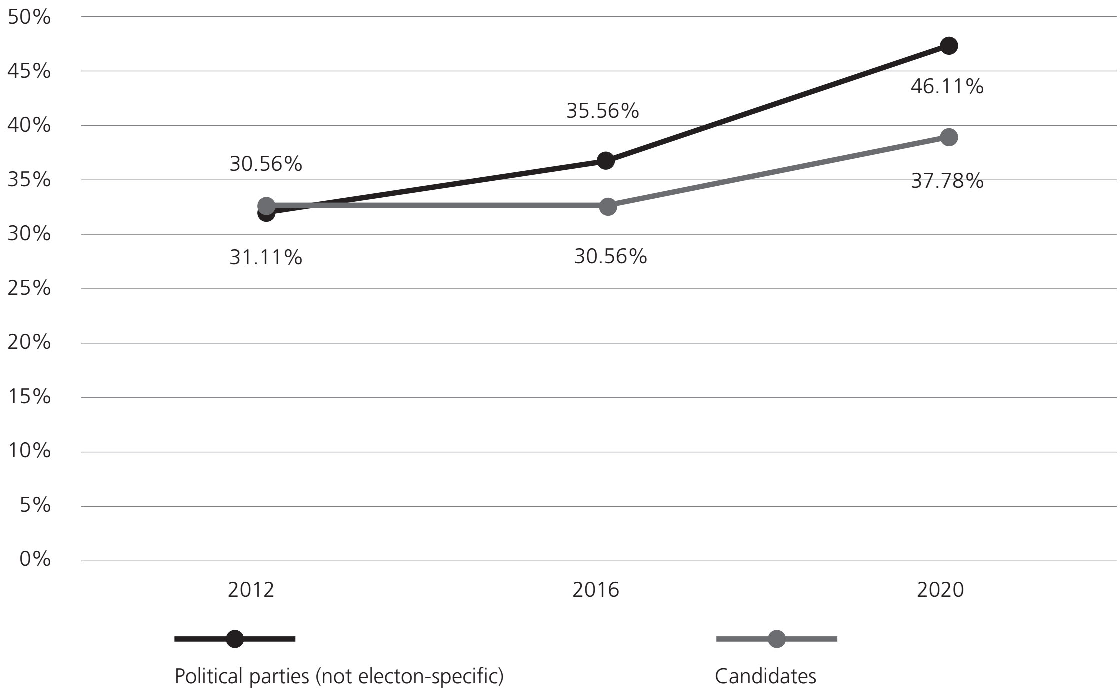
	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIP-PINES	TIMOR-LES-TE
Donation limits to political parties (not election-specific)	46.1%	25%	Yes	No	No	No
Donation limits to political parties (election-specific)	34%	0%	No	No	No	No
Donation limits to candidates (not election-specific)	37.8%	12.5%	Yes	No	No	No

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data is found in 5.6% of countries on donations to political parties (not election-specific), 8.3% of countries on donations to political parties (election-specific) and 8.9% of counties on donation limits to candidates.

Globally, donation limits are common features of political finance regulatory regimes and 46.1% of countries have some kind of limit to contributions to political parties. Since 2012, the number of countries with donation limits to political parties and candidates has increased by 15 and 6 percentage points respectively (Figure 3).

Figure 3. Percentage of countries globally with a donation limit to political parties and candidates (not election-specific)



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Despite the increasing popularity of donation limits as a regulatory option, they do not exist in many countries in Southeast Asia. For non-election-specific periods, donation limits to political parties and candidates are present in only 25% and 12.5% of Southeast Asian countries; these figures are much lower than the global averages of 46.1% and

37.8% respectively. In Indonesia, there is a legislated limit on the amount a donor can contribute to a political party over a set time period. This limit is IDR 1,000,000,000 (USD 69,123) within the period of one fiscal year per person, and IDR 7,500,000,000 (USD 518,419 USD) within a period of one fiscal year for companies. There is also a limit on the amount a donor can contribute to a candidate. Such limits vary depending on the type of donor and candidate, but range from IDR 750,000,000 (USD 51,842) to IDR 25,000,000,000 (USD 1,728,065). Thailand is another country in Southeast Asia that imposes a legislated contribution limit: THB 10 million (USD 322,269) per year for natural persons and THB 5 million (USD 161,134) per year for legal persons. However, there is no legislated contribution limits on donations to political parties and candidates in Malaysia, the Philippines or Timor-Leste. In order to mitigate the influence of big money in politics in the region, donation limits should be considered for any future political finance reform. It is also important to note that setting the appropriate level of donation limits requires a thorough assessment of country-specific contexts: if the limit is too high, it will have little impact; and if the limit is too low, donors will find ways to circumvent it.

Self-funding, loans and revenues from commercial activities need more regulatory attention in the region

There are several activities that could circumvent bans and limits on donations. In some countries, candidates are allowed to fund their own campaigns (self-funding). Similarly, political parties and candidates are sometimes allowed to take out loans; these may be considered hidden private donations. Some political parties are also allowed to engage in commercial activities and raise funding from such businesses. Regulations concerning these activities are not so common in Southeast Asia (Table 4). One example of such regulation in the region can be found in Indonesia, where political parties are prohibited from establishing a business entity or owning shares in a business entity. Generally, if self-funding, loans and commercial activities by parties are allowed, it is even more crucial to require political parties and candidates to disclose information regarding such activities to ensure transparency and accountability in political finance systems.

Table 4. Overview of regulations concerning self-funding, loans and commercial activities

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Regulations on self-funding	26.7%	13%	No	No	No	No
Regulations on loans by political parties	19.4%	0%	No	No	No	No
Regulations on political parties engaging with commercial activities	32.3%	25%	Yes	No	No	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data is available for 13.9% of countries on self-funding, 17.8% on loans by political parties and 15.6% on political parties engaging with commercial activities.

Regulations on the abuse of state resources are common in the region, but compliance remains unclear

The misuse of state resources by incumbent parties and candidates to promote their re-election presents a risk to the level playing field. Such abuse could take the forms of elected officials using official vehicles during election campaigns, campaign travel costs being billed as regular official travel expenses, and rallies being organized in government venues. On paper, the majority of Southeast Asian countries (75%) have a provision to regulate the abuse of state resources, exceeding the global average of 63.9% (Table 5). Indonesia, the Philippines and Timor-Leste all ban the abuse of state resources.

Table 5. Regulations on the abuse of state resources

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIP-PINES	TIMOR-LESTE
Regulations on the abuse of state resources	63.9%	75%	Yes	No	Yes	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. Of surveyed countries, 14.4% have no data.

However, the level of compliance with such provisions remains unclear in many countries. For example, there was a corruption allegation in the Philippines involving the abuse of state resources in relation to the Greater Medicare Access project in 2004 (Reyes, Rosales and Yabut 2020). Similarly, the abuse of state resources in Indonesian election campaigns has been pointed out by several studies (for example, Allen 2014; Naibaho, Rinwigati and Ghozi 2021). Most recently, one of Indonesia's ministers was alleged to have used social aid funding for COVID-19 to support his election campaign (Prabowo 2020). Serious efforts to fully implement provisions to ban the abuse of state resources are much needed in the region.

THE PROVISION OF PUBLIC FUNDING

Public funding supports the sustainability and institutionalization of political parties while reducing their dependence on private funding. By attaching a condition under which public funding can be withdrawn or reduced in the case of non-compliance together with other political finance regulations such as timely reporting, public funding could also be an effective means to incentivize political parties and candidates to follow the existing regulations. Public funding can be either direct (public subsidies) or indirect (free or subsidized services or goods such as airtime on national television).

The adoption of direct public funding in the region is not as prevalent as in the rest of the world

Globally, nearly 70% of countries provide some sort of direct public funding to political parties and candidates. In Europe, it is a popular regulatory option that exists in 88.6% of countries. In contrast to the global trend, 50% of Southeast Asian countries with multi-party elections adopt provisions for direct public funding. Indonesia and Timor-Leste regularly provide public funding to political parties while Malaysia and the Philippines do not have a public funding system (Table 6). In addition, Cambodia has provisions for public funding in relation to campaigns and Thailand has provisions for regular funding. In order to support the growth of multiparty democracy and reduce the influence of big private donors in politics, the introduction of public funding is desirable in Southeast Asia.

Table 6. Provisions for direct public funding

		GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Public funding		69.2%	50%	Yes	No	No	Yes
Frequency	Regularly	35.2%	37.5%	✓			
	In relation to campaigns	8.9%	12.5%				
	Both regularly and in relation to campaigns	25.1%	0%				✓

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. Of surveyed countries, 3.4% have no data.

For those countries with a public funding system, it is also important to consider appropriate eligibility and allocation criteria for such state subsidies. For example, Indonesia and Timor-Leste require representation in the parliament as a criterion for political parties to receive public funding. While this is a common approach in many countries, it may present a challenge for new or smaller parties to benefit from public funding. Requiring a certain share of votes in an election as an eligibility threshold for public funding might be an alternative option, so that all political parties with some proven popular support could access funding. Similarly, allocation criteria affect the level of funding provided to political parties. The most popular approach is to allocate public funding in proportion to either votes received or seats won by political parties.

Free or subsidized access to media for candidates is a popular option for indirect public funding

In addition to direct public funding, many countries also provide indirect public funding to political parties and candidates. This can take the forms of, for example, access to media, tax relief, premises for campaign meetings, and subsidized postage costs. The most common form is to provide free or subsidized access to the media for political parties and candidates. In Indonesia, the Philippines and Timor-Leste, candidates enjoy free or subsidized access to the media (Table 7). However, on average, free or subsidized access to the media for political parties and candidates is less common in Southeast Asia than in the rest of the world.

Table 7. Free or subsidized access to the media for political parties and candidates

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political parties	68.3%	37.5%	No	No	No	No
Candidates	59.8%	37.5%	Yes	No	Yes	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data on access to the media for political parties and candidates is found in 8.3% and 6.1% of countries respectively.

REGULATIONS ON SPENDING

In order to reduce the advantages of political parties and candidates with access to large amounts of money, and to control overall spending on election campaigns, some countries limit the amount of money that political parties and candidates are allowed to spend during election campaigns. The underlying objective of imposing such limits is to reduce the overall cost of elections and prevent a spending race between political parties.

Globally, 35% of countries place a limit on the amount a political party can spend, and 49.2% of countries place a limit on the amount a candidate can spend. In Southeast Asia, three out of eight countries (including the Philippines) have a spending limit for political parties, and five out of eight countries (including Indonesia, Malaysia and the Philippines) have a legislated spending limit for candidates (Table 8).

Table 8. Percentage of countries with spending limits for political parties and candidates

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political party	35%	37.5%	No	No	Yes	No
Candidate	49.2%	62.5%	Yes	Yes	Yes	No

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

Between 2012 and 2020, the number of countries in the world imposing a legislated spending limit for political parties increased from 28.3% to 35%, and for candidates from 43.9% to 48.9% (Figure 4).

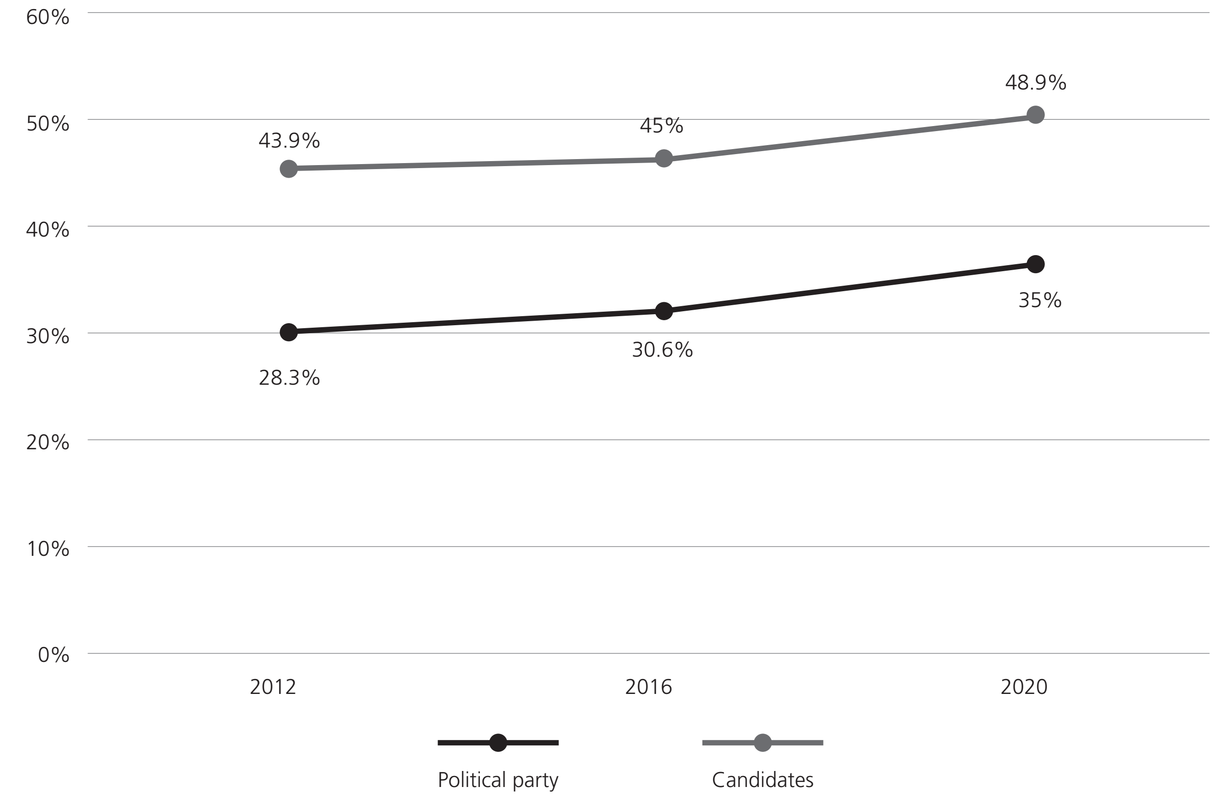
Of the four countries under study, the Philippines is the only one that has a limit on the amount a political party can spend. However, all countries but Timor-Leste have a legislated spending limit for candidates (Table 9).

In Malaysia, spending limits are applied only to candidates, not to political parties. This means that political parties can spend on behalf of candidates without falling under legal obligations to remain below any spending cap. Additionally, political parties with more access to resources can spend significant amounts of money, putting other smaller parties at a disadvantage. Research has also indicated that candidates have underreported their spending during campaigns (Tan and Ooi 2021). Candidates reported the limit to be too low considering the high cost of electioneering in some constituencies. No variation in spending limit is permitted in relation to the electoral district's size or other constituency characteristics, whether it is urban or rural (Gomez and Tong 2017).

In the case of the Philippines, CSOs point out that spending limits are unrealistic vis-à-vis the cost of elections (Reyes et al. 2021). The purchasing power of the Philippine peso has continuously diminished since 1991, when the Republic Act (R.A.) No. 7166 took effect, which makes the expenditure limit too low for current circumstances.[2] The outdated law has resulted in non-compliance; in 2010 and 2013, thousands of candidates received notices to explain overspending from COMELEC (Reyes et al. 2021).

2 The House Bill 6095, which is currently in Congress for discussion, proposes that candidates for national positions can spend Php 50 per registered voter and candidates for local positions can spend Php 30 per registered voter in the constituency where s/he seeks elections. Political parties can spend the same amount for their nominated candidates.

Figure 4. Percentage of countries with spending limits for political parties and candidates, 2012–2020



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Table 9. Spending limits for political parties and candidates

	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political party	No provision	No provision	PHP 5 (USD 0.10) for every registered voter in the constituency where it has official candidates	No provision
Candidate	Based on: i) number of voters; ii) coverage/area; and iii) regional cost standards	**Election to the Dewan Rakyat:** MYR 200,000 (ca. USD 48,414) **Election to the Legislative Assembly:** MYR 100,000 (ca. USD 24,207) **Election to a local authority other than local council:** MYR 10,000 (ca. USD 2,420)[2] **Election to a local council:** MYR 3,000 (ca. USD 726)	**Presidential and vice-presidential candidates:** PHP 10 (USD 0.21) for every registered voter **Other candidates with a political party:** PHP 3 (USD 0.06) for every registered voter in the constituency where the candidate filed a certificate of candidacy **Other candidates without a political party:** PHP 5 (USD 0.10) for every registered voter in the constituency where the candidate filed a certificate of candidacy	No provision

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Vote buying, although prohibited, is a prevalent feature

One type of campaign spending banned in many countries is the buying (and selling) of votes: in other words, offering or providing financial or material incentives for voters to vote in a certain way or to abstain from voting. Given the gravity of vote buying for the normal functioning of the democratic process, many countries ban any form of vote buying or election bribery. In fact, 92% of countries (166 out of 180 countries) around

3 Local elections in Malaysia have been suspended since 1965 to this day.

the world ban any form of vote buying, with all countries in Asia banning such practices. In Southeast Asia, vote buying, although prohibited by law, continues to be a prevalent feature, taking place either directly via cash payments to voters or through donations for village and town facilities that serve the whole community. In many countries, including Indonesia, vote buying is often organized by vote traders who facilitate the transaction between voters and candidates. Given the socio-economic situation of many voters, cash handouts are far too attractive for poor communities to resist (Sachsenröder 2019).

OVERSIGHT MECHANISMS

In order for political finance regulations to have a positive effect, a proper oversight regime that involves reporting, disclosure and control is a prerequisite.

Accurate and detailed reporting is fundamental to effective political finance oversight

Regular and sufficiently detailed reporting makes it easier for those responsible for enforcing donation and spending bans and limits to oversee whether these rules are being followed. Globally, 76.1% (137 out of 180 countries) require political parties to report regularly on their finances, and 60.6% (109 out of 180 countries) require them to report on their campaign finances. Similarly, 68.9% of countries require that candidates report on their campaign finances. In Southeast Asia, all countries require political parties to regularly report on their finances; the only exception is the Philippines. In contrast, only 50% of Southeast Asian countries (Cambodia, Indonesia, the Philippines and Thailand) require political parties to report on their campaign finances, while all Southeast Asian countries require candidates to report on their campaign finances (Table 10). In addition, it is important that reporting provisions require sufficient level of details in order to enable meaningful scrutiny. Also, developing standardized reporting templates for political parties facilitates effective oversight and subsequent publication of these reports.

Table 10. Reporting requirements for political parties and candidates

	REGULAR REPORTING		REPORTING ON CAMPAIGN FINANCES	
	GLOBAL	SOUTHEAST ASIA	GLOBAL	SOUTHEAST ASIA
Political party	76.1%	87.5%	60.6%	50%
Candidate	N/A	N/A	68.9%	100%

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

In Indonesia, political parties are required to submit their income and expenditure report once a year to be examined by the Audit Board of Indonesia. In relation to election campaigns, political parties as well as candidates are required to submit a preliminary report on their campaign finances and special bank account 14 days prior to the first day of their campaign launch in the form of a general meeting, in the case of political parties, and within 14 days after the candidate is designated as a contestant in the case of candidates.

Political parties in Malaysia are required to submit their annual audited account to the Registrar of Societies (ROS) within 60 days of holding their annual general meeting, or, if no meeting is held, within 60 days of the end of the calendar year. While political parties are not required to submit campaign finance reports, candidates should do so within 30 days of publication of results of an election in the Gazette. Although there is a standard form that candidates need to fill in to report their expenditure, there is a lack of uniformity and enforcement in reporting expenditures (Tan and Ooi 2021). Moreover, the absence of a limit on expenditures by political parties combined with the lack of a requirement for them to submit campaign finance reports leaves room for circumventing legislation meant for candidates.

In the Philippines, while political parties are not required to do regular reporting, they are required to submit to COMELEC a Statement of Contributions and Expenditures (SOCE) within 30 days after the election day, and so are candidates. The SOCE should contain a full, true and itemized statement of all election expenditures. In Timor-Leste, political parties are required to submit detailed financial reports annually, 45 days before the end of the financial year. There is no provision for political parties or candidates to report on their campaign finances.

In Timor-Leste, political parties that receive funds from government report and account for only those funds to the CNE. Given that political parties are not required to report on their campaign finances, there is no accountability for the funds received by political parties during elections. Studies have also found that most political parties in the country have failed to provide any information on the use of state subsidies and private donations, nor have they declared their assets (Da Fonseca and Baysa-Barredo 2021).

Comprehensive political finance disclosure enhances transparency and accountability

Even if political parties and/or candidates are required to submit financial reports, full transparency is not achieved unless these reports (or the information they contain) are made available to the public in a timely manner. These should be easy to understand and presented in easily accessible and searchable formats, such as via the Internet. Globally, 62.2% of countries require reports submitted by political parties and candidates to be made public, while in Southeast Asia, all but two countries (Cambodia and Malaysia) require reports submitted by political parties and candidates to be made public, and the Philippines requires them to be made public in some cases (Table 11).

Table 11. Reporting requirements by political parties and candidates

COUNTRY	PROVISION
Indonesia	The General Election Commission, Provincial General Election Commission and District/City General Election Commission shall announce the result of the audit of campaign funding to the public no later than 10 days after the report on the auditing result is received
Malaysia	No requirement to make reports public
The Philip-pines	All statements of contributions and expenditures shall be kept and preserved at the office where they are filed and shall constitute part of the public records thereof for five years after the election to which they pertain
Timor-Leste	Financial reports are made public by the CNE after reviewing and approving them

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

In Indonesia, although the current law requires political parties to disclose donations, incomes and expenditures, the level of details in the reports varies across political parties. This makes it difficult not only for the General Elections Commission (KPU) to undertake proper audit but also for the public to make meaningful scrutiny of the submitted reports (Aji Sukma 2019).

In Malaysia, while political parties are obliged to submit audited financial reports to the ROS every year, these reports are not always accessible by the public. As a result, it is very difficult for the public to engage in scrutiny of the accounts or to hold political parties and candidates accountable. In Timor-Leste, despite the legal requirement to make public the financial reports submitted by political parties, this has not been implemented in practice.

None of the countries have a requirement to make the reports available on the Internet. Online reporting and disclosure platforms tend to render financial reports easily accessible to voters and other electoral stakeholders. Making information readily available on the Internet also significantly increases the degree of transparency and accessibility. Such a practice would be in line with the Open Government Partnership (OGP) principles. The rapid digitalization of government agencies, political parties and citizens alike has significantly expanded the potential to use digital tools to enhance transparency. For this reason, a growing number of countries assert that the broader global demand for financial transparency is best met by having political parties, candidates and other reporting entities file reports online with the oversight agency, which then makes this data publicly available on the agency's website. The open nature of databases puts pressure on political actors to regularly submit accurate and detailed data on their finances.

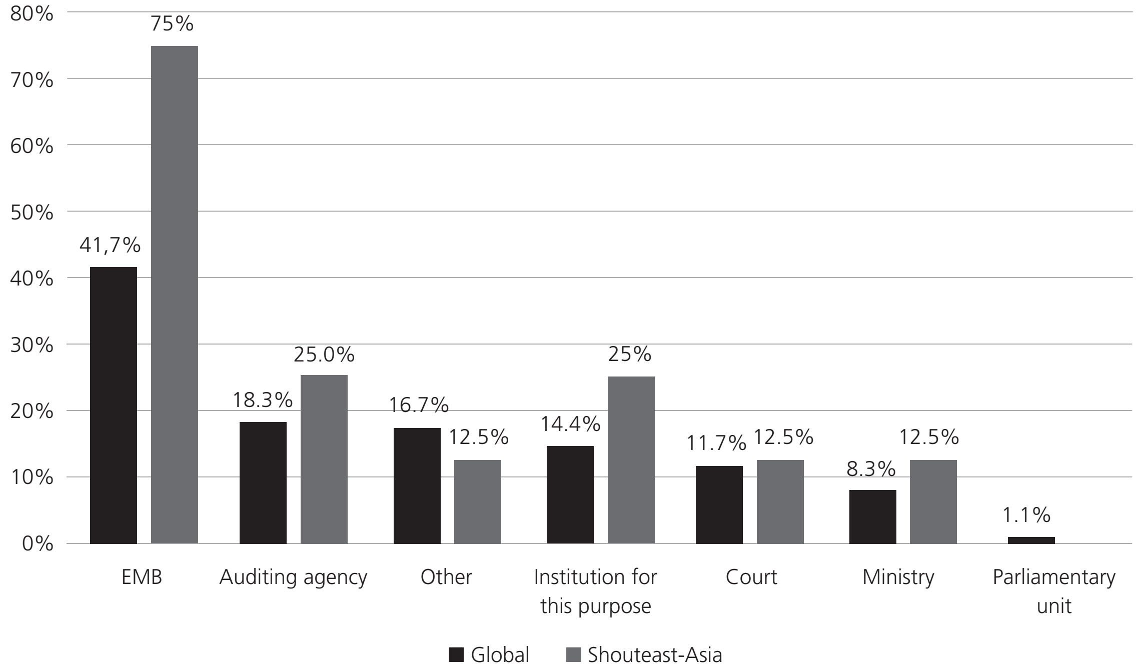
Oversight bodies lack full independence and suffer from a lack of human resources capacity

Effective implementation of political finance regulations requires an oversight body with a clear mandate and sufficient resources to carry out its political finance oversight duties. It is imperative that oversight authorities are impartial as well as independent of political pressure. The type of oversight institution ranges from governmental or parliamentary to judicial or administrative.

Globally, most countries (41.7%) empower their electoral management bodies (EMBs) to examine financial reports from political parties/candidates; 14.4% of countries have created a special organ with such a function; and some countries prefer to empower an auditing agency (18.3%), judicial body (11.7%) or governmental institution, i.e. a ministry (8.3%) (Figure 5).

In Indonesia, the General Election Commission (KPU) is responsible to monitor political finance and all investigatory powers reside in the General Election Supervisory Agency (BAWASLU). The KPU appoints independent auditors to review financial reports from parties and candidates. If auditors report irregularities in the reports, BAWASLU has the mandate to investigate any report of violations related to elections, including campaign finance violations. Should BAWASLU uncover any evidence of criminal conduct, it issues recommendations to the KPU and/or the National Police for administrative sanctions or prosecution. The KPU has been said to suffer from 'poor documentation, and weak monitoring and auditing mechanisms'. As a result, the enforcement of campaign finance laws has been weak, with both overspending and underreporting occurring (Tan 2020).

Figure 5. Institution(s) responsible for examining financial reports and/or investigating violations (multiple answers allowed)



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

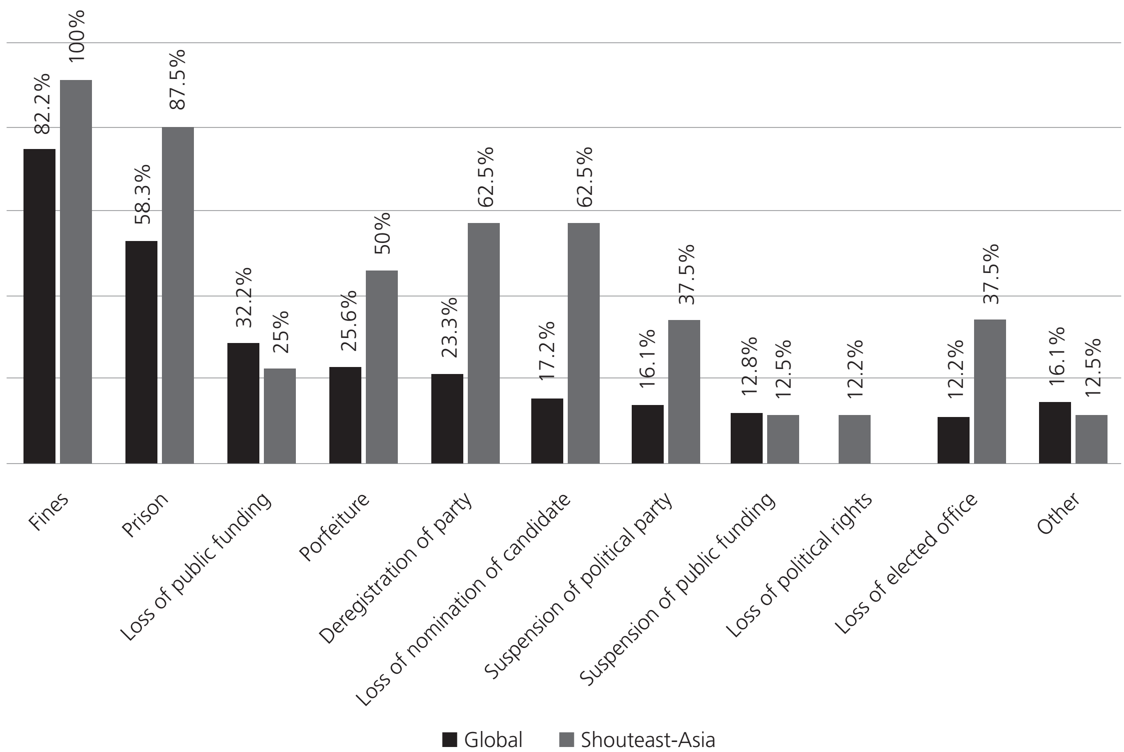
Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

In Malaysia, the ROS, which is responsible for political finance oversight, is not considered an independent authority since the Home Minister can exercise significant influence on its decisions, raising questions on its suitability to receive reports from political parties (Tan and Ooi 2021). In the Philippines, COMELEC's Campaign Finance Office (CFO) has the duty to audit all reports, statements and contracts and determine compliance by candidates, parties, contributors and election contractors, including by inspecting the books and records of candidates, parties and mass media entities. The CFO suffers from poor auditing capacity as it faces a lack of trained human resources with the capacity to audit accounts submitted by political actors. In Timor-Leste, there is a lack of human resources in the CNE to audit the financial reports submitted by political parties; this has proven to be a challenge to ensuring full accountability and transparency.

Sanction regimes are clear, but enforcement remains weak

Sanctions are needed to provide for the effective enforcement of rules and to punish those who violate them. Sanctions should always be meaningful, clear, realistic, enforceable, dissuasive and proportionate to the nature of the violation. They could range from a warning or a small fine (for failing to submit reports on time) to withholding public funding or larger fines (for continued refusal to submit reports despite reminders). Globally, fines are the most adopted sanctions, with 82.2% of countries including some type of fine in their legislation, followed by prison sentences (58.3%) and loss of public funding (32.2%). In Southeast Asia, fines, imprisonment, deregistration of the party and loss of a candidate's nomination are the most commonly applied sanctions for political finance infractions. Suspension of the political party, loss of elected office and suspension of public funding are less common types of sanctions (Figure 6).

Figure 6. Types of sanctions for political finance infractions



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

Table 12. Applicable sanctions for violations of political finance regulations

COUNTRY	SANCTIONS
Indonesia	• Loss of nomination of candidate • Loss of elected office • Loss of public funding • Fines (up to IDR 12,000,000) • Imprisonment (up to one year)
Malaysia	• Loss of nomination of candidate • Loss of elected office • Forfeiture • Deregistration of party • Imprisonment (up to two years) • Fines (1,000–5,000 ringgit)
The Philippines	• Loss of elected office • Loss of political rights • Fines (Php 1,000–60,000) (ca USD 21–1,250) • Imprisonment (one–five years) for election offence
Timor-Leste	• Suspension of public funding • Fines (USD 1,500–15,000) • Imprisonment (six months–two years)

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

While sanctions are clear, they are not always strictly enforced. For example, in the Philippines, during the 2013 elections, COMELEC extended the deadline for political parties and candidates to submit their SOCE by more than a year following requests from candidates, political parties and party-list organizations. Similar extensions were made in the 2016 elections, putting in question the intention of COMELEC to impose the strict enforcement of penalties against violators (Reyes et al. 2021). Similarly, in the case of Timor-Leste, although there have been cases where CNE's audit of political parties found inappropriate use of government funds, it did not have the capacity to impose sanctions on political parties.

The role of civil society organizations and the media should be strengthened in monitoring compliance

In addition to state oversight, scrutiny of political finance by the media and civil society can be an important element. The media and civil society organizations (CSOs) can serve as effective watchdogs and can play an instrumental role in promoting transparency and anti-corruption efforts in political finance. Publication of financial disclosures in the media allows for public oversight of compliance with political finance regulations and lets members of the public report suspected cases of non-compliance, false disclosures and other violations to the oversight bodies. An independent and competent oversight body, a free and vibrant press and an active and robust civil society are all indispensable in the regulation of political finance, and in creating a fair electoral playing field.

In Malaysia, after the 1 MDB scandal, civil society renewed efforts to push for political finance reforms to make political funding more transparent and accountable. The proposals included regulating political contributions and expenditure, banning secret and foreign funding, establishing reporting requirements and public disclosure for political parties' sources of financing and expenditure, mandatory audit of political parties' and candidates' election expenses, and the banning of party ownership of businesses (Simandjuntak 2021; Tan and Hin 2021). In Indonesia, CSOs such as Indonesia Corruption Watch have long demanded fair regulation of political finance that guarantees a level playing field during elections, as well as transparency and accountability from political parties which receive public funding (Ufen and Mietzner 2015). As for the media as a watchdog, Rappler in the Philippines, for example, continues to report a number of alleged corruption scandals in the country despite political pressure and legal cases filed by various government agencies.

EMERGING ISSUES

Third-party spending remains largely unregulated, with the potential for exploitation

Regulating spending by third parties (neither political parties nor candidates) is also a pressing issue for political finance because it has a direct influence on election results. Such third parties typically take the form of supposedly independent foundations and interest groups. Many countries struggle to define and regulate third-party campaigning to prevent the re-channelling of election spending through such non-party campaigners (OECD 2016). Globally, 31% of countries have some sort of limitation on the amount that third parties can spend on election campaign activities–they are either banned from spending on election campaign activities, there are limits to the amount they can spend, or the spending limit for political parties/candidates includes spending by others on their behalf. Countries such as the UK and Canada set specific campaign-related spending limits on third parties.

Only two out of seven countries in Southeast Asia (Myanmar and Thailand) have limits on the amount third parties can spend on election campaign activities. In Thailand, the spending limits for a political party or candidate include the spending by any other person on behalf of the candidate or the political party. In Myanmar, the spending limit for total campaign expenses of a candidate include third-party donations. None of the countries under study have a limit on third-party spending, a regulatory loophole that has the potential to be exploited by interest groups.

Appropriate legislation on online campaign expenditure is non-existent

With the increasing number of Internet and social media users worldwide, political parties, candidates and third-party campaigners around the world are spending significant amounts of money on online campaigning, including in Southeast Asia. The use of the Internet and social media has become an integral part of electoral campaigns and political party activities in all four countries, as political parties and candidates are actively using social media platforms to reach out to voters and supporters. In Indonesia, Rp 11,200,692,503 (USD 776,250) was spent on a total of 42,665 Facebook advertisements relating to social issues, elections or politics between August 2020 and April 2021 (Facebook Ad Library 2021a). Similarly, in Malaysia, a total of MYR 1,550,632 (USD 376,100) was spent on 18,612 Facebook advertisements relating to social issues, election or politics between August 2020 and April 2021 (Facebook Ad Library 2021b). However, these numbers do not necessarily reflect the actual spending, as political actors also employ bots and trolls, the cost of which is not included in platforms' libraries. In addition, political parties and candidates engage in 'organic' online campaigning, whose use is not possible to track or put a value to.

Despite the growing use of online political campaigning, none of the four countries, nor any other countries in Southeast Asia, have regulations on online campaign spending, thereby creating a regulatory gap. In the Philippines, COMELEC made an attempt to increase transparency of social media campaigning during the 2019 elections by introducing new guidelines, requiring politicians to include social media spending in their SOCE. Several weaknesses, however, remain. Taking into consideration the new reality of political campaigning, it is important that countries address the transparency and accountability risks by updating political finance regulations for the digital era. By doing that, countries can realize the full potential of online advertising while at the same time ensure that the financing of online campaigns is transparent.

The accelerating use of cryptocurrencies poses a potential risk to the transparency and accountability of money in politics

Cryptocurrencies present several potential challenges to legislators and oversight agencies working on political finance around the world. There are now more than 800 such currencies in the market, which is dominated by bitcoin (Trading View, n.d.). Their use is increasing in all realms, including political activities such as campaign finance. The main policy concerns regarding their use are anonymity, volatility and a lack of oversight (Bloomberg 2018).

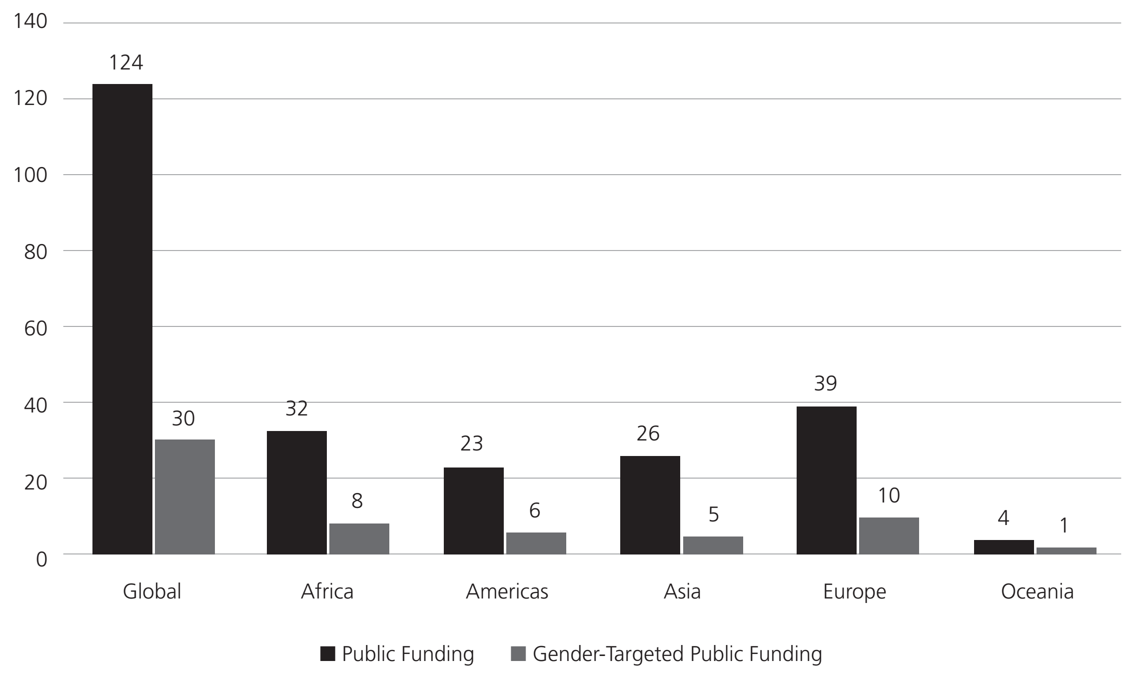
In Southeast Asia, the adoption of cryptocurrency is accelerating, including in the Philippines, Malaysia and Indonesia (Chang 2020). There is no documented evidence of the use of cryptocurrencies to finance political activities in any of the four countries under study, nor are there clear guidelines on their use. However, their increasing use, particularly for cross-border payments in these countries, merits attention and forward thinking on the part of oversight agencies to develop clear guidelines and regulations. Potential regulations should ideally be debated at both the national and the international level, involving all parties (e.g. political parties, oversight agencies and the tech industry). These discussions should aim to ensure that these technologies open up, rather than limit, the avenues for political fundraising and that they enhance transparency in the discussion of money in politics.

Allocating public funding for political parties based on their gender inclusion policies could make way for more women in politics

All around the world, women remain underrepresented in politics and continue to face multiple barriers, including structural, legal, cultural, socio-economic and psychological barriers. In Southeast Asia, on average women constitute 21.2% of national parliaments; this is lower than the global average of 25.5% (IPU 2021). The proportion of women parliamentarians in the Philippines and Timor-Leste stands at 28% and 38.5% respectively, higher than both the Southeast Asian and the global average. In Indonesia and Malaysia, women parliamentarians constitute 21% and 14.9% seats respectively, below the global average and lower than 30%, which is considered to be the 'critical mass' (IPU 2021). One of the major barriers to women's political participation is financial constraints. Women frequently have less access than men to the resources needed to successfully seek a party nomination or stand in an election, including lack of access to moneyed networks or to credit and political clientelism. In developing countries, in particular, the inability to pay even modest candidate registration fees can exclude women from the election process (Ballington and Kahane 2014).

A growing number of countries are using public funding of political parties and election campaigns to encourage gender equality. Gender-targeted public funding means that either the eligibility of a political party to receive a certain amount of public funding (or all of it) is connected to the level of gender equality among the candidates it puts up for election (or manages to get elected), or a certain proportion of public funding that a political party receives is formally tied to provisions relating to gender, or earmarked for gender-related activities, including the training and development of female members, developing a gender action plan or gender sensitization within the ranks of the political party (Ohman 2018). Such gender-targeted public funding exists in around 30 countries around the world.

Figure 7. Provision of public funding and gender-targeted public funding around the world



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

In Indonesia and Timor-Leste, political parties receive direct public funding, whereas Malaysia and the Philippines[4] do not have a public funding system. Neither Indonesia nor Timor-Leste have any sort of gender-targeted public funding mechanisms for political parties. By introducing public funding in countries that do not have such a mechanism, and by tying eligibility and allocation criteria to political parties' inclusion policies, political parties will be inclined to nominate more women candidates.

COMMON CHALLENGES ACROSS FOUR COUNTRIES AND THE WAY FORWARD

A comparative overview of political finance systems in Indonesia, Malaysia, the Philippines and Timor-Leste provides an opportunity to highlight common challenges that need to be addressed in order to advance anti-corruption efforts and restore public trust in politics in these countries.

Legislative shortcomings and the absence of regulation

There is a clear absence of political finance regulations in Malaysia. While other countries have some forms of political finance regulations, there are some noticeable shortcomings. Most countries have few effective limitations on corporate donations and little public funding for political parties. This is mostly likely due to the strong presence of business interests in politics in the region. In order to mitigate the undue influence of large business interests and ensure a level playing field, the expansion of existing regulations

4 In the Philippines, there are pending bills filed before the Senate in relation to the subject of political finance. Senate Bill No. 12, 'Strengthening the Political Party System in the Philippines', and Senate Bill No. 421, 'An Act Strengthening the Political Party System of the Philippines, Creating a State Subsidy Fund, and for Other Purposes', make provisions for the establishment of a state subsidy fund for party development and expenditures.

of private donations–such as banning certain sources and introducing donation limits–should be considered in all countries. In addition, providing public funding can be an effective means to reduce the dependence of political parties and candidates on private donations. It is important to carefully design eligibility and allocation criteria for public funding so that all parties can benefit from such funding. As the political representation of women is still a major challenge in all countries, public funding can be used to promote gender equality, for example by earmarking a proportion of public funding to gender-specific activities. In addition, many aspects of political finance have gone digital, such as the use of online political advertisements, and this trend is likely to continue in the future. Current political finance systems in all four countries will need to be reformed to effectively deal with such emerging issues as well.

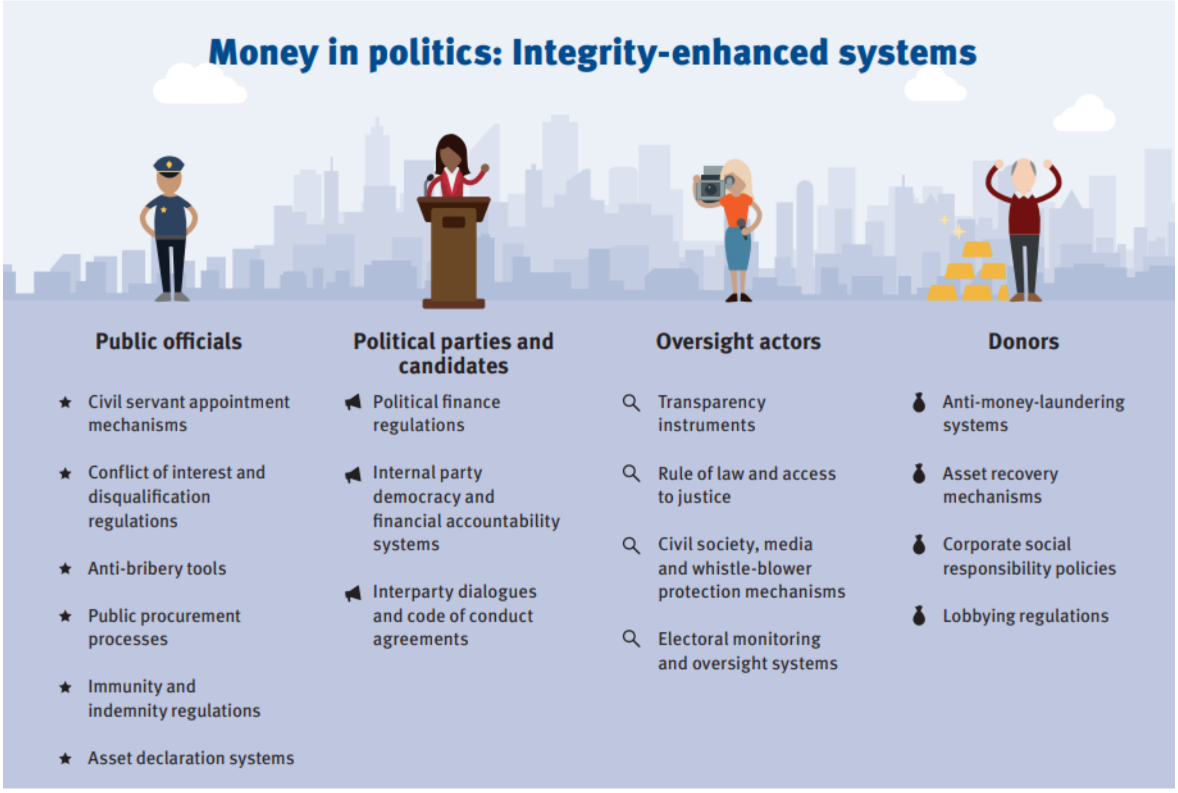
Weak oversight of political finance regulations

While all countries have one or more institutions responsible for political finance oversight, a number of political finance scandals in the region have highlighted that many of them still struggle to obtain sufficient authority and capacity to conduct meaningful oversight. In some cases, partisanship within these institutions hinders effective oversight. It is also important to note that political finance oversight at the local level is even more challenging. One way of facilitating effective political finance oversight is to develop digital solutions for political finance reporting and disclosure. Such online portals could increase political finance transparency and support public scrutiny over the flow of money in politics. In addition, there is currently a lack of reliable data to assess the functioning of political finance systems in the region. Political finance oversight bodies should develop indicators to measure the effectiveness of political finance regulations; these could include compliance rates by political parties, the number and types of sanctions applied to political financial misconduct, and the time required for the audit and subsequent publication of political finance reports. Such data will greatly facilitate evidence-based political finance reform. Furthermore, enforcing political finance regulations alone will have a limited impact on tackling corruption unless other regulations relating to money laundering, public procurement and lobbying are addressed at the same time. Political finance oversight bodies should cooperate closely with anti-corruption agencies and other stakeholders in order to regulate political finance in a comprehensive manner.

Lack of political will and weak bookkeeping practices of political parties

The slow progress to reform political finance systems in the region is also due to the lack of political will among political leaders and political parties. In some cases, political parties and candidates also lack expertise in managing their accounts. Under such conditions, popular pressure exerted by CSOs and the media can be very effective in accelerating political finance reform and fighting political corruption.

Figure 8. Example of holistic Integrity-enhanced systems



SOURCE: INTERNATIONAL IDEA, THE GLOBAL STATE OF DEMOCRACY: EXPLORING DEMOCRACY'S RESILIENCE (STOCKHOLM: INTERNATIONAL IDEA, 2017), <HTTPS://WWW.IDEA.INT/PUBLICATIONS/CATALOGUE/GLOBAL STATEDEMOCRACY-EXPLORING-DEMOCRACYS-RESILIENCE>, ACCESSED 25 MAY 2021

Need for more holistic and comprehensive approach to money in politics

One of the major lessons learned from all four country case studies is that political finance regulations alone cannot resolve the problems of money in politics. For example, awarding of public procurement contracts is often highlighted as a corruption risk area in which elected officials "return the favour" to their donors. However, most political finance regulations do not prevent such practices. Similarly, control of the flow of illicit funding in politics that is raised through money laundering, drug trafficking and other means requires a coordination of wider anti-corruption measures. In order to effectively increase transparency and accountability of political finance, it is important to connect political finance regulations with other related issues such as asset declaration systems, public procurement data, whistle-blower protections and lobbying registers (Figure 8).

RECOMMENDATIONS

Political finance oversight bodies

- Provide training and capacity building to political actors (political parties, candidates, third parties) to ensure that they understand and comply with political finance regulations.
- Conduct regular and systematic reviews of political finance legislation and regulations to ensure their relevance and efficacy in mitigating corruption risks.
- Strengthen political finance reporting and disclosure procedures by ensuring that

financial reports are audited independently and are made publicly available in a timely manner. Development of an online reporting and disclosure platform can improve efficiency and transparency.
- Ascertain that reporting and oversight processes are clearly defined (i.e. clear timeframes and reporting guidelines).
- Create structured networks of coordination and information sharing between the various oversight bodies (e.g. tax agencies and anti-corruption agencies).

National governments and parliaments

- Make provision for public funding to political parties to level the political playing field, while ensuring that allocation and distribution criteria are fair and reasonable.
- Consider allocating state subsidies as matching funds to minimize parties' reliance on public funds and to improve their engagement with the voters by raising small, private donations.
- Provide gender-targeted public funding to political parties and place a condition that at least a certain number of women candidates must be nominated by a political party to gain access to this funding. Additional funding could be earmarked to promote the participation of youth and other traditionally underrepresented groups.
- Place fair and reasonable restrictions on contributions from legal persons.
- Introduce limits for individual contributions to candidates and political parties in order to mitigate the influence of big money in politics. Proper measures should be put in place to calculate these contribution limits, taking into consideration country-specific factors such as inflation, cost of living, minimum monthly wages, etc.
- Place appropriate limits on the amount political parties and candidates are allowed to spend during election campaigns. Appropriate measures should be put in place to calculate such spending caps (as above).
- Ensure that appropriate measures are put in place to regulate in-kind donations and that there is a mechanism to objectively and independently estimate their value.
- Any donation, regardless of its value, should be channelled through the banking system to facilitate improved oversight.
- Ensure the impartiality and independence of the oversight body from any kind of political influence.
- Ensure that oversight authorities have a clear mandate, sufficient resources and the capacity to undertake their political finance oversight duties, including conducting investigations for political finance infractions and applying appropriate sanctions.
- Ensure that the sanction regime is fair and well-understood by the general public. Sanctions should be legitimate, enforceable, dissuasive, and proportionate to the political finance violation.
- Place political finance regulations within a holistic anti-corruption mechanism that also deals with lobbying, conflicts of interest, asset disclosure and other related issues.

Political parties

- Ensure that party finances are properly recorded and updated following standard bookkeeping practices, and that financial reports are submitted to the oversight bodies in a regular and timely manner.
- Ensure that financial reports are comprehensive, with details on itemized income and spending, and easy to understand by the public.
- Ensure that compliance with political finance regulations starts from within the party, and that party members who infringe the rules face relevant penalties.

Civil society

- Explore opportunities for cooperation and engagement with political parties and other stakeholders to make a meaningful impact on potential political finance reform measures.
- Serve as a watchdog to complement the efforts of oversight agencies in detecting political finance violations by political actors. Advocate for updating current legislation and practices to fill any regulatory gaps and promote transparency and fairness.
- Invest in developing internal technical capacities to monitor political finance, and build partnerships among civil society groups and with the media to continue advocating for policy changes to bring about a fair and transparent political finance regime.

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