

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?"

# Party Finances and Popular Legitimacy

20 November 2018

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[www. partyforumseasia.org](http://www.partyforumseasia.org)

## 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\$)

## The main financial and regulatory constraints for party activities in Southeast Asia 2:

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” ...



# 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
- Malaysia officers with six counting and verification machines used.
- Currencies seized include Malaysian Ringgit, US Dollars and Singapore Dollars

## 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 and Cartier
- Total value estimated at **RM374,000**

©The Star Graphics

Most “creative” example:  
Malaysia’s 1MDB scandal

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



Total value: RM 702 m (167 m US\$)

## UMNO's cash cows:

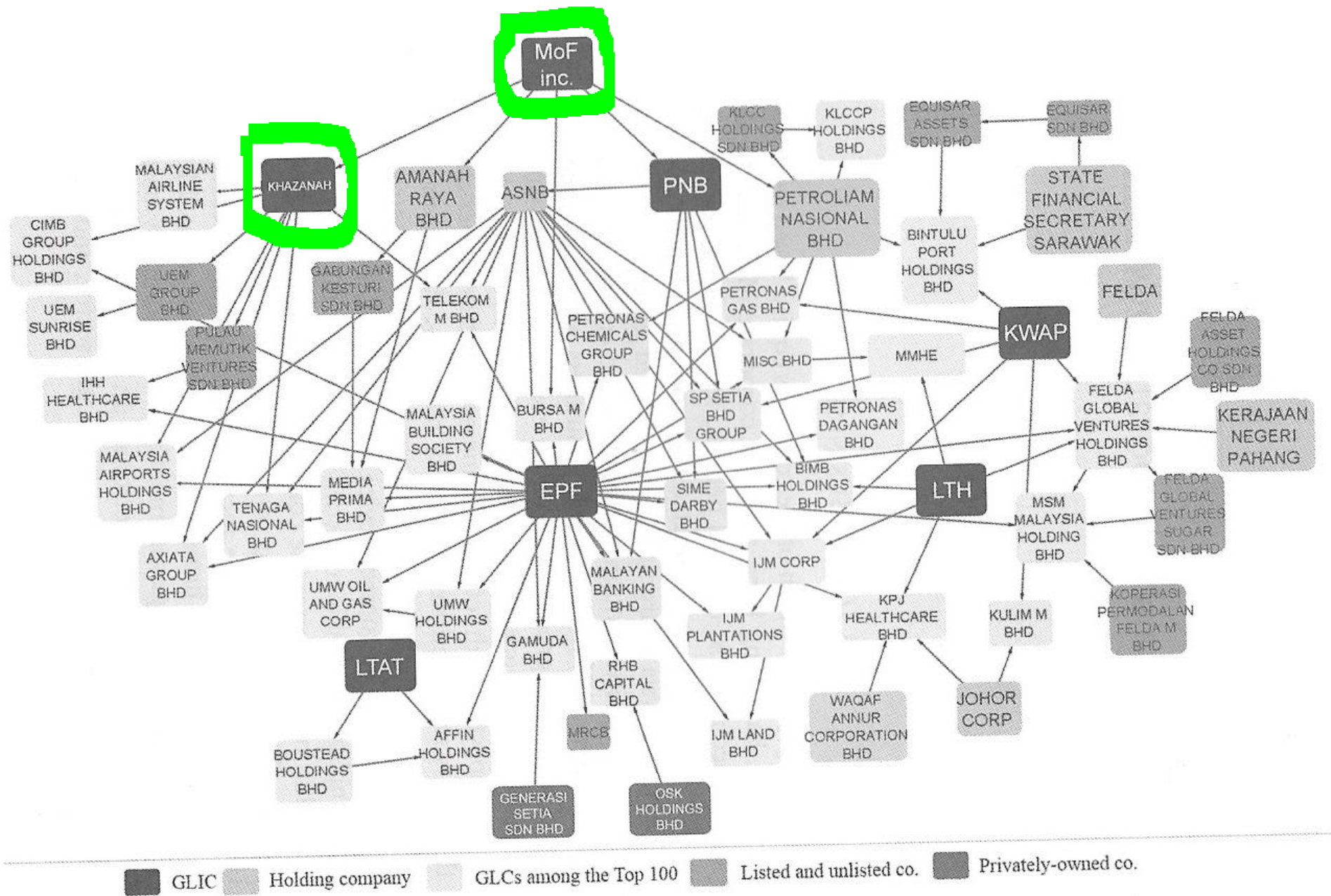
Publicly listed companies like Merlin, Parembea, Renong, Fleet Holdings, and many others. Gomez and Jomo, 1997

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



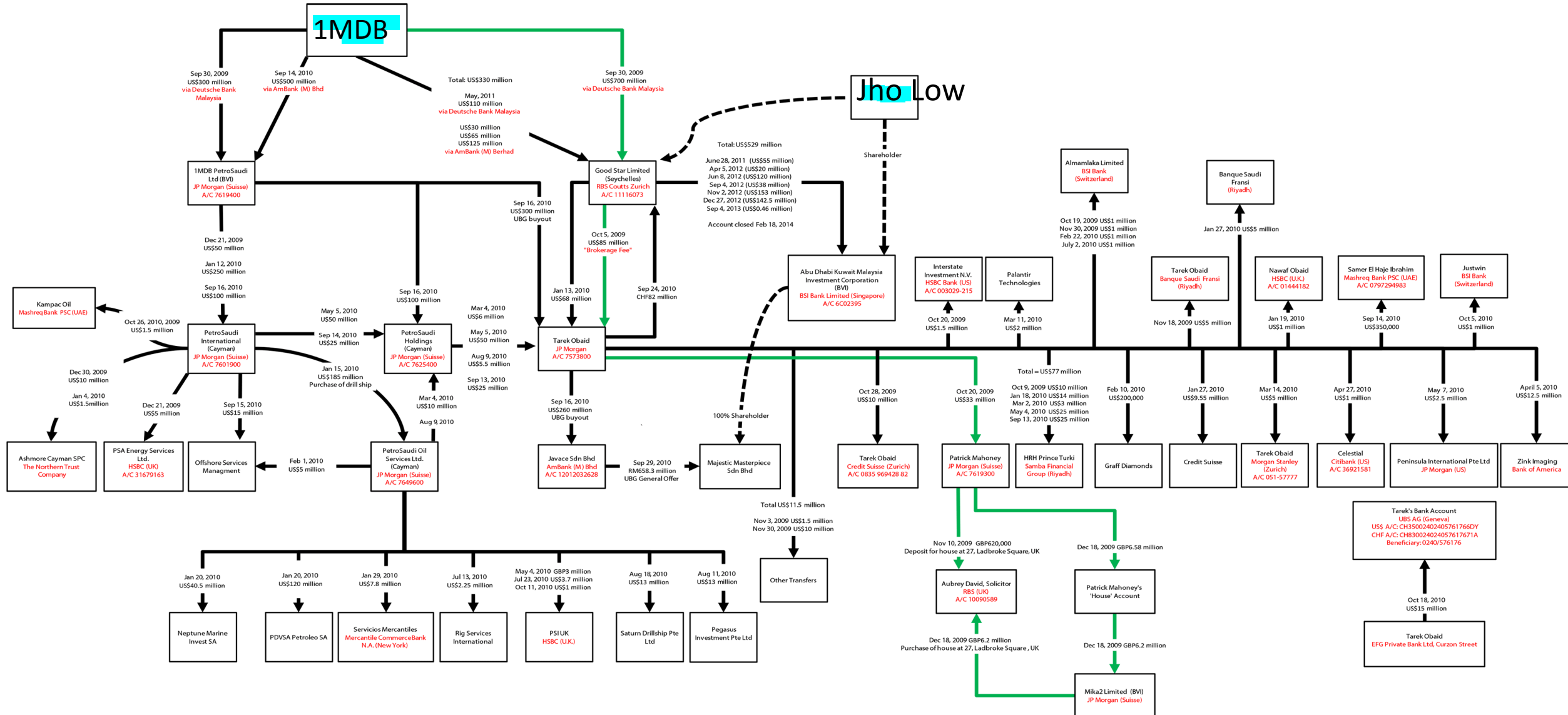


**Fig. 3.1** Substantial share ownership network of GLICs, 2013

# 1MDB scandal underestimated

## Founded 2009

### THE MONEY TRAIL INVOLVING GLOBAL BANKS







Rank	Country	Score
1	New Zealand	89
9	Singapore	84
34	Taiwan	63
54	Korea	54
66	Malaysia	47
101	Indonesia	37
104	Thailand	37
108	Mongolia	46
113	Vietnam	35
114	Philippines	34
135	Myanmar	30
141	Laos	29
164	Cambodia	21

Source: **Transparency International**,  
Corruption Perception Index 2017  
183 countries covered worldwide

The daily corruption

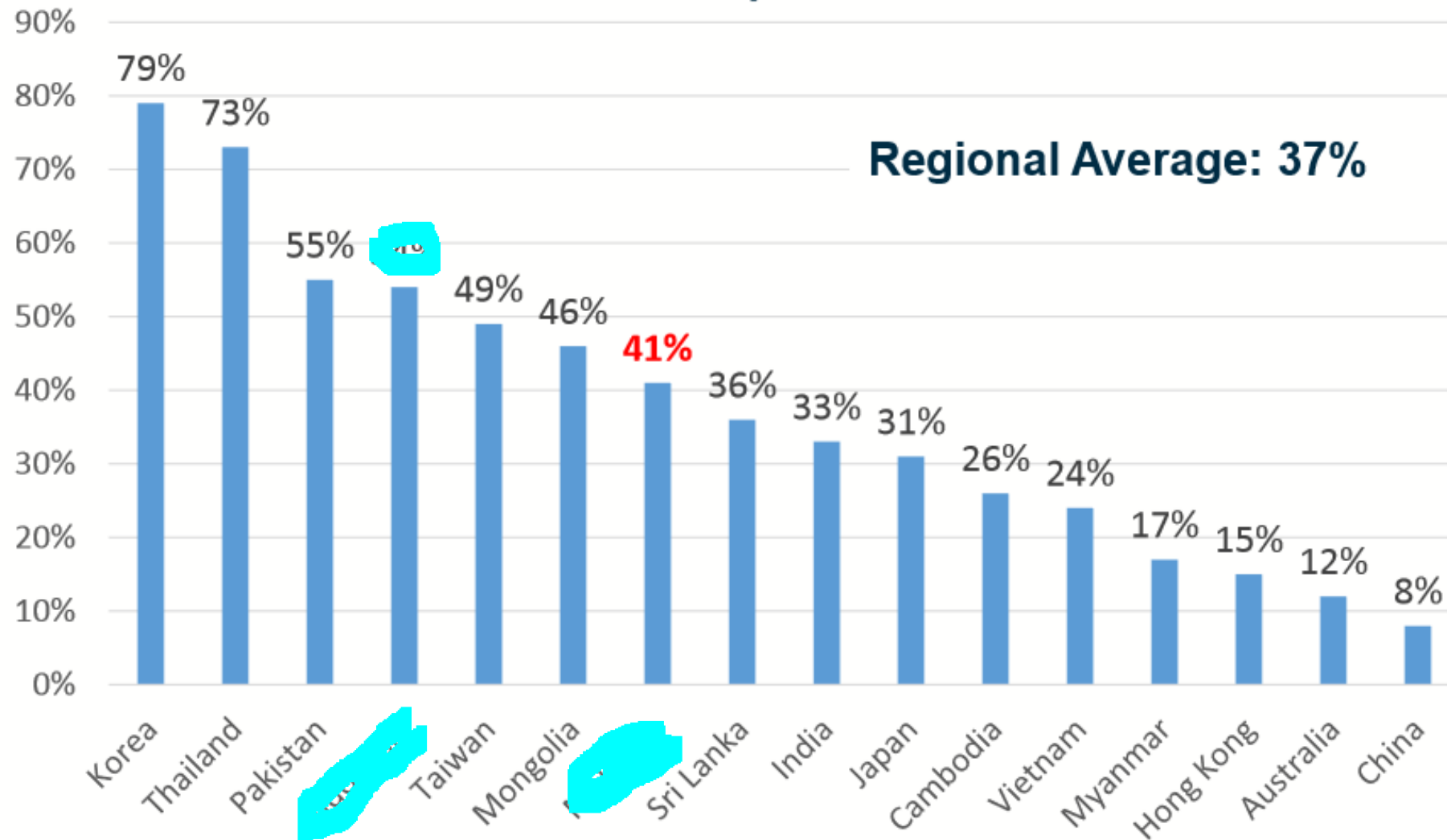


# GLOBAL CORRUPTION BAROMETER – ASIA PACIFIC

**BY DATO' AKHBAR SATAR,**  
President  
Transparency International Malaysia

Date : 28<sup>th</sup> February 2017  
Time : 11.30 am  
Venue : Royal Selangor Club, Bukit Kiara

## Q6b) Representatives in the Legislature (i.e. Members of the Parliament or Sentators)



## 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%



**“The Politician’s Lunch is a pork sandwich  
and we send the bill to your grandchildren.”**

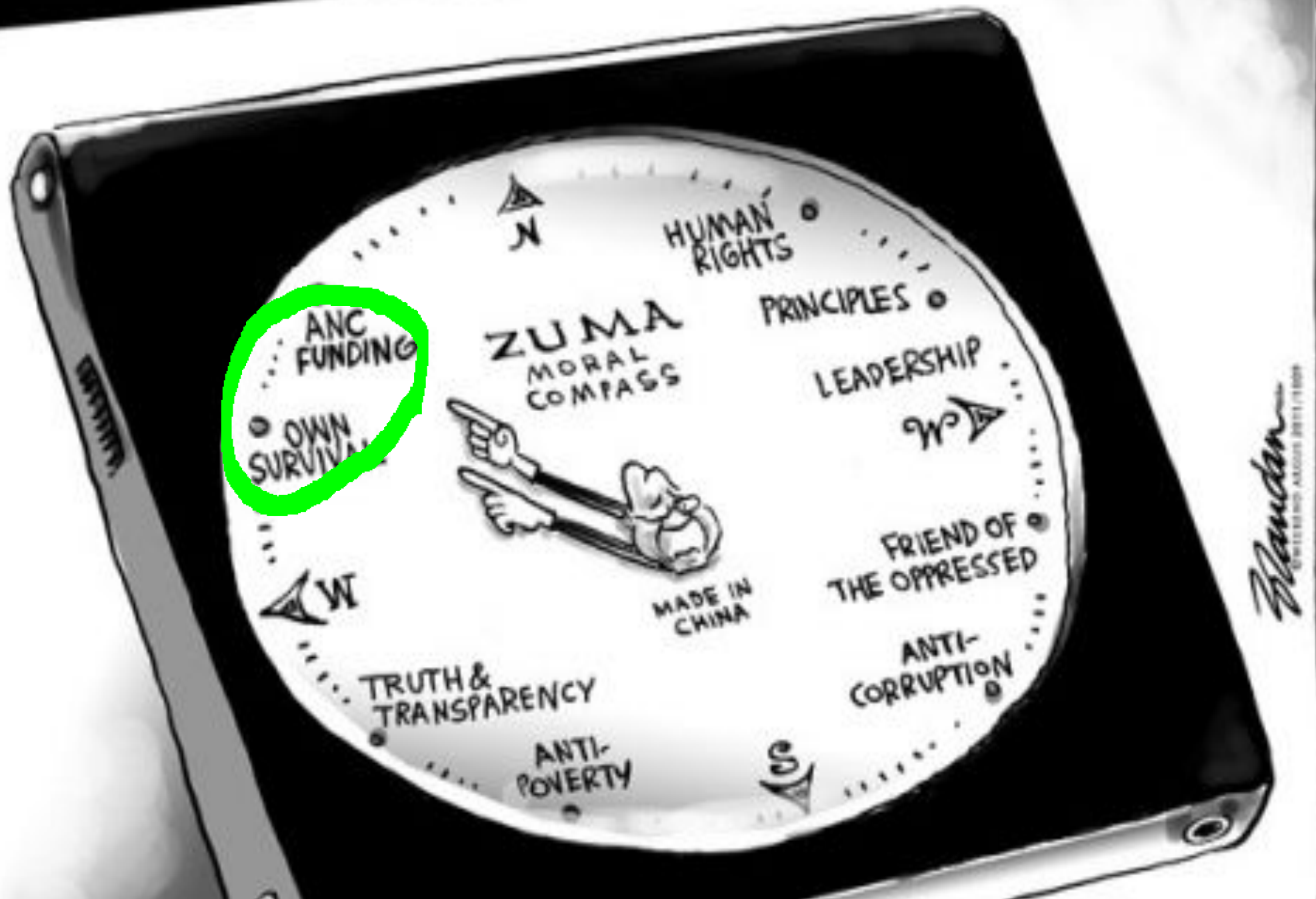
## Cost factor Pork barrelling:

“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...



TRUE NAUGHT...



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

 World Scientific

Covering all ASEAN countries except Brunei



# Thanks for your attention

Terima kasih atas perhatian anda

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感謝您的關注

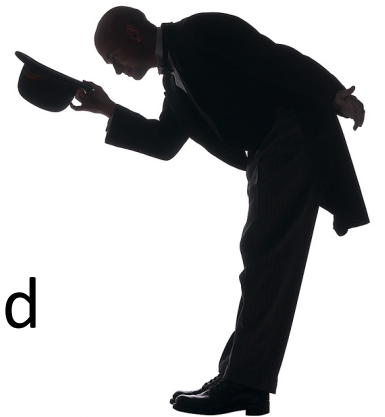
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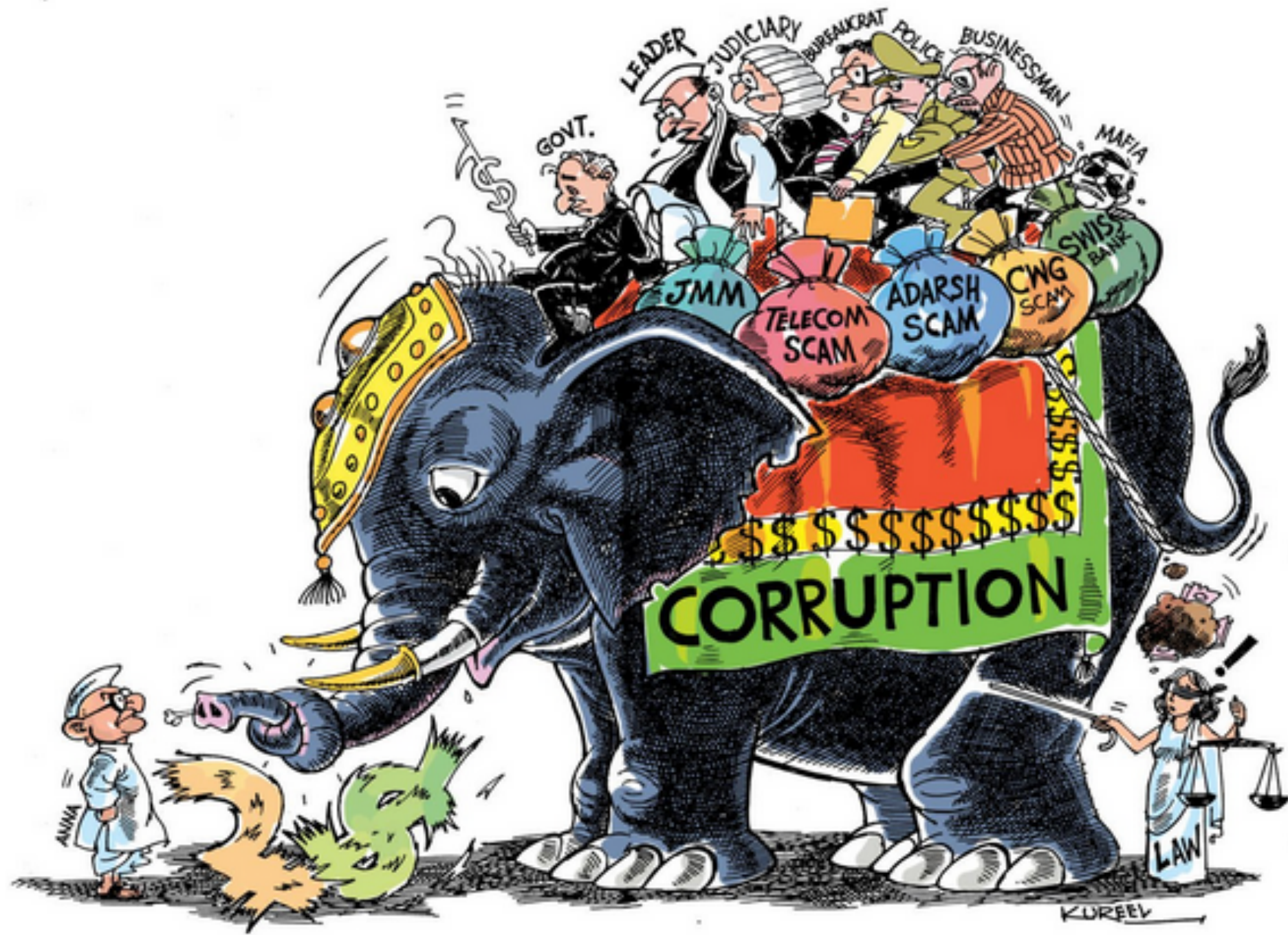
ขอขอบคุณสำหรับความสนใจ

주목 해 주셔서 감사합니다

உங்கள் கவனத்திற்கு நன்றி

Salamat sa imong pagtagad





Einnahmen der Parteien im Bundestag<sup>[20]</sup>

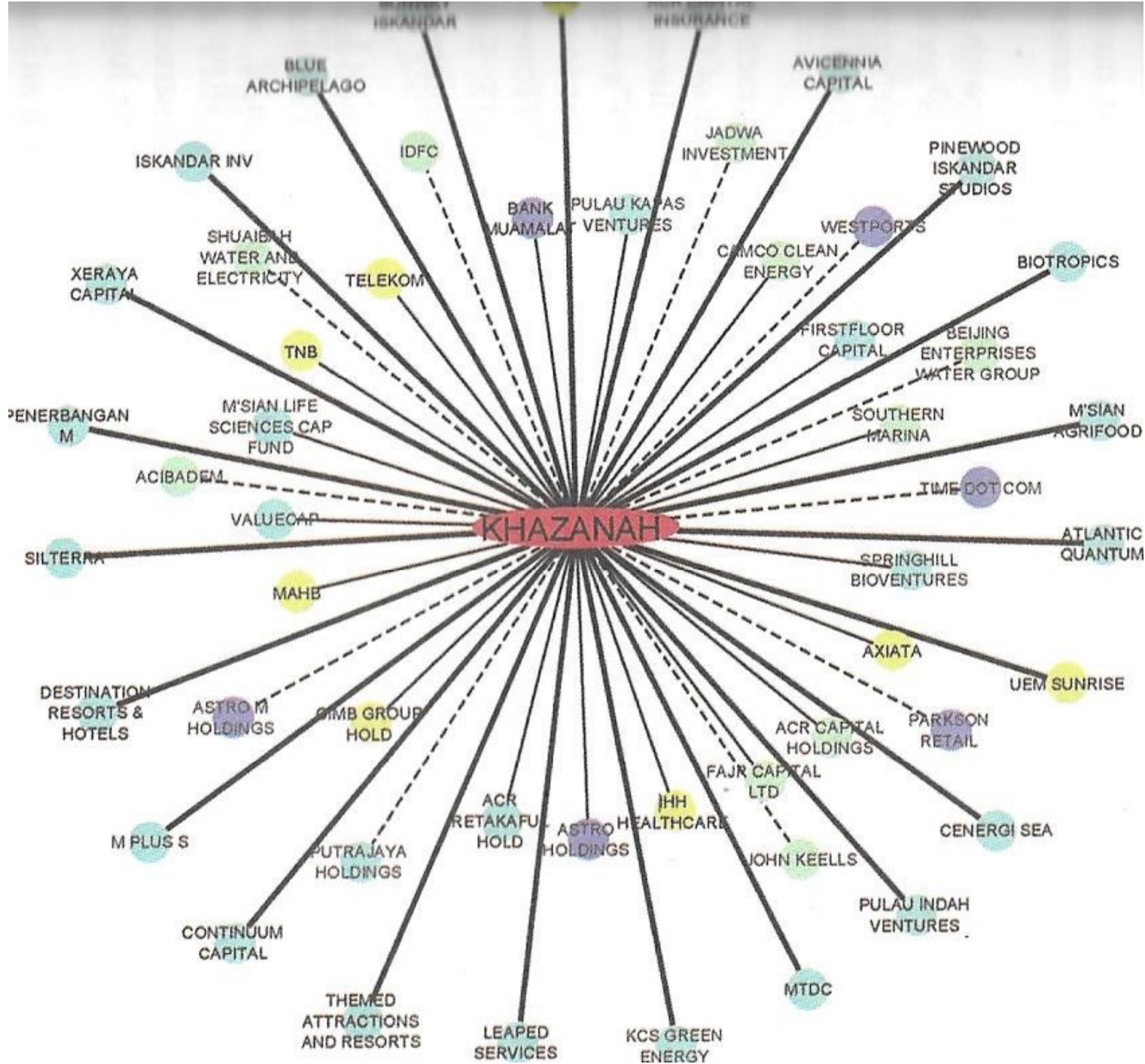
Einnahmen		B'90/'Grüne	CDU	CSU	CDU + CSU	Die Linke	SPD
ne	Gesamteinnahmen in Tausend €	39.997 (100 %)	143.362 (100 %)	59.076 (100 %)	202.438 (100 %)	27.945 (100 %)	156.841 (100 %)
	p fees    Mitgliedsbeiträge	22,15 %	26,67 %	16,57 %	23,72 %	33,47 %	31,62 %
MPs Mandatsträger und ähnl.		24,08 %	13,00 %	6,11 %	10,99 %	15,88 %	16,21 %
nding	Staatliche Mittel	37,75 %	34,36 %	22,71 %	30,96 %	39,22 %	31,93 %
Spenden von nat. Personen		9,03 %	9,29 %	6,40 %	8,45 %	6,80 %	5,12 %
Spenden von jur. Personen		1,45 %	4,46 %	3,71 %	4,24 %	0,01 %	1,15 %
ons	<a href="#">Spenden insgesamt</a>	10,49 %	13,75 %	10,10 %	12,68 %	7,84 %	6,26 %
aus Unternehmertätigkeit und Beteil.		0,00 %	0,00 %	0,00 %	0,00 %	0,00 %	1,39 %
ts	aus Veranstaltungen,...	1,63 %	8,61 %	10,88 %	9,27 %	0,90 %	7,87 %
aus sonstigem Vermögen		0,31 %	2,94 %	31,62 %	11,31 %	0,42 %	4,34 %
aus sonstigen Quellen		3,59 %	0,68 %	2,00 %	1,06 %	3,30 %	0,37 %

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





- [CIMB Group](#)
- [Telekom Malaysia](#)
- [Axiata Group](#)
- [Tenaga Nasional](#)
- [TIME dotCom](#)
- [Malaysia Airports](#)
- [IHH Healthcare](#)
- [Malaysia Airlines](#)
- [UEM Group](#)



KHAZANAH (\*1994)  
NASIONAL

- GLIC
- GLCs among the Top 100
- Listed and unlisted GLCs
- Privately-owned co.
- Foreign-owned co.
- 50 – 100% (majority)
- 20 – 49% (associate)
- - - 19% and below (minority)