



DANISH INSTITUTE FOR
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MMDP KNOWLEDGE BRIEF

MYANMAR MULTIPARTY DEMOCRACY PROGRAMME
QUESTIONS & ANSWERS ON PARTY DEVELOPMENT

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POLITICAL PARTY FINANCING

INTRODUCTION & BACKGROUND REGARDING POLITICAL PARTY FINANCING

Property or economic power has been regarded as a crucial element of politics since early days of civilization. Today, many will still agree that money is essential to the operations of any democracy, and that political parties and candidates need appropriate funding in order to fulfil their core functions. The access, or lack of access to resources, has such importance that it can seriously effect free and fair political participation and competition. This is the reason why the attention to political finance is increasing both by scholars but also in the media and by citizens. There is however one problem related to studying this topic; many aspects of political money remain hidden. Even though money is one of the more important aspects of party life it is still one of the least transparent.

Political parties and candidates income comes from either private donations or from state funding. A private donation can take various forms such as cash, services or anything else of value given from an individual or an organisation with the purpose of supporting a certain political party or candidate. Some gifts, such as state resources being given to a certain party are considered to be so undesired that they are banned altogether. Certain donors such as anonymous donors, foreign interests and companies partly owned by the state are also seen so unwanted that their contributions often are banned all together. To reduce the influence of wealthy benefactors over party politics it is common practice to set limits on the total amount of private donations to political parties and candidates or set a maximum level that may be contributed by a single donor.

Today, a large majority of the world's countries by law, provide public funding for political parties; this either in monetary forms or through indirect funding such as equal access to media or to state premises for campaigning. The provision of public funding plays an important role in counteracting the dependency by parties and candidates on

All political parties and political and members can forward queries or questions relating to the challenges of political parties to the Myanmar Multiparty Democracy Programme, and we will share information, manuals, training tools, guidelines, resource institutions and literature on the topics of interest.

Send requests to Country Coordinator Khin Thazin Myint at email: ktzm@dipd.dk

This knowledge facility is a living information resource for political parties in Myanmar. For more information visit the Myanmar page on www.dipd.dk and www.mynamarmultiparty.org

private funds (and potentially also certain interests) and it serves to equal the playing field between those parties and candidates who have access to resources and those who don't. Public funding can play a very important role for women candidates as these seldom has access to the same funding networks as men. It is also an emerging practice to earmark the state funding to political parties for the purpose of advancing gender equality or youth interests within the parties.

However, the most crucial principle to work towards in a political finance system is transparency. It is often said that "sunshine is the best deterrent" and that transparency measures are more effective than outright limits or bans for tackling corruption and undue influence over the political process. It is therefore crucial to establish open systems and regulatory frameworks including transparency provisions in the funding of political parties and candidatures for elected public office, as well as for expenditures.

Effective legislative frameworks including financial disclosure requirements for political parties and electoral candidates should be adopted. Both political parties and candidates should submit comprehensive financial reports with clear and detailed information on their assets, income (sources, amounts) and expenditure. In-kind contributions also need to be accounted for and could be monetized for the purpose of reporting. These financial statements should be made public in an "easy to understand" and "easy to access" manner so that voters can make informed choices based on it.

Transparency rules can however only fully work if accompanied by institutional mechanisms that allow for public scrutiny of the origin of donations. An institution with a clear mandate, independence from the Government and sufficient capacities to review the reports and investigate potential violations needs to be in place. The role of this institution should primarily be to work for increased transparency and compliance with law although there needs to be sanctions available for breaches.

SOME KEY UNDERSTANDINGS IN THE AREA OF POLITICAL FINANCE

The below statements¹ summarize a number of lessons learnt from countries and expert organisation working on political finance. These are to a large extent considered to be common understandings today and are reflected in a growing number of international obligations (discussed further below).

- Political parties and their role in the political system are essential for sustainable democracy and good governance.
- Political parties must have access to funds to play their part in the political process and money can support many aspects of democratic life such as voter outreach and setting up party organisations.
- Make sure there is a balance between private and public funding and open up for different channels for fund raising.
- Provide public funding but match it to parties own fund raising efforts.

1 International IDEA, Funding of Political Parties and Election Campaigns, pages 1-19 and IFES, [Political Finance Regulation: The Global Experience](#), pages 16-21

- Grass root contributions should be encouraged since parties which have strong ties to their supporters are likely to better represent their constituencies better than those without such links.
- Money is never an unproblematic part of the political system, and regulation is desirable. Regulation must never curb healthy competition.
- The context and political culture must be taken into account when devising strategies for controlling money in politics.
- A key feature to allow voters to make informed decisions about which party to support is to provide for adequate transparency of political funds by disclosure rules and reporting.
- Promote incentives, not constraints alone. The ‘carrot’ such as tax benefits when it comes to controlling money in politics can be equally effective as prohibitions or bans.
- Effective regulation and disclosure can help to control undesired effects of the role of money in politics, but only if well-conceived and implemented.
- The supervising agency must have a clear mandate; independence from the Government and sufficient capacities to review reports and investigate potential violations needs to be in place.
- Effective oversight depends on activities in interaction by several stakeholders (such as regulators, civil society and the media) and based on transparency.

GLOBAL STANDARDS

There is currently no universal framework specifying what constitutes best practice across the board regarding party and campaign finance. Instead, recommendations on the global level, are partly referred to in international obligations such as The United Nations Convention Against Corruption (Art. 7(3)) calling on countries to increase transparency in political life while taking into account national law and the IPU Declaration on Criteria for Free and fair Elections (Art. 4(1) advising states to regulate funding of political parties and electoral campaigns and ensuring the separation of the party and State.

On a regional level recommendations are more detailed and comprehensive and organisations such as the Council of Europe the Organization of American States (OAS), [Southern African Development Community](#) (SADC) and African Union urge states in their geographical sphere to adopt several important guidelines for political finance systems in the development of national legislation.

In the Asian context, there is currently no regional convention on political financing. One regional body, The Association of Asian Election Authorities (AAEA)², which could take on the task of developing such, has not been able to find consensus on the issue of political financing.

² Member countries of AAEA: Afghanistan, Bhutan, Bangladesh, Cambodia, India, Indonesia, Kazakhstan, , Kyrgyzstan, The Republic of Korea, Mongolia, Nepal, Pakistan, Papua New Genuine, Philippines, Sri Lanka, Taiwan and Tajikistan.

Standard emerging in Asia could be based on sub-region standards developed by organisations such as the South Asian Association for Regional Cooperation (SAARC)³ and Association of Southeast Asian Nations (ASEAN)⁴.

BEST PRACTICE ORGANISATIONS

1. International Institute for Democracy and Electoral Assistance (IDEA)
2. International Foundation for Electoral Systems (IFES)
3. Organization of American States (OAS)
4. National Democratic Institute (NDI)
5. Transparency International (TI)
6. The European Commission for Democracy through Law (The Venice Commission)
7. Organization for Security and Co-operation in Europe (OSCE)/Office for Democratic Institutions and Human Rights (ODIHR)

³ Members of SAARC are: Sri Lanka, Bhutan, India, Maldives, Nepal, Pakistan, Bangladesh and Afghanistan

⁴ Members of ASEAN are: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Myanmar, Cambodia, Laos and Vietnam.

TOOLS, MANUALS AND GUIDELINES RELATED TO POLITICAL PARTY FINANCE

1. Austin, R. and Tjernström, M., eds., 2003, "Funding of Political Parties and Election Campaigns: Handbook Series", International Institute for Democracy and Electoral Assistance (IDEA), Stockholm: http://www.idea.int/publications/funding_parties/index.cfm
2. Ohman, Magnus, 2012, "Political Finance Regulations Around the World: An Overview of the International IDEA Database", International Institute for Democracy and Electoral Assistance (IDEA), Stockholm: <http://www.idea.int/publications/political-finance-regulations/index.cfm>
3. IFES, Political Finance Regulation: The Global Experience: http://www.ifes.org/files/Political_Finance_Regulation_The_Global_Experience.pdf
4. IFES, Enforcing Political Finance Laws: Training Handbook, 2005
5. OSCE/ODIHR/Venice Commission, 2010, "Guidelines for Political Party Regulation": <http://www.osce.org/odihr/77812>
6. USAID Office of Democracy and Governance, 2003, 'Money in Politics Handbook: A Guide to Increasing Transparency in Emerging Democracies', USAID Technical Publication Series, USAID, Washington DC. United States Agency for International Development - Democracy and Governance (USAID), http://www.usaid.gov/our_work/democracy_and_governance
7. Bryan, S. and Baer, D., eds., 2005, „Money in Politics: A Study of Party Financing Practices in 22 Countries“, National Democratic Institute for International Affairs (NDI), Washington, DC: <http://www.gsdrc.org/go/display&type=Document&id=1508>
8. Fischer, J., Walecki, M. and Carlson, J., eds., 2006, „Political Finance in Post-Conflict Societies“, Prepared by IFES with funding from the United States Agency for International Development: <http://www.ifes.org/publication/0b087c527792ae130507f80957ad3f2b/Political%20Finance%20in%20Post-Conflict%20Societies-small.pdf>
9. Open Society Justice Initiative (2005) Monitoring Election Campaign Finance: a handbook for NGO's. Open Society Institute, New York: <http://www.opensocietyfoundations.org/reports/monitoring-election-campaign-finance-handbook-ngos>
10. Nassmacher, Karl-Heinz, (2009), The Funding of Party Competition: Political Finance in 25 Democracies, Nomos, Baden Baden.

WEBPAGES & LINKS ON POLITICAL FINANCE & CORRUPTION

1. International IDEA's database on political finance: <http://www.idea.int/political-finance/>
2. ACE – The Electoral Knowledge Network: <http://aceproject.org/ace-en/topics/pc>

3. International Foundation for Electoral Systems (IFES) thematic page on political finance: <http://www.ifes.org/Content/Topics/Electoral-Integrity-and-Transparency/Political-Finance.aspx>
4. The GSDRC gateway guide with links to and resources related to political parties and anti-corruption in a development context: <http://www.gsdrc.org/go/topic-guides/political-systems/political-finance> and <http://www.gaportal.org/areas-of-governance/political-parties>
5. Transparency International: <http://www.transparency.org/>
6. Eldis, a gateway to global development information on international development issues: <http://www.eldis.org/go/topics/resource-guides/governance/corruption>
7. Global Integrity: <http://www.globalintegrity.org/>
8. U4 Anti-Corruption Resource Center: <http://www.u4.no/>
9. Global Financial Integrity (GFI): <http://www.gfintegrity.org/>
10. Electoral Institute of Southern Africa: Funding of Political Parties website: <http://www.eisa.org.za/WEP/comparties.htm>.