Party Finances and Popular Legitimacy

CALD 25th Anniversary Conference, Bangkok

"How can political parties take advantage of new developments in technology and information management to strengthen their democratic credential and in the process, regain popular legitimacy?"

Wolfgang Sachsenröder
www.partyforumseasia.org

20 November 2018
The main financial and regulatory constraints for party activities in Southeast Asia 1:

1. Membership fees are symbolic and marginal for the party’s budget. Membership figures and members’ loyalty are accordingly unreliable.

2. Election campaign costs are spiralling everywhere. Last year’s presidential election in the USA cost an estimated $2.4 billion, including primaries. (NYT, 19/12/2017)

3. Malaysia: GE 2013 RM 2.6 billion + (approx. 700 m US$)
4. Donations are always the biggest source of income.

5. “Oligarchisation”, bankrolling TYCOONS as leaders??

6. In Southeast Asia, only Indonesia and Thailand have experimented with public funding for parties.

7. Malaysia has practically no regulations on party funding, Indonesia has many, but a rather lenient enforcement.
“Creative solutions” for party funding give politicians a bad image, especially the many who are “unusually rich” ...

"On high-definition TV, everything looks brighter and sharper...except the politicians."
Most “creative” example: Malaysia’s 1MDB scandal

All popular suspicions confirmed by Rosmah Mansor, wife of ex PM Najib Razak

### Seized items

**Cash**
- 26 different currencies valued at **RM116.7mil** seized from 35 luggage bags
- Took **three days** to count with assistance of 22 Bank Negara

**Gold and Jewellery**
- More than **12,000 items** were seized from 25 luggage bags
- 1,400 necklaces
- 2,200 rings
- 2,100 bangles
- 2,800 earrings
- 1,600 brooches
- 14 tiaras
- Estimated value of precious metals, diamonds, gems alone: **RM442mil** (retail value estimated at between RM660mil and RM880mil)
- Most expensive item is a yellow brown, white diamond necklace worth **RM6.4mil**

**Handbags**
- 567 handbags seized consisting of 37 brands including Hermes, Prada, Chanel, Judith Leiber, Versace and Bijan
- Value of 272 Hermes bags alone: estimated at **RM51.3mil**
- Remaining bags to be valued soon

**Watches**
- Six bags seized contained 423 watches valued at **RM78mil**
- Most expensive watches are a **RM3.5mil** Rolex Paul Newman
- Daytona watch, three **RM2.5mil** Chopard watch, and a **RM1.6mil** Richard Mille watch

**Sunglasses**
- Three bags seized contained 234 designer sunglasses
- Brands include Versace, Gucci, Dior
- Total value estimated at **RM374,000**

©The Star Graphics

**Total value:** **RM 702 m (167 m US$)**
UMNO’s cash cows:

Publicly listed companies like Merlin, Paremba, Renong, Fleet Holdings, and many others. Gomez and Jomo, 1997

Shaw Brothers, Genting Berhad, Daim Zainuddin. Jamaie 2005

A large number of government-linked companies (GLCs) as well as savings-based institutions like the Pilgrims Savings Fund (LUTH), the Armed Forces Savings Fund (LTAT), and the government’s Pensions Trust Fund (KWAP). Aliran 2016

More concrete figures may only come up during the next few months
Fig. 3.1 Substantial share ownership network of GLICs, 2013
1MDB scandal underestimated

Founded 2009

THE MONEY TRAIL INVOLVING GLOBAL BANKS
<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
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<tr>
<td>1</td>
<td>New Zealand</td>
<td>89</td>
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<tr>
<td>9</td>
<td>Singapore</td>
<td>84</td>
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<td>34</td>
<td>Taiwan</td>
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<td>Korea</td>
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<td>66</td>
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<td>141</td>
<td>Laos</td>
<td>29</td>
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<tr>
<td>164</td>
<td>Cambodia</td>
<td>21</td>
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</table>

Source: Transparency International, Corruption Perception Index 2017
183 countries covered worldwide
GLOBAL CORRUPTION BAROMETER — ASIA PACIFIC

BY DATO' AKHBAR SATAR,
President
Transparency International Malaysia

Date : 28th February 2017
Time : 11.30 am
Venue : Royal Selangor Club, Bukit Kiara
Q6b) Representatives in the Legislature (i.e. Members of the Parliament or Senators)

Regional Average: 37%
Popular income sources for political parties

- Deductions from the salaries of MPs (all over the world)

- Donations from the private sector “close” to the party Normally in exchange for contracts and public procurement

- Companies owned by the party (KMT, UMNO, etc.)

- Deductions from infrastructure projects or Pork Barrelling In Indonesia, the magic formula is called “pencaloan anggaran” or “budget scalping”. Widespread all over Southeast Asia. Standard operating procedure: 30 – 40%
Cost factor **Pork barrelling:**

“Sponsoring” of development and infrastructure projects, schools, mosques, sports facilities, but also local events like weddings, anniversaries, etc. by MPs

Happens everywhere, but especially rampant in SEA.

“A gift is a burden” (Vietnam)

Patron-client relationships...
The big traps:
1. Survival
2. Funding
Not only in South Africa...
Asian voters are increasingly critical..., but not (yet) as cynical as in the USA.
Signs of improvement? YES!

- A better informed electorate is getting more aware and critical, social media are difficult to control

- Even if it is only for window dressing: Anti-corruption moves are sweeping Asia – Malaysia, Indonesia, Vietnam, Laos, China, Korea, Taiwan

- Embattled anti-corruption mechanisms survive (KPK Indonesia)

- The globalized economy needs legal safeguards and less bribes
How to strengthen our democratic credentials and increase legitimacy?

First priority: Be clean and transparent ourselves with the party finances!!!

- Financial discipline between elections and in campaigns
- Transparency on all levels of leadership
- A rigorous auditing system independent of careers in the party
- Broaden the party’s income basis
- Influence the legislation towards more public funding for parties

Using IT for a clean public image:

- Rigorous quality management, avoid the “garbage in – garbage out” trap
- Develop a special PR strategy for party funding and donations
- Monitor mainstream and social media and fight misrepresentations
- Establish a team of IT-savvy members for this task
POWER BROKING IN THE SHADE
Party Finances and Money Politics in Southeast Asia

Wolfgang Sachsenröder

Covering all ASEAN countries except Brunei
Thanks for your attention

Terima kasih atas perhatian anda

Anniharal taycsand bairralaaga

Salamat sa imong pagtagad
## Einnahmen der Parteien im Bundestag

<table>
<thead>
<tr>
<th>Einnahmen</th>
<th>B'90/Güne</th>
<th>CDU</th>
<th>CSU</th>
<th>CDU + CSU</th>
<th>Die Linke</th>
<th>SPD</th>
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<tr>
<td>Gesamteinnahmen in Tausend €</td>
<td>39,997</td>
<td>143,362</td>
<td>59,076</td>
<td>202,438</td>
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<td>Mitgliedsbeiträge</td>
<td>22,15 %</td>
<td>26,67 %</td>
<td>16,57 %</td>
<td>23,72 %</td>
<td>33,47 %</td>
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<td>Mandatsträger und ähn.</td>
<td>24,08 %</td>
<td>13,00 %</td>
<td>6,11 %</td>
<td>10,99 %</td>
<td>15,88 %</td>
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<td>Staatliche Mittel</td>
<td>37,75 %</td>
<td>34,36 %</td>
<td>22,71 %</td>
<td>30,96 %</td>
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<td>Spenden von nat. Personen</td>
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<td>Spenden insgesamt</td>
<td>10,49 %</td>
<td>13,75 %</td>
<td>10,10 %</td>
<td>12,68 %</td>
<td>7,84 %</td>
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418,2 m €
Regulations according to German Party Law

1. Yearly reports on income, expenditure, assets
   To be submitted to speaker of parliament and published

2. Membership fees, average 25%

3. Donations, 50% tax deductible, topped up with 0.45 cents per €

4. Public funding as campaign cost reimbursement per vote received
   capped at 165.36 m € 2018

5. Foundations receive approx. 450 m € /year