

Political Parties in Asia

**Political Parties in Asia
Promoting Reform and Combating
Corruption in Eight Countries**

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The Council of Asian Liberals & Democrats (CALD) was inaugurated in Bangkok in 1993, with Thailand's Prime Minister Chuan Leekpai and South Korea's Dr. Kim Dae Jung. CALD is the only regional alliance of liberal and democratic parties in Asia and offers a unique platform for dialogue and cooperation. The chair parties of CALD since its inception are the Democrat Party of Thailand (1993-95/ 2002-2004), Democratic Progressive Party of Taiwan (1995-1997), Liberal Party of the Philippines (1997-1999), Liberal Party of Sri Lanka (1999-2000) and Sam Rainsy Party of Cambodia (2000-2002). The other members of CALD are the Parti Gerakan Rakyat Malaysia, Singapore Democratic Party and National Council of the Union of Burma.

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FOREWORD

Every political party that aspires to be in power publicly ascribes to the broad principles of democracy, transparency and accountability. They hit the campaign trail preaching integrity and good governance, promising an end to corruption and the introduction of an era of new politics based on morality and a strict code of ethics. Yet, with every new political party that comes to power, little seems to change in the political culture.

Corruption has been the bane of political reformers. Even the most ardent campaigns to stamp it out by a ruling party have invariably failed.

The search for a winning formula against corruption begins, of course, in the home and in the schools, where the values of society are planted and nurtured. But it also depends a lot on political parties, which are the training grounds of political leaders. It is in the political party where the ideologies and values of young leaders are shaped as they sit at the feet of the political titans and imbibe from the well of their wisdom and experience.

Not many national leaders are catapulted to the presidency from outside the party system, like myself. But even then I had some early lessons from a master politician, my late husband Ninoy Aquino, who was himself a product of the Liberal Party of the Philippines.

Indeed, it is in political parties where the future of the country is shaped.

Which is why this study conducted by the Council of Asian Liberals and Democrats and the National Democratic Institute for International Affairs of anti corruption practices of political parties in eight nations in East and Southeast Asia is most significant.

Launching a region-wide study on Political Party Strategies to Combat Corruption, CALD and NDI embarked on a ground-breaking dialogue with political parties in the region to find out what measures political parties have implemented “to promote internal accountability and transparency and to reduce opportunities for corruption from within.”

Political parties must constantly reform and reform themselves, if they are to remain relevant during times of swift and profound political change. During the spontaneous People Power phenomenon in the Philippines in 1986 and then again in 2001, leaders of civil society played a crucial role in the mass movements that unseated two presidents.

With the maturing of civil society, political parties must find a way to work with them in reforming our political system. And together, they must try to eradicate corruption.

CORAZON C. AQUINO

PREFACE and ACKNOWLEDGEMENTS

Kenneth Wollack and Peter M. Manikas

There is widespread recognition by political party leaders throughout the world that public confidence in political parties is waning. Asia is no exception. Political leaders in Asia, as elsewhere, must enhance public confidence in parties as vehicles for solving their nations' most pressing problems. At the same time, parties face an array of challenges to their ability to perform their key functions. Parties are also threatened by the influence of money, which can affect key aspects of the parties' operations, such as selecting leaders and candidates and establishing legislative priorities. The corrupting influence of money is particularly evident in the electoral process where vote buying and patronage are key aspects of the political system.

It is the problem of money in the political process, and how corruption affects political parties, that have inspired this study. Political parties have largely been left out of the growing discourse on controlling the influence of money in politics. Yet it will be political parties, acting through the legislative process, citizens must ultimately rely on to design anti-corruption measures and oversee their enforcement.

This book has grown out of research conducted for a conference held in Bangkok in January 2002. That conference brought together 28 political parties from eight Asian countries to discuss strategies for combating corruption in the political process. The conference was based on the underlying premise, repeatedly confirmed by the participants, that corruption poses a threat to democratic development.

This book includes chapters on essentially two types of regimes. While most of the countries discussed here are widely considered to be democratic, Cambodia and Malaysia fall into a different category in which some institutional forms of democracy exist, but political space is restricted and a ruling elite dominate the system. When political competition is absent or greatly attenuated and there are no institutions, such as a free media or independent judiciary that can provide a check on the misuse of power, the customary remedies for corruption are unavailable. The categorization of regimes is not always an easy task. In Nepal, for instance, the nation's parliament has been dissolved and it is currently ruled by a King and his unelected cabinet. Nevertheless, we view Nepal's democracy as interrupted, not entirely derailed. Subsequent events will prove us right or wrong.

This study is a tribute to democratic activists – including many practical politicians in Asia who are struggling to reform and modernize their parties. The countries and the parties discussed here are diverse and the challenges that they face often differ. Nevertheless, there are a few common themes that emerge in the chapters that follow. First, greater political competition favors reform. It is because they have suffered defeat, for example, that former ruling parties such as Golkar in Indonesia and the Kuomintang (KMT) in Taiwan are now taking reform more seriously. Second, simply the adoption of new laws and regulations are not the answer, at least not the entire answer, to combating political party corruption. Witness the Taiwanese parties, which have taken the greatest internal measures to increase transparency in the party decision-making and which operate in the environment in which few externally inspired regulations restrain their operations. Without education and enforcement, new laws and regulations become meaningless.

We would like to thank all those who helped in the research process, in particular, Chanththa Muth and So Serey Yuth in Cambodia, Supannikar Thewtanom in Thailand, and NDI staff persons in Nepal and Indonesia. Many also helped edit chapters of this report, and our gratitude goes to Eric Bjornlund, Jim Dau, Andrew Ellis, Dawn Emling, Jennifer Ganem, Terry Hoverter, Blair King, Brooke Okland, Kourtney Pompei, Rana Siu, and Tibor Vidos. NDI would also like to extend thanks to John Joseph Coronel, Executive Director of CALD. Finally, this research would not have been possible without the cooperation, time commitment, and ongoing assistance from the political parties and activists in the eight Asian countries included in the study.

NDI gratefully acknowledges the support of the National Endowment for Democracy (NED), which provided funding for the research and publication of this book, as well as for conferences and other program initiatives in Asia focused on promoting public integrity in the political process.

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INTRODUCTION

BACKGROUND

Political corruption is a global problem, posing a threat to economic growth, democracy, and political stability in wealthy and poor countries alike. Developing countries and those undergoing a transition from authoritarian rule to democracy, however, are particularly at risk. In Asia, where some countries are still recovering from the economic crisis, political corruption has had a devastating impact on the public's confidence in political and economic institutions.

During the past few years, corruption scandals have shaken several Asian countries at the highest levels, helping to topple and destabilize governments. In the Philippines, President Joseph Estrada was recently forced from office following allegations of corruption. The Pakistani military justified its 1999 *coup d'état* on the grounds of rampant corruption within the civilian government. In Indonesia, corruption allegations led to the downfall of President Suharto and later, President Abdurrahman Wahid. Many of the results in the last parliamentary elections in Thailand were nullified due to widespread electoral fraud and vote buying, and the Thai Prime Minister Thaksin Shinawatra was indicted by the National Counter Corruption Commission for falsely declaring his assets. Even in wealthier and more stable democracies, such as Japan, South Korea, and Taiwan, the tremendous influence of money in the political and electoral processes has eroded public confidence in government institutions and has undermined the foundations of the democratic system.

Throughout Asia, entrenched corruption has led to public disillusionment in many institutions, but political parties have especially become a target of criticism. Too often, distrust in parties and their leaders on the issue of reform has been justified. Parties have demonstrated little intent in stamping out corruption, promoting accountable governance, and advocating greater transparency in the political system. In particular, the internal practices of

parties, specifically regarding fundraising and campaigning, have been criticized. Although there are examples of transparent, policy-oriented parties, in many countries parties also participate in corrupt and illegal activities. As in countries throughout the world, electoral competition requires parties in Asia to raise large amounts of money in order to finance their campaigns, and fundraising practices often circumvent or violate the laws. Also like parties elsewhere, Asian political parties frequently build support through patronage networks, rather than through issue-oriented platforms based on the interests and needs of citizens. Many parties are opaque in their internal operations and undemocratic in their decision-making.

If political parties' internal practices and procedures are undemocratic and marred by corruption, then national efforts to eradicate corruption and promote good governance will be difficult to achieve. Political parties in Asia, as in the rest of the world, remain a vital ingredient in the democratic process. Democracies rely on parties to offer the electorate choices among competing candidates and alternative policies at election time, and parties are intended to serve the important role of aggregating diffuse social interests. After elections, parties determine and organize the government, and serve as the principle vehicle for placing issues on the public agenda. It will be political parties, acting through the executive and legislative process, that the public must rely upon to design reform measures and oversee their enforcement.

The political will to reform within parties is needed if parties are to play an effective role in national reform efforts. Furthermore, there must be greater public confidence in political parties' ability to act as agents for change. Despite their obvious shortcomings, parties cannot be viewed merely as part of the problem. They must also be viewed as part of the cure. In addition, whether motivated by a principled commitment to the ideals of good governance, or by more practical considerations of political survival and electoral appeal, reform ranks highly on the agenda of almost every political leader. Concrete steps must now be taken by the parties to earn the public's trust by ensuring that the rhetoric of political leaders is supported by meaningful action.

At regional and global conferences and forums, experts have increasingly acknowledged the role political parties must play in order to realize effective reform. At the 10th International Anti-Corruption Conference (IACC) held in Prague in October 2001, for example, closing speakers listed political party accountability as one of the top three areas for future action. Despite this increased commitment to addressing political parties in anti-corruption efforts, ironically, parties have still been largely left out of the reform debate. Few programs, if any, have been developed to work with parties, as organizations seem to prefer instead to promote policy prescriptions, bureaucratic reform, independent watchdog bodies, and civil society and media activities.

For these reasons, in March 2001, the National Democratic Institute for International Affairs (NDI) and the Council for Asian Liberals and Democrats (CALD), a coalition of political parties in Asia, launched a program in Asia on *Political Party Strategies to Combat Corruption*. Its purpose is to support political parties in their efforts to implement internal reforms through enhanced democracy, accountability, and transparency in party structures and practices. In addition, the program explores the challenges facing parties with respect to party financing, national legislation and regulations, and evolving public expectations, and aims to help parties participate in the formation of national reform initiatives.

In the first stage of this program, NDI and CALD conducted research to identify existing strategies and mechanisms parties are employing to limit opportunities for corruption, whether voluntarily adapted or mandated by external legislation. This research took place in eight countries: Cambodia, Indonesia, Malaysia, Nepal, Philippines, South Korea, Taiwan, and Thailand. NDI and CALD first examined the external environment in which parties function, including the country's transition to democracy, current political climate, governance and electoral systems, and problems with political corruption. In particular, NDI and CALD studied the legislation and institutions governing political parties, elections, and political finance.

Most importantly, however, the research focused on internal political party reform. The political parties in the study generously shared various strategies they have used to promote greater internal democracy, accountability, and transparency in their decision-making processes, candidate and leadership selection, financial management and fundraising practices, and ethical criteria and disciplinary procedures. Parties described reforms such as formulating codes of conduct, adopting mandatory disclosure requirements, conducting financial audits, establishing independent monitoring and disciplinary committees, implementing training and ethical education programs, and enacting term limits for party leaders.

Following the research, the program brought together 28 Asian political party representatives in Bangkok in January 2002 to discuss their experiences in democratic development and build upon the reform strategies identified in the research. The workshop provided an opportunity for parties, in some cases fierce political competitors, to at least temporarily lay aside partisan interests and share perspectives on the common challenges they confront. The parties represented some of the oldest in Asia, such as the Kuomintang of Taiwan, as well as some of the newest, such as the Keadilan Party of Malaysia. They also represented great diversity in their financial conditions, ideologies, and levels of organizational development.

This book presents the research findings, with the objective of providing comparative information on party practices in order to aid party reform efforts. The party strategies and practices described in this study emerged from a review of party documents and discussions with party representatives, and the accounts of party reform initiatives, therefore, largely reflect the parties' perspectives.

Political Corruption and Political Parties

Definitions

Efforts to define political corruption usually begin by identifying a normative standard for political behavior and then determining what conduct deviates from this standard.¹ In a democracy, politicians are representatives of the public and, in theory, act as agents of their constituents. In practice, of course, the relationships among elected officials and their constituents are more complex. Politicians seeking elective office must obtain the nominations of their parties, conduct a campaign, and accommodate sometimes-conflicting interests in order to serve as representatives of the people. Bargaining, negotiating, compromising, and, increasingly, fundraising are activities that generate suspicion and mistrust of politicians, but they are essential aspects of a politician's craft. Therefore, standards for appropriate political behavior can be difficult to determine, making the identification of corrupt acts problematic.

Corruption is most frequently defined as misusing public office for private gain. Common examples include: rewarding contracts or concessions in a non-competitive manner for personal profit; nepotism or cronyism in the appointment of government positions or contracts; actively protecting, or subverting legal action against, illegal businesses and activities; and developing government policies to favor certain political groups or interests in exchange for an explicit *quid pro quo*.

Sometimes, what is broadly considered corrupt or unethical conduct is nevertheless within the confines of the law. Wealthy donors, for example, may put pressure on a political party or candidate to adopt policies that do not reflect the interests of the majority of constituents. Although this may not violate the law, it distorts the principles of political equality and is sometimes viewed as corruption, or more commonly, as "money politics." In countries that have not yet developed institutions, including political parties, that enjoy widespread public support, activities that enhance the power of special interests, although legal, may decrease the legitimacy of the state.

Political corruption also has a cultural dimension. Certain acts such as donating money to a local temple or offering food and beverages at a community event are not viewed as corrupt behavior in many societies. Politicians sometimes complain of the “fine line” between common courtesy or tradition and bribery. Determining the influence of a gift on public behavior and practices is also problematic. Some political observers, therefore, argue that corruption should be locally defined: “It is the *perception* of the practice that makes it corrupt and scandalous.”²

Others, however, believe there are certain universal standards for appropriate conduct in public office. How citizens view corruption may be a result of educational levels, as well as levels of political awareness. “While local norms provide evidence about what people accept and reject, they should not be permitted to impinge upon the deeper sense of corruption...involving the violation of the norms of public office for private and personal gain.”³ In fact, during the course of this study, political party representatives from eight Asian countries did not express much disagreement over what constituted corruption. Even practices such as patronage and gift giving, which might not be viewed as corrupt by the public at large, were recognized as appropriate targets for reform efforts.

The Linkages between Political Parties and Corruption

There are many descriptions and explanations of the relationship between political corruption and political parties.⁴ One common observation is that corruption in parties is more prevalent when parties lack strong ideological commitments. When there is little the party offers its constituents in terms of concrete policies or programs, money can substitute as the driving factor for winning votes. Furthermore, the provision of funding to parties that lack meaningful issue-driven platforms indicates that support is driven by other rewards. Donors do not contribute out of a commitment to partisan beliefs or a set of ideals, but rather for financial or other returns the party can provide when it is in power. This is often why, as reported by several Asian parties, small parties that lack substantial representation in government are less attractive to financial contributors, since they are not in a position to provide benefits. In sum, parties and politicians promise their donors rewards, such as money, contracts, and licenses, and to deliver they must divert state resources to their supporters.

While lack of ideology and donor-party relationships may contribute to corruption within the political party system, the informal and often opaque structures and decision-making processes within parties can help perpetuate

corrupt practices. Often parties are formed through personal relationships and have not institutionalized their procedures and processes. Rather, a few key powerbrokers, normally those with the financial influence or connections, determine the party's path with little consultation with rank and file members. The unofficial and often familial, clan-like nature of many parties reduces accountability to members and voters and hinders transparency, preventing effective checks on abuses within the party. Without internal democracy and formal rules and procedures, it is also more difficult to enforce external laws and regulations, such as political finance legislation.

The escalating costs of elections and party activities are also cited as contributors to political corruption within parties.⁵ There are obvious expenses associated with running a campaign, such as television and radio advertisements. However, other costs are associated with voter demands for favors both during campaigns and in between elections. Politicians and parties from across Asia report, for example, that they are expected to pay for community and family events, such as weddings and funerals. Although some do not consider these demonstrations of respect and custom corruption, they nevertheless present a financial challenge for parties. Factionalism and fragmentation within parties can also increase costs by fuelling internal competition. Purchasing loyalty within the party, particularly during the nomination process, is often as necessary as securing support from outside the party. Furthermore, in countries where party switching is rampant, party leaders report having to "buy" successful politicians, and sometimes their factions, before each election.

Parties have to turn to creative fundraising practices in order to cover these costs. There is little tradition in Asia of ordinary citizens funding political parties, and membership fees are difficult to collect. Many parties in the study reported that they waived their membership dues altogether. Parties instead have to allow only those who can afford their own campaigns to run as candidates, often resulting in leaders ill-equipped to address the public's needs. In addition, as described above, the lack of untainted financial contributions forces parties to rely on donors with vested interests. Parties' dependence on these donors forces their accountability to them as well, often resulting in the abuse of state resources and further preventing parties from deepening as issue-based, publicly accountable institutions.

The trend of wealthy businesspersons, including in some cases those running illegal operations, establishing political parties has further strengthened the link between parties and money politics. Wealthy party donors may tire of providing funds to parties and choose instead to cut out what they view as the "agent" role of the parties and establish their own parties to pursue their goals. Businesspersons may also use a party to provide long-term political and legal protection and to discourage competition with their business interests.⁶

As corruption spreads, parties attract fewer desirable members and donors. Some parties have alienated civic activists and leaders, particularly given the increasing presence of business interests in the party system. In many Asian countries, the polarization between civil society and political parties is striking. Although a key function of parties is to represent and aggregate the collective demands and interests of broad social sectors, the financial motivations of parties have driven away issue-advocates. Activists eager to become involved in issue-based political activity frequently turn to NGOs instead of joining a political party. In some cases, civic groups are in practice effectively replacing parties by representing citizens on issues of concern and presenting proposals to the government. Moreover, advocacy groups often represent interests counter to those of the parties and their donors, putting activists in direct conflict with parties and politicians. Thai environmental groups interviewed in this study, for example, explained that many of their anti-pollution programs forced them to confront important politicians who owned the factories or plants in question.

The need for parties to develop as policy-based, professional institutions is evident. To do so, however, requires that public demands and expectations change. To focus on parties alone is to address only the supply-side of the political equation. Parties are shaped by the political culture in which they operate. In societies historically driven by patron-client relationships, the political parties will also reflect this characteristic. When citizens are used to conducting affairs through informal, hierarchical relationships, they will expect and accept similar behavior from politicians and parties. Furthermore, if the public does not demand issue-oriented campaigns from its politicians, or help fund issue-oriented parties, then it is unlikely the parties will develop as ideological, accountable institutions. Voters themselves are often not politically aware or divided by specific policy issues, so it is unlikely that parties would differ in the platforms that they put forward. Public expectations for financial payments in exchange for loyalty further reduce the demand for parties as professional institutions oriented around public policies. As one politician in this study commented, "One has to sell their vote in order for it to be bought."

The factors linking parties to corruption are complex and interconnected. Parties are unable to raise money from the public at large, for example, because the party organizations are considered unethical and fail to represent the true needs of citizens. The reputation of parties has suffered because, unable to raise funds from ordinary citizens, they have relied instead on special interests. In many cases, party representatives in Asia concede that they do not know how to break this cycle and initiate a reform process. Lessons learned from other parties' successes and failures with party reform, therefore, could provide some needed guidance.

Common Solutions to Political Corruption

In several countries, attempts are being made to regulate party behavior in order to enhance transparency and accountability, promote internal party democracy, and limit the abuse of money in the party system. Legislative solutions are diverse and incorporate a range of advantages and disadvantages. Laws and regulations also tend to generate additional laws and regulations, and loopholes proliferate. A basic framework, however, has proven necessary in most environments to serve as a check on party abuses.

Legislative remedies include the following:

Campaign and Political finance: Limits on donations and expenditures

Implementing limits or ceilings on the amounts that donors can contribute to a party or candidate is a common form of political finance reform. Limitations on contributions are based on the principle that they reduce the disparity of political influence between large donors, small donors, and non-donors.⁷ Some countries also place restrictions on the sources of funding. A few European countries, such as Spain and France, for example, prohibit or limit corporate donations to parties. Limits on party and candidate expenditures are also common. In an attempt to level the playing field between parties, the government enforces a ceiling on total expenditures, usually implemented only during the campaign period.

In several countries, however, limits have been subjected to constitutional debate, as critics argue that the limits are contrary to the principles of freedom of expression. Proponents of limits argue that campaign activities can be regulated by invoking the “public harm principle.” This argument “justifies limitations on rights on the grounds that otherwise there would be impairment of institutional and regulatory practices that are in the public interest of a free and democratic society.”⁸ In other words, according to this argument, without regulations, equal access to the democratic process would in effect be denied. An individual or group with ample resources would be able to exert more influence on the political system than the majority.

One negative outcome of limitations is that in some circumstances fundraising is driven underground. Parties continue to accept money beyond the limits by circumventing disclosure requirements. This has been referred to as “parallel funding.” Enforcement of limits is also extremely difficult, particularly with regard to spending limits. It is challenging and expensive for law

enforcement authorities to keep track of all the money spent by parties and candidates across the country. In many countries, it is widely acknowledged and accepted that the limits are routinely violated. Moreover, in some countries, the limits are unrealistic and have not been updated in decades. Another problem with contribution limits is that they can create an incentive for wealthy businesspeople to finance their own campaigns, as there is no need to fundraise, making it difficult for poorer candidates to compete.

Declarations and Disclosure

Mandatory disclosure of party finances contributes to greater transparency in the political process, providing the public with the ability to understand and monitor the affiliations, interests, and resources of parties. When the public has access to a party's financial relationships, citizens can more effectively serve as a check on party behavior and provide incentives for party cleanliness. "Full disclosure allows the public to know the identity and economic or ideological affiliations of individuals and groups financing the campaigns of elected officials." Some argue that disclosure is most effective when there are no funding limits or other restrictions. Incentives for parties to declare all of their financial information are essential for disclosure to be effective, and the fewer reasons parties have to circumvent the regulations the more likely they will be willing to disclose. Furthermore, disclosure should be comprehensive, providing broad application and not confined to certain aspects of party and candidate activity. Declarations of assets and liabilities of candidates and party office holders are important to ensure that money is not being channeled through individuals rather than the party and to protect the party from embezzlement.

Disclosure has proven to be difficult to enforce. In many instances, parties can easily submit false balance sheets, as the true income and expenditures are hard to verify, particularly with multiple branch offices. Disclosure of the identity of donors has also presented problems. Parties have complained that many donors prefer to protect their anonymity, particularly in tense political environments, forcing parties either to reject the funding or take the money "under the table." In addition, loopholes frequently exist in disclosure laws. If only certain aspects of party behavior are required to be disclosed, parties can easily find alternative channels. If parties must disclose expenditures and revenues during a specified campaign period, for instance, then parties might conduct fundraising and campaign activities prior to the designated period. In addition, funds can be provided to groups closely affiliated with the party, such as political action committees, which are not required to disclose.

Public Subsidies

Government funding of political parties or candidates serves many objectives. One central aim is to level the playing field for parties by ensuring more equal access to funding. Particularly for smaller parties, state funds often are the main source of financing, essential for the party to run even a modest campaign. In addition, government funds can support party development in places where political parties are traditionally weak and under-funded. Furthermore, public subsidies are used to attempt to limit the need for donations from illegal sources and to prevent corruption in the fundraising process. “Everywhere...public subsidies have become a necessity, because apparently there is no other way to bridge the gap between rising expenditures for political purposes and sluggish flows of voluntary donations. Experience with political corruption accompanying party fundraising and unequal opportunities for party competition have contributed to this proliferation of public subsidies.”¹⁰

Governments provide funds to political parties in different ways. Some countries provide grants or matching grants to candidates to cover part of their campaign expenditures. Other countries also provide money for the day-to-day operational costs of parties. Some legislation requires parties to earmark the public funding for specific activities, and many countries limit the uses of public funding. Sometimes governments give money “in kind,” by providing media coverage or postal expenditures. Funds are allocated based on a variety of factors, such as number of seats in the legislature, number of party members, the regional spread of the party (or grassroots offices), or the percentage of votes received. Countries can provide the option of public funding to taxpayers on their tax forms.

There are a few disadvantages of state funding. Critics argue that subsidies can discourage membership outreach as the need for grassroots funding decreases.¹¹ In Spain, for example, public funding reportedly brought the parties closer to the state and distanced them from civil society.¹² Another disadvantage of public subsidies is that there are opportunities for “fake” parties to mushroom in order to obtain the funding. In other cases, however, it is argued that the funds actually discourage new, smaller parties and protect the big, incumbent parties because of the formula for allocation. Finally, the costs of campaigns, such as media expenses, do not decrease with the availability of state funding, and the need to raise money from other sources is rarely diminished.

Regulating Internal Party Structures and Practices

Laws regulating political parties sometimes require parties to adapt specific internal structures and practices. Several countries, for example,

require external audits of party finances, and parties must provide balance sheets of revenues and expenditures to the government or an independent watchdog body. In several cases, these audits are made available to the public. Some laws mandate that parties have specific election and decision-making procedures to enhance internal party democracy. Parties may be required, for example, to have certain party posts, committees, and meetings, such as annual general assemblies. A few countries reserve the right to review the constitutions of parties to ensure they are in line with certain principles. Although the intention of these laws is usually to improve the democratic character of political parties, in some instances the restrictions are viewed as government control, which can be abused in a partisan manner. These regulations can also erode the natural emergence of parties as independent groupings of civic interests. Rather, parties become regulated machines.

Conclusion

In sum, countries have adopted a variety of regulations to tackle money politics and political corruption. Legislation has helped improve transparency and accountability of political parties by allowing the public to understand and observe the financial linkages and internal practices of parties. Legislation has also attempted to provide broader public access to the political process by leveling the playing field for political contenders. Public funding for parties, for example, has allowed smaller, poorer parties to grow.

In many cases, however, reforms have introduced perverse incentives and loopholes. Contribution limits and disclosure have sometimes encouraged parties to drive their fundraising efforts underground or find different methods to achieve the same end, such as “bundling” contributions. In addition, often legislation ignores political realities by placing overly stringent requirements on parties and limiting their ability to raise enough funds to operate effectively. Some campaign spending limitations have not even been updated in decades and amount to approximately the cost of one television commercial. Finally, enforcement has been universally weak. Many of the targets of regulations, such as actual party expenditures, are difficult, if not impossible, to monitor without tremendous resources. Moreover, in many instances, there is little political will for enforcement, and independent monitoring agencies are rare or under-funded.

Clearly legislation cannot be the only answer to money politics in the party system. Civil society and the media can perform a monitoring role, and the electorate must demand reform from those they put in power. Voters could choose candidates and parties that are not involved in corrupt acts when such a choice exists. As one expert on party financing put it, “It is when political financing is accompanied by silence, indifference, and a lack of technical training that abuses are best able to flourish.”²¹³

Naturally, party reform also involves the participation of parties themselves. Parties are needed to implement and comply with legislative provisions. In addition, because of the shortcomings and loopholes of legislation, parties must develop their own commitment to reform in order for real change to be realized. Little information, however, is available on internal party reform activities. Very few studies have examined political finance and corruption from the point of view of the parties themselves, exploring the challenges they face and the pressures placed upon them. As discussed above, this research effort attempted to uncover these issues.

Research Design and Methodology

NDI and CALD researched political party reform experiences in eight Asian countries: Cambodia, Indonesia, Malaysia, Nepal, the Philippines, South Korea, Taiwan, and Thailand. The major objectives of the research were to identify key obstacles to party reform and to explore mechanisms that parties have implemented to promote internal accountability and transparency. These include:

- full membership involvement in the election of party leaders and officials;
- full membership involvement in the selection of party candidates for public office (and/or public involvement in the selection process through polling or open primaries);
- term limits for party officials;
- codes of conduct for party officials and candidates;
- party contracts for party officials and candidates (e.g. conflict of interest agreements);
- ethical standards for party officials and candidates;
- public declarations of assets and liabilities for all party officials;
- disciplinary procedures;
- internal anti-corruption bodies;
- evaluation and monitoring strategies;
- financial disclosure procedures for all party accounts;
- full public disclosure of the *names* of donors;
- external audit systems; and
- fundraising guidelines and regulations.

The research explored several components of party practice: organizational structures and decision-making processes; selection of leaders and candidates; financial management and fundraising practices; ethical standards and criteria for party officials; and disciplinary procedures. In addition to examining internal party behavior, the research also investigated the external challenges and pressures political parties face with respect to their country's political cul-

ture, constitutional and electoral framework, media access, and public perceptions of parties. In particular, the research examined the impact of legislation governing elections, political parties, and political finance on the conduct of parties, and the opportunities and limitations legislation presents.

The primary method of research involved individually administered interviews with political party leaders and representatives in each of the eight identified Asian countries. These interviews were conducted between April and August 2001. The number of parties interviewed in each country was limited to those with the largest representation in parliament or those with important historical and legislative roles. In some cases, the parties chosen were not inclusive. In Malaysia, for example, research focused on the peninsular parties, omitting parties in Sabah and Sarawak states in Borneo. Moreover, in some circumstances, parties did not agree or were not able to meet with the researchers.

Researchers were usually able to interview at least one senior representative, such as the party leader, secretary general, executive director, or secretary for administration. They also sought meetings with known reformers in the party, including youth wing members, who often offered interesting insights on the political realities within the party. The researchers developed a survey for these interviews, which suggested key areas for questioning and served as a guide for the interviews.

Although interviews with political party leaders were most central to the research, key representatives from other sectors of society helped to verify, clarify, and cross-reference the information gathered. These representatives included: leaders from civic organizations and NGOs active in political, electoral, or anti-corruption issues; academics focusing on corruption and the political process; government officials, such as members of the anti-corruption body, the election commission, or the government body overseeing political party registration and activities; representatives of the media; international observers from foreign missions; and businesspersons.

Despite these guidelines, each interview in the study was unique. The researchers were flexible and allowed the conversation to flow in the direction of interest to the interviewee. There were clearly some lines of questioning that the parties felt more comfortable not discussing. In several cases, the interviewees requested anonymity or asked that the interview take place off the record, and the researchers respected these wishes. Interviews also varied in length. Some meetings ran as long as two and a half hours, others lasted less than 30 minutes. Consequently, each party section unavoidably varies in length and level of detail. In addition to these interviews, party records and documents, such as by-laws, constitutions, and audit reports were also examined.

Findings of the study largely reflect the perspectives and opinions of the party representatives interviewed. Certainly the respondents wanted to present their parties in a favorable light, sometimes exaggerating reform accomplishments. Most party officials, however, were forthright in discussing their parties' shortcomings and the challenges posed by corruption.

Summary of Findings: Reform Legislation

The laws and regulations governing political parties, political finance, and elections are critical in framing the context within which parties operate. A main component of the research process, therefore, involved scrutinizing these various legislative measures and interviewing political parties about the impact of legislated reforms on party activities and conduct. The researchers collected all relevant documents from each country, such as the constitution, the political party law, the electoral law, and political finance regulations. Special consideration was given to:

- The regulations regarding party registration and operations and the responsibilities of the government body empowered with oversight and enforcement functions;
- Provisions in the party law related to party finances, such as mandatory review by a government institution, public disclosure requirements, stipulated legal and illegal sources of funding, limits on contributions and/or expenditures, and audit and accounting regulations;
- Provisions in the electoral law relating to campaign finance and campaign expenditure, such as limits on contributions and/or expenditures, mandatory review of campaign finances by a government body, public disclosure requirements, and accounting and reporting regulations;
- Public funding systems and the criteria for receiving state funds; and
- Declaration of assets and liabilities requirements for party leaders and officials, conflict of interest legislation, and anti-corruption agencies.

Many of the countries included in the study recently adopted laws regulating parties and campaign financing and established independent anti-corruption and election commissions. In several cases, however, these new laws have proven difficult to enforce and have driven illegal practices underground. South Korea and Thailand have extensive legal frameworks, for example, but by all accounts, money continues to dominate political competition in those countries. In Taiwan, on the other hand, there are few laws regulating parties, but greater efforts are made by parties to meet public expectations of good governance. In fact, Taiwan is considering lifting some of the penalties for breaking limits on campaign spending and donations because it is recognized that limits have, in fact, reduced transparency.

Thailand

The 1997 Thai Constitution introduced new party, political finance, and election laws, under the Organic Law on Political Parties and the Organic Law on Elections, and empowered an independent Election Commission of Thailand (ECT) with oversight authority. These laws strictly regulate party operations and accounting practices in order to enhance transparency and accountability within the party system. A key objective of the new legislation is also to strengthen parties as ideological bodies and broaden their membership bases, with the aim of reducing the prevalence of patronage and vote buying.

The new party and election laws impose stringent regulations and checks on parties. Disclosure is the main theme of the new reforms. All party officials, including branch chairpersons, must declare their assets and liabilities to the ECT, regardless of whether or not they hold public office. The new laws mandate annual party audits and financial reports that detail all expenditures and donations, including the sources of all contributions, and these reports must be made available to the public. Spending limitations are also placed on parties during the campaign period, although there are no limits outside the campaign period. In addition, parties are required by law to have internal elections to determine party posts, including branch office committee positions, and policies. The law even provides an appeals process to the Constitutional Court for those party MPs who feel they are the victims of “undemocratic” party decisions. Furthermore, the new legislation attempts to limit factionalism and encourage more issue-based and cohesive parties by making it difficult to switch parties and by providing a public subsidy for organization-building and constituent outreach activities.

The ECT is responsible for managing and enforcing the political party regulations and has demonstrated its authority. In July 2001, the ECT sent dissolution requests for 17 parties to the Constitutional Court because the parties failed to abide by the new regulations. The ECT has also fined parties for accepting donations from illegal sources and submitted to the Constitutional Court over 380 cases of party officials who have failed to declare their assets and liabilities.¹⁴ During elections, the ECT is empowered to disqualify candidates and call for fresh elections as needed. During the 2001 general elections, the ECT nullified election results and banned numerous candidates on corruption charges. Although the new ECT represents a vast improvement with respect to enforcement from the Ministry of Interior, which previously administered elections in Thailand, the Commission itself acknowledges that its oversight capabilities are limited and many violations continue to take place.

South Korea

The 1987 Korean Constitution requires political parties to be democratic in their organization and operations. In fact, if a party violates the “fundamental democratic order,” the Constitutional Court can require its dissolution. The Political Parties Act (amended in 2000) requires all parties to register with the National Election Commission (NEC), to hold elections for the party’s leaders and officials, to establish branch offices, and to provide lists of all members to the NEC. The law also places a limit on the number of paid employees in a party.

The Political Fund Act (amended in 2000) includes provisions on fundraising, expenditures, and party reporting. There are both income and expenditure limits on parties at all times, and donations are funneled through supporters’ associations established for the parties and candidates. The NEC receives the names of all members of and donors to the supporters’ associations, which become part of the public record, although in certain circumstances contributors can request anonymity. The law also provides state funding for political parties. All citizens can access parties’ annual audits and financial accounts.

The Act on the Election of Public Officials and the Prevention of Election Malpractices (amended in 2000) creates the framework for electoral competition in Korea and establishes the NEC as the oversight body for all elections. The NEC sets campaign, income, and expenditure limits and requires each candidate or election campaign to appoint an accountant to maintain a record of all financial transactions. Receipts for expenses and contributions and a report of all accounts must be submitted to the election commission following the elections. These accounts are available for public inspection for a period of three months.

Cambodia, Indonesia, Malaysia, and the Philippines

Cambodia’s Political Party Law (1997) specifies minimal requirements for parties. Parties are required to register with the Ministry of Interior, providing a party name and the signatures of at least 4,000 citizens. Parties also have to provide activity reports to the Ministry every year. There are no limits on spending or donations; public disclosure of the sources of funding is not required; and there are no mandatory declarations of assets or liabilities for party officials. The Election Law (1997) requires parties to submit campaign expense statements to the National Election Commission, but parties do not have to reveal the sources of funds and these expense statements are not made available to the public. There are also no campaign income or expenditure limits.

Indonesia passed two laws in 1999: No. 2/1999 regarding Political Parties and No. 3/1999 regarding General Elections. The Political Party law establishes criteria for party competition and sets contribution limits to political parties. Parties are also required to file financial reports, along with a list of all donors, and to conduct an annual audit. To date, however, few parties have reported an audit. The Election Law sets contribution and spending limits, requires parties to file financial reports, and calls for campaign audits of parties by the election commission. The commission experienced difficulties conducting campaign audits following the last election. Although Indonesia has passed legislation requiring full financial disclosure and encouraging greater party accountability, these measures have not yet been effectively implemented.

Malaysia's Societies Act (1966) governs political parties, NGOs, associations, and charities in Malaysia, and all of these organizations must register with the Registrar of Societies, under the Ministry of Home Affairs. Parties have to submit financial accounts to the Registrar, but these accounts are not disclosed to the public and there is no requirement for parties to reveal the sources of their funds. The current law also does not prevent political parties from owning and managing financial enterprises, and there are no spending or contribution limits. The Election Offences Act includes specific campaign finance regulations for candidates. During the campaign period, which is technically the period from the day of nomination to polling day and is usually between seven and 15 days, there are limits on campaign expenditures. Candidates must also file financial returns with the election commission, which are made available to the public. Under the current legislation, there is little transparency in internal party affairs and finances, and many civic groups and several political parties have lobbied for stricter regulations, particularly with respect to party financing.

The Philippines has no law governing political parties other than the Omnibus Election Code, and there are no laws regulating political finance outside the campaign period. There are no limits on spending or contributions, no required declarations of assets and liabilities, no reporting requirements, and no disclosure of financial records to the public or a governmental body. During the campaign period there are expenditure and contribution limits for candidates. The election law also requires parties to file financial reports for all campaign income and expenditures with the election commission, and these reports are made public. Several political parties and civic organizations have advocated for the passage of a political party law to regulate party practices and finances between elections.

Nepal and Taiwan

Nepal, like the Philippines, currently has no law governing political parties and there are no political finance regulations outside of the campaign period. The country's Election Code of Conduct sets limits for campaign expenditures and requires all candidates and parties to maintain records of expenses and contributions and submit them to the election commission, although these records are not routinely made public. A new Political Party Law, however, passed the House in 2001. Although it has not been implemented yet, the law will require party audits and financial reporting, including disclosure of the names of contributors of more than 25,000 rupees (\$333).

Taiwan has not yet enacted a political party law to govern the registration, finances, or operations of political parties. Provisions for political party registration are provided by the Civic Associations Law, which, like in Malaysia, is extremely broad, covering registration for all types of civic and charitable groups. The law places few requirements on political parties. An aspiring political party must submit its constitution, its structures and operations, its leadership roster, and registration forms to the Ministry of Interior. The current law does not prevent political parties from owning and managing financial enterprises, nor does it place any requirements on political party financial practices, such as audits of party financial accounts or declarations of party assets. The Public Officials Election and Recall Law (POERL) and the President and Vice President Election and Recall Law (PVPERL) establish spending and contribution limits for the campaign period and require each candidate to prepare an account book of campaign income and expenditures, audited by a certified public accountant. These account books are made available for inspection and reference. The state also provides financial subsidies to political parties and candidates based on electoral performance.

Taiwan's legislature is considering amendments to the Election and Recall laws that would eliminate the penalty for breaking contribution and spending limits, which are widely considered unrealistic, and would impose stricter eligibility requirements for candidates. A pending Political Contributions Law would, for the first time, regulate political finances *outside* of the campaign period. Political parties would have to keep detailed and accurate financial records that would be audited by certified public accountants and made available for public inspection. The government has also proposed the enactment of a Political Party Law to regulate the registration and operations of political parties and ban parties from managing their own profit-making enterprises. Interestingly, several legislative proposals would actually remove some of the existing requirements, such as the contribution and spending limits, in order to enhance the transparency of campaign finances.

Disadvantages of External Legislation

Stringent laws and regulations, although often considered an appealing approach to combating political corruption in Asia, have distinct disadvantages. It is difficult, especially for governments with few resources to devote to the task, to keep tabs on party activities, expenditures, and income. Even the widely praised Election Commission of Thailand faces resource difficulties and is unable to adequately scrutinize party records.

In addition to being difficult to enforce, many parties in this study complained that the laws do not take into account the political culture in which they function. Parties have argued that the laws single them out for sanction without considering the demands placed upon them. Moreover, laws can frequently underestimate the amount of money that parties need to operate effectively and competitively, and spending limits and regulations are often unrealistic. To emphasize this point, one politician claimed that if he bought one full-page newspaper advertisement, he would violate the campaign spending limit.

In Korea and Thailand, party officials explained that many donors prefer to remain anonymous, so the public disclosure laws force parties either to reject the needed financial support or to break the law. In fact, many report that legislation, such as cumbersome reporting requirements, has simply driven practices underground. Taiwan officials have learned that limits on campaign spending and donations reduce transparency and is therefore considering lifting the penalties for breaking these limits. It is widely recognized that current accounting reports are inaccurate, so by lifting the penalties of legislation, the government hopes that it will, for the first time, obtain an accurate assessment of actual expenditures and contributions.

Summary of Findings: Internal Party Reforms

Most of those interviewed agreed that even where strict laws and regulations have been adopted, parties themselves have a responsibility to adopt internal reforms. There are always loopholes and the laws can be circumvented if parties do not commit themselves to reform and voluntarily adapt monitoring mechanisms. Internal party reform is needed to complement and reinforce legislative requirements, and can have the added advantage of helping demonstrate the party's anti-corruption message to the voting public.

When embarking on this research, NDI and CALD encountered considerable skepticism of the notion that parties would "reform themselves." In virtually every party interviewed, however, the researchers encountered

reformers committed to reducing the role of money in politics. Several parties provided the researchers with concrete examples of strategies and instruments they use to promote transparency, accountability, and democracy in party structures and practices. Such reforms include codes of conduct, internal monitoring procedures, and financial disclosure. They also include broadening participation in candidate and party official nomination and election processes. These reforms can serve as useful “best practices” for possible replication by other parties in the region.

General Party Reform and Anti-Corruption Activities

Most of the political parties interviewed have publicly recognized the damaging effects of political corruption on their countries’ economic growth and governance and have incorporated the fight against corruption into their party platforms and agendas. Beyond these commitments, many parties have provided concrete critiques of the existing anti-corruption legislation and have advocated specific legislative and governmental reforms. Parties have issued press releases, held forums, and drafted anti-corruption policy prescriptions. Several parties, for example, have recommended changes to the current structure, powers, and activities of existing anti-corruption bodies, such as the counter corruption commission, election commission, and prosecutor’s office.

Several political parties in the study have also developed broad internal party reform processes and established new bodies to implement them. A few parties, for example, instituted reform committees tasked with recommending a wide-range of changes to the party’s current regulations, structure, decision-making procedures, and financial management practices. In some instances, these reform committees are empowered to operate independently from the other party structures.

Examples of general reform and anti-corruption activities include:

- The Democratic Action Party (DAP) of Malaysia has placed “anti-corruption” at the top of its agenda and has organized numerous forums to discuss legislative reforms. Specifically, the party made recommendations to the Anti-Corruption Bill of 1997 and has advocated for mandatory declaration of assets and liabilities for all elected officials.
- The Kuomintang Party (KMT) of Taiwan established an independent party reform task force of 40 to 60 party officers of various levels to develop a reform action plan that addresses corruption in the party and attempts to strengthen internal party democracy. Initial reforms recommended by this task force include the election of most party officials by the party’s members, the use of public opinion polls and

primaries to determine party candidates, and the complete re-registration of members.

- The Millennium Democratic Party (MDP) of Korea formed an informal “committee on solutions and implementation,” a block of progressive MDP legislators who were successful in drafting, promoting, and building consensus on the recent anti-corruption legislation that passed in the country.
- The Grand National Party (GNP) of Korea recently created a reform committee, chaired by a party vice president, to lead the party’s reform and restructuring efforts and draft recommendations.
- The Democrat Party of Thailand has embarked on a reform process that involves restructuring and “professionalizing” the management of the party to protect against possible conflicts of interest for party MPs and party officials. The party has held training seminars across the country to solicit the feedback of its membership.
- The Laban ng Demokratikong Pilipino Party (LDP) of the Philippines is trying to understand better the problem of patronage and opportunistic party defection by organizing internal party seminars, conducting policy discussions, and establishing a party research institute.
- The Sam Rainsy Party of Cambodia has prioritized the fight against corruption, placing anti-corruption as one of 10 fundamental components of the SRP platform. In the National Assembly, the party has lobbied for the adoption of an anti-corruption law, an independent anti-corruption commission, and mandatory asset declarations from all elected leaders.

Candidate and Leadership Selection

Parties shared several strategies for enhancing democracy and transparency in the selection of both candidates for public office and party officials. Most parties interviewed are challenging the leadership-driven and top-down practices of the past by involving more members, and in some cases the public, in the determination of party representation. Very few parties still allow a small number of key leaders to determine all candidates for election or to select officials for party posts. Internal party elections have become the most common process for determining both candidates and party leaders. The breadth of participation in these elections varies from the entire membership of the party to the central committee members.

As political parties integrate democratic procedures into the selection process, parties report that their candidates are of a higher caliber and the “purchasing” of party positions and nominations becomes more infrequent. If officials and candidates are determined by the entire membership of the party

through a clean, secret, and fair voting process, patronage and cronyism can no longer be viable determinants of the party's leadership and representation.

Examples of reforms to the leadership and candidate selection process include:

- The Democratic Progressive Party (DPP) of Taiwan has established a special “corruption hotline” for party members to report corrupt behavior within the party nomination and internal election processes.
- The DPP has voluntarily implemented term limits for all party leaders in order to avoid a monopoly of power with one group. Term limits prevent the use of influence and party machinery by incumbents in party elections.
- The DPP uses a combination of primary elections involving all members and public opinion surveys to select its candidates. Candidates' scores are based 30 percent on their performance in the primaries and 70 percent on their performance in the public opinion polls. This process helps ensure that party candidates for public office are nominated in a democratic manner, and not determined by patronage or cronyism, and are accountable to the public and broad party membership.
- The Gerakan Party of Malaysia allows all candidates for party offices to appoint “election observers” to monitor for corruption during the internal party elections.

Financial Management and Fundraising

Party representatives frequently cite financial management and fundraising processes as vulnerable to abuse. It is difficult for parties to keep track of all the money flowing in and out of the party, particularly with offices and members spread across the country. Financial donors can also present problems for parties by demanding rewards in return for their support. Parties have approached this problem in several ways. A few parties have chosen to centralize all party fundraising with the party headquarters to avoid opportunities for corruption. Other parties have called in external management companies to control their assets and finances. Most of the parties interviewed, however, agreed that enhanced transparency of party finances limits opportunities for corruption. In other words, the more members who are able to review the financial records and the greater number of checks and balances within the party help the party avoid problems. If a few leaders tightly control money management, it is difficult to know whether money is received and spent legitimately and it can raise suspicion among party members and the public.

Party representatives shared several tactics for preventing corruption in the financial management and fundraising processes, such as:

- The KMT has proposed to transfer all of the party's assets into a trust managed by a private management company to limit opportunities for abuse of party resources.
- The DPP has voluntarily implemented public disclosure of party financial records, including all income and expenditures.
- The Marxist Leninist (ML) Party of Nepal requires all central committee members to receive permission from the party before constructing or expanding a private home in order to monitor for unusual accumulation of wealth, and possible misuse of party resources, and to protect the party's public image.
- The Nepali Congress Party, the Nepal Sadbhawana Party, the United Marxist Leninist (UML) Party, the Rastriya Prajatantra Party (RPP), and the Marxist Leninist (ML) Party of Nepal include in their constitutions a requirement that all party office holders at all levels declare their assets and sources of their income in order to trace unusual wealth.
- The United Malays National Organization (UMNO) of Malaysia does not allow branch or division party offices to raise money. This prohibition was initiated to avoid the abuse of funds by party members and the undue influence of donors on the party.

Ethical Standards, Training, and Discipline

Parties have employed a variety of measures to promote ethical conduct among their members, leaders, and candidates, and to punish those who engage in unethical behavior or violate the laws of the party. Frequently, ethical behavior is linked to party loyalty, as many countries in the study experience problems with party defection. Most party representatives interviewed agreed that codes of conduct and written regulations alone are not enough. They contend that there should be other reinforcing preventative measures, such as training, as well as procedures for enforcement, namely evaluation, monitoring, and disciplinary processes. If there is no threat of sanction for committing corrupt acts, such as vote buying, and party regulations are routinely ignored, then behavioral change seems unlikely.

Although all parties have an official party disciplinary process, some party officials argue that informal pressure and reprimands are the most effective way to discipline because they protect party members and officials from "losing face." Few party officials state that their parties actually go through the official disciplinary channels when there is a problem. Instead, they would prefer to handle things discretely. Other party representatives, however, claim that if there are unclear or opaque disciplinary practices, they can be applied inconsistently or based on factional favoritism. This can weaken respect for the official laws and rules of the party, fostering a culture of impunity. These representatives believe that parties should strictly follow their regulations in order to build respect for rule of law in the party and to strengthen

parties as transparent, rule-driven, and formal institutions rather than family-oriented, informal cliques.

Mechanisms to enhance party ethics include:

- Taiwan's DPP has strict eligibility requirements for party candidates, including signed codes of conduct, to hold them accountable for how campaigns are conducted.
- The United Liberal Democrat (ULD) Party in Korea has a code of conduct for party leaders, monitored and implemented by a committee.
- The FUNCINPEC Party in Cambodia has a contract that all party members who hold public office – MPs, ministers, provincial governors -- are required to sign before accepting their appointment. Upon signing a contract, the individual agrees to resign voluntarily from his or her position in the government if he or she violates the provisions in the contract, which relate primarily to ethical conduct and job performance. The party conducts regular evaluations of its members to ensure that the contract is being followed.
- The Parti Islam SeMalaysia (PAS) of Malaysia has established an ombudsperson system (or *Hisbah* system) to monitor compliance with ethical standards. All leaders are required under this system to declare their assets and wealth, and there is a special committee to investigate violations. Members of the general public can submit a complaint about any member in the party.
- Malaysia's UMNO recently established an independent disciplinary committee to investigate and punish corruption within the party. The committee has already expelled six senior UMNO officials for buying votes in internal party elections.
- The DAP of Malaysia requires candidates to sign their own resignation letters for their seats in case they violate party principles, namely by switching parties.
- The Lakas-NUCD-UMDP-KAMPI of the Philippines requires all its candidates to sign an agreement stating that they will resign their seats if they defect from the party.
- The Partai Kebangkitan Bangsa (PKB) of Indonesia provides counseling to its members on Islamic ethical principles.

Lessons Learned

While Thailand and Korea have the most stringent national legislation governing political parties and finance of the countries in the study, the Democratic Progressive Party (DPP) of Taiwan is, perhaps, the party richest with examples of internal party reforms. The DPP has tackled political corrup-

tion by implementing numerous checks and balances within the party and ensuring full transparency of party operations. These reforms are particularly interesting because the party has adopted them voluntarily, as Taiwan has few legal requirements placed on parties. The reforms have also paid off at the ballot box. The DPP and its platform of reform won a stunning victory over the KMT in the last presidential and parliamentary elections. The KMT's response to its electoral defeat has been to undertake its own program of party reform and restructuring.

In Taiwan, the party reform process has been encouraged by voter behavior. Public opinion polls in Taiwan consistently reveal that citizens want honest and accountable political parties, and in order to compete effectively, political parties have been forced to demonstrate their reform credentials. Having lost power after decades of unchallenged dominance, Indonesia's Golkar Party is learning a similar lesson as the KMT, recognizing that its political survival depends in part on its ability to reform and alter the public's image of the party. As levels of political contestation increase, party leaders in several countries have become more sensitive to their public image, especially on anti-corruption issues. Another "lesson learned" from Taiwan's experience is that parties tend to mimic one another. If one party sets the bar high for reform and clean practices, providing voters with a desirable alternative, then other parties tend to follow.

Nepalese parties have also taken significant steps to enhance transparency in the party system through voluntary disclosure requirements. Thai and Korean parties have implemented very few reforms that were not already mandated by national legislation, although parties in these two countries are beginning to explore voluntary reform measures. Some Indonesian, Cambodian, Malaysian, and Philippine parties have implemented internal anti-corruption mechanisms, with varying degrees of success.

Regional Workshop on "Political Party Strategies to Combat Corruption"

Following the completion of the research, on January 14-16, 2002, political party leaders from throughout Asia met in Bangkok to examine the problem of political corruption and explore the practical steps to enhance public confidence in parties and the political process. The workshop, entitled *Political Party Strategies to Combat Corruption*, co-sponsored by NDI and CALD, drew participants from 29 parties from the eight Asian countries included in the research. In addition, experts and resource persons from India, Singapore, Germany, and the United States helped to inform and guide the

discussion. The workshop's central mandate was to examine how the internal operations of parties might be vulnerable to corruption and identify practical measures to enhance the integrity of parties.

At the workshop, participants built upon the research findings by identifying additional tactics and strategies political parties can use to promote greater democracy, accountability, and transparency in party structures and practices in order to limit corrupt practices. Participants were asked to both identify successful internal party reforms for possible replication and explore the obstacles to the reform implementation process. The workshop also had the underlying purpose of providing representatives from parties of varying ideologies and political power with the opportunity to share experiences and build a common commitment to fighting corruption.

Given the sensitive nature of the subject and the presence of competing parties, it was agreed that the workshop needed certain "rules of procedure." The workshop did not, therefore, concentrate on personalities, private financial matters, or political strategies but rather on party systems, processes, and procedures and how they can be improved. The workshop aimed to highlight positive reform strategies and anti-corruption best practices, and participants agreed that there would be no discussion of specific corruption scandals or "finger pointing." Despite the focus on positive experiences, at the workshop several participants voluntarily chose to speak frankly about problems within their parties and incidents of corruption. It was understood by all participants that these comments were made in good faith and would not be used for political purposes later.

Another important characteristic of the workshop was that it aimed to guarantee complete party ownership and management, and almost all of the facilitators, presenters, and chairpersons at the workshop were the party representatives themselves, with the exception of a few resource persons. To ensure the workshop results and recommendations were entirely the product of the participants, NDI and the CALD Secretariat played only resource-providing and facilitative roles.

Workshop Proceedings

The workshop methodology included a combination of plenary presentations by outside experts and party representatives, small working group brainstorming sessions, and open discussion. The first day of the workshop provided a broad overview of the issue of legislative and political party reform, drawing on regional and global experiences. In addition, party representatives shared several "case studies" of party anti-corruption strategies. The objectives of the first day were to set a broad framework for discussion and introduce

several concepts for in-depth analysis during the working group sessions on the following day.

- Panel Presentations: Academics and Experts
Following opening remarks from the conveners, there were three panel presentations on the external legislative environment affecting parties and political finance and on internal party reform. The presenters addressed the limitations and advantages of various legislative measures (regulations on political finance, elections, and political parties) and their impact on parties. The presenters also discussed the challenges of party reform, based on lessons learned from the region and globally.
- Panel Presentations: Party Representatives

A panel of party representatives gave presentations under the following themes: candidate and leadership selection; ethical standards, evaluation, and discipline; general reform efforts and financial management; and building a legislative agenda for reform. Each presenter was asked to describe an example of a reform mechanism or tactic that his or her party employed to limit corruption. The presenters described the reasons for reform, the development and implementation process, obstacles encountered, and the lessons learned from the process.

Once a framework had been established and several examples of party reform provided, on the second day of the workshop, participants engaged in intense brainstorming and discussion on reform strategies and recommendations. Participants were able to select the working group of their choice: candidate and leadership selection; financial management and fundraising; or building a legislative agenda for reform.

Following an introductory session on the aims, process, and structure of the day's activities, participants broke into three working groups. Materials from NDI and CALD's research, including descriptions of several party reform mechanisms identified, were provided as a launching point for discussion. Each group had an appointed facilitator and co-facilitator to manage discussion and report working group outcomes to the plenary.

There were two sessions in each working group. In the morning session, participants discussed the problems they have encountered with respect to corrupt practices and the needed areas for reform. The working group participants then focused on the various reform strategies developed by their parties to address those needs, sharing measures that were successful or unsuc-

cessful and compiling a list of “best practices.” In the afternoon session of the working group, participants discussed the implementation process, obstacles to reform, and lessons learned.

Following the working groups, participants briefly came together again in the plenary, and each group facilitator reported the findings and outcomes of the working group sessions, followed by an open discussion.

The aim of the final day of the workshop was to review the working group recommendations, build consensus on the suggestions, and pledge to implement reforms upon returning home. Participants also recommended future initiatives and identified needs for support and technical assistance.

Workshop Outcomes

One of the most encouraging results of the workshop was, according to the participants, the enthusiasm and commitment of the party representatives at the workshop and the frank and open manner in which participants shared their experiences. One of the few non-party participants, admitted that he came to this workshop with skepticism. However, after three days his “perspective had completely changed.” He stated that he now believes that parties are sincere in their willingness to change and reform. He added that parties have been given a bad name, but based on the participation at this workshop, there is “a lot to be optimistic about.”

Despite the differences between the parties attending, few disagreements on matters of principle emerged at the workshop. Party leaders, however, sometimes had divergent perspectives on the effects of particular reforms. While almost all of those attending, for instance, agreed with the principle that contributions to parties and campaigns should be disclosed, some opposition parties feared that this could result in retaliation against themselves and their contributors. In addition, some party leaders from poorer countries were more concerned about their ability to raise funds from any source than they were about limits in campaign contributions or spending. There was also a tension between the need to decentralize party decision-making and the need to maintain ideological coherency. This was of special concern to the parties, such as those in Indonesia, facing factional strife. Some party leaders also noted that being the first to adopt reforms could put a party, at least initially, on an uneven playing field.

There was widespread agreement, however, on many issues including enhancing accountability by installing modern financial management systems and encouraging responsiveness to the electorate through public opinion

polling and greater grassroots participation in the candidate selection process. There was also a consensus that parties must move from the informal, patronage-based organizations of the past to become more professional, rule-based institutions.

With respect to external reforms, all participants agreed that a comprehensive legislative framework is essential. Every country should implement a party law, require disclosure of party finances, and provide public funding for parties. The working groups also put forward the recommendation of enforcing ethics in public office through declarations of assets and conflict of interest measures. A resounding theme from the workshop was, however, the challenge of enforcement. There seemed to be unanimous consensus that current enforcement practices were not adequate and that countries must implement more credible means of policing parties and political finance.

Participants agreed that internal reforms must take place regardless of the external environment. A participant from Cambodia said that it is essential for parties to “get their own houses in order first” before looking to outside solutions. He added that although internal reform “might not benefit your own party in the short run, parties will win in the long run.” All participants agreed to take the lead in developing a reform action plan for their parties upon returning home and expressed their commitment to continue the efforts started in this program. As a participant from Nepal noted, “The workshop cannot be a one-time program.” The workshop concluded with a call for NDI and CALD to continue their efforts through regional collaboration and technical assistance.

Post-Workshop Developments

During 2002, NDI continued to work with the workshop participants in developing party-specific reform agendas and networking opportunities. Due to limited funding, NDI was only able to hold extensive workshops in two countries – the Philippines and South Korea. However, NDI held informal consultations with parties in several countries, including Indonesia, Malaysia, and Thailand. NDI and CALD also continued to provide parties with information and materials on political finance legislation, comparative political party structures and by-laws, and events in the region.

In mid-2003, NDI and CALD plan to organize “Bangkok II,” which would bring together the workshop participants again to measure progress on party reform efforts. This workshop would also include representatives from civil society, the media, and business community in order to encourage cross-sector cooperation on the issue of reform.

- Philippine Workshop

Following the Bangkok workshop, the Philippine party representatives widely agreed upon the need to reform the political party system in order to limit opportunities for corruption, strengthen parties as ideology-based institutions, and enhance public confidence in parties and the democratic process. To address this need, significant changes are required in the current legislative framework governing political parties. In response, the main national political parties in the Philippines hosted a seminar-workshop on *Political Party Reforms in the Philippines* in August 2002 to discuss the strengths and weaknesses of the current framework, review the legislative and policy options available to address these weaknesses, and build consensus on needed reforms. The National Democratic Institute for International Affairs (NDI) was invited by the organizers to provide technical assistance to the workshop, identify international resource persons for participation, and produce a comprehensive “reader” of materials for the participants.

The workshop focused on three themes:

- Regulation of Political Parties. This topic addressed the rights and responsibilities of parties, internal party structures and practices, party anti-defection mechanisms, party accountability and transparency, and monitoring and enforcement measures. Participants discussed the enactment of a political party law and outlined the necessary components of the law. Currently there is no political party law in the Philippines.
- Political Finance Reform -- regulating party financing and fundraising outside the campaign period. This topic addressed the effectiveness and limitations of limits and restrictions on donations and expenditures, declarations and disclosure requirements, public funding for parties, and monitoring and enforcement bodies. Participants discussed needed regulations and the appropriate channel for the enactment of the proposed measures. Currently there is no legislation governing political finance outside of the campaign period in the Philippines.
- Campaign Finance Reform -- regulating party and candidate financing and fundraising during the campaign period. This topic addressed the effectiveness and limitations of limits and restrictions on donations and expenditures, efforts to combat electoral fraud and vote buying, declarations and disclosure requirements, and monitoring and enforcement bodies. Participants built consensus on several necessary reforms to the current election law that governs campaign finance in the Philippines.

The participants at the workshop included political party officials from the major Philippine parties, legislators, legislative staffpersons, and representatives from civil society organizations and academia. NDI invited three international resource persons to provide a comparative perspective on the workshop themes based on experiences in other countries and globally. Through the presentations and interventions, the resource persons described the effectiveness and limitations of reform efforts in other countries. These comparative “lessons learned” aimed to help the parties determine effective and appropriate legislative and policy measures, suitable to the Philippine context.

The first day of the workshop provided both an overview of the challenges facing the Philippine party and political finance systems as well as a global perspective on party development and money politics. Following a review of the program objectives and outcomes, the political party leaders made brief opening statements. Then during the first plenary panel, two Philippine academics gave presentations on political party reform in the Philippines and the obstacles to creating transparent, accountable, and strong party institutions. Participants engaged in an open discussion about the current regulations governing parties, political finance, and campaign finance, the effectiveness of these regulations, and the needed areas for reform. Following sessions attempted to place the Philippine experience into a broader global context, and international resource persons gave presentations providing an overview of party development worldwide and identifying common problems countries face trying to limit the influence of money in the political system.

On the second day of the workshop, participants engaged in intense brainstorming and analysis. The day began with three plenary panels on the workshop themes – the regulation of political parties, political finance reform, and campaign finance reform – in order to lay the groundwork for the working group discussions in the afternoon. Following the plenary panels, participants broke into three working groups to develop reform recommendations, drawing heavily on the information disseminated in the morning. Participants were tasked with identifying and prioritizing reform needs, and building consensus on legislative and policy recommendations to address those needs. A representative from each working group then gave a presentation in the plenary on the group’s outcomes and recommendations.

On the final day of the workshop, participants came together in a “technical working group” to develop a workplan for future action. Participants discussed the versions of the draft House and Senate political party bills, agreeing that the regulations should cover the registration process, party disqualification, political party activities, party development, party mergers, and defection.

There was some disagreement on the level of internal party regulation. Some participants warned that the law should not be too detailed nor interfere too much in internal party practices. Several participants, however, argued that the law should mandate certain party practices, such as internal election procedures and general assembly meetings.

Participants also agreed that public subsidies should be provided to parties based on a variety of criteria, including the percentage of the popular vote, and that parties should be thoroughly audited on the use of their subsidy. The group recommended that the fund should also earmark money for research and training activities. Several participants suggested that there should be two separate laws – a political party law and a political fund law. The political fund law, which would include subsidies for parties, should not be considered until after the 2004 elections given concerns about voter disapproval. They recommended that congress first pass the party law to demonstrate the parties' commitment to reform.

The group then developed an action plan for next steps. It was determined that a technical working group of legislators and legislative staff would meet with the Senate and House Committees to get a draft form of the bill on both floors before the end of the year. In addition, participants decided that a Policy Consortium on Political Reform should be formed from a network of university institutions to conduct research on political corruption and the party system in the Philippines. It was widely agreed that this research was needed to develop a more informed opinion of the current challenges and to design appropriate reform measures. Several of the leading academics at the workshop volunteered to spearhead this effort. Finally, several NGOs, including NAMFREL, the country's leading election monitoring organization, pledged to host follow-on seminars on the issue of political party reform and launch public education campaigns on the proposed legislation. The participants called upon NDI and other international organizations to continue to provide assistance to these efforts.

- South Korea Workshop

In cooperation with Transparency International Korea (TI-K) and the International Cultural Exchange Association (ICEA), NDI organized a workshop in Seoul on *Strategies and Tools to Improve Transparency in Political Finance in Korea*. At the Bangkok workshop in January 2002, South Korean participants expressed their desire to “build consensus and trust” between parties and other sectors in South Korea through increased dialogue on the issue of corruption. NDI, TI-K, and ICEA responded by organizing this workshop to bring together representatives from the main political parties with leaders from

NGOs, media, government enforcement bodies, and the private sector to discuss the strengths and weaknesses of the current framework governing political finance and review the reform options available to address these weaknesses.

It is widely acknowledged that money dominates the political process in South Korea, and the public has demanded enhanced transparency and accountability in political finance practices. Political parties themselves also recognize the need to reform party finance and fundraising procedures in order to limit opportunities for corruption, strengthen parties as ideology-based institutions, and enhance public confidence in parties and the democratic process. However, the country's political parties and civil society forces, such as watchdog NGOs and the media, have not collaborated on issues of reform, and the growing polarization between the various sectors is problematic. Civic groups, the press, and government enforcement bodies accuse parties of being incurably corrupt, and watchdog NGOs have exposed politicians in well-publicized "black-listing" campaigns. Parties, in turn, accuse the media and certain NGO movements of being "irresponsible" in their accusations, arguing that they fail to take into account the realities of the cost of elections, the strong patronage system in South Korea, and the societal demands placed upon parties and politicians.

The aim of this workshop, therefore, was to bring together representatives from different sectors of Korean society, representing a variety of views on political finance reform needs, to share their perspectives and attempt to build some common ground. The workshop provided an opportunity for participants to discuss the problem of political corruption, develop a better understanding of the challenges, and foster consensus on key issues. International resource persons were invited to provide a comparative perspective on the workshop themes based on political finance reform experiences in other Asian countries.

There were approximately 40 participants at the workshop, invited from political parties, NGOs, media, academia, the business community, and government, with participation slightly weighted toward Members of the National Assembly and NGO representatives. An informal, roundtable format was used in order to encourage open discussion and debate.

The keynote address and the first session laid the groundwork for the workshop by providing an overview of current political finance practices and existing problems with political corruption in South Korea. Speakers described party fundraising practices, sources of political funds, and the current legislative regime governing political finance. The following panel addressed the role of political parties in political finance reform. Speakers and participants described

the actions parties must take to improve transparency in political finance practices and to ensure compliance with existing regulations.

Participants then focused on the role of legislation and reviewed the current legislative and policy mechanisms used to regulate political finance, specifically the political party act, political fund act, anti-corruption law, and election law. The final session of the first day addressed the role of the private sector in political finance reform, and presenters described the influence of the private sector in party practices, campaigns, and policy-making.

On the second day of the workshop, participants discussed the role of NGOs and the media in reform efforts, focusing on issues such as investigation techniques, reporting, and neutrality. The roundtable then addressed the role of enforcement bodies – the election commission, the courts, the public prosecutor's office, and the anti-corruption commission -- in limiting corruption in political finance practices.

Overall the roundtable was a success for identifying several of the key challenges to political finance reform in Korea. Participants all appreciated the complexity of the problem and acknowledged the role that every sector plays in enabling corrupt practices. In particular, the discussion about party membership and volunteerism was important, and many of the NGOs agreed that they must be careful to not discourage citizens from joining political parties, as that only hinders reform. The conversation about the relationship between corporations and political parties was also extremely interesting. The politicians present were astonished to learn that the business community believed that it was the victim of pressure by the parties for funding. The business representatives, in turn, were surprised to hear that the politicians felt pressure from them. Dialogue of this nature between diverse stakeholders was the main aim of the workshop.

There was also widespread agreement on the following issues:

- Political parties have a responsibility to enact measures that enhance transparency of party financial accounts, such as popularly elected party financial committees and membership access to financial records.
- Parties should start devolving more authority from party headquarters to branch offices to improve accountability to constituents.
- When revising party disclosure provisions, mechanisms must be implemented to protect opposition parties from government retribution.
- The current government subsidy provisions must be reviewed, and subsidies should be permitted only for certain party expenditures and should be subject to rigorous audits.

- Ceilings on spending and donations often work against disclosure and incentives must be developed to encourage accurate reporting.
- The influence of big businesses in policy-making should be a central focus of political finance reform efforts. Several participants suggested that corporations report all political donations to their labor unions and boards of directors.
- The NGO community must play a greater role in civic education -- legislation cannot be effective without changes in society's attitudes and behavior.
- Standardized financial forms and single party accounts are needed to enable the political finance monitoring process. Participants agreed that the election commission had a responsibility to simplify and streamline reporting procedures.
- The election commission should be empowered with greater judicial rights, such as the prosecutorial powers of the Election Commission of Thailand.

The NGO participants also agreed on five proposals: the establishment of an investigating office for officials; the development of a committee to monitor all political fund transactions; an amendment to the Public Service Ethics Act; an amendment to the Money Laundering Act; and an amendment to the Political Fund Act. The parties have agreed to review these proposals.

CONCLUSION

Parties in Asia are widely recognized as participants in the political corruption that hinders countries' economic and democratic development. They are also, however, home to many reformers who want good governance to prevail, and several parties have taken steps toward democratizing and strengthening their internal structures. These reforms, in some countries, have led to more democratic processes for selecting candidates and leaders, more transparent financial management and fundraising practices, and enhanced ethical standards and disciplinary procedures.

The positive effects of internal party reform go beyond strengthening the political party system. Party practices and conduct influence the behavior and operating procedures of a country's leaders and legislators, as most of them started their careers in the party system. Internal party reform helps build the political basis for national reform efforts, and the support of parties is usually essential in the passage of reform legislation. Laws attempting to limit political corruption are also extremely difficult to enforce if parties are unwilling to cooperate and are exploiting various loopholes. Parties' commitment to compliance is necessary for regulations to be effective.

Reforming their internal practices will also help parties build public trust in the democratic process. Across Asia, citizens have little confidence in parties as effective political institutions, as many parties have failed to serve their central role of representing the needs and interests of their communities. In addition, the public holds parties responsible for continued corruption and economic instability in their countries. Many believe the political party system, an essential element of a democracy, has failed them and forced them to turn to informal systems, such as civic groups or wealthy patrons, to fill the vacuum. Some have even expressed their preference for more authoritarian forms of government to replace the failing democratic system and institutions. The need to strengthen and reform the party system is, therefore, essential for democracy to deepen and efforts should be made to support parties in this process.

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CAMBODIA¹

SUMMARY

Cambodia's coup of July 5 – 6, 1997 set back the political gains that followed the 1993 parliamentary elections, which were conducted under the auspices of the United Nations Transitional Authority in Cambodia (UNTAC)². During the past five years, multi-party competition has returned, although the nation's political life is still dominated by the Cambodian People's Party (CPP), which controls most of the electronic media, civil bureaucracy, the judiciary, as well as the police and military. The authoritarian style of government that prevailed between 1978 and 1991 and the semi-authoritarian regime that exists today, have provided ample opportunities for corruption. Some CPP officials have benefited by siphoning off state resources for their personal benefit. It is widely believed that at least a few of the members of the CPP's junior coalition, the National Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (known by its French acronym, FUNCINPEC) have also profited from official corruption. Nevertheless, civil society, the international community and some political party leaders are beginning to more seriously address the issue of money in politics.

BACKGROUND

Political Context

Cambodia only recently emerged from the devastation of more than 25 years of armed conflict and civil violence, including four years of genocidal rule by the Khmer Rouge regime under Pol Pot. In late December 1978, Vietnamese-led forces, including defected Khmer Rouge cadres that had fled to Vietnam, invaded Cambodia and quickly consolidated control of the country under the Cambodia People's Party (CPP). The Khmer Rouge fled to the jungles in north and west Cambodia and formed alliances with various anti-Vietnamese and pro-royalist factions, including King Norodom Sihanouk's National United Front. A UN-brokered peace deal ended the civil conflict in 1991 with the signing of the Paris Peace Accords.

Parties to the peace process agreed on a United Nations mission to implement the Paris Peace Accords and manage the transition to multi-party democracy. The United Nations Transitional Authority in Cambodia (UNTAC), a two billion dollar operation employing over 25,000 civilian and military

personnel, had multiple mandates, including the responsibility to establish an environment conducive to free and fair elections. Although many question UNTAC's success in meeting this and other objectives, in 1993 Cambodia held its first election in nearly five decades.³ The Khmer Rouge boycotted the elections, and armed conflict continued sporadically until 1998, when the remnants of the Khmer Rouge, fighting from the jungle areas along the Thai border, finally surrendered.

The Paris Peace Accords and 1993 Elections

The 1991 Paris Peace Accords established the constitutional framework for the Kingdom of Cambodia. The constitution establishes a pluralistic liberal democracy and includes guarantees for multi-party elections, universal suffrage, freedom of speech, an independent judiciary, and other civic rights. Cambodia is a constitutional monarchy, with a King serving as head of state. Although designed primarily as a ceremonial position, the King has played an active role in mediating domestic political disputes.

General elections must be held every five years through a provincial proportional list system. Seats in the National Assembly are allocated to each province based on its population, and political parties submit a ranked list of candidates by province. These lists identify who will fill the parliamentary seats earned by each party. Cambodia uses a "closed list" system: voters select their preference of party only and are not able to select individual candidates.

The party winning the most seats in parliament forms the government and appoints a prime minister. The prime minister serves as the head of the executive branch and determines cabinet members. In addition to the executive and legislative branches, the constitution provides for an independent judiciary, headed by a Constitutional Council that serves as the highest arbiter of constitutional and electoral disputes.

In the 1993 elections The National Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (Front Uni National pour un Cambodge Independent, Neutre, Pacifique, et Cooperatif, FUNCINPEC), the royalist party led by Prince Norodom Ranariddh, won a small majority over the CPP, led by Hun Sen; however, the CPP refused to accept the election results. The threat by the CPP of resumed violence led to a power-sharing arrangement between the two parties. Parliament selected two prime ministers: a first prime minister from FUNCINPEC (Prince Ranariddh), and a second prime minister from CPP (Hun Sen). This political coalition of former armed opponents governed the country from 1993 to 1997. Despite its more senior position in government, FUNCINPEC remained the weaker partner. The CPP continued to control

many of the key institutions of state power, including the armed forces, civil bureaucracy and judiciary -- a legacy of 12 years of one-party rule. The CPP also continued to dominate local government through previously appointed commune officials.

In the period following the 1993 elections, a multi-party parliament was established, the economy grew, a vibrant NGO community emerged, and the threat from Khmer Rouge forces waned. The coalition, however, was fragile, and the government became increasingly unstable. In 1995, FUNCINPEC secretary general Prince Norodom Sirivudh was accused of plotting to assassinate Hun Sen and was forced into exile. In March 1997, a grenade attack at a rally for opposition party leader Sam Rainsy killed 16 people. Periodic fighting resumed between FUNCINPEC and CPP troops in the northwest, each side accusing the other of collaborating with Khmer Rouge units.

The 1997 Political Crisis and 1998 Elections

In July 1997, Cambodia again plunged into political crisis as tensions between the two governing coalition partners erupted. On July 5, Hun Sen and his armed bodyguards and military supporters overthrew Prince Ranariddh's government while the prince was out of the country. Violence continued in Phnom Penh over the next several days and FUNCINPEC loyalists were arrested and many were killed. Ho Sok, secretary of state and a senior FUNCINPEC official, was executed outside his office. Foreigners evacuated the country.

Many of Cambodia's political leaders fled into exile. Prince Ranariddh and other exiled leaders formed an alliance, the Union of Cambodian Democrats (UCD), comprising FUNCINPEC, the Khmer Nation Party of Sam Rainsy, the Buddhist Liberal Democratic Party, and the Khmer Neutral Party. The UCD accused the CPP of gross violations of human rights, politically motivated violence, and extra-judicial killings. These accusations were confirmed by reports from the United Nations Center for Human Rights. Following the 1997 crisis, human rights investigators found the graves of senior FUNCINPEC officials and estimate that there were more than 40 executions of CPP opponents.

His opponents in exile, Hun Sen quickly consolidated his power over the National Assembly and disarmed and detained nearly all the military, police, and intelligence forces loyal to Prince Ranariddh. The National Assembly voted to strip Prince Ranariddh of his parliamentary immunity and elected Foreign Minister Ung Huot as first prime minister, although Ung Huot's nomination did not have the constitutionally required consent of the president and vice presidents of parliament. The United Nations would not allow the Hun Sen

government to occupy Cambodia's seat in the UN General Assembly. The international community, including the Association of Southeast Asian Nations (ASEAN), eventually urged the Hun Sen government to establish certain conditions to allow for the safe return of the political exiles and for national elections in 1998.⁴

Cambodian political parties ultimately accepted the results of the 1998 elections, which were marred by widespread pre-election violence and controversy regarding the allocation of seats.⁵ The results of the elections left CPP in control of the government with 64 of 122 seats. FUNCINPEC won 43 seats, and the new opposition Sam Rainsy Party, led by former FUNCINPEC Finance Minister Sam Rainsy, gained 15 seats. The 1998 elections ended the political violence and led to the revival of the CPP-FUNCINPEC coalition -- this time with the CPP as the senior partner and FUNCINPEC as the junior partner. Currently, Hun Sen serves as prime minister, Prince Ranariddh is the president of the National Assembly, and cabinet ministries are shared between the two parties.

Current Political Climate

With the political situation at least temporarily stabilized and the Khmer Rouge effectively defeated, the country can at least begin to address pressing national problems. The fundamental development need, according to many civic and political leaders, is to consolidate the peace, promote national reconciliation, and strengthen justice and the rule of law. Economic development is also a major priority for Cambodia, one of the poorest countries in the world.

In the area of governance, the long-awaited commune (local government) elections took place in February 2002. The commune elections were viewed as a step in decentralizing state power, promoting local participation, and enhancing accountability in local politics and governance. However, as was the case in the 1998 polls, the CPP controlled the electoral machinery, creating an environment unfavourable to other parties. Moreover, there were significant instances of pre election violence and intimidation, including the deaths of activists and candidates from opposition parties.

Corruption in Cambodia

Within this broad political context the problem of corruption emerges in Cambodia. Decades of civil strife have created an atmosphere of lawlessness, and opportunists have been able to pillage Cambodia's precious natural resources with impunity. The country has only a rudimentary legal system,

the electronic media is compliant with the demands of the CPP and civic organizations are not strong enough to provide an effective check on corruption. Even following the 1993 elections and the formation of a multi-party parliamentary system, legislative oversight systems remain weak or nonexistent, and the country has been unable to implement meaningful legal reform. Moreover, with the opening of Cambodia's economy, opportunities for corruption have skyrocketed.⁶ Timber, gems, and ancient artifacts continue to flow out of the country, mostly to Thailand, through illegal trade.

Although the timber, gem, rubber, and fishing industries are the most notorious "big dollar" corruption items, the accounts of political and civic leaders, as well as ordinary Cambodians, indicate that corruption permeates almost every aspect of life and represents one of the key development challenges to the nation. Because of the informal rules and norms that emerged during years of lawlessness and civil conflict, people believe they have little choice but to participate in corrupt exchanges. Parents must pay bribes for their children to attend public school, police regularly extort money from communities and businesses, and healthcare workers demand pay-offs before providing needed treatment. Even if corruption cases do make it to court, the bribing of judges is routine practice. Many anti-corruption activists believe that poverty has contributed to the petty corruption in the country. Civil servant salaries, for example, are not enough to make ends meet.

A recent survey of public perceptions on corruption in Cambodia conducted by the Center for Social Development (CSD), a Cambodian NGO, found that ordinary citizens most often pointed to corruption in the sectors of education, health care, traffic police, and the administration of justice. The survey also revealed the following regarding public attitudes toward corruption:

- 98 percent of Cambodians think that ending corruption is very important;
- 84 percent of Cambodians think that bribery is the normal way of doing things in Cambodia;
- 58 percent of Cambodians do not agree at all that corruption helps make the country run more smoothly; and, importantly,
- 90 percent of Cambodians say that corruption reduces people's confidence in the government.

Corruption mars the electoral and political processes as well, and vote buying is widespread. Parties and candidates across the country have provided gifts, money, or other services to voters for their support. At the same time, voters also exert pressure on political parties to engage in widespread vote buying, as they have the expectation of being paid for their votes. According to the

country's Anti-Corruption Unit, party leaders are placed in a difficult bind: voters demand an anti-corruption agenda from politicians, but still expect to be paid for their votes. The party that campaigns empty-handed in the provinces risks losing support to the party that brings resources to the community.

Corruption is prevalent not only in the national election process but also in more general political transactions. Within parties, civic leaders allege that those who contribute financially to the party are rewarded with favourable positions in the party, preferred slots on the party's electoral list, and high-ranking government posts. When party nominations are determined by a vote among party members, political observers allege that candidates must pay members for their votes. Internal party corruption completely undermines the meaning of representative democracy by engendering a leadership based not on merit and the representation of the public's interests but on money.

Inter-party corruption is also reported. In 1997, for example, two senior FUNCINPEC leaders denounced the leadership of Prince Ranariddh and were joined by a dozen other FUNCINPEC politicians to form a breakaway faction, claiming the name "FUNCINPEC" as their own. It was widely reported that these two leading FUNCINPEC defectors were paid \$500,000 USD each and received villas and land, while the more junior officials received smaller payment, from the CPP in order to divide FUNCINPEC. Other parties have also complained of rampant "candidate purchasing," alleging that their candidates or officials have been bought by opponents to ruin the party's image.

In 1994, the Ministry of the National Assembly, Senate Relations, and Inspection began drafting a comprehensive anti-corruption bill, which was considered by the legislature in 1996. To date, however, the law has not been enacted. At the center of the delay is disagreement on the independence of the anti-corruption body to be established by the law. According to opposition leaders, pressure is mounting on the Hun Sen government to adopt the law with a fully independent anti-corruption body. These leaders claim that there exists broad support in parliament for the legislation, not only from FUNCINPEC and Sam Rainsy Party parliamentarians but also from many CPP legislators.

As a first step, the government established an Anti-Corruption Unit in 1999, which functions under the direction of the Office of the Prime Minister. However, according to its own leaders, the Anti-Corruption Unit is "simply not independent enough." To date, the Anti-Corruption Unit has focused its activities on prevention measures and education about governmental reform proposals. One civil society leader called the current Anti-Corruption Unit an "empty institution without any teeth."

Commentators argue that focusing solely on an anti-corruption law and body is shortsighted when there is no monitoring or enforcement of existing laws, the entire legal system remains weak and ineffective, and some of the most essential judicial institutions have not convened. The police and other enforcement bodies have done little to monitor for corrupt behavior and arrest perpetrators. In many cases, it is simply too dangerous due to the power and influence of those involved. There is little confidence in the justice system, with a shortage of competent judges and lawyers and rampant corruption in court proceedings. The nine-member Constitutional Council is supposed to function as the final arbiter of constitutional and election-related disputes. The Council, along with the National Election Commission (NEC), came under substantial criticism following the 1998 elections after rejecting all of the complaints filed by opposition. The complaints were rejected without a public hearing. An agreement has not yet been reached on the appointment of the Office of the Auditor General, a critical independent body designed to serve as a check on the executive branch and promote greater transparency and accountability in government activities. Without basic legal checks and enforcement in place, corruption will continue to flourish.

Recently, the Asian Development Bank (ADB) and World Bank studies formed the basis of the Royal Government of Cambodia's "Governance Action Plan" of April 2001, providing a holistic strategic plan for governance reforms in Cambodia.⁷ Priority areas include strengthening anti-corruption and accountability mechanisms throughout the government, including the establishment and promotion of ethical standards, political finance reform, and improved enforcement and scrutiny.

POLITICAL PARTY ENVIRONMENT

*Political Parties Law*⁸

The basic law governing political party activity is the 1997 Law on Political Parties. The law outlines fairly simple requirements for establishing political parties. A party should submit to the Ministry of Interior its statutes, a list of its leaders, a statement of policies and political program, a party name and symbol, bank accounts, and the names and signatures of at least 4,000 registered Khmer citizens. According to the law, any appeals regarding party registration are to be adjudicated by the Constitutional Council. In practice, opposition political parties have often faced difficulty in party registration, alleging political interference from the ruling party.

The Law on Political Parties also requires each party to have certain basic structures, including a national congress, a central committee, and an executive council, or their equivalents, as well as specialized committees to deal with arbitration and monitoring. Because of these provisions, the organizational structures of most Cambodian political parties appear quite similar, though party operations vary widely among parties. Some parties employ highly centralized decision-making processes, while others are more decentralized. The balance of power between various party structures differs from party to party. These differences will be explored more fully below.

The Party Law requires that each political party submit an annual report to the Ministry of Economy and Finance and the Ministry of the Interior for monitoring purposes. The report must include the party's financial records, including bank statements, lists of expenditures, and a narrative report of the party's principal activities. Although parties are required to submit financial records of expenditures, they are not required to submit a public declaration of the party's assets. The ministries are responsible for reviewing these reports to ensure that there is no conflict with the constitution. However, according to the Anti-Corruption Unit and directors within the Ministry of Interior responsible for this monitoring function, in practice, the reviewing committee lacks the capacity to perform this oversight role effectively. Indicative of the government's inability to monitor party finances and activities, a senior government official stated, "We do not even have the parties' addresses."

Permissible sources of party funds include members' contributions or dues, income from business interests owned by the party, state funds, donations from private Khmer enterprises or charitable individuals, and the assets of the political party. Parties are prohibited from accepting funds from any public enterprise, government institution or non-governmental association, or from foreign corporations (with the exception of any state funds provided under a public funding scheme). Article 28, Chapter VI, of the Party Law provides the constitutional framework for state funding of political parties. However, the government has not yet enacted enabling legislation. The provision would require equitable distribution of state funds among competing parties. A political party winning less than 3 percent of the total valid votes cast or without at least one seat in the National Assembly would have to reimburse the funds to the state.

The law also guarantees the parties equal access to state-owned media, although this provision is routinely violated. In the 1998 parliamentary elections and in the 2002 commune elections, there was widespread agreement among domestic and international election observers that news coverage was biased.

*Election Law*⁹

The 1997 Law on the Election of the National Assembly establishes a provincial proportional representation system with a closed party list system. Each party submits a ranked list of candidates to the election authorities prior to the election. The list is closed, so voters are not able to identify their preference within a party's list for individual candidates and can only select which party to support. Independent candidates are not permitted. Seats are filled from party lists based on the number of seats earned by each party from the tabulation of the vote. The law does not specify how to divide the remainder of votes after initial seat allocations have been determined. This important detail was the subject of significant controversy in the 1998 elections. The seat allocation formula is determined by the election commission. Opposition parties and some election observers contended that the election commission changed the seat allocation formula without adequate notice and the new formula explanation provided the CPP with a majority of seats in the National Assembly. To compete in the elections, political parties must pay a deposit of 10,000,000 *riels* (approximately \$2,500 USD). The deposit is returned to the party if it secures 3 percent of the national vote or one seat in the National Assembly through the provincial lists.

The election law establishes the National Election Commission (NEC) as the principal authority responsible for administering and overseeing all aspects of the election process. Its responsibilities include registration of voters and parties, voter education, security, recruitment of staff members, balloting and counting, and the resolution of grievances. The law prescribes that the NEC be composed of 11 members, consisting of: two "Khmer dignitaries," two citizens, two NGO leaders, two high-ranking officials from the Ministry of the Interior, and one representative from each of the political parties represented in the National Assembly. The Ministry of Interior is charged with selecting the list of NEC nominees, which is reviewed by the Council of Ministers before being approved by vote in the National Assembly.

Despite this effort to create political balance in the composition of the NEC, opposition parties, NGOs and many observers in the international community consistently asserts that the NEC is biased in favor of the ruling party. Prior to the 1998 elections, for example, the Council of Ministers, dominated by the CPP, chose the nominees of the splinter factions of FUNCINPEC and the BLDP, reportedly loyal to CPP, to represent those parties in the NEC. In addition, many observers contend that the ruling party controls the NEC by illegally influencing independent appointees through bribery. A new five-member NEC was recently established, but the new commission, too, has come under criticism. The NEC is now to include representatives of the parties but does not include a representative of the Sam Rainsy Party, which has 15 seats in the 122 seat National Assembly.

The Electoral Act prohibits vote buying by candidates or political parties during the 30-day campaign period. Any political party or candidate found guilty of “offering material or monetary incentives to buy votes” will be disqualified, “regardless of any possible criminal penalty.” The electoral regulations, which expand upon the provisions of the law, prohibit: engaging in corrupt behavior; offering contributions, gifts, and rewards, in cash or kind, to ensure voter support; or offering rewards or gifts to encourage someone to stand as a candidate or withdraw his or her candidacy.

The Electoral Act also charges the NEC with “supervising the income obtained and expenses incurred by candidates and political parties during election campaigns.” Parties are required to submit a statement identifying one central bank account, to which all campaign contributions and campaign expenses must be credited and debited, and their account books to the NEC. The NEC “may examine the account book, if necessary,” but the law does not require the NEC to do so. Many political leaders believe that the law is insufficient, as most transactions take place in cash, never appearing in the parties’ account books.

Several flaws in the law have been identified. The financial reporting and other requirements only apply during the official campaign period, defined as the 30 days immediately before voting. However, campaigning is often underway long before this official period begins. In addition, there have been no NEC inspections of the party accounts although the law permits such inspections.

The Governance Action Plan of April 2001 recommends a comprehensive review of the current system of electoral campaign and party finance, citing the increasing costs of political campaigns in Cambodia and the associated rise of political corruption to meet these costs. The Anti-Corruption Unit estimates the current cost of electoral campaigns to be more than \$1 million USD per campaign and that figure is rising every year.¹⁰

Media

Access to media greatly affects the environment in which political parties function and compete, and although there are a variety of media outlets and journalists with diverse political affiliations in Cambodia, it is widely acknowledged that most media sources in Cambodia are politically dominated. CPP owns two television stations (*Apsara* and *Bayon*) and two radio stations. FUNCINPEC owns one television station (Channel 9) and one radio station. Most other news sources are run by the state and are allegedly controlled by the interests of the ruling party. There is one privately owned, independent radio station that frequently criticizes the government’s management and administration and is able to air reports on corruption. The government also manages the

Law on the Press Regime that governs the operations of the media, and many opposition parties contend that the enforcement of this law is biased. Prior to the 1998 elections, for example, several “pro-opposition” newspapers were shut down¹¹.

As a result, according to media monitors, there is disproportionate coverage of CPP personalities and dignitaries. Prior to the 1998 elections, for example, a report from the UN Secretary-General for Human Rights showed that in May 1998, Hun Sen had 170 appearances on three television stations and on national radio, while Prince Ranariddh and opposition party leader Sam Rainsy appeared only five times.¹² Today, monitoring organizations rank FUNCINPEC as the second “most covered” party in the media, but the party still falls well behind CPP. The Sam Rainsy Party is rarely covered in the media.

The media in Cambodia is also vulnerable to corruption. It is reported, for instance, that journalists are frequently paid for favourable stories. Additionally, there are accusations that journalists have blackmailed individuals with information they have gathered. Notably, the editor-in-chief of the *Bakong News* was arrested on charges of extortion, although he was later released. These trends are particularly troubling given the emphasis anti-corruption activists place on the media as a key antidote to public corruption.

Codes of Conduct and Disclosure for Elected Officials

Cambodian law does not contain mandatory codes of conduct for government office-holders. Additionally, there are no laws requiring declarations of assets or financial disclosure for political parties, candidates, political party office-holders, ministers, or MPs. The 2001 Governance Action Plan, however, makes specific reference among its recommendations to the possibility of asset declaration for high-level public and elected officials and their close relatives to enhance transparency.

The problem of political party corruption in Cambodia is not, of course, a matter of laws alone. In fact, many laws that are designed to protect the integrity of the political process are routinely violated. The problems of violence directed at opposition candidates and the lack of equitable treatment of the parties by state-owned media, for instance, involve violations of clear legal mandates. Even more important, the question remains as to whether the dominant party, the CPP, is willing to accept any rules that truly establish a level playing field for contesting parties and candidates and threatens its position of dominance. Until Cambodia’s leaders accept each other as peaceful competitors rather than intractable enemies, democratic progress remains in doubt.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		The Law on the Election of the National Assembly and Political Parties (1997) addresses party registration, party structure, and party finances.
2	Are there laws regulating party finance?	Y		The party law covers sources of political funds, not amount of contributions or expenditures.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The Law on the Election of the National Assembly and Political Parties regulates campaign finance.
3a	Contribution limits?		N	
3b	Spending limits?		N	
3c	Filing financial returns?	Y		Parties must file returns with the National Election Commission.
3d	Returns made public?		N	Financial returns are not made publicly available.
4	Can political parties accept contributions from:			The party law provides five legal sources of funding: membership dues, businesses owned by the party, state funds (should they be provided by law), private Khmer enterprises or individuals, and party assets. Illegal sources include foreign corporations, public institutions, and NGOs.
4a	Businesses?	Y		
4b	Unions?		N	
4c	Foreign sources?		N	
4d	Can parties own businesses?	Y		
5	Do parties have to reveal the sources of their funding?		N	Parties are not required to reveal their funding sources.
6	Does the state provide public funding to political parties?		N	The party law includes a provision for public funding, but enabling legislation has not been adopted.
7	Are annual financial audits of party accounts required?	Y		The party law requires parties to submit party financial records to the Ministry of

				Economy and Finance and Ministry of Interior
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	Party officials are not required to submit asset declarations.
8a	Are these declarations made public?		N	
9	Is there an Anti-Corruption Commission?		N	Comprehensive anti-corruption legislation is pending, but a temporary Anti-Corruption Unit exists under the Office of the Prime Minister
10	Is there an independent Election Commission?	Y		The National Election Commission is established as a neutral body, but it is widely recognized as controlled by the government.

POLITICAL PARTY EXPERIENCES

Three political parties currently are represented in the National Assembly in Cambodia: CPP (64 seats), FUNCINPEC (43 seats), and Sam Rainsy Party (15 seats). Cambodia's political parties have, to varying degrees, taken some initial steps toward the development of strategies to limit their vulnerability and exposure to political corruption. Corruption remains a serious problem and the two members of the coalition government, the CPP and FUNCINPEC, are generally thought to be the chief beneficiaries.

Cambodia People's Party (CPP)

Background

The Cambodian People's Party (CPP) has roots in Vietnam and later in the People's Republic of Kampuchea (PRK), known later as the State of Cambodia (SOC). The PRK (1978-1989) and the SOC (1989-1991) were one party states (the only recognized party was the People's Revolutionary Party of Kampuchea (PRPK)¹² and no national elections were held in Cambodia until the UN conducted elections in 1992. The SOC, led by Hun Sen, abandoned its commitment to Marxism-Leninism after the withdrawal of Vietnamese forces in 1989. The CPP, having its roots in a one-party state, inherited a legacy of dominance that has in large measure continued through the present. While Cambodians are now able to organize opposition political parties, the CPP remains in control of the state's institutions, including the civil bureaucracy,

military, law enforcement, the judiciary, and state-owned media. Furthermore, while the CPP has liberalized the nation's economic policies, welcoming foreign investment, for instance, its political posture is strongly authoritarian. While there are party members who see the need to modernize and democratize the party, the party retains its strong grip on the nation's political life.

The party's platform includes five main goals: (1) ending the war, promoting peace, and ensuring that the Khmer Rouge never return to power; (2) fighting against poverty; (3) protecting and respecting the constitution of Cambodia; (4) promoting national reconciliation and political stability; and (5) rehabilitating and developing the country. The CPP agenda also includes a commitment to reforming the judiciary, encouraging economic development, and effective resource management. To achieve these objectives, the party's statutes emphasize the CPP's willingness to form coalitions with other political parties in Cambodia.¹⁴

Party Perceptions of the Political Party Environment and Corruption

The CPP is satisfied with the environment in which political parties function in Cambodia. According to the party's secretary general, the party believes that the Law on Political Parties, the Election Law, and the National Election Commission all function effectively. The party's position on the composition of the National Election Commission is that it should remain consistent with the provisions of the existing law. In other words, the CPP does not support any reforms to the NEC. Moreover, the party does not currently propose any changes to the current legal framework for political parties. CPP leaders acknowledge, however, that the laws and regulations governing political parties and elections might not satisfy other political and civic leaders in Cambodia.

The party recognizes corruption as a significant challenge to both the country and the party and claims that it "is determined to eliminate corruption." The party's platform includes a commitment to fighting corruption and to ensuring justice and transparency in all levels of government operations. The party points to its role in developing the draft anti-corruption law and oversight bodies, including a specific ministry charged with inspection and an Office of the Auditor General, as a demonstration of its anti-corruption credentials. The party also claims that the CPP government has fought corruption by improving the qualifications, salaries, and employment conditions of public servants. Most outside observers, however, note that these developments have not led to any decrease in the incidence of corruption.

Party Structure and Decision-Making

The supreme organ of the CPP is the party congress, which meets every five years. The role of the congress is to vote upon the broad principles that should guide the party and to elect 75 members to the central committee. The central committee discusses and develops party policies and programs and runs all party operations between the meetings of the party congress. The central committee also elects the party's chair, vice chair, honorary chair, and 19-member permanent committee. The permanent committee serves as the cabinet of the party, and most of its members are simultaneously government ministers.¹⁵

In addition, the party has established six special commissions at the national level, all elected by the central committee. Included among these are a central finance commission to manage the party's finances and a central controlling commission to monitor party activities and finances and help resolve internal disputes. At the national level, the committees consist of 10 members each, with one chair. These structures also exist at the provincial and commune levels of the party hierarchy.

At the local level, the CPP has a strong network of provincial, district, commune, and branch level offices. In many cases, there is no distinction between local public officials and CPP branch chiefs. Until the recent commune elections, local government posts remained appointees of the CPP-led government. Some of these local officials held their positions since 1979, and many of them were elected in the February 2002 polls.

CPP has a highly centralized decision-making process. For both the 1993 and 1998 elections, a special committee of senior-ranking CPP officials determined CPP candidates, allowing little input from rank and file members. Similarly, in policy-making, the central committee determines policies, instructing the branch offices to implement them. However, in preparation for the 2002 commune elections, the party implemented reforms to decentralize party operations. The CPP secretary-general acknowledges that provincial and commune level members of the party have been dissatisfied with the party structure, arguing that the party is not sufficiently accountable to its broad membership. Members of the party have proposed reforms that would involve local offices setting their own agendas and priorities and selecting their own candidates through a secret ballot among village party leaders. The upper party structure would provide oversight, giving approval for these decisions taken at the local level.

Money Management and Party Financing

CPP leaders assert that the CPP is not a wealthy party. Before the establishment of a multi-party system in Cambodia, said the secretary general, the CPP could use the money from the state for party purposes. According to the secretary general, this is no longer true. However, opposition political figures as well as civil society leaders contend that the CPP misuses state resources to assist the party during election campaigns. The secretary general listed as the sources of CPP financing all of the sources allowable by law:

- Funds from party officials “according to their status;”
- Personal contributions from party members and supporters;
- Legal business operations of the party;
- Property owned by the party; and
- Khmer charities.

Civil society leaders point to significant problems of corruption in the party’s finances. Groups claim that the CPP requires payment for party positions and government posts. Moreover, party leaders themselves plainly state that party officials are expected to contribute funds to the party according to their status, frequently prior to their appointment. This recognition is consistent with the allegations that party officials must purchase their leadership positions within the party and their preferred placements on the party’s candidate list.

The party has two committees that control funds and expenditures: the permanent control committee and finance commission. According to a party spokesperson, the persons managing these committees hold advanced university degrees and have extensive experience in accounting and financial management. The party also conducts an annual audit. The finance commission reports on the party’s financial accounts and business holdings only to the party’s central committee. Party financial information is not made available to members of the party, or to the public. Although the party owns business interests, the CPP does not have any provisions to disclose the party’s assets.

According to senior CPP officials, when reviewing the financial accounts of the party, there are always examples of mismanagement of funds. Such problems are reported to the disciplinary and control committees, which investigate the problem to determine its cause. These committees propose a punishment for the guilty individuals, and the central committee makes the final decision on the fate of the accused. According to one CPP official, the consistent problems uncovered in the party’s financial records demonstrate the need for greater financial transparency within the party.

Ethical Standards and Discipline

The CPP provides guidance in its statutes and outlines the main principles for the eligibility of candidates for leadership positions within the party and the government. According to party leaders, aspiring leaders must be honest and have good relations with the people. New officials and new members of the party are required to complete an application form, which includes referrals and recommendations from two current members of the party. The qualifications of all party candidates are made public.

The CPP has no separate, formal code of conduct. Party members, however, must pledge their adherence to the general party principles and the party's platform when completing applications for general membership, party positions, or electoral nominations. The party's platform, as stated above, includes general reference to fighting corruption. The CPP has no provisions for financial disclosure or declaration of assets for positions of leadership within the party. However, a CPP official stated that the party is planning to develop and enforce declarations of assets for CPP candidates for 2003, when the next general elections are scheduled in Cambodia.

The party has established internal structures to monitor party operations and finances. Party controlling commissions operate at all levels of the party hierarchy – national, provincial, district, commune, and branch. The controlling commissions have the following functions:¹⁶

- To monitor the activities of party organs and members;
- To monitor the finances of the party;
- To control the status and rank of party members;
- To control and monitor the implementation of party programs; and
- To prepare evidence and determine the severity of the disciplinary process and punishment when violations have occurred.

The secretary general of the CPP reported that “of course, every year” the party deals with problems related to corruption among CPP officials and the central committee must take disciplinary action.

In addition to this extensive monitoring process, the party states that it has developed several educational strategies in order to prevent corruption among party officials. The secretary general reports that the party holds weekly and monthly meetings with party officials at all levels and that many of these meetings include anti-corruption themes. The party sends senior, trusted officials to conduct training programs in financial matters. The party has also developed a mentor system, which matches up senior leaders with younger leaders. The senior leaders are intended to serve as role models for and advisors to the younger leaders.

FUNCINPEC

Background

The National Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (Front Uni National pour un Cambodge Independant, Neutre, Pacifique, et Cooperatif – FUNCINPEC) is led by Prince Norodom Ranariddh. FUNCINPEC is a royalist-democratic party, based on its close ties to King Sihanouk and the royal family of Cambodia. FUNCINPEC emerged out of the National United Front, which was founded on March 21, 1981 at the Cambodian-Thai border to liberate Cambodia from the “Vietnamese occupation.” In 1991, the party’s name was changed to FUNCINPEC.

In the 1993 elections, although FUNCINPEC’s ability to campaign in rural areas was restricted due to intimidation and violence perpetuated by the CPP, the party won a majority of seats in the National Assembly. However, FUNCINPEC agreed, under a UN brokered agreement, to share the government with the CPP. Prince Ranariddh served as first prime minister, but FUNCINPEC remained the weaker partner in the coalition government due to the CPP’s control of key state institutions of power.

During the 1997 political crisis the majority of the FUNCINPEC leadership fled into exile, returning in early 1998 when their safety was guaranteed by the CPP and the international community. FUNCINPEC accepted the 1998 election results, in which it won 43 seats in the National Assembly, despite widespread pre-election violence, irregularities in the counting of votes, and controversy over the allocation of seats. FUNCINPEC is now the junior partner in the governing coalition with the CPP, holding several key national posts and important ministries. Prince Ranariddh serves as the president of the National Assembly. FUNCINPEC performed poorly, however, in the recent commune elections, winning fewer commune chief positions than the Sam Rainsy party.

FUNCINPEC’s platform emphasizes the party’s commitment to six broad principles: (1) To protect and defend the interests, independence, territory, integrity, and sovereignty of Cambodia; (2) To promote a pluralistic, democratic society that respects and protects the rights of citizens; (3) To work diligently to improve the living standards of Cambodian people; (4) To protect the environment, culture, religion, and national heritage; (5) To reintegrate Cambodia into the regional and world community; and (6) to stop corruption, nepotism, and cronyism.¹⁷

Party Perceptions of the Political Party Environment and Corruption

According to senior leaders in FUNCINPEC, corruption in Cambodia is rampant and affects nearly all functions of governance and economic development from top to bottom, and the party has expressed its commitment to tackling corruption. The party's expanded platform states: "FUNCINPEC will eliminate corruption by prompting the promulgation of laws prohibiting all types of corruption including bribery, stealing state assets, and favoring one's own relations and clan."¹⁸ Party leaders stress that this anti-corruption message forms a central component of the party's agenda and addresses the party's efforts both to enact national anti-corruption legislation and to implement internal party reforms.

FUNCINPEC leaders do not believe that the current legal framework for political parties is effective. According to party officials, the political party law has minimal requirements and the Ministry of Interior, which regulates the party law, does not have the capacity or resources to enforce the regulations. The party's administration secretary, who is also a secretary in the Ministry of Interior, confirms these sentiments and asserts that the law provides no control mechanisms in the area of party finance.

FUNCINPEC leaders argue that the National Election Commission is similarly ineffective. While the NEC does have sufficient power to administer the electoral process and conduct the elections, FUNCINPEC leaders believe that the NEC does not perform the equally important task of monitoring the electoral process for fraud, vote-buying, and other irregularities. Moreover, FUNCINPEC representatives believe that the NEC cannot effectively serve as both the organizer of elections and the adjudicating body, resolving all appeals to the conduct of its own elections. Party leaders state that the NEC is too large, too politicized, and too partisan in favor of the CPP. This, they allege, is due to the ruling party's practice of buying NEC members. FUNCINPEC agrees with NGO proposals to de-politicize the composition of the NEC, although NGO representatives claim that they have not received a sympathetic ear from FUNCINPEC on this issue.

Party leaders also see the need to strengthen other branches of government and create independent bodies to serve as more effective checks on the executive branch. According to top party leaders, Cambodia still lacks an effective, neutral judicial system and oversight bodies. FUNCINPEC leaders describe the underlying problem as the absence of political will in the government. FUNCINPEC officials cite government delays in the adoption of the anti-corruption legislation, the appointment of the Office of the Auditor General, and the implementation of already existing legislation. One party

leader expressed frustration at the concentration of power in the hands of the prime minister: “We defined the strategies, we created the ministries, and we passed legislation on the auditor general and anti-corruption commission. But, despite all of this, Cambodia remains a one-man show.”

Party Structure and Decision-Making

FUNCINPEC’s formal organizational structure closely resembles that of the CPP. The supreme body of the party is the party congress, which meets annually. The primary functions of the congress are to determine the policies of the party and to deliberate and decide on internal working procedures. Members of the party join the congress at the invitation of the president. The president, elected by the same party congress, serves five-year terms, with no limits. If the president is named historic president by party organs, he or she does not need to be re-elected at the end of each term.

The party congress elects at least 120 members to the national advisory board, which meets once every three months, to initiate party policies and oversee party affairs. Members of the national advisory board are elected for six-year terms, with one-third of the members changing every two years. The national advisory board elects at least 15 of its members to serve on the national board of directors. The board of directors manages and conducts all party activities and operations. The national board of directors is also charged with monitoring the finances of the party, approving the entry of new party members, and serving as the disciplinary body of the party. Representatives on the board of directors serve five-year terms with no limits.

FUNCINPEC initiated reforms to decentralize party operations ahead of the commune elections. Candidate selection, for the first time, took place at the local level, rather than through a centralized national process.

Money Management and Party Financing

FUNCINPEC leaders state that they face significant challenges raising the resources required to fund party operations and run campaigns. According to one party leader, “The party itself has no real money to speak of.” Rather, party candidates must fund their campaigns themselves. Sources of funding were identified as the relatives of party leaders, party members’ own personal savings, and “other personal contributions” from party supporters. One party leader stated that, unlike the ruling party, businesses do not provide contributions to FUNCINPEC “because we are not in power.” FUNCINPEC also raises party funds by imposing a levy on the salaries of any party leaders holding elected government office. FUNCINPEC-appointed ministers must pay

obligatory fees of \$150 USD per month, members of parliament and the senate and secretaries of state pay \$100 USD per month, and undersecretaries of state and provincial/municipal governors and deputies pay \$50 per month.

FUNCINPEC leaders claim that, unlike other parties, party leaders are not required to buy their cabinet positions from the party, and that there is no relationship between financial contributions from party leaders and assignments in the party or government. In contradiction, party leaders acknowledge that those candidates placed at the top of the party's electoral lists are expected to contribute more money to the party. In the words of one FUNCINPEC official, this is "to look out for those beneath them on the list." Sources within the government's Anti-Corruption Unit also assert that it is common practice for both governing parties, CPP and FUNCINPEC, to assign government posts based on financial contributions to the party. There may, in fact, be little to distinguish the graduated contribution scale described by FUNCINPEC officials from the selling of leadership positions described by the anti-corruption commission.

The president of the party appoints a finance director for a five-year term, upon the approval of the board of directors, to manage all party funds. The board of directors also appoints a finance committee of at least three members to monitor the activities of the finance director. The director must compile an annual report on all incomes and expenditures of the party. The party employs professional accountants, all of whom have master's degrees in economics and accounting. The party has never completed an audit, and all financial reports are considered secrets of the party and are therefore not made available to general party members or the public. The financial reports are shared only with members of the board of directors, steering committee, and finance and treasury committees. The party claims that it has never had any problems in its management of funds.

The party does not require that party leaders declare their personal assets and liabilities. However, the party has requested mandatory declarations for government ministerial posts, although this proposal has not been adopted.

Ethical Standards and Discipline

According to FUNCINPEC's leaders, corruption does not pose a problem for the party internally. They attribute this to the leadership of the prince and the high ethical standards he sets. Other observers, however, particularly from the NGO community and the government's Anti-Corruption Unit, have noted an increase in corruption within the party since it rejoined government as the coalition partner of the CPP.

Regardless of the actual level of corruption among party leaders, FUNCINPEC has developed a few concrete internal party mechanisms to combat corruption. As the party's secretary for administration stated, "We must clean up ourselves first – change the system, change the flow of politics and money." Party practice, he said, must serve as a model for the national standards promoted by FUNCINPEC.

FUNCINPEC developed a contract in 1993 that the party's elected officials, including ministers, secretaries of state, undersecretaries, members of parliament, and provincial governors and deputy governors must sign before accepting their appointment. Upon signing this contract, the individual agrees to resign voluntarily from his or her position in the government, without waiting to be dismissed by the party, if he or she violates the provisions in the contract. The provisions in the contract relate to job performance and ethical behavior. The contract is reportedly based on experiences from Australia and other Asian countries. There has been no resistance to this measure from any party officials, and everyone has voluntarily signed the contract before accepting nomination for government seats and public offices. Party officials who do not hold public office do not sign this contract or a code of conduct.

FUNCINPEC has developed an evaluation process to monitor adherence. All party officials who hold public office are supposed to be evaluated in terms of their performance in the positions they hold and their conduct. The evaluation includes 13 criteria:

- Punctuality
- Reliability
- Quality of management and leadership
- Level of achievement
- Time management
- Multi-tasking and flexibility
- Initiative
- Technical capacity
- Staff management
- Communication
- Morality and attitude
- Organization and planning
- Monitoring and observation
- Self-improvement and development

FUNCINPEC public officials conduct a self-evaluation, and an inspection committee undertakes fact-checking excursions to the provincial and commune levels as required to conduct a thorough evaluation. Any official

who performs properly and serves the party's interests well will be promoted through this evaluation process. In instances of poor performance or violations of the contract, the inspection committee files a report and the board of directors serves as the disciplinary committee and makes final decisions on the removal of officials.

According to party spokespersons, the contract and evaluation process have had a positive impact on the performance of party leaders. The party has been effective in bringing disciplinary measures against improper performance. Recently, FUNCINPEC removed four provincial and municipal governors for breaching the contract.

Sam Rainsy Party (SRP)

Party Background

In November 1995, Sam Rainsy, a former FUNCINPEC finance minister, founded the Khmer National Party (KNP) to “peacefully promote a genuine democratic order in Cambodia.” As finance minister, Rainsy was known as an outspoken critic of the government and his own political party on the issue of political corruption, which in part led to his expulsion from the party. Despite significant legal obstacles and political violence targeted towards the fledgling KNP, party membership and popularity grew rapidly. During the 1997 political crisis, the leadership of the party was forced into temporary exile.

Upon its return from exile in 1998 in advance of the general elections, the party continued to face a hostile environment of widespread political intimidation and violence. In one incident, several party supporters were killed when a bomb exploded at a KNP rally. Moreover, the media, widely recognized as being controlled by partisan interests, refused to provide any press coverage to the party.

Legal obstacles, too, were erected to prevent the party from operating and campaigning effectively. A senior official in the Khmer National Party, allegedly paid off by the CPP, attempted to divide the party by forming a splinter group and claimed the party's name. Sam Rainsy filed a complaint to the Ministry of Interior to assert his rights to the KNP name. In a series of questionable and drawn-out court rulings, in which political interference was widely acknowledged, Sam Rainsy eventually was forced to rename his party. With the 1998 elections approaching, the name Sam Rainsy Party (SRP) was ultimately adopted because it was the only way voters could identify the party, by its leader.

During the general elections, SRP alleged that it was the victim of electoral violence and intimidation and irregularities in the vote counting and seat allocation processes, yet the party ultimately accepted the results of the election. As a result, Sam Rainsy Party earned 15 seats in the National Assembly. The party also obtained 11 commune chief positions, compared with FUNCINPEC's nine, in the 2002 commune elections.

Sam Rainsy Party sees itself as the party of reform, promoting "a peaceful transition towards a genuine liberalized democracy in Cambodia." The party's mission states: "To put it simply, Cambodia can no longer afford to uphold the old order with feudalistic traits that favor a select few and have caused so much anguish... it has been proved in human history that the old order cannot co-exist with an increasingly clear trend of the new order of liberalized democracy." The party platform includes a commitment to: moral integrity; empowerment of the poor to improve their standard living; peaceful coexistence; adherence to the rule of law; respect for human rights and the democratic process; tight control over corruption; neutral public administration; social justice; land reform; and better management of national resources.¹⁹

Party Perceptions of the Political Party Environment and Corruption

Leaders in the Sam Rainsy Party charge that corruption is endemic in Cambodian politics and that "money politics is everything." According to the SRP, the key cause of political corruption in Cambodia is the absence of the rule of law and the prevalence of poverty. Citizens must play by the informal rules that have emerged in order to survive. Vote buying is also a significant problem in Cambodian elections, which has now led to an expectation among Cambodians of receiving money for their vote. SRP claims that it is largely untouched by corruption because it has limited access to resources and is not in a position of power within the government.

Within parties, one of the key causes of political corruption is the absence of strong party ideologies, suggests Sam Rainsy. Rather than develop a program for national development, parties are machines for the capture of state wealth and power. According to SRP leaders, the problem ultimately stems from a lack of political will to address corruption and the uneven playing field for political party competition.

Sam Rainsy Party places anti-corruption as one of 10 fundamental components of the SRP platform. In the National Assembly, the party has advocated for adoption of a tough anti-corruption law and an independent anti-corruption commission. Included among these efforts is support for

mandatory declaration of assets for all elected leaders. Party leaders have regularly made public statements about corruption and continually advocate for political finance regulations.²⁰ Several NGOs report that Sam Rainsy Party is the most active of the three major parties in anti-corruption efforts, participating frequently in NGO anti-corruption activities and programs.

SRP leaders do not believe that the current legislative framework governing political party operations and elections is effective or administered impartially. Parties do not adhere to the campaign and political finance laws, and the laws are not enforced. Routinely, political parties conduct their affairs in cash, with no financial records or accountability. The SRP faced legal challenges in registering as a political party due to alleged partisanship of the governing institutions and party leaders support a change in the composition of oversight bodies.

Party Structure and Decision-Making

The SRP's organizational structure is similar to those of other Cambodian parties; this is largely a result of the political party law. The party congress is comprised of 3,000 delegates and sets the broad agenda for the party. In an effort to promote a more national identity, the congress often meets outside of the capital city. The congress elects members of the steering committee, and the steering committee may propose the nomination or appointment of other committee members, although they must be approved by the congress. The size of the steering committee was recently increased from 33 members to the current 48 in order to increase the representation of women at this level.

The president, vice president(s), secretary-general and deputy secretary-general(s), general treasurer, and auditor are automatic members of the smaller permanent committee. The party president nominates five additional permanent committee members from the steering committee, and steering committee members vote on the nominations. Members of both the permanent committee and the steering committee are elected for two-year terms. The party does not have term limits for any party leadership positions, although some party leaders express support for limits.

SRP is perhaps the most decentralized of all Cambodian parties. Provincial advisory councils, headed by the MPs from the province, make their own decisions and set their own programs of action in the province. While these decisions are communicated to the central party headquarters, national structures cannot veto the decisions of the provincial offices. Provincial leaders meet nationally once per month. The party has also formed advisory councils

at the district and commune levels of the party. According to the party leadership, this decentralization of party structures is a result of the growth of the party. Decentralization has had a significant impact on party operations and party decision-making. As Sam Rainsy commented, “Transparency in decision-making does slow the party down, but it also motivates people. Plus, being slow is not always a disadvantage.”

In 1998, SRP did not have sufficient structures at the local level to have a local nomination process for the national elections. Therefore, candidate selection was determined by the steering committee. In the future, parliamentary candidates will be nominated through the provincial advisory councils. For local elections, the local advisory councils will manage the candidate nomination process. In order to combat and eliminate corruption in the nomination process, the party has formed a commission composed of three members from the provincial, district, and commune advisory councils to examine all nominations and determine qualified candidates, based on education, experience, popularity, and “minimum resources.”

Money Management and Party Financing

As a relatively new, small opposition party, raising funds is a challenge for the Sam Rainsy Party. The primary sources of funding for SRP are fees and dues from party members and donations from the party leaders. In addition, the party receives financial assistance from Khmer supporters living in Europe or the United States. According to party leaders, contributors understand that they are not buying influence within the party or within the government because of Sam Rainsy Party’s role as the opposition, with limited power to wield. However, there have been a few accusations from outside the party that money is an important factor in obtaining party leadership positions, as in FUNCINPEC and CPP. Party MPs contribute \$300 a month to the party from their salaries.

The provincial offices have fundraising responsibilities and maintain the accounts in the province, although the offices must report to the treasurer and steering committee in Phnom Penh through monthly accounting statements. Party fundraisers do not undergo any official training in financial accountability or fundraising strategies. The party’s financial accounts are made available to all members of the party. While party leaders report that there have not yet been problems with corruption through mismanagement of the party’s funds, they recognize that close monitoring and concrete strategies need to be developed as the party grows.

Ethical Standards and Discipline

Sam Rainsy Party reports that it has not yet encountered significant problems with corruption among party leaders. Party leaders recognize that this would most likely change if the party were to assume control of the government. One NGO activist supported this observation, noting that, “SRP tends to have the cleanest members. But SRP is not particularly powerful, therefore, it is not yet as corrupt.”

Party leaders claim that the largest problem with corruption among party officials is related to defections from the party, when members, officials, or candidates have been “bought” by other parties. On other occasions, those who have allegedly accepted payments from other political parties sometimes remain within the party ranks to tarnish the image of the SRP or cause internal turmoil. Party leaders state that there is very little they can do to prevent this problem, except to present the truth about these incidents to the public through the limited media space available.

Sam Rainsy Party has an oath, which all leaders are required to take, committing them to the pursuit of freedom, justice, and democracy for all Cambodians. Included within this leadership oath is a vow that party leaders “cannot use their position within the party to gain personal benefit.”

The party does not require party leaders or officials to declare their assets, nor does the party have specific provisions regulating conflict of interest. Party leaders recognize that they should now develop those instruments, before the party assumes power or grows in size. The party also recognizes that developing internal declarations of assets and conflict of interest clauses would put the party in a stronger position to advocate for these reforms for public officials and government leaders.

The party has a disciplinary and conflict resolution council, which is mandated to inspect and monitor activities of the party’s members at all levels. This council evaluates the performance of party officials and files reports with the steering committee. The steering committee will issue letters of appreciation where warranted and determine any action to be taken against reported wrongdoings.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			
	CPP	Y		The party congress elects the central committee, which elects the standing committee and leadership positions.
	FUNCINPEC	Y		The party congress elects members of the steering committee and members of national advisory board.
	Sam Rainsy Party	Y		The party congress elects members of the steering committee.
2	Do local party members participate in candidate selection?			
	CPP	Y		
	FUNCINPEC	Y		The provincial operation offices select candidates for commune council elections, but not for general elections.
	Sam Rainsy Party	Y		For the national elections, candidates were selected by the steering committee. For commune elections, local party offices can identify and recommend candidates and the candidates are tested by a commission that is comprised of the chiefs of provincial, district, and commune advisory councils.
3	Are there regularly scheduled Party Congresses or Conventions?			
	CPP		N	Every five years.
	FUNCINPEC		N	Once every year in March.
	Sam Rainsy Party		N	The party has two types of congresses. The national congress is organized every three years, in order to elect the party's leaders. The extraordinary congress may be convened on an ad hoc basis.
4	Can all members participate in selection of delegates to National Party Congress?			There are no primaries involving all party members. The local offices and headquarters usually select representatives to the congress.
	CPP	Y		

	FUNCINPEC	Y		
	Sam Rainsy Party	Y		
5	Are local party offices elected?			Local party officials are appointed by headquarters, often on the advice of the provincial offices.
	CPP		N	
	FUNCINPEC		N	
	Sam Rainsy Party		N	
6	Are there term limits for party officials?			
	CPP		N	
	FUNCINPEC		N	
	Sam Rainsy Party		N	
7	Does the party own businesses?			
	CPP	Y		The party owns businesses, mostly rental real estate. Both the central and provincial offices own businesses.
	FUNCINPEC		N	
	Sam Rainsy Party		N	
8	Does the Party refuse political contributions from certain sources?			
	CPP		N	There are no legal sources of funding the party refuses.
	FUNCINPEC		N	There are no legal sources of funding the party refuses.
	Sam Rainsy Party	Y		The party refuses money from people whom the party has denounced, gamblers, and drug traffickers.
9	Do party MPs have to donate part of their salary to the party?			
	CPP	Y		Amounts not verified.
	FUNCINPEC	Y		Party ministers must pay fees of \$150 USD a month, members of the National Assembly and secretaries of state must pay \$100 USD a month, and undersecretaries of state and provincial/municipal governors and deputies must pay \$50 USD a month.
	Sam Rainsy Party			MPs pay \$300 USD a month.
10	Does the party employ professional accountants to manage party funds?			
	CPP			The party has two committees in charge of controlling funds and

				expenditure; they are the permanent control committee and financial committee. Many members have accounting backgrounds.
	FUNCINPEC	Y		The party's finances are managed by an accountant, who holds master's degree, and the current secretary of state of economics and finance.
	Sam Rainsy Party	Y		The party has a professional person holding a position as the general treasurer.
11	Does the party conduct an annual audit of its accounts?			
	CPP	Y		The party conducts an annual audit.
	FUNCINPEC		N	The party does not conduct an internal or external annual audit. In the future, the national audit authority may request to undertake external audit, and the party is ready to accept the request.
	Sam Rainsy Party		N	The party plans to conduct audits, but so far, it has never done so.
12	Does the party disclose the sources of its funds and expenditures to members of the party?			
	CPP		N	Financial information is shared only with the finance committee and the central committee
	FUNCINPEC		N	Financial records are shared only with members of the permanent committee and the steering committee.
	Sam Rainsy Party	Y		All party members have access to party's financial accounts.
13	Does the party disclose the sources of its funds and expenditures to members of the public?			
	CPP		N	
	FUNCINPEC		N	
	Sam Rainsy Party		N	The party is willing to release this information to public, should there be any request for it. The party claims it does not have the resources to publicize it.

14	Are party leaders required to disclose their personal assets?			
	CPP		N	Party leaders expressed the intention to develop this for the 2003 elections
	FUNCINPEC		N	The party's contract does not include a provision on the declaration of personal assets. Although both FUNCINEC and SRP have proposed that all those holding public offices should declare assets.
	Sam Rainsy Party		N	Party leaders expressed the desire to develop this mechanism.
15	Are party leaders required to sign a party code of conduct?			
	CPP		N	General principles are included in the party's statutes and job applications, but there is no signed contract.
	FUNCINPEC	Y		The party contract for leaders is a signed agreement.
	Sam Rainsy Party	Y		Oath of principles promising to respect the party's statute and its guiding principles. The provision of oath has been written in the statute and that every member is requested to give the oath in writing.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			
	CPP	Y		There is a monitoring commission and disciplinary committee.
	FUNCINPEC	Y		The party has an inspection committee, which is tasked to evaluate the performance of each its leaders either serving the party in the public office. The disciplinary measures for removal from party positions will be judged and decided by the permanent committee.
	Sam Rainsy Party	Y		The party has a five-member disciplinary committee.

CONCLUSION

As in other countries, political corruption in Cambodia threatens to undermine the democratic process, enhance the already prevailing culture of impunity, and harm prospects for economic growth. Government efforts to tackle the problem remain weak and citizens are quickly growing impatient with the slow pace of reform. The national anti-corruption legislation has been stalled for several years, the Constitutional Council has still not convened, and agreement has not yet been reached on the appointment of the auditor general. These independent institutions would serve as important checks on the executive branch and promote greater transparency and accountability in government activities. In addition, external political finance regulations are minimal and not enforced. The Governance Action Plan of April 2001 does propose an investigation of the current political finance system and an exploration of alternative models, including suggestions for declarations of assets for elected leaders. However, the public remains skeptical about the implementation of this plan, doubtful of the presence of political will among leaders.

Although institutional weaknesses are key in enabling widespread corruption, political leaders are aware that political parties are also significant actors in the problem of political corruption. The political parties themselves have experienced varying challenges with respect to political corruption, often linked to the party's position in government or the opposition. The parties have started to take action – with varying levels of effort -- to address this problem. These measures have included the decentralization of party structures, greater transparency of the party's financial records, incorporating anti-corruption clauses and codes for ethical conduct in party statutes, and developing set criteria and evaluation procedures to hold political leaders accountable.

On the whole, however, there remain many opportunities for reform within political parties. A representative of the government's Anti-Corruption Unit stated: "There is little internal party democracy. We need to develop mechanisms for asset declaration, and we need to encourage greater oversight from civil society." An anti-corruption activist in the NGO sector presented the state of affairs within the party system as follows:

In all parties, there are some good members. Much of what it takes to fight corruption, however, must come from external sources, from society. But parties are doing very little themselves to fight corruption internally, and need to demonstrate both a greater commitment to anti-corruption and also the political will to take action. Verbal commitments alone can start this process; but they must also take action and dismiss those leaders who are corrupt.

Concrete suggestions for party reform revolve around the issue of civic oversight, and party representatives have expressed their commitment to enabling this process. Some party officials have proposed that parties disclose information about their internal practices, decision-making processes, financial assets, and sources of funding to the public in order to allow civil society to serve as a check. In addition, greater public participation in politics and parties is essential in enhancing the representative nature and accountability of parties. The greater voice and oversight capacity citizens have in political parties, the more difficult political corruption will become.

¹ This chapter is based on interviews with Cambodian political party leaders conducted in Phnom Penh May 20 – May 25, 2001. In many cases, party representatives spoke on the condition of anonymity and researchers have complied with this request.

² Doyle, Michael W., "Peacebuilding in Cambodia: The Continuing Quest for Power and Legitimacy," *Cambodia and the International Community*, edited by Frederick Z. Brown and David G. Timberman (Washington, DC, published by the Asia Society, 1998).

³ See Doyle, Michael W., "UN Peacekeeping in Cambodia: UNTAC's Civil Mandate," *International Peace Academy Occasional Paper Series* (London, England: Lynne Rienner Publishers, 1995).

⁴ See The National Democratic Institute for International Affairs and the International Republican Institute, "The Continuing Crisis in Cambodia: Obstacles to Democratic Elections," January 30, 1998.

⁵ The National Democratic Institute for International Affairs, "The July 26, 1998 Cambodian National Assembly Elections," 1999.

⁶ Center for Social Development, "National Survey on Public Attitudes Towards Corruption," 1998.

⁷ Royal Government of Cambodia Council for Administrative Reform, "Governance Action Plan," April 2001.

⁸ Kingdom of Cambodia, "Law on the Election of the National Assembly and Political Parties," 1997.

⁹ Kingdom of Cambodia, "Law on the Election of the National Assembly and Political Parties," 1997.

¹⁰ Interview with the Anti-Corruption Unit, May 2001.

¹¹ NDI Report, "The 2002 Cambodian Commune Council Elections" March 20, 2002

¹² Report of the Special Representative of the UN Secretary-General for Human Rights in Cambodia on Access to the Media, 1998

¹³ The PRPK was established in 1951. Initially, most of its members had lived in Vietnam since 1954, though the composition of the party leadership changed considerably in the 1980s. For further background on the PRPK, see Sorpong Peou, *Intervention and Change in Cambodia: Towards Democracy?*, (Singapore: Institute of Southeast Asian Studies, 2000), pp. 67-69.

¹⁴ Platform of the Cambodia People's Party.

¹⁵ Cambodia People's Party, Organizational Chart.

¹⁶ Cambodia People's Party, Statutes.

¹⁷ FUNCINPEC, "Party Principles," Party brochure.

¹⁸ FUNCINPEC Party Platform.

¹⁹ Sam Rainsy Party, "A Party with Vision and Commitment," Party brochure.

²⁰ Sam Rainsy Party, "Formation of SRP Technical Committees to Monitor the Work of the Royal Government," May 16, 2001.

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INDONESIA

SUMMARY

Corruption in Indonesia has been an intractable, and sometimes destabilizing, feature of the nation's public life. The legacy of President Suharto's New Order regime includes unusually strong relationships among business leaders, political figures, members of presidents' families and military officials. These relationships helped to establish patterns of illegal behavior that continue to affect key public institutions.

The demand for reform (*reformasi*) that swept the country in 1998 ushered in new leaders who had pledged to fight for a democratic government and for an end to corruption, collusion and nepotism or KKN (*korupsi, kolusi dan nepotisme*). During the interim administration of President B.J. Habibie, who had served as Suharto's vice-president, progress was made on several fronts. A new human rights law was adopted, the role of the military in the national legislature was reduced, legislation devolving power to the regional level was passed and the powers of the legislature vis-à-vis the president were increased. Dozens of new political parties emerged to contest the 1999 elections, where previously only three recognized political groupings were permitted during the Suharto years.¹ In addition, a vibrant news media emerged, in contrast to the censorship that prevailed during the Suharto years.

Following the 1999 election, the reform momentum faltered under President Abdurrahman Wahid (often referred to by his nickname, Gus Dur) after the new president was accused of corruption. Under increasing pressure from the public and political party leaders, the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*, or MPR), the state's highest body, removed President Wahid in July of 2001.

Many of Indonesia's political parties are new to the political scene, and even those that are not had no experience in democratic politics before 1999. During the Suharto era, Golkar, the ruling party, misused public resources to maintain itself in office and was closely linked to privileged economic interests. The two authorized opposition parties were restricted in their activities and often manipulated by the government. The public mistrust of political parties that grew out of the New Order regime will not easily be dispelled.

While the major parties appeal to distinct constituencies, their appeal is not based on issues, but rather on sociocultural, including religious, identities. Thus, party platforms are often vague, and the parties rarely articulate clear positions on major policy issues facing the nation.

In addition, most parties have underdeveloped internal structures that leave them vulnerable to unethical practices. Most of the parties, for instance, have not yet developed well-defined rules or policies, or internal disciplinary mechanisms, for regulating the conduct of their members. They also lack clear procedures for raising and spending funds. Financial contributions at the provincial level, for instance, are often not reflected in the financial reports that are filed at the national level. As a practical matter, provincial branches of the parties are often disconnected from their Jakarta-based headquarters on fundraising matters. Therefore, there is little accountability in the financial reporting that is required under current law.

As with Indonesia's anti-corruption laws in general, the enforcement of laws relating to political finance has been weak or nonexistent. None of the complaints made against the parties for campaign finance violations during the 1999 elections, for example, has yet been adjudicated.

BACKGROUND

Brief History

Ruled by the Dutch since the seventeenth century, Indonesia did not see the first stirrings of a modern independence movement until the 1920s.² It was during that decade that the Indonesian Communist Party (*Partai Komunis Indonesia* or PKI) emerged, finding support largely among workers in the industrial cities and laborers on colonial plantations. PKI-inspired rebellions in Java in 1926 led to a crackdown by the Dutch that essentially extinguished PKI political action until the end of Dutch rule. Other movements, however, arose to challenge the Dutch colonial regime. Sukarno and other students in Bandung, for instance, founded the National Party of Indonesia (*Partai Nasional Indonesia* or PNI) in 1929. Although Sukarno was arrested and the PNI banned, nationalist sentiment continued to grow despite suppression by the Dutch colonial regime. The situation abruptly changed with Japan's invasion of Indonesia in March 1942. While the Japanese took firm control of the government, they also sought to inspire anti-Dutch sentiment by elevating nationalist leaders like Sukarno and Mohammed Hatta. Japan's occupying forces also trained nationalist youths to defend the island against an allied invasion. These youth militias later became the core of the independence army.

The Republic of Indonesia proclaimed its independence on August 17, 1945 while still under Japanese occupation. Following the surrender of Japan's forces, however, four more years of fighting continued. In late 1949 Indonesian forces finally wrested control from the Dutch, who had attempted to resume their colonial role after the end of the war. On December 27, 1949, power was officially transferred to the republican forces.

Pancasila (five principles),³ a doctrine designed to encourage religious tolerance and national unity, became the government's official ideology. The perceived need for such a philosophy was understandable. The issue of establishing a national identity in a country that consisted of over 12,000 islands, 250 ethnic groups and many Christians, Hindus, Buddhists and animists, who lived along side the predominantly Muslim population, was of critical importance to the nation's new leaders.

The 1945 Constitution called for representative institutions, but also provided for strong executive authority. Political parties proliferated during this period, with several small parties joining the four largest parties: PKI, PNI and two Islamic parties (Masjumi and Nahdlatul Ulama).

The first post-independence election was held in 1955, with dozens of parties competing. The four largest parties roughly split among them about four-fifths of the vote. In the years following independence, Sukarno, along with a succession of prime ministers, governed the country with unstable legislative coalitions (there were 17 cabinet reshuffles between 1945 and 1958).

Political unrest was escalating as a result of ethnic tensions, continued high rates of unemployment, official corruption and the increasing sentiment that power was too heavily concentrated in the hands of Javanese politicians. Rebels in the outer islands, such as Sulawesi and Sumatra, waged a guerrilla campaign against the central government in the late 1950s that was led by regional army commanders. This volatile political situation resulted in the proclamation of martial law in April 1957, substantially increasing the power of the army. In 1959, President Sukarno re-organized the cabinet and used the political unrest to justify his "Guided Democracy," which blended nationalism, communism and religion into a new form of authoritarian government. In 1960 the elected parliament was replaced with an appointed legislature. This marked the first time that military officers were appointed to seats in the legislature, and they were given ministerial posts as well.

Sukarno's foreign policy during this period became known as *konfrontasi* (confrontation). Attempting to assert Indonesian nationalism, Sukarno challenged the emerging state of Malaysia (and therefore indirectly the British)

on its territorial claims on the island of Borneo; opposed the continued Dutch presence in West Irian; and sided with the Soviet Union and China in the Cold War.

Domestically, Sukarno attempted to balance the major political groups, especially the army and the communists, by playing them against each other. Considered an adroit “puppet master,” or *dalang*, Sukarno successfully balanced the nation’s political left and right for six years. In 1965, the political situation unraveled when Sukarno agreed to arm the communists as a “fifth force” (the other four being the army, navy, air force and police) to act as an armed people’s militia.⁴ The prospect of arming the communists triggered a coup attempt that resulted in the killing of six generals. The motivations of the coup-plotters of September 30, 1965 are still unclear.⁵ In any case, army strategic reserve forces led by Major General Suharto put down the attempted coup quickly.

Sukarno termed 1965 as “the year of living dangerously” (*Tahun Vivere Pericoloso*), and indeed it was.⁶ A bloodbath followed the coup attempt as the army rounded up suspected communists throughout the country, executing many of them and imprisoning others. The purge generated communal violence as well, directed at those who were considered communist supporters. The violence sometimes specifically targeted Indonesia’s Chinese community, which was widely believed to sympathize with the communists. Estimates vary widely as to how many people were killed. Over the next year, between 500,000 and two million lives may have been lost in the ensuing violence.

Following the September 1965 events and the resulting widespread violence, Sukarno’s support within the military dwindled. In March 1966, Sukarno, under pressure from the military, formally transferred some of his presidential powers to Suharto. Over the next several months, Suharto used that mandate to consolidate his power. In 1967 the People’s Consultative Assembly officially named Suharto acting president.

Suharto’s foreign policy represented a departure from his predecessor’s. His strong anti-communist stance allowed him to repair relationships with the United States and other Western powers. As a result, international criticism was muted when Indonesia annexed West Irian in 1962 and seized East Timor in 1975.

President Suharto’s “New Order” domestic policies emphasized economic growth and development. The economy, fuelled by rising oil prices and lubricated by widespread corruption, maintained growth rates averaging 6 percent or more throughout most of Suharto’s tenure.

The New Order also fostered the growth of the military's power.⁷ The "dual function" doctrine (*dwifungsi*), adopted under Sukarno, called for the military to help in maintaining social order, preserving national unity and in developing the nation economically. The doctrine permitted the army to intervene in almost every aspect of civilian life. Suharto continued the practice, begun by Sukarno, of allocating legislative seats to the military. Military officers also served in provincial and district assemblies and as ministers, cabinet staff, ambassadors and provincial and district executives.⁸

During this period, political parties withered. Confronted with restrictions on their activities and subjected to repeated interference in their internal affairs, the two authorized opposition parties had little opportunity to evolve into modern institutions. In 1996, for example, the government engineered a split in the PDI (Partai Demokrasi Indonesia or Indonesian Democratic Party), resulting in the removal of Megawati Sukarnoputri (the daughter of the former president) as party chairperson.

The government's intervention, however, was not limited to political parties. Civil society and religious organizations were subjected to similar interference. In 1994, for instance, President Suharto sought to block Abdurrahman Wahid's election as chairperson of Nadhlatul Ulama (the Revival of Islamic scholars), the nation's largest social Islamic organization. There were allegations that the government tried to subvert the election process through massive vote buying and other illegal means.

Suharto was elected President by the MPR to six five-year terms between 1968 and 1998⁹ with strong support from Golkar,¹⁰ his election campaign vehicle, and the military. The electoral arena was weighted heavily in favor of the New Order government. The government, for example, freely and amply used state resources in support of its re-election bids. There was, however, also genuine support for the New Order government. By the mid-1990s, living standards had improved enormously and poverty and infant mortality had declined substantially from the 1960s levels. Indonesia's economy was considered one of the "Asian Tigers" and Indonesians were undeniably better fed, housed and educated than ever before. But all of that abruptly changed, when the Thai baht plummeted in July 1997, sending shock waves across the continent.

The Indonesian economy, which was underpinned by a system of "crony capitalism" and weak financial institutions, could not withstand the shock. By early 1998 the country's economy faced weakening foreign exchange, high unemployment, dramatic inflation, and capital flight.

As a result, political protest and civil unrest broke out in Jakarta. The demonstrations spread throughout the country as the crisis deepened in the spring of 1998. As the pressure on the Suharto regime increased, so too did the government's efforts to quash the growing civil strife. In May, police and military units suppressed a demonstration at Trisakti University in Jakarta, resulting in the deaths of four students. Rioting quickly broke out and spread to other parts of the city. The Chinese community became a special target of the ensuing communal violence triggered by the event.

Under mounting pressure, Suharto resigned in May 1998, just 72 days after being re-elected president by the MPR. Suharto's vice president, B.J. Habibie, became president and pledged to hold free and fair elections, to release political prisoners, and to remove restrictions on the press, political parties and labor.

The Transition

Over the next year the Habibie administration adopted many of the reforms advocated by the protesters, including a new election law.¹¹ The law permitted political parties to compete freely in the upcoming elections, and new parties rapidly emerged to fill the void created during the New Order. By the following spring, 200 new parties were registered with the Ministry of Justice. The vast majority were small parties without substantial nationwide support. Only 48 parties eventually met the legal requirement of having support in over one-third of the provinces and were allowed to contest the elections.¹² Approximately one-half of the eligible parties could be described as Islamic.¹³ All three of the New Order parties – Golkar, PDI and PPP – competed in the 1999 elections, as did PDI-P (PDI-Perjuangan or PDI-Struggle), which was established by Megawati as her campaign vehicle.

On June 7, 1999, Indonesia conducted its first competitive elections in 44 years. More than 90 percent of the country's 116 million registered voters cast their ballots for the national and provincial legislatures and district assemblies. Twenty-one parties obtained seats in the *Dewan Perwakilan Rakyat* (People's Representative Council, or DPR), but only six parties demonstrated sufficiently broad appeal to be eligible under the law to compete again in 2004. Islamic parties did not do as well as some political observers had predicted. The two major secular parties, Golkar and PDI-P, received, between them, a majority of the votes and seats. However, the smaller Islamic parties, along with PPP, were to hold the balance of power when it came to choosing a new president.

In October 1999, the MPR elected a new president and vice president, Abdurrahman Wahid and Megawati Sukarnoputri, in the most democratic transfer of executive power in Indonesia's history. Wahid was selected as president, although Megawati's PDI-P fared better in the election, obtaining slightly over 30 percent of the seats in the DPR. Wahid's party, PKB (*Partai Kebangkitan Bangsa* or National Awakening Party) came in fourth in the number of seats the party was awarded, but third in the total number of votes received in the general election. A loose coalition of Islamic parties, labeled the "Central Axis" (*Poros Tengah*), provided a winning majority of MPR votes for Wahid, but the legislative coalition supporting him proved to be unstable and quickly unraveled.

The tenure of President Wahid was plagued by political confrontation with legislators. On February 1, 2001 the DPR delivered a memorandum alleging that the president misappropriated state funds. The DPR memorandum gave the President three months within which to reply. Gus Dur's March 28, 2001 response satisfied neither the legislators nor the Indonesian public.¹⁴

The president maintained that the efforts to remove him were politically motivated and unconstitutional. At the same time, he attempted to broker power-sharing arrangements with Vice-President Megawati Sukarnoputri. The political compromises that might have worked earlier, however, had little appeal to Megawati and her followers.

Although Attorney General Marzuki Darusman cleared Wahid of the corruption charges, the MPR, responding to the DPR's memorandum, called a Special Session for August 1. Gus Dur's threat to call a national state of emergency, however, prompted the MPR to take action earlier. President Wahid declared a state of emergency in the very early hours of the morning on July 23rd. The declaration called for the suspension of the MPR (and therefore the DPR) and for new elections to be held within a year. The President's order also suspended Golkar until the Supreme Court could resolve a pending case in which the party had been charged with financial irregularities.

The Speaker of the DPR immediately asked the chief justice of the Supreme Court to issue an advisory opinion on the constitutionality of the president's action.¹⁵ That same morning the chief justice announced that, in his opinion, the state of emergency was unconstitutional. Later in the afternoon, the MPR removed Wahid from office, and Megawati Sukarnoputri was sworn in as president.

Corruption

Corruption has been a part of Indonesian life since colonial days, when the Dutch awarded monopolies and other concessions for the production of clove, nutmeg, tobacco and cinnamon. Since then, the state has continued to be viewed as a source of patronage and largess.

There are no reliable, authoritative sources that indicate the level of corruption in Indonesia over the past half-century. Nevertheless, news media reports and the accounts of informed observers indicate that corruption has been massive and pervasive. Transparency International, for instance, recently ranked Indonesia as one of the world's four most corrupt countries, based on "perceptions of the degree of corruption ... among public officials and politicians ... as seen by businesspeople, academics and risk analysts."¹⁶ The New Order regime, in particular, appears to have relied upon an elaborate system of kickbacks, bribes, and the awarding of contracts and monopolies to family members and political supporters to maintain power. The Suharto family, it is widely reported, amassed tremendous wealth. Its network of business enterprises encompasses interests in construction, oil, finance, the media, petrochemicals, and real estate. The news media have estimated the Suharto family's wealth to be in the billions of dollars.

Corruption, or allegations of corruption, has affected almost every state institution. These include agencies, such as the Indonesian Bank Restructuring Agency (IBRA), that are supposed to perform a key role in the nation's economic recovery. Other agencies implicated in corruption include the state oil and gas company Pertamina and the state logistics agency Bulog. Corruption, though, is not confined to the upper reaches of government or the private sector. Allegations of corruption are commonly made against police, prosecutors and judges, upon whom the public's protection depends.

Political parties have been the victims and beneficiaries of corruption. Golkar, under the New Order, routinely misused state resources in electoral campaigns and the government abused its power, financially and otherwise, to undermine opposition parties. Most recently, it was alleged that funds from Bulog, the state logistics agency, were channeled to Golkar during the 1999 elections. Akbar Tandjung, speaker of the DPR and chairman of Golkar, was convicted for his role in the Bulog matter and his conviction was upheld by an appeals court. His case, at the time of this writing, is pending before the Supreme Court. It has also been alleged that massive vote buying occurred during the MPR deliberations on selecting the president.

Opposition and smaller parties, however, are not immune from corruption. During the 1999 general elections, for instance, it was alleged that candidates from several parties sometimes purchased positions on their party's slate, raised money illegally and engaged in vote buying during the campaign.

Public confidence in the government's ability or willingness to tackle high-profile corruption cases has been eroded due to the well-publicized failures to successfully prosecute former President Suharto and members of his family. Hutomo Mandala Putra ("Tommy"), Suharto's son, was convicted in a large-scale corruption case involving the misuse of public funds. The Supreme Court justice who originally sentenced Tommy to 18 months in prison was assassinated and Tommy was implicated in the killing. The corruption case against Tommy Suharto was later overturned on appeal. However, prosecutors again filed charges against Tommy, stemming from the judge's murder, as well as bombing incidents in Jakarta, in December 2000. After spending almost a year as a fugitive, Tommy was arrested in December 2001 and convicted of these charges. He is now serving a term of imprisonment. In addition, attempts to prosecute three justices and the director of state administration at the Supreme Court were dismissed by their judicial colleagues at the district court.¹⁷

Corruption within the military is also widely suspected. The military's unique role in the nation's civil institutions has been especially problematic and has made the military highly vulnerable to corrupt conduct. The TNI, the Indonesian Armed Forces or *Tentara Nasional Indonesia*, retains representation in the MPR and in national and regional legislatures until 2004. Their influence also can be felt through TNI territorial structures in every province, district and sub-district where the armed forces ensure the loyalty of local citizens and manipulate local politics. TNI, particularly the army, is also represented in the state and military intelligence agencies that focus on political and social affairs. In addition, TNI's business enterprises raise funds to cover approximately 75 percent of military expenditures.¹⁸ These financial activities are generally not subject to public scrutiny and allow access to considerable resources that may be used to finance additional involvement in the nation's political life.

Strong political leadership will be needed to combat corruption, but institutional reform will be needed as well. It appears that there is a sufficient legal framework for addressing corruption, but few institutional resources or the political commitment to apply those laws.

Allegations of corruption could potentially derail the democratization process. Such allegations have already played a role in the political demise of the past three presidents. This point is not lost on the new President who stated when she first came to office, "I have gathered all my close relatives and have asked them to promise not to allow any opportunity for corruption,

collusion and nepotism.” She added, “Unlike in a feudalistic society which doesn't consider corruption a serious mistake, in a democratic society it is a big problem.”¹⁹

Since the fall of Suharto, several attempts have been made to strengthen anti-corruption laws. During President Habibie's tenure, for instance, the Anti-Corruption Law was amended and under President Wahid the Office of National Ombudsman was established.²⁰ In 1999, a law providing for a Commission Against Corruption and a regulation forming the legal basis for a Joint Investigating Team Against Corruption were also promulgated.²¹

There are signs, however, that legislators are making a new commitment to combat political corruption. The People's Representative Council, for example, recently enacted an anti-corruption law that strengthens the investigative powers of government authorities. The MPR also adopted guidelines during its October 2001 annual session that recommend a stronger executive commitment to anti-corruption efforts.²²

Political Party Environment

Civil Liberties

Civil liberties, such as the rights of free expression and assembly, are critical features of democratic life. While there has been a vast improvement in the exercise of these rights in recent years, the legacy of the politically active military, deteriorating economic conditions, religious strife and separatist movements could threaten the progress that has been made.

Prior to 1999, freedom of the press in Indonesia was severely restricted. Article 29 of the Constitution stated only that, “Freedom of the press shall be provided by law.” Restrictive press laws were adopted and their enforcement hindered critical reporting. As late as 1994, the government closed news magazines such as *Tempo*, *DeTik* and *Editor* because of their investigative reporting on the military. During the New Order, the news media also conformed to the government's expectations, practicing self-censorship. According to a 1989 Asia Watch report, the press was “very much a partner of the government, and not an independent or autonomous institution.”²³

When Suharto stepped down, Habibie enacted a number of reforms that permitted the media to report more fully and accurately. Prior to Habibie's June 1998 ministerial decree, the Minister of Information enforced a very strict set of compliance criteria for publishing enterprise licenses. Revocations

of licenses by the Minister of Information were thus a very serious threat. Habibie's ministerial decree of 1998, however, reduced this list of compliance criteria and required that all revocations be court authorized. The relaxation of these restrictions combined with a more open atmosphere in the country meant that the press was now able to report relatively freely.

Press freedom was further enhanced by the passage of a liberal print media law in October 2001. This new law eliminates licensing requirements, removes the government's ability to ban publications, and guarantees freedom of the press. It even imposes penalties on anyone who tries to restrict press freedom by interfering with media. Indonesian journalists are now working to create a new, autonomous press council, as required by the new press law. "Had we had a free press in 1989, we would not have had the problem that we have today in Aceh," said Bambang Harymurti, editor-in-chief of *Tempo*, the largest circulation magazine. "Jakarta would have realized what the military presence was doing to the province a lot sooner."²⁴

President Habibie also relaxed the rules governing the formation of mass organizations, including religious groups and nongovernmental organizations. Similar to the requirements on political parties, such groups were previously required to adopt *Pancasila*. Organizations are now required to "not be inconsistent" with *Pancasila*. A new freedom of expression law was passed in October 1998 that requires a three-day notice to police for demonstrations, rallies, large gatherings and public speeches. The law, widely criticized by human rights and political activists, requires that the police be informed of the purpose of the event and the names and addresses of the organizers. This did not, however, prevent political party campaigning during the elections, nor has it prevented protest demonstrations since then.

Human Rights

Human rights abuses have been of special concern in areas of the country in which separatist sentiments are strong; these include abusive behavior by security forces against civilians in Aceh, Papua and Maluku. In Aceh, the United Nations High Commissioner for Human Rights noted a "pattern of serious human rights violations ... including torture, extra judicial executions of civilians, and death threats against human rights organizations personnel."²⁵ In Papua, "A broad civilian independence movement has emerged alongside a decades-old armed insurgency ... and Indonesian security forces increasingly have responded with force, imprisoning civilian leaders and terrorizing villagers."²⁶ Finally, in Maluku, "troops (are) believed to have taken sides in the communal conflict ... (that) ... have left more than 200 people dead since June 21, 2000 ... (and) ... according to government sources, nearly 3,000 (have been) ... killed since January 1999."²⁷

Legal Framework

In August 2002, Indonesia completed a three-year process of review and amendment of the entire body of the 1945 Constitution, excluding the Preamble, which was left untouched. Following the 2004 elections, this process will have transformed the Indonesian political system from a unique hybrid of presidentialism and parliamentarism into a purely presidential system such as those found in the United States, the Philippines and much of Latin America. The president and vice president will be popularly elected, presidential impeachment procedures will only be based on legal – not political – transgressions, the DPR and subnational assemblies will no longer contain any unelected seats (such as from the military and police), a new upper house called the Regional Representative Council (Dewan Perwakilan Daerah or DPD) will be elected via individual (i.e., non-party) candidacies, and a new Constitutional Court will be established. A bill of human rights has also been inserted in the Constitution. The primary function of the new MPR, formed simply as a joint sitting of the DPR and DPD, will be as a constituent assembly to amend the Constitution.

The original 1945 Constitution, written as a temporary document and unamended until 1999, was relatively short compared to more recent constitutions, with only 37 articles, 12 of which related to the powers of the presidency. The Constitution established a unique system of government, with the MPR as the highest state institution. The MPR had the responsibilities of amending the Constitution, electing and removing the president and vice-president, and establishing “broad outlines of state orientation.” The 1999-2004 MPR has 695 members. It is composed of all 500 members of the DPR; 65 members selected from functional groups; and 130 regional representatives selected by provincial legislatures. The DPR consists of 462 elected representatives plus 38 seats reserved for the military and police.

The DPR and MPR are organized around political party groupings, called blocs (*fraksi*). According to the standing orders of the MPR, blocs are groupings of the members based on the political party configuration resulting from the general election, together with the Indonesian armed forces/police bloc and interest group delegates. Two or more political parties may form a bloc provided that it has at least ten members. Every member is required to join one of the blocs. Matters concerning the internal organization of a bloc are the sole responsibility of that bloc.²⁸ A similar provision is contained in the rules of procedure of the DPR.

Indonesia's laws relating to elections and political parties were put in place rapidly as the 1999 elections approached and they were the products of last-minute political compromises. These compromises resulted in an election system without precedent anywhere else in the world. It is a "unique combination of proportional representation by province, with some elements of a district system."²⁹ The dual nature of the system caused a great deal of confusion before, during and after the 1999 elections.

As in any proportional system, seats were assigned to a party in proportion to its share of the overall vote in each province. The parties submitted to the election commission a list of candidates. The names of the candidates on the party lists did not appear on the ballot. However, the party lists with the candidates' names were posted at polling sites.

Under the election law, when a party submitted its provincial candidate lists to the election commission, it was required to assign each candidate to a district within that province. When identifying the candidates to fill the seats won by that party through proportional representation, the party was required by election commission regulations to consider how many votes were cast for the party in each district. Candidates assigned to districts in which the party "performed best" were to be given preference in being awarded seats. The complexity of this system led to a number of disputes during the process of seat allocation and instances of parties switching their own candidates from districts that "lost" to districts that "won" in order to ensure prominent members seats in the new DPR.

Two laws passed in January 1999,³⁰ on political parties and general elections, establish the legal framework for political parties and set the parameters within which they must function. The laws established criteria for political parties to compete in national, provincial and district (county and municipal) elections. All parties must demonstrate "support in one-third of the country's provinces," obtain a "specified threshold in these elections in order to participate in the next elections," accept "*Pancasila* as the state ideology," and not propagate Communism or Marxism-Leninism.

There are, then, no purely local parties (except in Papua, where local parties are permitted under the province's special autonomy law, which was adopted in 2001). The law requires all political parties to have significant national reach. The ban on ideological affiliation, such as association with the communist party, appears inconsistent with international norms of freedom of expression and association.³¹ The 1999 electoral laws, however, revoked a previous requirement that candidates undergo ideological screening by government and military representatives. In addition, the laws placed restrictions on political party financing.

The newly established Election Commission (KPU) was tasked with drafting regulations to define further these two laws. Comprised of representatives of the 48 parties found eligible to compete in the elections and five members appointed by the government, the KPU proved to be an unwieldy body, often finding it difficult to resolve contentious issues.³²

The KPU, however, managed to establish a rudimentary structure for regulating party and campaign financing. Specifically, the law on political parties and the law on general elections contain provisions on political party financing that are directly relevant to current efforts to curb financial corruption within parties. The political parties law has four articles (Articles 12, 13, 14 and 15) that define the types of contributions that are allowed, the limits on donations, the tax status of political parties and audit requirements.

Law No. 2 of 1999 on Political Parties

Article 12

paragraph 1: The funds of a political party shall be obtained from members' contributions, donations, and other legitimate activities.

paragraph 2: A political party shall get annual aid in the state budget based on its vote total in the previous general election.

paragraph 3: Determination of the annual aid referred to in paragraph (2) shall be made through a Government Regulation.

paragraph 4: A political party may not accept donations or aid from a foreign source.

Article 13

paragraph 1: Political parties shall constitute non-profit organizations.

paragraph 2: Pursuant to paragraph (1), political parties shall be prohibited from incorporating an enterprise and/or owning the shares of an enterprise.

Article 14

paragraph 1: The amount of donation of each person accepted by a political party shall be maximum Rp 15,000,000.00 within one year.

paragraph 2: The amount of donation of each company and any other body that is accepted by a political party shall be maximum Rp 150,000,000.00 within a period of one year.

paragraph 3: Donations in the form of goods shall be valued according to the prevailing market value and shall be treated in the same manner as donations in the form of money.

paragraph 4: Political parties shall maintain a list of donors and the amount of each donation, and these shall be open to be audited by a public accountant.

Article 15

paragraph 1: Political parties shall be obliged to report the list referred to in article 14 paragraph (4) together with the financial report at the end of each year and every 15 days prior to and 30 days after the general election to the Supreme Court of the Republic of Indonesia.

paragraph 2: The report referred to in paragraph (1) at any time may be audited by a public accountant appointed by the Supreme Court of the Republic of Indonesia

Unofficial English Translation

The law on general elections contains three articles with reference to campaign finance (Articles 48, 49 and 73). These provisions limit the use of funding by political parties and specifically prohibit bribery and establish sanctions for misconduct. The KPU also interpreted Article 48, section 2 as establishing campaign spending limits. Spending, per party, is limited to Rp 110,000,000,000 nationally, Rp 100,000,000 provincially, and Rp 1,000,000 at the village level.³³

Law No 3 of 1999 regarding General Elections

Article 73

3) Whoever during the election [held pursuant to the law] bribes someone with gifts or promises so that he will not exercise his right to vote or that he is asked to perform his right in certain ways will be sentenced with maximum three years in jail. That sentence will also be imposed upon electors who receive bribes or promises to [affect their right to vote].

Article 48

1) Funds for election campaign of respective contesting political party can be obtained from

- a) Contesting political party.
- b) Government, coming from state budget and regional budget
- c) Other independent groups such as private entities, companies, foundations or individuals.

2) The limit of campaign funds that may be accepted by contesting political parties is stipulated by the KPU.

3) Foreign countries are not allowed to give funds and other aid for election campaigns.

4) Breaches of the regulation of campaign funds...are subject to sanction...

Article 49

- 1) Funds for election campaigns as referred to in Article 50 are subject to auditing by a Public Accountant, and the results shall be reported by contesting political parties to the KPU 15 days before the polling day and 25 days after.
- 2) Breaches on the regulation ...are subject to administrative sanction in the form of the cessation of funds from the State/Regional budget.
- 3) A contesting political party that violates the campaign fund limits is subject to administrative sanction prohibiting it from participating in the next general election.

Unofficial English translation

There is growing agreement among political parties and civil society organizations that the financial regulations should be reviewed. A study by the International Foundation for Election Systems (IFES), for instance, identified several shortcomings. It stated, "Fundamental concepts must be defined. These include election campaign activity, campaign funds, and what constitutes expenditures or receipts by political parties or their candidates, particularly as to activities by other persons or groups who openly support them."³⁴

Official Enforcement

There also seems to be broad agreement that the enforcement of party and campaign finance laws has been ineffective. Obligatory public audits represent the only significant check on political party finance violations. Two sets of audits are required: election-related audits (pre-and post-election) and regular annual audits. The regular annual audits have yet to be conducted.

The two election-related audits were conducted under the auspices of the KPU and submitted to the Supreme Court. Unfortunately, the political parties' inadequate accounting systems make credible auditing difficult. Furthermore, auditors do not have the capacity or the authority to probe accounting weaknesses. An IFES report commented, for instance, "Auditors had no powers to investigate problems or demand further documentation from lower party committees or outside sources, such as television stations or other vendors."³⁵ Regarding the audits conducted during the election period, the report added, "Based on information from KPU officials and accountants involved in this process, the audit work during this first phase of reporting was clearly superficial."³⁶ This first test of the system highlighted a number of weaknesses in both the accounting systems of political parties as well as the audit process itself.

Current regulations also require a comprehensive assessment of the party's finances. It is, however, extremely difficult to determine parties' opening balances. This is particularly true for the older parties, some of which had been in existence for 35 years, since previous regulations did not require an accounting for funds stored in party coffers.

In the past election, most parties under-reported party campaign spending. In fact, "no party admitted to spending over the KPU's campaign spending limit, although some reported contributions exceeding legal limits."³⁷ The records submitted by the parties to the auditors also appear to have substantially under-reported expenditures. One NGO calculated the actual cost of campaigns to be one hundred times more than what was officially declared.³⁸

The audit process was also compromised by a number of timing issues. The KPU did not determine the campaign finance "caps" until very late into the election period. As stated earlier, the laws on political parties and elections were enacted in late January 1999, little more than four months before the June election. The obligation for political party financial reporting had not been widely publicized. As a result, political parties did not fully understand the requirements. Additionally, the auditors were given an extremely short period of 10 days within which to actually conduct the audits.

If auditors uncovered violations, there was little threat of legal sanction. There is no institution that has the authority and capacity to investigate or prosecute violators. IFES reported that, "despite the KPU's reports of acknowledged violations of contribution limitations and reporting requirements, and deep suspicions about unreported political finance activity, neither the KPU, the Supreme Court nor prosecutors appear to have initiated any enforcement actions against the political parties, persons, or entities involved."³⁹ Indonesian Corruption Watch, however, has brought a case against Golkar for its failure to comply with financial reporting requirements.

Finally, according to a former member of the KPU, audits are available to the public, but in practice they are very difficult to obtain. It is unclear, in fact, whether the KPU has retained these reports on file. Most political party officials are resistant to the idea of making their official audits available to the public.

The political parties law also requires parties to submit a regular “financial report [audited by a public accountant] at the end of each year ... to the Supreme Court.” To date, neither the KPU nor the Supreme Court has requested these annual audits nor has any party conducted one. As a result, non-election-related audits that accurately assess the financial situation of political parties in Indonesia are unavailable.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		Law No 2/1999 regarding political parties.
2	Are there laws regulating party finance?	Y		Law No 2/1999 regarding political parties sets contribution limits at all times on individuals at Rp
2a	Contribution limits?	Y		
2b	Spending limits?		N	15,000,000 (\$1,545) within one year, and from companies or other bodies at Rp 150,000,000 (\$15,450) within one year.
3	Are there campaign finance regulations?	Y		Laws 2/1999 and 3/1999 regulate campaign finance.
3a	Contribution limits?	Y		Law No. 2/1999 regarding political parties limits contributions.
3b	Spending limits?	Y		The KPU set spending limits on campaigns to Rp 110,000,000,000 (\$11,416,700) nationally, Rp 100,000,000 (\$10,378) provincially, and Rp 1,000,000 (\$103) at the village level.
3c	Filing financial returns?	Y		Law No. 3/1999 regarding general elections states that funds for election campaigns are subject to auditing by a public accountant, and financial reports must be filed by contesting political parties to the KPU 15 days before the polling day and 25 days after.
3d	Returns made public?	Y		The election audits <i>de jure</i> are available to the public, but <i>de facto</i> hard to obtain.
4	Can political parties accept contributions from:			Law No. 2/1999 states: “The funds of a political party shall be obtained from members’

4a	Businesses?	Y		<p>contributions, donations, and other legitimate activities ... A political party shall get annual aid and state budget based on vote acquisition in the previous general election...A political party may not accept donation and aid from a foreign source.”</p> <p>Law No 3/1999 states, “Funds for election campaign of respective contesting political party can be obtained from</p> <p>a) Contesting political party. b) Government, coming from state budget and regional budget c) Other independent groups such as private entities, companies, foundations or individuals.”</p>
4b	Unions?	Y		
4c	Foreign sources?		N	
4d	Can parties own Businesses?		N	
5	Do parties have to reveal the sources of their funding?	Y		<p>Law No 2/1999 states, “Political parties shall maintain a list of donors and the amount of each donation, and these shall be open to be audited by a public accountant.” Law No 3/1999 states, “Funds for election campaigns ...are subject to auditing by a public accountant.” In practice, this has not been the case.</p>
6	Does the state provide public funding to political parties?	Y		<p>Both Laws No. 2/1999 and No. 3/1999 state that a political party shall get annual aid in the state budget based on its vote total in the previous general election. In practice, this has not occurred.</p>
7	Are annual financial audits of party accounts required?	Y		<p>Audits are required by No 2/1999 and No 3/1999 but have not yet been conducted.</p>
8	Do party officials have to declare assets and liabilities?	Y		<p>If they are elected to the legislature or executive office they must declare. But a very small percent</p>

				age of MPs have actually done so.
9	Is there an Anti-Corruption Commission?	Y		The Audit Commission on State Officials' Wealth (KPKPN) was recently established and is authorized to enforce party financing laws and regulations. The KPKPN's efficacy is untested.
10	Is there an independent Election Commission?	Y		The Election Commission is an independent body.

Political Party Experiences

During the ongoing transition, Indonesia's political parties have faced several daunting challenges. First, they had to compete in an election for which they were unprepared. The newly formed parties had little time to establish themselves as legal entities, register, select candidates, develop platforms, and establish campaign strategies and organizations. The parties also had to develop their own internal operating rules and organizational structures to recruit new members, raise funds, and develop policies and programs that appealed to the electorate.

After the elections, parties faced the task of organizing the new government and were soon confronted with major reform issues, including making constitutional choices regarding the relationship between the legislative and executive branches of government. Party representatives in the DPR and MPR also had to address issues such as the role of the military in national decision-making and the degree to which power should be devolved to lower levels of government. At the same time, they came under increasing pressure to remove a new president who challenged the legislature over their respective powers and who faced allegations of corruption.

As the fourth year of the on-going transition began, the major political parties were showing signs of splintering. The rifts within the PPP, the Islamic party chaired by Vice-President Hamzah Haz, were most apparent. Under the leadership of Zainuddin M.Z., the party's vice-chairman, several former party leaders split to form PPP *Reformasi*. Zainuddin's group has argued that the PPP has abandoned its reform agenda and the breakaway faction also opposes the party's support for the imposition of Islamic law.

Within Golkar, other senior party members have challenged Akbar Tandjung's leadership. As previously mentioned, Tandjung, the party chairman, has been convicted of illegally diverting Rp 40 billion (around US\$4 million at the time) from Bulog, the state logistics agency, to assist Golkar in the 1999 elections campaign. At the time of publication, his conviction is under appeal. The judge's ruling, however, did not implicate the party itself, which could have been threatened with dissolution by the Supreme Court.

PDI-P, too, is experiencing internal fissures, partly related to the influence within the party of Megawati's husband, Taufik Kiemas, and partly related to the party's support for certain constitutional reforms. PAN has also suffered from the resignations of top party officials, led by party deputy chairman Faisal Basri. The dissenters claim that the secular principles upon which the party was founded have been eroded as pressure from Islamists within the party has mounted. The internal divisions within PKB and PBB appear to be largely due to internal disputes that emerged in connection with Wahid's removal from office.

Indonesia's parties are often described as institutionally weak and personality driven. These shortcomings, however, are only part of the picture. The six largest parties (PDI-P, Golkar, PPP, PKB, PAN and PBB), by and large, have distinct identities and appeal to discrete constituencies. They also have relatively disciplined voting records in the national legislature (DPR), although this pattern has not always been replicated at the subnational level. The parties, however, have not developed specific policy positions on many issues of concern to the electorate, such as how best to combat corruption, develop the economy, deal with environmental challenges or implement regional autonomy.

Politically inspired violence has at times been the result of party-affiliated or party-sponsored groups. The largest political parties have maintained militia, or paramilitary groups, that have acted on behalf of their party patrons. Golkar, for instance, is said to have a relationship with Pemuda *Pancasila*, PDI-P with Garda Bangsa and PPP with Pemuda Kabah and Front Pembela Islam. Not surprisingly, little information is available regarding the precise links these groups have with the parties.⁴⁰

The six largest parties have branch offices in most provinces and in many districts. These offices display the seemingly contradictory characteristics of relative independence on some matters but strong dependence on central party headquarters on others. While they take direction from the national party officials (the key decision-making body for each of the parties is the executive council, or Dewan Pimpinan Pusat) in areas such as general policy formulation and platform development, branch offices are responsible for communicating with voters and constituency building. The provincial organizations remain

financially autonomous in terms of fundraising but are required to report their finances through a centralized process. In practice, however, the central office usually does not maintain these records. The viability of each branch office varies considerably across parties and regions.

The leadership in virtually all of the major parties recognizes that political parties are particularly susceptible to corruption. The national party leaderships of several parties have been under attack for alleged corruption, and new challenges will likely emerge as the focus of policymaking shifts to the lower levels of government through the implementation of the nation's regional autonomy laws.

Political party-related corruption in Indonesia takes several forms. The most frequently cited include:

- Engaging in illegal fundraising practices;
- Buying votes;
- Placing supporters and cronies in top governmental positions or in state enterprises;
- Paying to be selected as a candidate or to receive a top party position.

Most parties established rules and disciplinary procedures that address issues of party loyalty in their bylaws.⁴¹ Violations include party switching by elected officials and conducting activities contrary to party ideology or the national party program. Only PDI-P has ratified specific party rules and disciplinary procedures that address "money politics," cronyism or intimidation. Additionally, only PPP and PK have adopted term limits.

The parties will have to address an increasingly skeptical public that throughout the transition has expressed concern about corruption. As the following section indicates, Indonesia's parties are meeting the challenge of internal reform with varying degrees of capacity and skill. The section that follows is based on an examination of party documents such as constitutions and bylaws, as well as on interviews with party leaders and activists at the national and provincial levels.

Breakdown of Seats in the DPR		
Party	Seats	%
Partai Demokrasi Indonesia (PDI-P) –		
Indo. Democracy Party-Struggle	153	30.6%
Partai Golongan Karya (Golkar) – Golkar Party	120	24%
Partai Persatuan Pembangunan (PPP) –		
Development Unity Party	58	11.6%
Partai Kebangkitan Bangsa (PKB) –		
National Awakening Party	51	10.2%
Reform Bloc:	41	8.2%
Partai Amanat Nasional (PAN) – National Mandate Party	(34)	(26.8%)
Partai Keadilan (PK) – Justice Party	(7)	(1.4%)
Partai Bulan Bintang (PBB) – Crescent Moon and Star Party	13	2.6%
Military (TNI)/Police (POLRI)	38	7.6%
Other parties (14) receiving 5 or fewer seats	26	5.2%
Total Seats: 500		

Partai Golkar

Background

Established on October 20, 1964 as a collection of anti-communist functional groups, rather than a party, Golkar was the principal political instrument of the Suharto regime. In July 1998, as a result of Suharto's resignation and the beginning of the era of "*reformasi*," Golkar added the word 'party' to its name to recast its image.

The problems Golkar faces are substantial. Until 1999, it had been the ruling party in a country that was widely considered to be one of the most corrupt in the world. The party's leaders had undoubtedly been among the greatest beneficiaries of that corruption. To repair its public image remains the party's greatest challenge. Yet, the party's leader, Akbar Tandjung, considered by many as a reformer just three years ago, has recently been convicted of diverting state funds to help the party during the 1999 elections.

- Golkar's bylaws outline the purposes of the party as the following:
- a. To gather the working members of the society and functional groups who have the same political aspirations to attain a society that is fair and prosperous, materially and spiritually, based on *Pancasila* and the 1945 Constitution.

- b. To carry out, practice, and defend *Pancasila* as well as to develop programs in all fields without differentiating among ethnicity, religion, race, or class.
- c. To accommodate, share, channel, and struggle for the aspiration of the people as well as uplift the political consciousness and prepare cadres in all aspects of social, national, and state life.

The party's objectives are:

- a. To maintain, protect, and practice *Pancasila* and the 1945 Constitution;
- b. To realize the aspirations of the nation as stipulated in the 1945 Constitution;
- c. To create a fair and evenly prosperous, materially and spiritually, society based on *Pancasila* and the 1945 Constitution;
- d. To realize the sovereignty of the people in the framework of carrying out a Democratic *Pancasila* life that upholds and honors truth, justice, the law, and human rights.

Party's Perceptions of Corruption and the Political Party Environment

Golkar officials express their concern about corruption largely in terms of its impact on economic development. One party official stated, "Corruption occurs at every level in Indonesian culture and must be eliminated if development is to proceed." In particular reference to corruption within the party, members acknowledge that the party's reputation from the Suharto era is that of a highly corrupt and executive-controlled organization. It was acknowledged that some "older" members have not mended their ways and are still involved in various forms of corruption.

Some Golkar leaders would like to see further reform. One senior member stressed that almost 90 percent of party members are new, "young" (under 40 years of age), and "should not be judged against past party corruption." A younger member suggested, "If people are corrupt we can act against them. It is not the institution that is corrupt." Some new members of the party are seen as idealistic and committed to reform and were attracted to Golkar, which they viewed, in the words of one recent recruit, as "a stable party that has a lot of potential for reform."

Party spokespersons recognize that the nation's brief experience with the democratic system and a lack of detailed rules regulating the conduct of party officials may leave the party vulnerable to corruption. Government limits on party donations, however, are seen as inappropriate, and some party leaders believe such limits should be reconsidered. Some party officials also believe

that members of parliament should also increase the amount of their salary used to support the party. Party members at all levels, some officials stated, should be encouraged to pay membership dues on a scaled system.

Party Structure and Decision-Making

The party's national headquarters in Jakarta houses 110 members and staff including the central executive/leadership council (referred to by all parties as the *Dewan Pimpinan Pusat* or DPP at the national level)⁴² The DPP consists of the general chairperson, chairperson, 16 deputy chairpersons (supported by departments such as women's affairs, electoral victory, law and regulation), secretary general (supported by 10 deputies and staff), and the treasurer (supported by six deputies and staff).

This structure is repeated throughout the branch offices, which include provincial, district, sub-district and village offices. Party activists, or cadres, below the national level are unpaid volunteers. The national office provides training to branch members in a variety of subjects including party policy, strategy, and media relations, among other topics.

The DPP, as the highest executive body, has the authority to determine policies at the national level in accordance with the bylaws, national congress decisions, and national level meetings as well as other regulations, and to determine the composition and personnel of the DPW. This authority and responsibility is mirrored in the lower party levels.⁴³

According to party officials, national policies are determined by the DPP. The DPP relies on an expert team that meets approximately once a month. This team is supported by working committees, which provide guidance to the official party departments. The activities of the departments include cadre development, recruitment, political education, communication, youth organization and some religious activities. One senior official said that there is a more open relationship among the departments and the senior party members than there was in the past. According to one party member, "The DPP is open for criticism now – new cadres can openly criticize and speak up at meetings." One department chair stated that there is fairly easy access to the DPP members: "I can discuss individually with them my concerns and ideas." However, there remains tension between the need to conduct decision-making in a democratic manner and the need for efficiency.

The party holds a national congress every five years and annual meetings at all levels. The activities at the national congress include drafting and revising the bylaws, formulating the party program, evaluating the DPP, and

electing DPP members. Additional meetings include an extraordinary national congress (for critical situations); the leadership plenary meetings (as necessary to make decisions outside the authority of the national congress); national, regional, and sub-district coordination meetings (convened at least once a year to coordinate the implementation of the work programs); and national, regional, and sub-district working meetings (convened at least once every two years to evaluate the implementation of the party program.) When required, the party also holds a *silaknas*, or forum, to discuss current political events. Representatives participate from all levels including the district level. The party holds *silaknas* meetings at least every two years.

Candidate and Party Leadership Selection

As with most Indonesian parties, Golkar employs the *musyawarah* process in which decisions regarding leadership, candidate nomination, or national congress delegates are determined by discussion and consensus. If consensus cannot be reached, the branch members will vote. *Musyawarah* and voting occur at the meetings of each branch. Party leaders are selected through this *musyawarah* process within a *formatur* (committee appointed by an assembly to form the executive leadership) composed of a chairperson and several members. The chairperson of the *formatur* is also the general chairperson of the executive council of that level.

Party members suggested that branches have a high degree of independence and influence on such issues as selecting delegates to national congresses, executive council memberships, candidate selection, and disciplinary procedures. The DPP is involved less than previously in leadership selection. According to one Golkar official, the members at each level “know their rights” and often reject national proposals. Furthermore, the nominees must focus on local issues (regional or district) and be well known in their constituency.

Money Management and Party Financing

Structurally, the treasurer general is the highest financial authority within the party. The treasurer and his or her staff prepare financial statements, and the deputy treasurer manages general operations. Operational budgets are drawn up by party departments and approved by the DPP. Departments provide program reports to the DPP, although one official noted that these reports are rarely reviewed and there is little financial oversight. Receipts, for example, are not required.

Provincial and local branches are seen as “independent” and responsible for their own revenue and expenditures, although national officials will visit branches and provide training in financial and accounting procedures. Within the party’s accounting system, branch (provincial and district) funds are to be kept separate. Campaign and operating funds are also to be segregated.

It was reported that all members have access to audits and financial reports. No member interviewed, however, could report having asked for access to an audit or report or had heard of another member doing so. In accordance with national tax laws (Law Number 16), Golkar maintains a taxpayer identification number and pays sales taxes, but not income taxes, since the party is not engaged in business activities.

Party funding is received from contributions and salary withholdings of elected members. This withholding is seen as an appropriate and acceptable practice. Donations and contributions are accepted from individuals and businesses as well. Party officials candidly admitted accepting anonymous donations (in violation of the law) and they could not identify any particular contributions that had been refused. Members often support party events and activities through “in-kind” or “out of pocket” contributions.

Party officials report that the requirement for regular audits is appropriate and should be enforced and that the existing reporting mechanisms are sufficient. Golkar prepared an annual financial statement for the KPU and the Supreme Court for the 1999 elections. However, this report did not incorporate the annual audits conducted at the branch level, which are reported to headquarters. Among all the parties, during the election period Golkar reported the highest expenditures to the KPU. Thus, party officials believe that Golkar’s financial reports are the most realistic.

Affiliations

Many of the ties between Golkar’s original founding organizations and the party have loosened considerably or been completely severed during the last several years. For instance, with greater freedom of association, corporatist entities like the official journalists’ association PWI and the official labor union SPSI became independent of the party. Furthermore, organizations like SOKSI, KOSGORO and MKGR helped found some of the other 47 parties that were eligible to contest the 1999 elections. Most of these parties fared poorly, however, and so the impact on Golkar’s share of the vote was relatively limited. Nonetheless, the party has loosely affiliated organizations that perform services that reach many of the party’s constituents. A women’s Islamic organization (KPMIDI), for example, runs programs and activities for women and was originally established by the party; it has since become a registered, independent

organization. The KPMDI is independent in the sense that it determines its own programs and discusses issues unrelated to the party. “KPMDI discusses programs and activities - the party only discusses politics and women’s issues.” Members of KPMDI can be members of Golkar, but this is not necessary. The party, however, recruits new members from this organization.

Party Rules and Disciplinary Procedures

Disciplinary procedures are not formalized in written rules, but similar procedures appear to be commonly followed throughout the party structure. The DPP plenary meeting has the authority to dismiss the party leadership of the DPP. This authority is replicated in the branches. A warning is generally given to a member who has violated party regulations. If the behavior is not corrected, a hearing in front of the national advisory board will determine whether the member should be suspended or removed from the party. Once removed from the party, the violator can appeal for reinstatement. If the violation warrants legal action, the party will take action consistent with the court’s ruling. Golkar has removed members from seats in provincial councils for violating party rules. The party does not conduct programs aimed at informing their members of their ethical obligations or the party’s rules.

Partai Demokrasi Indonesia-Perjuangan (Indonesian Democratic Party-Struggle), PDI-P

Background

PDI-P, led by Megawati Sukarnoputri, contested for the first time in the 1999 elections. Megawati formerly was the chairperson of PDI, an officially sanctioned party during the New Order. However, after Megawati – the daughter of former President Sukarno – became the party’s leader in 1993, PDI was increasingly viewed as a potential threat to the leadership of the New Order government. Suharto engineered Megawati’s ouster from PDI in 1996. After Suharto’s fall in May 1998, a national congress was held in Bali by Megawati’s faction, which elected her as the leader of the newly named party, PDI-Perjuangan or PDI-Struggle (the rump PDI continued to exist and competed in the 1999 elections, but won few votes).

PDI-P is based on the principles of *Pancasila* and identifies itself as the facilitator and upholder of Indonesian democracy. The party emphasizes the “sovereignty of the people” and human rights. It has also stated its commitment to defending the national unity of the Republic of Indonesia.

Party's Perceptions of Corruption and the Political Party Environment

PDI-P officials appear to believe that the problem of political corruption should be addressed through a top-down approach. Party officials suggest that an anti-corruption law, the monitoring of the state apparatus, an increase in wages for government officials and reports of personal assets of government officials are necessary to combat corruption.

With respect to national regulations on political parties, PDI-P, like other parties, believes that the current spending limits are unrealistic and that it is difficult to run the operations of a party under these limitations.

Party Structure and Decision-Making

PDI-P's national executive council (DPP) is composed of a maximum of 45 persons, with 17 of these involved in day-to-day management. Approximately 28 head departments. The day-to-day management of the DPP is the responsibility of the general chairperson, eight chairpersons, a secretary general, four deputy secretaries general, a treasurer, and two vice-treasurers. Similar, yet smaller, structures can be found in the regional, district, sub-district, section and sub-section executive councils. Regional and district executive councils may form departments according to their needs.

The DPP manages the following: the secretariat, departments, blocs in state institutions, the research and development body, and the education and training body. The DPP also approves the structure, composition, and personnel of the DPW and DPD; determines party employees, and determines the leadership of the bloc in the MPR and DPR. The DPP also holds regular "plenary" meetings approximately every three months, with a minimum of once a year. At these meetings, operational issues and priority programs are determined, such as human resources and cadre development. Three representatives from each province attend these meetings. The party's consultative assembly (MPP) is composed of regional delegates elected through the regional conferences.

At all levels of the party there is a central advisory council (DEPERPU) to provide evaluations and suggestions to the executive council, either solicited or through their own initiative. The members are composed of party cadres at the each level and expert members of the party at the national level.

The national congress, convened by the DPP every five years, evaluates the accountability of the DPP and elects and inaugurates the DPP. The national congress is attended by: delegates from the branches; delegates from the DPWs;

DPP; members of the party central advisory council; and other invitees determined by the DPW. All the participants of the national congress have the right to vote. A similar process is conducted in holding regional, branch, and sub-branch conferences.

A national working meeting (*rakernas*) is convened by the DPP at least once a year (attended by DPP leaders, DPW functionaries who were determined by the DPP, and other invitees determined by the DPP) to: discuss internal and external problems; formulate operational policies; and ensure the implementation of party policies. At the regional and branch level the regional working meeting (*rakerda*) and the branch working meeting (*rakercab*) can be convened and both are similar to the *rakernas*.

Most decisions are determined through the *musyawarah* process where party officials attempt to reach a consensus without bringing issues to a vote. If a matter cannot be resolved in this manner, voting will take place. A small informal advisory team determined the central party platform and there are no plans to revise it.

There is not much concern expressed by branch officials about a lack of transparency in decision-making. Branch members report a fairly high degree of involvement in most party decisions, except those concerning national policies. They also report a high degree of influence in selecting delegates to national congresses and executive committee members, in candidate selection at all levels, and in imposing discipline for misconduct. Branch offices also report a substantial degree of independence in determining their budgets and establishing party programs.

Candidate and Leadership Selection

PDI-P, as a newly organized party, does not have formal procedures for selecting candidates, although officials state that the party plans to develop them before the next election. Any qualified member can be put forward as a nominee for candidate. Candidates are selected “based on their track record in supporting Megawati and the struggle,” their lobbying capabilities, their relationships to PDI-P key actors and their financial resources. The nomination process often begins at a lower level, such as the municipal office, where a candidate is recommended to the next level. Some of these nominations may be forwarded to national headquarters to be screened and approved by the DPP and the party’s general election committee. There is no formalized voting procedure during this process, although nominees are often selected through the *musyawarah* process.

The procedure for the selection of party leaders is more formalized. This process is also based on musyawarah, and each level of the party -- district, municipality, province, and region -- nominates candidates for the level above. Leaders are selected from the candidates at the congress at each level.

Money Management and Party Financing

The DPP and the party chairperson share financial authority. The treasury department is responsible for operational finances. Chiefs of departments and heads of commissions jointly determine operational budgets with the general secretary and the treasurer. All receivables and expenditures are recorded, and each department and commission, at the completion of any activity, prepares a report and submits it to the treasurer. The chairperson and secretary general must confirm expenditures above 50 million rupiah. Most of PDI-P's branch offices reportedly have bank accounts. However, there are no standard accounting systems used by the branch offices.

The *ad hoc* central and local committees for general elections manage finances for campaigns. An external audit was conducted for the 1999 election period, as required by regulation. Like most parties, PDI-P has not yet conducted a general annual audit.

The party raises funds through: contributions; salary withholding from MPs (Rp two million – around US\$225 – per month); in-kind contributions, such as furniture, clothing, flags, houses, automobiles and airline tickets; and fundraising events, such as auctions, seminars and book launchings. PDI-P members, like those from other parties, admit to accepting anonymous donations. Elected members must publicly disclose their assets, and candidates for office report their assets to the party. The party does not have a taxpayer identification number and does not pay sales taxes, an apparent breach of national tax laws.

Party Rules and Disciplinary Procedures

Party rules were formalized in January 2001 through a “Decision Letter of the DPP Concerning Disciplinary Rules”. The letter defines violations and sanctions. Members of PDI-P are prohibited from:

- a. Becoming a member in other political organizations.
- b. Engaging in activities detrimental to the reputation or interest of the party.
- c. Conducting activities and actions that contradict party regulations
- d. Revealing or disclosing party secrets

- e. Accepting or providing money or material goods from individuals or agencies for his/her private interest.
- f. Conducting or using physical violence or intimidation on behalf of the party.
- g. Providing or promising to give something to other parties to obtain political objectives or what is known as "money politics".

Violations fall under three categories:

1. A "light violation" is a behavior or action that indirectly discredits the reputation of the party (in which case the sanction is issued by the executive council at the same level.)
2. A "medium violation" is a behavior or action that directly discredits the party and is detrimental to the struggle to attain the party objective (in which case the sanction is issued by the executive council one level above and/or the DPP)
3. A "heavy violation" is a behavior or action that is very detrimental to the interest of the party and that is perpetrated by a member, such as, conducting a conspiracy or violent act that is detrimental to the interest of the party, fighting with party leadership, getting involved in money politics, or revealing party secrets to outside parties (in which case the sanction is issued by the DPP.)

Sanctions include warnings, suspensions, temporary dismissal, and expulsions.

The duties of the honorary council, a temporary, *ad hoc* commission (formed at any level), are to conduct an investigation, evaluate a violation, provide recommendations to the executive council at the level at which the honorary council was formed, and determine the category of the violation. When a party member has committed a criminal act, it can immediately issue a sanction suspending work, or temporarily dismissing or expelling the offender.

An appeal can be made to the next higher party office and all cases can be appealed to the national congress. There appears, however, to be a conflict between the party rules and government regulations regarding the removal of a member from an elected seat. The party guidelines allow members to be removed from elected seats, while this is prohibited by government regulations.

The party has not disciplined a member for financial misconduct who was not first prosecuted in the legal system. A PDI-P mayor in North Sumatra, for example, was convicted in a court of law and was subsequently sanctioned by the party. There have been sanctions imposed on members who do not perform their official duties, such as attending sessions. Party officials estimated that 10 to 15 local parliamentary members were expelled from the party in 2001.

Party blocs or committees that have made statements contradictory to the party platform have also been disciplined. In these cases, the committee in question is frozen, and the executive board of that branch office assumes the responsibilities of the committee for three months. Disciplinary action that has been taken against party members must be reported to the national congress.

While every member is provided with a copy of the party rules, in general, training on how the rules should be applied is inconsistent. Party leaders state that the party will soon begin more standardized trainings in each province. The party also distributes a monthly magazine that details party policies and current events.

Partai Kebangkitan Bangsa (National Awakening Party), PKB

Background

This Islamic-oriented party was established in Jakarta on July 23, 1998. PKB is strongly associated with the largest Muslim organization in Indonesia, the Nadhlatul Ulama (NU), formerly led by Gus Dur. The party, according to its literature, hopes to facilitate the demands of the *nadhliyin* (NU members) and the Indonesian people. The objectives of the party are:

- a. To materialize the aspirations of Indonesian independence in accordance with the 1945 Constitution;
- b. To create a society that is fair and prosperous externally and internally, materially and spiritually; and
- c. To create a national political order that is democratic, open, clean, and with a good character.

To obtain these objectives, PKB will employ the following:

- a. Religious aspect: increase the devotion to the One and Only God;
- b. Political aspect: maintain the unitary state of the Republic of Indonesia; uphold the sovereignty of the people; create a government that is democratic, clean and trustworthy; implement national development for the prosperity of the people; implement foreign political relations that are free and active as well as develop foreign cooperation to create lasting world peace, that is just and prosperous;
- c. Economic aspect: uphold and develop a pro-people economy that is just and democratic;
- d. Legal aspect: uphold and develop a state based on law that is civilized, capable of protecting all the people, upholds human rights and social justice;

- e. Social culture aspect: make an effort to build a culture that is advanced and modern by continuously cultivating the good identity of the nation to enhance the prestige and dignity of the nation;
- f. Educational aspect: make efforts to improve the quality of human resources to be good, noble, independent, skilled, professional, and critical towards the social environment surrounding them; make efforts to create a national education system that is pro-people, inexpensive, and continuous;
- g. Defense aspect: awaken the consciousness of every citizen of the state concerning their obligations so that they can join in the efforts to defend the state; push for the materialization of a self-defense society towards behaviors that create the feeling of insecurity, either those that come from private sector or certain institutions in the society.

Party's Perceptions of Corruption and the Political Party Environment

The PKB acknowledges that corruption in Indonesia is excessive. Officials claim that the party is working to create a clean, transparent government free from collusion, corruption and nepotism. Party spokesmen state that Indonesia's economic interests, such as natural resource extraction, lend themselves to corruption. One party official asserted that corruption occurs, to some extent, because the nation's legal system is inadequate. It was suggested by one member that laws governing the electoral system should be revised to eliminate opportunities for corruption.

Party Structure and Decision-Making

The advisory council at each level of the party has the highest authority and serves as the "primary reference for the general policies of the party". The executive council (*dewan tanfidz*) "implements strategic policies and manages the organization and program of the party" and is composed of the president, general chairperson, eight party chairpersons, secretary general, three deputy secretary generals, a general treasurer, two vice treasurers and seven department heads (e.g., women's empowerment, mass media and opinion development). This structure is repeated throughout the branches. The DPP formulates party policies, authorizes the DPW and DPD, implements party policies, and submits an accountability report to the national party congress.

The executive council at each level is elected by the relevant party congress to five-year terms. This is mirrored through the regional, sub-branch, and village levels. The DPP can freeze an executive council at a lower level with three written warnings followed by a decision of the executive council at one level higher.

The party maintains an institution to conduct economic, legal, social, educational, and cultural activities. The party's departments, coordinated by the DPP, implement the programs of the DPP. At the regional level, these departments are referred to as "bureaus", and "divisions" at the district level.

The types of party conferences include: the national congress; extraordinary congress; national working conference (convened by the DPP to evaluate party performance and programs at a national level with participants from the DPP and regional delegates); national executive council conference, as well as regional and sub-regional conferences; working conferences; and executive council conferences. The national congress, held every five years, evaluates the DPP, formulates or amends the bylaws, drafts guidelines, elects the advisory council and executive council chairpersons as well as those members to sit on the selecting committee. National congress participants include: DPP members; department chairs, institution chairs, and autonomous body chairs; regional delegates (advisory council chair and secretary, executive council chair and secretary, and a third representative); branch delegates and bloc leaders. Every participant of the national congress has the right to speak. Only the chairperson of the executive council from each level can vote.

The party also holds regular meetings as follows: executive council plenary meeting (convened by the DPP at least once every six months and attended by the members of the advisory council, executive council, leadership of institutions, leadership of autonomous bodies, and the leadership of departments/bureaus/divisions/sections); advisory council meeting (convened at least every three months and attended by the advisory council); and executive council meeting (convened and attended by the DPP at least once every three months).

Party members are generally supportive of the party's formal structure and procedures, but some members have expressed concern about the party's leadership. Most complaints tend to revolve around Gus Dur's highly personalized management style and his strong influence on members and decisions. His influence is reportedly exercised in the advisory council, which officially evaluates and approves all candidates for national public office. There is a paternalistic culture in the party, similar to the organizational culture of NU. Gus Dur is seen as the "father figure" and is reported to have significant influence in the selection of party leaders and candidates. The former president does not always prevail, however. Party members report, for instance, that Gus Dur's favored candidates are sometimes not selected and that branch officials sometimes thwart his preferences.

The official process of candidate selection is through musyawarah, although, as described above, party officials at the national level sometimes intercede. This most often seems to occur when the national party leadership favors a candidate who has the financial resources to fund his or her own candidacy. It has also been reported that, as in other parties, some candidates “buy” their positions.

Money Management and Party Financing

The general treasurer is the party’s highest financial authority. Budgets are reviewed and prepared on a monthly basis and reported to the party chairman. However, according to one official, “often only the treasurer knows where donations are received from.” Party spokespersons maintain that the party conducted the election period audit as well as the general annual audit, as required by law. It is unclear, however, if the party submitted its annual audit to the Supreme Court. Although party officials state that the party did not find the KPU audit process helpful, party officials view audits in general as essential to promote transparency and accountability within the party.

Party provincial offices operate autonomously and maintain independent bank accounts and petty cash. Each office can request financial support from the national party when necessary.

The PKB has concentrated fundraising efforts on contributions from individuals and businesses. PKB funds come primarily from: individual contributions, frequently from NU followers; fundraising events; in-kind contributions; and elected officials’ salaries (withholding Rp 2 million – around US\$225 – per month). Officials also acknowledge that the party accepts anonymous contributions. All contributions are supposed to be registered with the treasurer at each level in the party. PKB officials claim that they do not accept donations from businesses with a record of illegal activity or that have improper motivations.

Affiliations

The relationship between the party and NU is strong, but it is informal. NU originally launched PKB as a way of channeling its members’ political aspirations. In fact, NU members served as the party’s founding executive committee, and when the party was established, many members of NU joined PKB. There are no official structural or financial relationships between the party and NU. However, the party maintains a “broad political infrastructure through the regions... because of the NU” and the Islamic principles give the party “moral grounding.” PKB also recruits new members via the NU, although members

are not permitted to sit on executive boards or advisory boards of both organizations. Gus Dur's grandfather founded NU and the organization's leadership has always included members of his family.

The party is affiliated with "autonomous bodies," which assist in the implementation of party policies and serve as a source for recruiting new party members. The autonomous body for the youth segment is the *Gerakan Pemuda Kebangkitan Bangsa (GARDA BANGSA)* and the autonomous body for women is the *Pergerakan Perempuan Kebangkitan Bangsa (PPKB)*. Additional autonomous bodies can be formed according to need.

Party Rules and Disciplinary Procedures

Party discipline is outlined in the party bylaws as:

1. A member is prohibited from becoming a member of another party;
2. A member is prohibited from becoming a member of a social organization that has principles and/or objectives that are contrary to the principles and/or objectives of the party;
3. The members of executive councils must be subordinate to party leadership one level higher in matters that are not contrary with the bylaws.

Disciplinary sanctions are as follows:

1. A member can be temporarily suspended or dismissed because he/she committed an act contrary to the bylaws or he/she deliberately ignored his/her obligations as a member of the party, or he/she violated party discipline and/or tainted the honor and reputation of the party;
2. Before dismissing the concerned member, he/she is given a written warning three times by the executive committee where he/she is registered as a member (national, regional, branch, etc.). The interval of time for the issuance of the first written warning is at least two days;
3. In the event that after 15 days the last warning is still ignored, the concerned member can be temporarily suspended for three months;
4. In the event that during the temporary suspension, the concerned did not make a clarification to the party, he/she is automatically dismissed.
5. A letter of dismissal is issued by and based on the plenary meeting of the executive council where the concerned member is registered.
6. In the event that a member assumes a certain position in the party, the decision for the temporary suspension or dismissal will be issued by the executive council of the next higher level based on the proposal of the executive council where the concerned member is registered;

7. A member who is temporarily suspended or dismissed can defend himself/herself by submitting a request for a review to the highest deliberating forum in his/her area and/or to the executive council one level higher.

Most executive board members at all levels are aware of the party's codes of conduct. Most regular members do not, however, know about the code. The most severe sanction for a breach of the code is expulsion from the party.

Partai Amanat Nasional (National Mandate Party), PAN

Background

PAN was established in the aftermath of Suharto's departure from government and in response to the growing reform movement in Indonesia. Backed by public figures such as Amien Rais, current party chairman and speaker of the MPR, and Goenawan Mohamad, former editor of the national magazine *Tempo*, PAN was established as a political party in Jakarta on August 23, 1998.

PAN is closely affiliated with the second largest Muslim organization in Indonesia, Muhammadiyah, formerly led by Amien Rais. The party's platform includes respect for the sovereignty of the people; a commitment to democracy, progress, and social justice with roots in religious values; and the promotion of pluralism. The party supports non-sectarianism and non-discrimination and opposes forms of dictatorship, totalitarianism and authoritarianism. Unlike other Indonesian political parties, PAN has openly discussed the merits of a federal state.

The party's bylaws outline an ideology based on *Pancasila*, principles of faith and piety, peoples' sovereignty, justice and social welfare. The party's objectives include:

1. To establish the principles of faith and piety; to build an Indonesian society in possession of its own sovereignty, sense of identity, intelligence, and noble qualities.
2. To uphold justice; to strive for non-discriminative law enforcement in which all people are equal before the eyes of a judicial authority that is independent, just, timely, and cost efficient; to fight for a form of government that is clean, effective, and free from corruption, collusion, and nepotism.
3. To uphold the sovereignty of the people; to build the people of the New Indonesia on the basis of religious morality, and the principles of human rights and democracy.

4. To establish social welfare; to build a civil society that is free from suffering, fear, oppression, and violence; to strive for an economic policy with the interests of the economically unfortunate and support the goals of social justice and prosperity.

According to party officials, PAN is concentrating on strengthening its internal structure, improving communications with constituents at all levels, and establishing a positive image of the party across the country. These officials report that the party's strengths lie in the widely recognized leadership of Amien Rais, having ethical members and officials, and the fact that the party was established during the *reformasi* period. The biggest challenges identified by members of PAN are the lack of human resources and lack of experience running a party. The national congress and constitution are in place, but translating the rules into practice has proven difficult. As with most new parties, PAN members suggest that its inability to effectively monitor and evaluate the party and members' performances are the weak points in the party's organizational capacity.

Party's Perceptions of Corruption and the Political Party Environment

Party officials said that Indonesia is in a "crisis of corruption." Anti-corruption efforts serve as one of the party's strategic pillars, and the party has established an anti-corruption department. PAN advocates the establishment of an ombudsman office and an independent monitoring institution to help curb corruption in government. One official noted that bureaucratic restructuring should be implemented in concert with the enforcement of state officials' asset declarations.

Party Structure and Decision-Making

PAN's DPP consists of the general party chairperson, a general secretary, eight deputy general secretaries, a general treasurer, five deputy treasurers, and a special committee of nine "divisions" that oversee 36 different departments, which develop party guidelines and programs. The DPP is chosen and appointed at the national congress for five-year terms. The party also has bodies that represent party interests internationally. These bodies include: the international representative committee (*Dewan Perwakilan Luar Negeri* or DPLN), coordinator of international affairs (*Koordinator Luar Negeri* or KLN), and the division committee. The advisory council (*Majelis Penasehat Partai* or MPP) advises the party at all levels. The representative council (*Badan Perwakilan Partai* or BPP) monitors the implementation of all party resolutions at all levels. The ad hoc action committees (*Komite Aksi*) are responsible for the

execution of all public service activities. The representative council (*Badan Perwakilan Partai* or BPP) monitors the conduct and performance of all party authorities at all levels, addresses the aspirations of party members, and has the authority to recommend the reshuffle of party positions. The party's autonomous bodies are community-based organizations.

PAN plans to hold a national congress every five years to discuss working programs, select national leadership and set policy. The national congress, as the highest decision making authority, has the responsibility for adopting and amending the bylaws, formulating the "general course of action" of the party, and requesting and approving the accountability report of the DPP. Three representatives from each province and two representatives from each district have voting powers. These authorities are repeated at the provincial, district, sub-district and village conventions.

On a yearly basis, the party also convenes a *rakernas*, involving representatives from each level of the party, to design short-term plans and programs. Officials report that the national executive only influences programs if there is some political issue at stake. The DPP also holds regular plenary meetings. This structure is mirrored throughout the branches.

Leadership and Candidate Selection

Leaders at all levels of the party are selected through elections. The party respects the "one person one vote" principle when determining its leadership. There are two steps in the voting process. Nominees are selected and a vote is held among the top nominees at each level.

Candidates for elected office must complete the party's advanced training, contribute Rp 20 million (around US\$2,250) to the party, visit the region they will represent and prove their eligibility through lobbying. Branches reportedly play a significant role in this process. Each branch level votes on candidates, and the branch office the next level up approves the outcome. The national executive is not heavily involved in this process.

Money Management and Party Financing

The treasurer has the highest financial authority and is responsible for producing the party's financial statements. In practice, much of this work is assumed by the secretariat. The party provides a two-week accounting training program for the financial staff persons in the party. Treasurers at all levels of the party are volunteers with financial backgrounds, and the party reports that members managing party funds are highly skilled.

The party's budgets are based on yearly work plans, formulated in the *Rakernas*. Financial statements and reviews are made on a monthly basis, and the information is reportedly available to all members. Although PAN conducted audits for election expenditures, the party has yet to conduct the general annual audit, as required by law. PAN does not have a taxpayer identification number and does not pay sales taxes, an apparent breach of national tax laws.

Provincial branches of the party control their own budgets and the DPP does not provide them with funds. PAN provincial branches are supposed to conduct internal audits and submit them to the DPP every five years. These are not made public.

Funds are raised through member contributions, donations, MP salary withholding (20 percent), in-kind contributions, and fundraising events. Party executive members may receive contributions on behalf of the party, and, according to PAN officials, the party also accepts anonymous donations. PAN members claim that the party is cautious about receiving funds that may be used to influence a particular agenda. However, party officials report that most party members are considered idealistic and, thus, "lobbyists have difficulty pressuring them."

Affiliations

PAN was established by Muhammadiyah and retains close, if unofficial, ties to this organization. Currently, there is a debate within the party regarding this relationship. However, according to one official, "most agree that the party's support comes from the Muhammadiyah and it would be impossible to leave Muhammadiyah." Although Muhammadiyah officially prohibits political action by its members and does not promote party propaganda, many Muhammadiyah activists are involved in PAN.

The party also has a number of autonomous bodies for youth, campus students, labor, women, etc. The operating procedures of these bodies are rather fluid. The youth wing, for example, is called the *Barisan Muda* PAN (BMPAN) and takes guidance from the party but implements its own programs and receives some funding from individuals and entrepreneurs. Because of the independence of these bodies, they are, according to one member, "not tied to party rules and financial regulations." However, these organizations are supposed to present financial reports to the national congress every five years.

Party Rules and Disciplinary Procedures

PAN has a code of conduct within its party bylaws, and discipline procedures exist at all levels of the party. Members who violate the code of conduct receive two warnings to correct inappropriate behavior. If they do not correct the behavior, members are expelled from the party and must resign from their elected seats. PAN officials acknowledge that the law is unclear on whether or not the party has the authority to recall members from their elected seats. An expelled member can appeal to the national congress for reinstatement. Thus far, a minister of education, a minister of labor, a regional member and a Jakarta MP have all been disciplined but have not appealed. The most common violation is keeping donations intended for the party.

When recruiting new members, PAN uses criteria including loyalty to the party, skill in public speaking, a background in the “struggle” against the New Order, the capacity to mobilize people, a commitment to fundraising, success in local elections, and a strong constituent base.

Partai Persatuan Pembangunan (Development Unity Party), PPP

Background

The PPP was established on January 5, 1973 as a fusion of four Islamic parties (NU, Parmusi, Perti and PSII) existing at that time. The PPP’s literature emphasizes the need for a unified Indonesia with regional autonomy. Party officials state that, in accordance with Islamic principles, the PPP does not tolerate discrimination. The party platform includes:

1. Upholding and developing the Unitary State of the Republic of Indonesia.
2. Applying Islamic values in the life of the individual, society, nation and state.
3. Building Islamic brotherhood to strengthen the unity of Indonesians in all activities of the society and state.
4. Promoting an exemplary climate for the performance of worship and religious activities in conformity with Islamic teachings.
5. Extending and deepening the knowledge of the people concerning their rights and obligations as citizens of a democratic, independent and sovereign state under the rule of law.
6. Encouraging participation in the nation’s development by all members of society and seeking an appropriate balance between the spiritual and material facets of development.

7. Cooperating with all other political parties and social groups to achieve common objectives on the basis of tolerance and mutual appreciation and respect.
8. Bringing an end to atheism, communism, and other belief systems contrary to Islam and Pancasila.
9. Maintaining friendly relations between the Republic of Indonesia and other nations on the basis of mutual respect and cooperation for building lasting world peace.

Party's Perception of Corruption and the Political Party Environment

One party official stated that corruption in Indonesia is a cultural phenomenon, based on a history of “bad habits.” The party views the ideology of Islam, which stresses the need for strong moral character, as a remedy to corruption. Some PPP officials argue that many Indonesians are not taking Islam seriously and that they do not implement Islamic practices in their lives. As a result, the mandate of the party must be to educate people about Islam. Party officials state that internal party corruption issues are addressed through an open management structure that encourages transparency. Party spokespersons recognize that party reform efforts are appropriate, but that new laws should not be too radical and should promote equity among the political parties.

Party Structure and Decision-Making

The PPP's national congress elects the party's DPP members for five-year terms. A person can only be elected as general chairperson or general secretary of the DPP and DPW for a maximum of two consecutive terms.⁴⁴ The structure of the executive councils at the lower levels are the same as the DPP. The advisory councils – elected by and for all levels – evaluate, advise, and provide religious instruction. There are 35 advisory council members at the central, 25 members at the regional, and 20 members at the branch levels. At the national level, the expert council advises the DPP on political issues. It assists the DPP in formulating party policies, strategies, and programs.

The party convenes a national congress every five years to: formulate or amend the bylaws; evaluate the accountability report of the DPP; formulate the party program; elect the DPP members; select the leadership of the advisory council and expert council; and make other decisions as necessary. Within the national congress, discussion is delegated to commissioners, who then present the results to the plenary. National congress participants include: the DPP, advisory and expert councils, delegates of the DPW (chair, secretary and third elected delegate), branch delegates and MPR/DPR fraction members. Every participant has the right to speak.

Musyawarah and voting are used to reach decisions at the plenary. In the past, the party chair unilaterally has made some decisions related to implementation matters, such as how to prioritize programs. These unilateral decisions have not been in areas of party policy or platform formulation.

National working conferences are held at least once between national congresses. The participants of the national working conference include the DPP, department chairs, the advisory and expert council, chairs and secretaries of the DPWs, and bloc leaders. Similar rules and regulations guide the regional, branch, sub-branch, and section working conferences. Leadership meetings are convened to discuss and coordinate the implementation of decisions. The party also holds extra-ordinary national congresses, as well as conferences and working conferences at the regional, branch, sub-branch, and section levels. The executive council at each level may also hold a leadership meeting.

Most national policies are selected by the DPP and ratified by the national congress. Branch members interviewed for this publication felt that they are able to influence many party decisions including determining delegates to the national congress, executive membership, candidate selection, and disciplinary actions.

Candidate and Party Leadership Selection

At the local level, party chairs are selected by *musyawarah* or a vote at each level's congress. An elected commission of members closely aligned with the new chair then determines who will sit on the executive council of the branch. During this process, a member from the next party level will observe and participate in the commission's work to ensure that party standards are met.

Any qualified party member can stand as a candidate for public office. Candidates are chosen from nominees suggested by the branch offices. In some regions, the party holds debates among candidates to explain the candidates' agendas and clarify intentions. The local committee then selects the nominee, through consensus, or voting if consensus cannot be reached. Officially, the DPP signs off on all candidates. Money politics was not viewed as a factor in the most recent candidate selection process, although members reported that money has influenced selection decisions in the past.

Money Management and Party Financing

The treasurer holds the highest financial authority and reports to the party management at daily, weekly and annual meetings. The treasurers at all levels are generally chosen for their professional skills. The party also has pro-

fessional accountants on staff. The party has conducted audits for the campaign period, as required, but it appears that it has not conducted the annual party audit. PPP makes financial reports monthly, quarterly and annually, and these reports are supposed to be crosschecked through an internal audit process. Although branch offices are also required to make financial reports, they are not obligated to submit these reports to the DPP unless requested. To date, the party's financial accounts have not been made public.

The PPP views itself as one of the most poorly-funded parties due to its "strict ideology." Currently, party funds are obtained from a variety of sources including members and support organizations, such as cooperatives, community groups, and charities. Contributions both in cash and in-kind are accepted. Some MPs provide salary withholding (the party recommends 30 percent), but this is not an obligation. Any member of party management may receive contributions on behalf of the party. The party does not report having a taxpayer identification number or paying sales taxes, an apparent breach of national tax laws.

Affiliations

The party is affiliated with a youth organization (GNPI), which recruits and trains young party members to be party leaders. The PPP is generally seen as a traditional party and has a new focus on youth recruitment to reinvigorate this image. Programs of the GNPI include seminars, discussions, and debates on economic and social issues. The GNPI receives financial support from the party but also raises its own funds. The GNPI works closely with the party's official youth department but maintains its autonomy in decision-making.

The party also has a loose relationship with the KNPI (Indonesian Youth Council), which is an umbrella association for many youth organizations. Students often find PPP through this network. The network includes the GNPI as well as other organizations, such as Nadhlatul Ulama, Muhammadiyah, and Islamic university student groups.

Party Rules and Disciplinary Procedures

There is a code of conduct within the party's bylaws, but some party officials consider it vague and difficult to enforce. Most executive council members are cognizant of the code of conduct, but this is not generally true for rank and file party members.

The disciplinary process at each level of the party first involves an investigation, followed by a forum to hear the case. The decision is reported to the next level where sanctions are determined. If corruption is determined, the offending member can be suspended from the party. There are milder forms of sanctions, depending on the nature of the infraction.

The party's bylaws briefly outline sanctions for party violations as follows:

1. A member can be temporarily suspended or dismissed because he/she committed an action that is contrary to the bylaws or he/she deliberately did not implement his/her obligation as members.
2. The decision for dismissal is issued by the DPP. A temporary suspension is issued by the DPW after three (3) written warnings have been issued to the concerned member by the DPD.
3. In the event that a member has a senior position in the party (DPP, Advisory Council, Expert Council, Bloc, Department/Institution, and other affiliates of the DPP) or outside the party, the temporary suspension and/or dismissal will be issued by the DPP.
4. The member who is temporarily suspended and/or dismissed has the right to appeal to the executive council one level higher.

In general, the party punishes misconduct only when it is first identified by the authorities and prosecuted. Party officials, however, report that they dismissed one MP who could not adequately account for a significant increase in personal wealth. PPP does not have the authority, according to the party's official interpretation of its regulations, to recall an elected official at any level.

Partai Keadilan (Justice Party), PK

Background

Partai Keadilan (PK) was established as an Islamic party in Jakarta on July 20, 1998. The party believes that religious principles are the key to improving good governance. The party advocates independent executive, judicial, and legislative institutions and supports the concept of a unitary state.

In order to reach the party's general goals, the following objectives were formulated: to create a government that is honest, clean, authoritative, and responsible based on the values of truth and justice; and to establish an independent "Islamic Society" that is based on a constitution that guarantees the rights of the people and nation of Indonesia.

The party's platform includes: establishing national stability by using mass media; the development of a strong civil society; improving the resource-based economy on principles of equality and gradual industrialization; and developing an independent agricultural sector.

Party Structure and Decision-Making

The national party structure includes the following: the *majelis syuro* (consultative council) responsible for moral and religious issues; the advisory council responsible for day to day political issues; the national *syari'ah* council; the DPP; and the party's institutions. The *majelis syuro* (the highest authority within the party) appoints the party's DPP, which includes the president, chairs, secretary general, general treasurer, and department chiefs. The DPP formulates the party objectives, decisions, and recommendations of the national congress; formulates clauses for the amendment of the bylaws and political policies; determines the annual budget and makes a final evaluation based on the financial report; formulates the periodic work plan as well as supervises and evaluates its implementation; and makes a "firm and wise" response against defamation, critics, complaints, and accusations related to the party.

The advisory council, composed of one third of the members of the *majelis syuro*, has the authority to: disseminate the decisions of the national congress and *majelis syuro*; direct and supervise the implementation of the decisions of the national congress and *majelis syuro*; respond, along with the DPP, to general problems and political changes at the regional level, Islamic world, or international level; hold the national congress and the sessions of the *majelis syuro*; recommend the policies for the general elections and determine the candidates for the MPR and DPR; appoint representatives in institutions, organizations and congresses in the country and abroad; ratify steps to implement the party work program; ratify the project budget proposed by the DPP before submitting it to the *majelis syuro*; ratify the proposed structure and personnel of the DPP; take firm actions against slander, critics, complaints, and accusations related to the party and its members; and form an ad-hoc commission composed of the members of the *majelis syuro* and experts in their fields.

The *syari'ah* council serves as an "instructing institution" (a *qadha* institution) whose decisions are binding. Members of the *syari'ah* council are appointed by the *majelis syuro* and include a chairman, vice chairman, and 15 members. The *syari'ah* council implements special duties mandated by the *majelis syuro* and also serves as a court of appeals. Specific duties include: providing an Islamic basis to policies and problems; guiding the regional *syari'ah* councils; reviewing unsettled cases in the *syari'ah* councils; conducting investigations on issues, complaints, and accusations related to party leadership

and submitting their results to the *majelis syuro*; taking action in accordance with Islamic principles on issues delegated by the DPP or regional *syari'ah* councils; formulating the program and annual budget of the *syari'ah* council and later submitting it to the *majelis syuro*; and submitting a work report every two months to the *majelis syuro*.

The DPP formulates its program and annual budget and submits this to the advisory council and submits proposed amendments on the bylaws. The DPP accepts *waqaf*, grants and funds that are voluntarily given; submits financial reports and final evaluations to the advisory council; proposes names of temporary candidates for the legislative members to the advisory council; and submits a work report every two months to the *majelis syuro*. The DPP directs, authorizes, and supervises structural institutions; forms and coordinates support institutions; authorizes the administrative structure of the DPWs; and supervises and evaluates the implementation of the annual work program of the DPWs and other related institutions. Operationally, the DPP implements the policies issued by the national congress and *majelis syuro*; publishes official statements; prepares cadres in various aspects; and coordinates party members in legislative, executive and judicial bodies.

The DPWs are composed of a general chairperson, several chairpersons, a secretary, a deputy secretary, a treasurer, a deputy treasurer, and several members. The DPWs implement party policies issued by the regional congress and DPP; formulate the program and annual budget at the regional level and submit these to the DPP; direct, authorize and supervise the subordinate structural institutions; prepare financial reports and final evaluations and submit them to the regional conference and the DPP; convene the sessions of the regional congress; and submit a detailed work report every three months to the DPP. The duties and authorities of the executive councils are mirrored at the lower levels.

Members of executive councils at all levels are restricted by term limits. The maximum limit for the chairperson of the *majelis syuro*, the chairperson of the party advisory council, the chairperson of the central *syari'ah* council, and the president of the party is two terms.⁴⁵

In addition to the official party departments supervised by the DPP, there are “autonomous bodies” that focus on specific issues (e.g., youth and women). The relationship between the autonomous bodies and the party is strong but not structured. The party departments issue guidelines, which are then implemented by these autonomous bodies. The budgets of these autonomous bodies come from donations, legal businesses, and some regular subsidization by the party. These autonomous organizations do not report

finances to the party, while the official departments must report both financial and program activities to the DPP via the Treasurer.

The party holds a national congress every four years to elect the president, outline the party's guidelines, and elect the *majelis syuro*. The national congress is attended by the DPP, both the national advisory boards, and representatives from each level of the party. Approximately 10 representatives from each province attend, including the provincial chair and additional representatives determined by the number of cadres in each province.

Candidate and Party Leadership Selection

One level of the party nominates candidates for party offices at the next level. For example, the districts nominate candidates for provincial posts. First, the capabilities of each candidate are reviewed and at the district level the candidate is asked if he or she would be willing to accept the position. Second, the chair at the provincial level (in this example) convenes a meeting among the executive board and two advisory boards to determine by consensus which nominees will be offered leadership positions. The national DPP is not supposed to influence these decisions, other than to issue guidelines on the basic criteria for selecting candidates.

Candidates for elected office are chosen through a consensus process that is also decentralized and similar to the process by which party leadership is selected. Candidates are nominated and then prioritized by the executive council and the two advisory boards at each level. Candidates are reviewed for their personal and professional capabilities. The final decision is made by the executive council of the level of the public office for which the candidate is being selected. While it was reported that the national DPP does not influence these decisions, because PK is a new and small party, the DPP usually is familiar with the candidates. One member reported that while this process is generally transparent, there was one example of a priority list that was reversed (the lead candidate was dropped down to a lower level in the list) and the reason was not made known by the executive council. There were no reports by PK members that money influenced the candidate selection process.

Money Management and Party Financing

The president and the treasurer hold financial authority for the party. The deputy treasurer for the internal division, the deputy treasurer for the accounting division, and the deputy treasurer for the system division support the treasurer. One secretary and one cashier assist this team. All treasurers are professional accountants. The treasurer manages incoming and outgoing funds.

Specifically, the use of funds not immediately used for party activities are determined by the *majelis syuro*. The treasurer is entrusted with the following responsibilities: to regulate party finances; to register party finances and record expenses and revenues; to supervise all types of financial activities and to report this to the DPP periodically; and to formulate the budget and prepare the final evaluation.

The deputy treasurers record and authorize internal funds, and the cashier manages petty expenses. However, rules and procedures regarding the transparency of the budget process are unclear. PK does not consider the party a corporate entity and only holds a certificate of establishment, and not a taxpayer identification number. As a result the party does not pay any sales taxes, an apparent breach of national tax laws.

Party funding comes, in part, from salary withholdings of elected officials (25 percent) and contributions. The majority of funding comes in small amounts from members. DPP members may receive funds on behalf of the political party, which must be reported to and recorded by the treasurer. The PK is attempting to separate funds for campaign purposes and routine expenditures through the creation of the general election fund-raising team (*Lapilu*), an autonomous team responsible to the party president. Party officials are generally confident in the party's accounting procedures, and claim that the party is not hesitant to conduct public audits as required.

The party receives funding from:

1. Fees, obligatory *infaq*, and *shadaqah* that come from the members.
2. *Infaq* and *shadaqah* from non-members.
3. Contributions and financial support that are either permanent or temporary from the society, individuals or bodies that are interested in the activities of the Party, as long as these are voluntary and not binding.
4. *Wakaf*, inheritance, and other grants.

Affiliations

PK does not have an official affiliation with any religious organization, but many of its members belong to Muhammadiyah.

The party engages in a number of work programs for disadvantaged youth. An example of this is a for-profit cardboard collecting program, from which any profit made beyond the small salaries and administrative

costs go back into the program. The party also conducts trainings in technical skills, such as computer processing. Participants are not required to be members of the party, but some young members join as a result of these activities.

Party Rules and Disciplinary Procedures

PK officials are quick to note the party's emphasis on morality and integrity. The party, they claim, places a strong emphasis on the quality of its human resources, and many members are public servants or social workers that join the party for its reputation for integrity. PK's constitution emphasizes the importance of moral and religious character. Party officials believe that members are very idealistic and difficult to influence through extortion or bribery.

The party has written codes of conduct for recruitment and candidate selection, and most active members know of these codes. The disciplinary process involves an investigation and report by the DPP, with verdicts given by the *majelis syuro*. There have been instances of regular members reporting directly to the *majelis syuro*. Thus far, cases have been of a personal nature (e.g., a husband mistreating his wife or a party member incurring excessive financial debts). Often the DPP will discuss the issue with the offender. There are no reported cases of corruption that have been subject to party discipline.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			Most parties employ a consensus (<i>musyawarah</i>) process that begins at the branch level where nominees are put forward. The names then are reported upwards through regional offices to national headquarters. Voting at each level is only used when consensus cannot be reached. National leadership makes final determination in most instances.
	PDI-P		N	
	Golkar		N	
	PKB		N	
	PPP		N	
	PK		N	
	PAN	Y		PAN is the only party that reports using voting procedures regularly.

2	Do local party branches participate in candidate selection?			Often through the <i>musyawarah</i> consensus process.
	PDI-P	Y		The nomination procedure often begins at a lower level where a candidate is recommended to the next higher level.
	Golkar	Y		Party leaders are often chosen on the quality of their programs and the debates in their locality.
	PKB	Y		
	PPP	Y		One member reported that the branches have a high degree of influence.
	PK	Y		
	PAN	Y		
3	Are there regularly scheduled National Congresses?			
	PDI-P	Y		Convenes a congress every five years.
	Golkar	Y		Convenes a congress every five years.
	PKB	Y		Convenes a congress every five years.
	PPP	Y		Convenes a congress every five years.
	PK	Y		Convenes a congress every four years or as determined by the <i>Majelis Syuro</i> .
	PAN	Y		Convenes a congress every five years.
4	Can all members participate in selection of delegates to the National Party Congress?			The delegates for national congresses are selected through the consensus process so that each branch determines nominees that are then approved by the national office.
	PDI-P	Y		Branch office has high degree of influence.
	Golkar	Y		Branch office has high degree of influence.
	PKB	Y		
	PPP	Y		Branch office has high degree of influence.
	PK	Y		
	PAN	Y		
5	Are local party offices elected?			<i>Musyawarah</i> or consensus process is used in most instances and voting only occurs if

				consensus cannot be reached.
	PDI-P		N	Does not have formalized procedures for selecting candidates.
	Golkar		N	<i>Musyawah</i> is used.
	PKB		N	The official process of candidate selection is through <i>musyawarah</i> at the branch level.
	PPP	Y	N	Local party chairs are determined by consensus or a vote at each level's Congress.
	PK		N	
	PAN	Y	N	Leaders in the party are determined at all levels by voting. The party respects the "one person one vote" rule when determining leadership.
6	Are there term limits for party officials?			
	PDI-P		N	
	Golkar		N	
	PKB		N	
	PPP	Y	N	Only two consecutive five-year terms.
	PK	Y	N	Only two consecutive five-year terms.
	PAN		N	
7	Does the party own businesses?			Law No. 2/1999 regarding political parties states, "Political parties shall be prohibited from incorporating enterprises and/or own shares of an enterprise."
	PDI-P		N	
	Golkar		N	
	PKB		N	
	PPP		N	
	PK		N	
	PAN		N	
8	Does the party refuse political contributions from certain sources?			
	PDI-P		N	Not explicitly stated.
	Golkar		N	Not explicitly stated.
	PKB	Y	N	Explicitly stated that the party refuses contributions from "conglomerates with a dark past" or that are conditioned on obvious political motivations.
	PPP		N	Not explicitly stated.
	PK	Y		Explicitly stated that the party would refuse money that was trying to influence party decisions negatively or against party policies.

	PAN	Y		The party is cautious about receiving funds that may be attempting to influence. Members are considered idealistic and difficult to influence.
9	Do party MPs have to donate part of their salary to the party?			
	PDI-P	Y		Rp two million (\$206) a month
	Golkar	Y		
	PKB	Y		Rp two million (\$206) a month
	PPP		N	Not required but it does occur and is normally 30% of salary.
	PK	Y		25% withheld from salary.
	PAN	Y		20% withheld from salary.
10	Does the party employ professional accountants to manage party funds?			
	PDI-P	Y		Does not yet employ professional accountants. Financial responsibility rests with volunteers.
	Golkar	Y		Treasurer general is highest financial authority in the party. Accountants serve on his staff.
	PKB	Y		Treasurer is the highest financial authority in the party. Two professional accountants report to him.
	PPP		N	Financial responsibility rests with the treasurer who is supported by volunteers.
	PK	Y		While the party does not employ professional accountants, the treasurers at each level are professionally trained accountants.
	PAN		N	It does not appear professional accountants are employed by the party. The treasurer is supported however by a four person team (presumably volunteers).
11	Does the party conduct an annual audit of its accounts?			
	PDI-P		N	Law No. 2/1999 regarding political parties requires a "financial report at the end of each year...(which) may be audited by a public accountant appointed by the Supreme Court." To date, the Supreme Court has not requested these audits.
	PDI-P		N	The party reports that this audit

				has not been conducted.
	Golkar		N	The party reports that this audit has not been conducted.
	PKB	Y		But not made public yet.
	PPP		N	The party reports that this audit has not been conducted.
	PK		N	The party reports that this audit has not been conducted.
	PAN		N	The party reports that this audit has not been conducted.
12	Does the party disclose the sources of its funds and expenditures to members of the party?			This does not include anonymous donations, which do not appear "on the books." Each branch also has an autonomous accounting system, limiting transparency.
	PDI-P			Conflicting reports from the party regarding access to financial information.
	Golkar	Y		Reports, "all members may know anything about the accounts."
	PKB			Not clear from interviews.
	PPP			Not clear from interviews.
	PK			Conflicting reports from the party regarding access to financial information.
	PAN	Y		Reports an "open management" style wherein books are available to all members.
13	Does the party disclose the sources of its funds and expenditures to members of the public?			In theory, public audits are to be available to the public from the KPU. In practice, this is not the case.
	PDI-P		N	
	Golkar		N	
	PKB		N	
	PPP		N	
	PK		N	
	PAN		N	
14	Are party leaders required to disclose their personal assets?			All elected officials are required to disclose assets. Non-elected party leaders do not disclose assets.
	PDI-P		N	
	Golkar		N	
	PKB		N	
	PPP		N	
	PK		N	

	PAN		N	
15	Does the party have a code of conduct that is a) separate from party bylaws and that b) outlines violations directly relevant to corruption (i.e., money politics)?			Most party bylaws briefly outline party rules and disciplinary procedures that focus on party loyalty.
	PDI-P	Y		Issued a "Decision Letter Concerning Disciplinary Rules" on January 8, 2001.
	Golkar		N	No discrete document.
	PKB		N	No discrete document.
	PPP		N	No discrete document.
	PK		N	No discrete document.
	PAN		N	No discrete document.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			Most party bylaws briefly outline party rules and disciplinary procedures.
	PDI-P	Y		
	Golkar	Y		
	PKB		N	
	PPP	Y		
	PK			
	PAN	Y		

CONCLUSION

There are many similarities among political parties in Indonesia. The parties, for instance, have similar organizational structures and decision-making processes. Five of the six parties emphasize the use of a consensus (*musyawarah*) process to determine leadership positions and candidates for national elections. Only PAN reported using a "one person, one vote" system consistently. Most party officials interviewed feel that their parties are consultative and democratic in their approaches and members have ample opportunities to voice their opinions. This opinion seems less widely shared among officials and members at the branch levels.

Every major party plans to hold regular national congresses and ad hoc executive meetings to determine national policies. National executive councils (DPPs) usually include a party president or chairperson, general secretary, treasurer, and additional chairpersons responsible for various departments. Five of the parties have clearly defined advisory boards (PDI-P, PKB, PAN, PK, PPP), although the influence of each varies. In general, the Islamic based parties utilize their advisory boards to a greater extent than the secular parties, with PK's advisory board members actually intervening in members' religious and personal lives by offering them religious and moral guidance on personal matters.

Each party has a treasurer responsible for financial activities. A financial department supports most treasurers. Two of the six parties (Golkar and PKB) have professional accountants on staff, while PK members responsible for financial systems are generally professional accountants by training. All parties conducted independent audits for the pre- and post-election periods as required by law. Only PKB noted that it has conducted the first regular annual audit as required, but it has not yet been made public or submitted to the Supreme Court.

Indonesian political parties raise funds in a number of ways. Most political parties require elected members to withhold a portion of their salaries for the party. This is the most frequently cited source of income. PPP is the only party that does not require a portion of elected officials' salaries to be donated to the party, although in practice MPs do contribute. Parties also expect members to donate "in-kind" for special events and programs. All Indonesian political parties receive donations and contributions from individuals and businesses.

Unfortunately, these funding sources are often not sufficient, and parties allegedly utilize a number of other techniques, some legal and some illegal. While all contributions are meant to be recorded, the regulatory limits on the maximum amount of any donation and the negative public perception of individual or business support of political parties encourage under- and non-reporting. Officials from all of the parties interviewed admitted accepting anonymous donations, which are illegal. As a result, none of the parties fully discloses the sources of its income to the public. Three of the six parties interviewed specifically stated that some donations were unacceptable. These donations were from large conglomerates associated with the New Order or contributors with political interests that the parties found offensive.

Weak accounting systems that fail to meet most professional standards are common among all the parties and one of the most significant obstacles to party transparency and accountability. A KPU assessment acknowledged that "most political parties did not have an appropriate bookkeeping system ... and reports [were] likely constituting only a fraction of political financial activity conducted by or associated with many, if not most, of the parties."⁴⁶

Without strong reporting, it is impossible to monitor or to be monitored. In general, across parties, three major deficiencies can be noted.

There is a disconnect between the financial systems of the national offices and the branches. All six of the parties interviewed have independent accounting systems and bank accounts at each branch level. Financial informa-

tion is not coordinated with the central headquarters. This “decentralization” of the parties has a number of consequences, not the least of which is the difficulty in making accurate financial assessments of the party as a whole. “There is no financial coordination between party headquarters and the branches,” reports one auditor. “Therefore, the auditors don’t have any financial records to audit. If there are any, they are insufficient.”

The parties’ organizational cultures do not promote strong financial professionalism. Parties often fail to recognize the importance of financial controls and have difficulty recruiting members or staff with accounting backgrounds. Furthermore, many parties did not clearly separate the political from the operational tasks of treasurers. Leading up to the 1999 elections, party treasurers, in fact, were often campaigning or attending to other organizational tasks and were rarely in their office to serve in their official financial oversight capacity.

Many standard professional practices are not routinely followed. Some major problems that were flagged by auditors include:

- Transactions were often not recorded;
- Donations were sometimes accepted without names, addresses or contact information (often only recorded as “Gift of a servant of God”);
- Benefits and in-kind contributions from individual members were frequently not recorded;
- Loans to the party, which are not limited by regulations, were a “loop-hole” in the law often used to circumvent legal requirements;
- There were few, if any, written standard party guidelines on accounting procedures;
- The parties used “drop” boxes for donations, thus encouraging anonymous contributions.

Finally, most of the parties have rules and disciplinary procedures within party bylaws that govern membership loyalty. Rank and file party members, however, are frequently unaware of them. PDI-P is the only party to have issued a discrete document concerning issues of money politics. A few parties, such as Partai Keadilan (PK), seem to have incorporated ethics criteria in the selection of candidates and party officials. Preventive measures are rare, and training in the party’s rules does not take place. Several party officials have identified this as an area for future improvement.

¹ These artificial political groupings, mandated by the government in 1975 (Law No. 4, 1975) represented Suharto’s vision of the nation’s major political divisions. Thus, Golkar (*Golongan*

Karya, or “functional groups”) was a collection of social groups that was organized by the military in 1964 as a means of checking the growing power of the communist party, and beginning in 1971 it became Suharto’s primary election vehicle; PDI (Indonesian Democracy Party or *Partai Demokrasi Indonesia*) was the result of the forced amalgamation of secular opposition parties; and PPP (Development Unity Party or *Partai Persatuan Pembangunan*) represented the opposition Islamic parties. Under the previous 1969 law, 10 political organizations were allowed to compete in the 1971 elections.

- ² Pre-modern anti-colonial movements were largely based on Islamic and Javanese traditions that did not emphasize the importance of nationhood and had no national agenda.
- ³ Pancasila’s 5 principles, first announced in a Sukarno speech of June 1945 and since then enshrined in the Preamble to the 1945 Constitution, are: faith in one God, humanism, national unity, governing through a consultative process, and social justice.
- ⁴ The idea of arming the communists as a “fifth force” was suggested to Sukarno by China’s Premier, Zhou Enlai, on his visit to Jakarta in April 1965.
- ⁵ It is still unclear if the coup was an attempt by communist sympathizers within the military to take over the government or whether it was in effect a “counter-coup,” an attempt by a group of military officers to thwart a potential coup that was to be initiated by anti-communist generals.
- ⁶ See Michael Maher, *Indonesia: An Eyewitness Account* (Victoria, Australia: Penguin-Viking Press, 2000), p.20.
- ⁷ Because the MPR includes all members of the DPR, military members of the DPR also serve on the state’s highest policymaking body.
- ⁸ The 2000 and 2002 Annual Sessions of the MPR adopted amendments to the Constitution effectively ending military appointments – indeed, all appointments – to the MPR and to national, provincial and district assemblies beginning in 2004. Active military officers were also prevented from occupying any public office.
- ⁹ After Indonesia’s first election in 1955, national legislative elections were held in 1971, 1977, 1982, 1987, 1992 and 1997. Each of these elections was followed by an MPR session to elect a president.
- ¹⁰ Golkar was initially called *Sekretariat Bersama Golongan Karya* (Joint Secretariat of Functional Groups). When it was established, 64 functional groups were registered with the government. A “functional group” is a mass organization, including civil servants, farmers, veterans, students, etc., which is recognized under Indonesian law. Under current law, and since the 1960s, such groups were awarded non-elective seats in the MPR. Following the 1999 elections, the Election Commission (KPU) determined which functional groups would be awarded seats and how many seats each group would receive.
- ¹¹ The election law is discussed *infra* in the Legal Framework section of this chapter.
- ¹² Law No. 3/1999, Articles 39 and 82, permits parties to compete in the election if they are: recognized under the political parties law; have a committee in one-third of the nation’s (then) 27 provinces; have a committee in more than one-half of the districts or regencies in those provinces; and have submitted their name and logo. Parties competing in the 1999 general election may compete in the next election if they obtain 2% of the DPR seats or 3% of the provincial and district DPRD seats that are spread over one-half of the provinces and one-half of the districts/regencies.
- ¹³ The term, “Islamic,” is, of course, imprecise. As used here, it refers to parties that: identify themselves as Islamic; mention Islamic principles in their platforms; use Islamic images or symbols as part of their appeal; or which draw their support primarily from Islamic mass organizations.
- ¹⁴ In the first scandal, “Buloggate,” it was alleged that money had been embezzled from the state’s logistics agency (Bulog); the second involved the President’s failure to account for a large financial gift from the Sultan of Brunei, ostensibly for the purpose of providing financial relief for persons displaced by the conflict in Aceh.

- ¹⁵ At the time of the Special Session, the Supreme Court in Indonesia did not have a broad right of judicial review, but the Chief Justice could issue non-binding advisory opinions under certain circumstances. During the MPR Annual Session of November 2001, however, the Third Amendment to the constitution was adopted, which contains a provision for a Constitutional Court and new provisions for the removal of the president and vice-president.
- ¹⁶ Transparency International, "Global Corruption Report 2001," Berlin, Germany.
- ¹⁷ Ahmad Taufik, Dwi Arjanto, and Adi Sutarwijono. "Injustice Rewarded Part III," *Tempo*, September 18-24, 2001, pp. 55.
- ¹⁸ International Institute for Democracy and Electoral Assistance, *Democratization in Indonesia: An Assessment*, Capacity-Building Series 9, 2000, p. 103.
- ¹⁹ Mydans, Seth. "Megawati Outlines Cures for Indonesia's Ills," *New York Times*. August 17, 2001.
- ²⁰ For a list of the anti-corruption laws adopted under the Habibie administration, see AusAid-MTI, Report: Mapping Anti-Corruption Efforts in Indonesia, 2001. Presidential Decree No.44/2000 established the National Ombudsman Commission.
- ²¹ Article 43 of law No. 31/1999 provides for an Independent Commission Against Corruption; Regulation No.19, 2000 provides for a Joint Investigating Team Against Corruption. See Aus AID Report
- ²² Dadan Wijaksana, Kurniawan Hari, "Officials guilty of 'KKN' face administrative penalties," *Jakarta Post*, November 8, 2001. The MPR decree strengthens measures to combat corruption by accelerating legal proceedings against government officials, especially accused law enforcement officials and state administrators; increasing public participation in observing and reporting corruption by state officials; and evoking, changing or replacing existing KKN regulations.
- ²³ Asia Watch, "Human Rights in Indonesia" Report, 1989, p. 208. Suharto also attempted to influence the media through his family members. By the early 1990s, for example, all three commercial television stations were controlled by Suharto family members. Michael R.J. Vatikiotis, *Indonesian Politics Under Suharto: The Rise and Fall of the New Order*, (London: Routledge Publishers, 3rd edition), 1998, p.108.
- ²⁴ Fuller, Thomas, "Indonesia's Press, Free at Last, Turns to a New Page of Ethics Issues," *International Herald Tribune*, December 31, 1999.
- ²⁵ Human Rights Watch, "Indonesia: Aid Workers Executed in Aceh," New York, December 8, 2000.
- ²⁶ Human Rights Watch, "Indonesia: Violence and Political Impasse in Papua," New York, July 3, 2001.
- ²⁷ Human Rights Watch, "Indonesia Must Control Troops," New York, June 29, 2000.
- ²⁸ "Standing Orders of the People's Consultative Assembly of the Republic of Indonesia: As laid down in Decree Number II/MPR1999 as amended by Decree Number I/MPR/2000 and Decree Number II/MPR/2000. Unofficial translation.
- ²⁹ National Democratic Institute for International Affairs, "The New Legal Framework for Elections in Indonesia: A Report of an NDI Assessment Team," February 23, 1999.
- ³⁰ Law No. 2/1999 on Political Parties and No.3/1999 on General Elections.
- ³¹ National Democratic Institute for International Affairs, "The New Legal Framework for Elections in Indonesia: A Report of an NDI Assessment Team," February 23, 1999.
- ³² After the unsatisfactory experience with the KPU, another law establishing a new Election Commission (KPU) was adopted in 2000. The new commission consists of 11 members who are nominated by the president and approved by the DPR. KPU commissioners may not be civil servants, public officials or political party members.
- ³³ International Foundation for Election Systems (IFES), "Money Politics: Regulation of Political Finance in Indonesia," December 1, 1999. In 2002 and 2003, the exchange rate was around Rp 9,000 to the U.S. dollar.
- ³⁴ International Foundation for Election Systems (IFES), "Money Politics: Regulation of Political

Finance in Indonesia,” December 1, 1999.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid.

³⁸ Interview with Hadar Gumay of the Center for Electoral Reform (CETRO), July 27, 2001.

³⁹ IFES, “Money Politics: Regulation of Political Finance in Indonesia,” December 1, 1999.

⁴⁰ For a discussion of the origins of such groups, sometimes called “preman” (thugs), see Dr. Tim Lindsay, “State Loses Control Over Preman,” *The Jakarta Post*, March 19 and 20, 2001. For a recent survey of their relationships with parties, see Akuat Suprianto, “Paramiliter dan Demokrasi: Pemetaan atas Kelompok Paramiliter Lima Partai Politik Terbesar di Indonesia” (Paramilitaries and Democracy: A Mapping of the Paramilitaries of the Five Largest Political Parties in Indonesia), NDI Security and Democracy Lecture Series, Jakarta, November 2002.

⁴¹ The term “bylaw” in this chapter refers to any law or rule governing the internal affairs of a party. This includes party statutes.

⁴² Indonesian political parties use similar names for the executive council at each level: Central Leadership/Executive Council (*Dewan Pimpinan Pusat* or DPP), Provincial/Regional Leadership/Executive Council (*Dewan Pimpinan Wilayah* or DPW), District/Municipal Leadership/Executive Council (*Dewan Pimpinan Daerah* or DPD), Sub-district/Sub-Branch Leadership/Executive Council (*Dewan Pimpinan Anak Cabang* or DPAC) and Village/Section Leadership/Executive Council (*Dewan Pimpinan Ranting* or DPRt).

⁴³ For all the parties, “levels” refers to the different sections of the party hierarchy. There are district, provincial, regional, and national levels for all parties. The party maintains offices at each level.

⁴⁴ Unofficial English translation of PPP bylaws.

⁴⁵ Unofficial translation of PK bylaws.

⁴⁶ Unofficial translation of a KPU

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MALAYSIA¹

SUMMARY

Since its formation as an independent state in 1963, Malaysia has never experienced a change in government. The ruling Barisan Nasional coalition, led by the United Malays National Organization (UMNO) party, has governed the country for almost 40 years. The government prides itself on having maintained ethnic and religious peace and stability in what it believes to be a fragile, volatile political environment. A communist insurgency movement on the Thai border in the 1960s and 1970s and the continuing tensions, and sometimes violence, between Malaysia's diverse ethnic groups have presented real threats to state security. To preserve stability, the government claims it must rule with a "firm hand," at times restricting civil liberties and basic rights. Until recently, this approach has gone unchallenged.

With power firmly locked in the Barisan Nasional, opposition political party growth and development are significantly limited. Because of the government's restrictions on the freedoms of speech, the press, and association, opposition and new parties have a difficult time recruiting members and publicizing their message. In addition, laws like the Internal Security Act (ISA), originally implemented to address the threats posed by communist guerrillas, have been used by the government to restrict the activities of opposition political parties by detaining key leaders without trial.

Despite the obstacles facing opposition parties in Malaysia, in the last election the opposition coalition Barisan Alternatif (BA), led by the Pan-Malaysian Islamic Party (Parti Islam SeMalaysia -- PAS), won an unprecedented number of seats in parliament and challenged UMNO's stronghold over the Malay population. This change in voter behavior is in part due to the high-profile trial and detention of former Deputy Prime Minister Anwar Ibrahim, which outraged Malaysians who viewed his arrest as politically motivated. The case, according to Anwar-supporters, highlighted the government's restrictions on basic rights and intolerance for opposition. Citizens responded by flocking to opposition parties, forming government watchdog groups and associations, and creating alternative news sources through the Internet. Aside from the Anwar case, many Malaysians were also frustrated with the government's economic policies during the financial crisis, such as continued economic regulation, and the perceived influence of money in the political system. In response, many voters looked for an alternative to the BN coalition.

Although support for the opposition has grown, the political environment differs significantly for BN members and opposition parties. As in many other countries, incumbency places the ruling coalition at a distinct advantage. Because the BN maintains control over state resources, the press, and enforcement bodies, the ruling parties are able to campaign freely, utilize state machinery, and receive positive media coverage. The ruling coalition parties also have an important advantage in terms of securing party financing. There is little incentive for contributors seeking rewards to support opposition parties that are not in positions of power and have no benefits -- legislative or otherwise -- to offer. In addition, although campaign finance regulations and the Societies Act, which regulates political parties, apply to the ruling as well as to opposition parties, there are serious concerns about the neutrality of the enforcement bodies whose members are appointed by the executive.

All parties agree that the prevalence of money in the political system, or "money politics," has distorted political, financial, and bureaucratic decision-making in Malaysia. Due to BN's comparatively larger size, ease in raising money, and position of power in the government and bureaucracy, opportunities for corruption are reportedly greater in the larger ruling parties than in the smaller, poorly funded opposition parties. However, none of the Malaysian parties, opposition or ruling, have implemented many concrete reform mechanisms to root out corruption, although all of the parties assert their commitment to anti-corruption efforts. Malaysian parties do not have: official "codes of conduct" to encourage ethical behavior; internal monitoring and evaluation procedures; term limits for leaders and officials; or mandatory declarations of assets and liabilities for party officials, with the exception of PAS. Furthermore, the Societies Act and the election laws are neither stringent nor strongly enforced. Campaign finance limits, for example, are routinely violated and the offenders are rarely punished.

Malaysia is at an important juncture in its political development. Shifts in the country's political climate may challenge the balance of power that has survived since the country's formation. Opposition parties are gaining support, as the Malaysian public becomes increasingly dissatisfied with the status quo and anxious for an alternative form of government. Moreover, in tight economic times, Malaysians are growing increasingly intolerant of corrupt behavior and cronyism in both business and politics. Therefore, there is a strong incentive for political parties to implement reforms that demonstrate their commitment to cleaning up the political system, providing substance to their anti-corruption rhetoric.

BACKGROUND

Political Context

Country Background

Malaysia was formed on September 16, 1963 through a merger of the Federation of Malaya, which had gained independence from Britain six years earlier, Singapore, and Sabah and Sarawak, located on the Island of Borneo. Singapore subsequently separated from Malaysia in 1965 following disagreements between the predominately Chinese leadership of Singapore and the Malaysian government over preferential policies toward ethnic Malays. Malaysia has a multiracial population composed of: Malays (47 percent) and non-Malay indigenous people (11 percent), known as *Bumiputera*; Chinese (24 percent); South Asians (7 percent); non-Malaysian citizens (7 percent); and others (4 percent).² Islam is the state religion, but religious freedom is guaranteed by the constitution. Malaysia is an advanced developing country with an estimated per capita gross domestic product of \$3,745 and an unemployment rate of three percent.³ Although deeply affected by the 1997 Asian economic crisis, Malaysia is experiencing moderate economic growth without debt from multinationals, such as the International Monetary Fund (IMF) or World Bank.

Malaysia is a constitutional monarchy and federation of 13 state governments. The King, formally known as the Yang DiPertuan Agong,⁴ is the head of state and serves a five-year term. The nine Malay hereditary sultans, along with the appointed heads of four other states, form the Conference of Rulers that selects the King. Although the sultans no longer play a significant legislative role, they do exercise power with respect to Malay culture in each of the states. Each state also has a unicameral elected assembly with defined legislative powers, mostly related to issues of land and religion, and an executive council. Federalism in Malaysia was introduced to protect the indigenous political cultures and ethnic diversity of the different states, preserving the authority of the sultans and providing balance within a national structure. Although federal in name, most significant power is held at the national level.

Malaysia's bicameral national legislature consists of an appointed Senate (*Dewan Negara*) and an elected House of Representatives (*Dewan Rakyat*). The Senate includes two members appointed by each state assembly, 40 members appointed by the King on the prime minister's recommendation, and three members appointed by the Federal Territories of Labuan and Kuala Lumpur. Senators can serve two consecutive three-year terms, and the appropriate bodies make new appointments when vacancies emerge. The 193-elected House members serve five-year terms or until the House is dissolved. The party

or coalition of parties with a majority in the House forms the government, or executive branch. In practice, the executive branch in Malaysia sets the policy and legislative agenda for the parliament.

Since the state's formation, multi-party elections have been held regularly and within the five-year period provided in the constitution, with one exception. Elections in East Malaysia were postponed following a state of emergency due to racial rioting in 1969. Malaysia has universal adult suffrage through a single member district plurality system. Elections for the House and the state assemblies are held at the same time, with the exception of Sabah and Sarawak states in East Malaysia. The constituencies are delineated geographically with predominately Malay rural areas weighted, resulting in inconsistent constituency sizes.

Political Climate

Although elections are held regularly and many parties are allowed to compete, there has never been a change of government in Malaysia. The ruling Barisan Nasional Coalition (BN), formerly called the Alliance, has always maintained control of the government and held at least a two-thirds majority in the House, with the exception of a brief period in 1969. BN comprises mostly ethnically based political parties, led by the Malay-based United Malays National Organization (UMNO). The other significant BN parties include the Malaysian Chinese Association (MCA), the Malaysian Indian Congress (MIC), and the small, multi-ethnic Gerakan Party. Prime Minister Mahathir Mohamad, the president of UMNO, has served as prime minister for 20 years. The main opposition parties, the Pan-Malaysian Islamic Party (PAS), Keadilan Party, the Democratic Action Party (DAP), and Parti Rakyat Malaysia (PRM),⁵ formed the opposition coalition, Barisan Alternatif, prior to the 1999 elections. The DAP left the coalition in September 2001, however, over disagreements with PAS about the establishment of an Islamic state.

Ethnicity plays a critical role in Malaysian politics and underpins BN's longstanding rule. The ruling coalition has developed a system of multiethnic consociation, carefully balancing different ethnic interests within the government, while ensuring Malay dominance. The government also established affirmative action for *Bumiputeras*, indigenous peoples and Malays, through quotas in education, business, and landownership in order to equalize their economic standing, a policy known as the New Economic Policy. Ethnic violence is not unknown to Malaysia, and racial tensions flared in 1969 when Malay-instigated riots, following Chinese-based opposition party victories, resulted in over 200 deaths and 21 months of martial law.⁶ Frightened by the events in 1969, and more recent racial rioting in neighboring Indonesia, Malaysians are cautious about and sensitive to ethnic relations. BN builds support for its multiethnic

coalition by suggesting that the victory of other parties, especially PAS, could lead to further ethnic and religious strife and political instability. The preservation of racial balance also serves as part of the government's rationale for restricting several civil liberties.

Despite BN's steady grip on the government, the Malaysian political climate has experienced significant changes in recent years, as a greater number of people have become dissatisfied with BN's monopoly of power in government and restrictions on basic civic rights. Many Malaysians viewed the sacking, arrest, and subsequent imprisonment of former Deputy Prime Minister Anwar Ibrahim in 1998 as a demonstration of the government's refusal to tolerate differences and dissent. Malaysians took to the street peacefully to protest what they viewed as politically motivated charges against Anwar and to demand governmental reforms. Several of these "*reformasi*" protestors and opposition leaders were arrested for illegal assembly, further angering many Malaysian democrats. The government maintains that Anwar abused his power in government and was involved in the type of "dirty politics" that the *reformasi* movement opposes.

Although waning voter satisfaction with the government was driven in part by the Anwar trial, several other factors contributed to the increase in calls for change. Many Malays were looking for a more Islamic alternative, embodied in PAS, as an answer to the perceived corruption and crony-capitalism of the government. Moreover, the region's economic crisis further angered the public regarding government spending decisions and economic solutions.

This change in public consciousness was apparent during the November 1999 general elections. Heading into the elections, "the UMNO-led government was as vulnerable as it had ever been."⁷ Aware of rising support for the opposition, the government called elections in November 1999, six months ahead of the constitutional deadline. This action effectively denied the vote to approximately 650,000 newly registered, mostly young, and allegedly pro-opposition voters who were to join the voters' list in 2000. In the end, BN lost many seats to the opposition, and UMNO lost almost half of the Malay vote. The opposition secured 21.8 percent (42 out of 193) of the House seats and won control of two state governments.⁸

The election results posed some challenges to BN's stronghold but did not shake it. The ruling coalition managed to hold on to its two-thirds majority in the House, permitting it to unilaterally revise the constitution if it desired to do so. BN also reaped an enormous victory in the September 2001 Sarawak state assembly elections, winning all but two of the state's 62 seats. Moreover, although the opposition gained unprecedented support, the Barisan Alternatif coalition is fragile. In September 2001, the Democratic Action Party (DAP), a

predominately Chinese-based party, left the coalition over disagreements with PAS regarding the establishment of an Islamic state. Given the delicate role ethnicity and religion play in politics, the opposition coalition now faces significant obstacles without a partner with a strong Chinese following, and observers report that BN will be able to use the division in the opposition to its advantage. After September 11, Prime Minister Mahathir has also been able to shift the public debate toward the dangers of Islamic fundamentalism and has accused PAS of extremism.

Political Corruption in Malaysia

The significant role corruption plays in political life is a growing concern of Malaysians, many of whom link corruption to the concentration of executive power in one party for so many years. Because there has been no turnover of authority, the government has consolidated state resources under its control, which, the opposition claims, it uses to its political advantage. Accusations of corruption and patronage politics have also come from within the ruling coalition. In fact, in 1988, UMNO was forced to withdraw its official party registration following a legal suit in which several UMNO members accused the party of electoral fraud, and Mahathir swiftly formed a new party, UMNO Baru (New UMNO).⁹

Most agree, however, that money politics and rent seeking are not only problems of the ruling parties but also embedded characteristics of Malaysian political and economic life. Cronyism, nepotism, and patronage occur at all levels of society, and some Malaysians, particularly those in rural areas, expect practices such as vote buying. People often describe elections as being dominated by the three M's: media, money, and political machinery.

Several high-level scandals in 1996 and 1997 led the government to declare a nationwide campaign to fight corruption. A new Anti-Corruption Law was passed and a new Anti-Corruption Agency (ACA) established. The maximum term of imprisonment for a corruption-related crime was doubled to 10 years and fines increased. Many Malaysians, however, are skeptical of the country's anti-corruption efforts, demanding increased transparency in the anti-graft processes and a stronger focus on the "big fish," or high-level corruption.¹⁰ People complain that the ACA does not have sufficient powers of enforcement and is not independent from the executive. Anti-corruption legislation places oversight power in the hands of the government, and many argue that the government too must be watched. The campaign against corruption has become a rallying cry for parties as well, and they frequently accuse one another of corrupt practices.

Recent changes in the government correspond with the public's demands for greater accountability. Daim Zainuddin, Mahathir's finance minister and closest ally, resigned from the government and his position as treasurer of the party. This resignation followed government bailouts of two businessmen reportedly close to Daim and growing dissatisfaction with the government's business deals. Commentators speculate that Daim was forced to step down and essentially serve as a "sacrificial lamb" to improve the party's image.¹¹ In addition, Mahathir's son, Mokhzani Mahathir, sold his business interests amid strong criticism of government nepotism, claiming he did not want to draw any more negative attention to his father's rule.¹²

Political Party Environment

Restrictions on Civil Liberties

Malaysia's current legal framework – and particularly restrictions on civil liberties -- poses many difficulties for political party competition. The restrictions on civil liberties, some first introduced under colonial rule, were implemented as a response to the security risks posed by the communist movement and ethnic tensions. Despite the original intent of the laws, they have hindered opposition party growth. The 1967 Police Act requires permits for public meetings of five or more people, making it difficult for political parties to organize and campaign. Many opposition parties have alleged that the police issue these permits in a manner that favors the ruling parties. During the 1999 election period, however, most parties reported that they could campaign without police hindrance.

Limitations on freedom of speech and press bias in favour of the ruling coalition have also restricted the ability of opposition parties to participate equally. Although the constitution provides for freedom of speech and the press, newspapers and television stations must receive annual authorization from the government. As a result, many journalists report practicing self-censorship for fear of losing their licenses. The Printing Presses and Publications Act also allows the government to restrict publications with "malicious news" or news threatening ethnic stability. Moreover, under the Sedition Act and the Official Secrets Act, freedom of speech can be restricted "in the interest of security or public order." Many people believe that these restrictions are used subjectively and specifically target media sources that are critical of the government.

The most widely circulated and influential newspapers are owned by the ruling coalition, fostering doubts about the objectivity of the press. UMNO, for example, owns the *New Straits Times* and three Malay language dailies, and

the Malaysian Chinese Association (MCA) owns the *Star* and recently purchased two Chinese-language papers, the *Nanyang Siang Pau* and the *China Press*. Opposition publications are continually shut down. For example, *Harakah*, PAS's privately circulated party bulletin, lost its publishing rights, a move viewed by the party as an egregious attempt by the government to stifle political competition. During the 1999 campaign period, many opposition parties also complained that they were unable to place advertisements in the mainstream newspapers, while the ruling coalition had wide coverage.

The Internal Security Act of 1960 (ISA) was initially established to combat communism in Malaysia. Although communism is of little threat today, this Act is still in effect and allows the government to detain people without trial. The government can hold someone for 60 days under the ISA for acting "in a manner prejudicial to the security of Malaysia." The Home Minister can then extend the detention period for up to two years. Opposition political parties have accused the government of using this law to restrict their political activities, and many opposition party members have been arrested under ISA over the past several years. Currently 10 opposition party officials are in jail under ISA.

Political Party Regulations: The Societies Act

The Societies Act of 1966 governs political parties, NGOs, associations, and charities in Malaysia, and all of these organizations must apply to and register with the Registrar of Societies. The Act does not differentiate parties from other bodies covered by the law, and parties follow the same registration procedures as NGOs or charities.¹³ The Registrar falls under the auspices of the Ministry of Home Affairs, a position normally held by a senior UMNO official. Opposition parties, therefore, question the impartiality of the registration process. However, only one party recently, the Socialist Party, has been prevented from registering, and most report that the Registrar stays out of the internal affairs of the parties.

According to the Societies Act, parties must file financial accounts and balance sheets with the Registrar within 60 days after holding an annual general meeting, or if no annual general meeting is held, within 60 days after the end of the calendar year. All parties must also provide descriptions of any money or properties received by the party from anyone who is a resident outside of Malaysia or "an organization, authority, government, or agency of any government outside Malaysia." The Registrar can request further description of contributions to the party by foreign residents or organizations. Also, the Registrar has the right to demand at any time audited accounts carried out by an auditor approved by the Registrar, although this has rarely occurred.

The Act includes no regulations specific to parties or party financing. The Registrar does not require any party to declare their sources of funding, unless they are foreign. Nor does the law require party officials to declare their assets and liabilities, although several parties have recommended these regulations. There are no limits on contributions or expenditures outside the campaign period. Parties are allowed to own businesses, and the main ruling parties own a variety of rental properties, newspapers, and hotels. Finally, there is no political fund for parties.

Election Laws and Campaign Finance

The election commission, Suruhanjaya Pilihan Raya (SPR), administers national and state elections and regulates campaigning. Many opposition parties claim that the SPR does not act independently because it is under the auspices of the executive branch. The King on the advice of the prime minister appoints commissioners. Commissioners hold their tenured positions until retirement and can only be removed through an impeachment process, similar to that of a Supreme Court judge.

There are many complaints regarding the manner in which the SPR conducts elections. There are allegations of corruption in the compilation of the electoral rolls, the list of eligible voters. Several civic and election monitoring organizations believe, for example, that the names of the deceased and duplicate identification card numbers remain on the rolls in order to facilitate “double voting,” resulting in skewed electoral outcomes. Opposition parties are also suspect of the conduct of elections carried out on military bases through the process of “postal voting” and believe that military personnel do not vote freely. No party observers or election commission staff persons are allowed to witness the postal voting process. The SPR gerrymandering of electoral constituencies has also led to suspicion, according to opposition leaders, and the population sizes of the constituencies can vary as much as 3:1, usually designed in a way to favor rural Malay voters.¹⁴

The Election Offences Act includes specific campaign finance regulations for candidates. During the campaign period, which is technically the period from the day of nomination to polling day and is usually between seven and 15 days,¹⁵ House candidates cannot spend in excess of RM50,000 (\$13,000) and state assembly candidates can spend no more than RM30,000 (\$8,000). These limits also apply to spending by the parties and campaign agents of candidates. The law clearly prohibits vote buying of any kind – giving voters money, gifts, or transportation. In the law both the vote buyer and vote seller are guilty of an “illegal practice,” and punishment is determined by the courts. Within 31 days after the publication of the election results in the *Gazette*, all candidates and

campaign agents must file a financial return with receipts of all election expenses to the state elections officer. The candidates must also take an oath in front of witnesses about the validity of the financial returns. The state elections officer is required to make all these returns available to the general public for six months, after that time the returns are given back to the candidates or destroyed.

Despite these provisions, campaigns have become exorbitantly expensive and many voters expect handouts and other benefits – roads, schools, infrastructure projects -- for their communities. The SPR acknowledges that the amount of money spent during the campaign greatly exceeds the official limits and is currently discussing raising the “unrealistic” campaign limits. Moreover, the SPR readily admits that it does not have the capability to monitor expenditures during the campaign period, stating that it is the responsibility of the police to enforce the electoral laws. The SPR also claims it does not have the resources to check thoroughly the financial returns filed by parties.

Parties can file complaints with the SPR, but most cases are handled through the court system. Although opposition parties complain that cases rarely result in a conviction, in March 1997, a High Court declared the election results of the Bukit Begunan constituency in the 1996 Sarawak state election null and void due to widespread vote buying by the ruling coalition.¹⁶ In addition, in June 2001, a judge in Sabah state nullified the election results in the Likas constituency due to corruption on the part of the ruling coalition. The judge also pointed to “intentional flaws” in the electoral rolls as a source of the problem.

Anti-Corruption Legislation

Party activities must also comply with the Anti-Corruption Act of Malaysia. In 1997, in response to growing public complaints about corruption, the government passed a new Anti-Corruption Act, repealing the acts of 1961 and 1982, and established a new Anti-Corruption Agency (ACA). The director-general of the ACA is appointed by the King on the advice of the prime minister from among members of the civil service. The director is tenured until his “compulsory retirement” from the public service. The ACA is empowered to gather reports of corruption, investigate cases, educate the public, and advise government bodies on practices.

The 1997 Act, however, reduced the authority of the director-general from that granted under the 1982 law. Formerly, the director-general had the power of a deputy public prosecutor, but in the current law, this power has been revoked. The ACA has the right of search, seizure, and arrest but only with

permission from the Office of the Public Prosecutor. The ACA also lacks a judicial role, and all cases must be heard through the regular court system, with the consent of the public prosecutor.¹⁷ It is widely agreed that the ACA is neither effective nor neutral. Because the King selects the ACA based on the request of the prime minister, people believe this poses a conflict of interest. Moreover, the government has strong oversight powers that could prevent the ACA from acting autonomously.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		The Societies Act empowers the Registrar of Societies, under the Ministry of Home Affairs, to govern parties, NGOs, and charities.
2	Are there laws regulating party finance?	Y		The Societies Act requires parties to submit financial reports. Parties must also report contributions from foreign sources. There are no limits on contributions or spending.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The Election Commission (SPR) sets campaign expenditure limits for parliamentary and state assembly candidates.
3a	Contribution limits?		N	
3b	Spending limits?	Y		RM50,000 (\$13,000) for House candidates and RM30,000 (\$8,000) for State Assembly candidates.
3c	Filing financial returns?	Y		Candidates must file returns with the SPR within 30 days after the election, although there is no disclosure of sources of funds.
3d	Returns made public?	Y		Made available for six months.
4	Can political parties accept contributions from:			All parties must provide descriptions of any money or properties received by the party from anyone who is a resident outside of Malaysia or “an organization, authority, government, or agency of any government outside Malaysia.”
4a	Businesses?	Y		

4b	Unions?	Y		
4c	Foreign sources?	Y		
4d	Can parties own businesses?		N	
5	Do parties have to reveal the sources of their funding?		N	There are no requirements for contributors to be disclosed, unless they are foreign.
6	Does the state provide public funding to political parties?			
7	Are annual financial audits of party accounts required?	Y		The Societies Act requires parties to conduct annual audits and submit financial records to the Registrar of Societies. The audit results are made available to party members, and the party can choose to disclose to the public.
7a	Are audit results made public?			
8	Do party officials have to declare assets and liabilities?		N	Party officials are not required to report assets and liabilities.
8a	Are these declarations made public?		N	
9	Is there an Anti-Corruption Commission?	Y		The Anti-Corruption Act of 1997 establishes an Anti-Corruption Agency.
10	Is there an independent Election Commission?	Y	N	The SPR is a separate body but is appointed by and must report to the government.

POLITICAL PARTY EXPERIENCES¹⁸

Barisan Nasional Coalition (National Front)

United Malays National Organization Party (UMNO)

Background

The United Malays National Organization (UMNO), one of the oldest parties in Southeast Asia, was established in 1946 as part of a movement against British plans for the colony, which Malays believed would cause the “submergence of the Malays” to other ethnic groups. Following World War II, the British proposed a unitary Malayan Union that would position the nine Malay states under one government and would grant equal political rights to all ethnic groups. UMNO swiftly formed an alliance with the Malayan Chinese Association (MCA), a party whose emergence was orchestrated by the British

and which consisted mostly of Chinese businesspeople, and the Malayan Indian Congress (MIC). This new coalition satisfied the British requirement that independence be granted only to a multi-ethnic leadership.¹⁹ Since the founding of what is now called the Barisan Nasional, or National Front, several additional parties have joined the coalition. UMNO has remained the driving force of the coalition.

In 1991, UMNO and BN announced Vision 2020, outlining the main ideological focus of the coalition. The Vision's primary goal is for Malaysia to become a "fully developed country" by the year 2020. In addition, the Vision outlines nine main objectives, including the desire for Malaysia to be a unified, "moral," and "competitive but economically just" society. In addition to being the key architect of Vision 2020, UMNO, in its party platform, expresses its belief in "Asian democracy," emphasizing order and stability over civil liberties.

Today, the party has more than 2.8 million members, and membership is confined to Malays and Bumiputeras (indigenous peoples).²⁰ In the 1999 elections, UMNO won 71 seats in parliament, and the party also controls 11 of 14 state legislatures.

Party's Perceptions of the Political Party Environment and Corruption

UMNO officials have identified money politics as one of the gravest challenges facing the country and the party today. In the words of UMNO Youth, the youth wing of the party, "This problem is plaguing the party – it is no secret." Senior UMNO officials point to the year 1987 as the "beginning" of money politics in UMNO. In 1987, the party divided into two factions – UMNO Baru (New UMNO) and *Semangat '46* (the Spirit of 1946) -- following several accusations of corruption. UMNO claims that the *Semangat* faction had resorted to vote buying during the party elections and threatened to unseat the current UMNO leadership. UMNO also points to 1993 as a difficult year for the party in terms of corruption, again in the internal party election process. The party claims that Anwar Ibrahim used favors and money to induce UMNO members to support him in the internal party elections.

Corruption within UMNO, according to one official, is "weakening the party to the extent of being rejected by the people through the ballot" and members have started to demand "no tolerance" on the issue of corruption and have asked the party leadership to put the "party before individuals." The abuse of government machinery and vote buying during party elections are cited as the two most serious sources of concern. In response, the party leadership maintains that it has declared a war against corruption and money politics, and the party is exploring possible measures to address the problem.

In terms of legislation, the leadership of UMNO reports that the current campaign finance laws are effective, as all parties have to file their expenditure reports within 30 days after the election and these reports are available for public scrutiny. However, UMNO has called for a review of election procedures to find more successful ways to combat vote buying and money politics in the election process. Members from UMNO also report that the party is satisfied with the Registrar of Societies, which governs parties, and believe the Registrar to be transparent and independent from government influence. UMNO cites as evidence of the Registrar's neutrality the fact that Keadilan, a new opposition party led by the wife of jailed Anwar Ibrahim, had no problems registering. The UMNO leadership has also expressed satisfaction with the work of the Anti-Corruption Agency, adding that the ACA has taken on the "big fish" corruptors.

According to representatives from UMNO Youth, however, there is a need to strengthen both the independence and the effectiveness of the SPR, Registrar of Societies, and Anti-Corruption Agency. In the words of one UMNO Youth leader, the current legislative framework "is not effective, functioning, or credible." Although the current laws and procedures are "good on paper," they are not being enforced, and until the available mechanisms are followed, all political parties will have opportunities to be corrupt. The reason the current mechanisms are not effective, according to one UMNO Youth official, is because of their lack of independence from the government. The party youth wing also believes that the press must play a greater role in exposing corruption scandals and pressuring the government bodies to act independently.

Party Structure and Decision-Making

At the central headquarters, UMNO has a supreme council, the members of which are elected every three years by the general assembly. The supreme council, comprising 45 party officials, is tasked with making the day-to-day decisions for the party. The most important positions in the council are the president, deputy president, five vice presidents, treasurer, secretary general, and information chief. At the state level, the state liaison committee, appointed by the supreme council, manages party activities. The party also has several division offices in each state, and the division committees are elected every three years by branch delegates. General party members at the grassroots level elect the branch offices and delegates every two years. The party's general assembly is composed of the members of the supreme council and delegates from the 13 states, 165 divisions, and 17,485 branches.

UMNO spokespersons describe the party as decentralized in terms of structure and decision-making. Branch and division party committees are determined by election, and these local offices have the authority to set local

agendas and nominate candidates, albeit with approval from headquarters. The most inclusive party body, the general assembly, determines the party platform and policies, and delegates are free to raise issues for debate. Although UMNO positions are determined by election, challenges for the highest posts are discouraged in practice. Prior to the 2000 general assembly, party president Mahathir recommended to the supreme council that there be no contest for the presidency and deputy-presidency for fear of “dividing” the party. In response, the supreme council increased the number of division nominations necessary before candidates can be approved.²¹

Although there is adequate space for members to air their views and grievances, “the question is,” according to one UMNO Youth official, “how seriously are the views being taken by the leadership?” Some party members report that there is a tendency for the leadership to make some decisions unilaterally. For example, at the time of writing this report, UMNO was proposing a merger with a Sabah-based party, and Prime Minister Mahathir made a statement that the Chinese members of the Sabah party would be admitted into UMNO. This upset many UMNO members, as the UMNO constitution is unique in that it prohibits non-Malay or non-*Bumiputera* members. Party officials acknowledge that, as in all parties, some decisions are made without soliciting the views of members, or even tabling the issue at the supreme council meetings, in order to respond rapidly to situations.

Despite the limitations it might place on the party’s efficiency, officials assert they are committed to implementing a more consultative decision-making process, tabling more issues in committees and allowing branch offices to make more local decisions. The party emphasizes the importance of accountability of party leadership. In the words of an UMNO Youth member, “Should leaders be accountable, then decisions would be made transparently, leadership would be more responsible, and corruption would be curbed.”

Money Management and Fundraising

According to some UMNO senior officials, fundraising is not necessary for the party. The party already owns its own building, a hotel, the world trade center, and a newspaper, the profits from which sustain the party. In addition, UMNO has corporate holdings, often in the names of the party’s business nominees.²² In fact, according to senior party spokespersons, no branch or division party offices are allowed to raise money on their own. The party reportedly initiated this prohibition to avoid the abuse of funds by party members and the influence of donors on the party. The party found that when the branch and division offices did fundraising for the party, there were opportunities for corruption and it was too difficult to monitor the process. Therefore, the

UMNO leadership decided that instead of allowing local party offices to fundraise, each office would receive a “nominal sum” from the UMNO headquarters.

There are some complaints, however, that the prohibition on fundraising has created other problems. According to one official, the division and branch offices are not properly financed and the allocations from headquarters are so small that these party offices often resort to fundraising anyway. As a result, in some circumstances, fundraising is driven underground and is not transparent. One UMNO Youth official stated, “Party offices are forced to be creative” in obtaining necessary funds to run activities. Therefore, according to some members, the moratorium on fundraising should be lifted, although the party will have to set up effective systems to monitor the process.

Arthur Anderson conducts an annual external audit of UMNO finances. All UMNO general assembly members have access to the results of this audit and must approve the party’s accounting reports. The approval process is mandatory in the UMNO constitution, and members can ask questions about expenditures and file complaints. Party officials explain that the external audit process was created to respond to requests from members for greater transparency. UMNO believes the open accounting and audit processes within the party have deterred corruption, and there have been fewer complaints about financial mismanagement.

Ethical Standards and Discipline

The UMNO leadership acknowledges that corruption is a challenge for the party. The most frequently cited form of corruption in the party is the practice of buying positions for party posts during internal party elections. It is alleged that delegates to the national assembly elections are offered many types of rewards for their votes – luxury vacations, cash, or assistance in their businesses and investments. Party positions are extremely valuable, as they can provide access to powerful government posts. One UMNO Youth official stated, “People view the party as a passport to wealth and power, and therefore resort to all and any measures to achieve their goals.” Positions in the UMNO supreme council are especially coveted. Council members have the greatest opportunity to be appointed to important, and potentially lucrative, positions in the government, such as those with authority over land usage, privatization contracts, licensing, and natural resources.²³

The party has stated its commitment to improving the ethical standards of the party and is currently considering proposed solutions from members. One proposal would prohibit division heads and UMNO officers

from doing business with the government or receiving government contracts. UMNO Youth has further advocated that UMNO forbid party office holders from holding government posts. Many UMNO officers in high party positions are concurrently members of the government, and this has presented a conflict of interest, according to some members. Party officials have also proposed that declarations of assets and liabilities be required from all party officers and candidates to monitor for “unusual wealth” and to implement conflict of interest contracts for businessmen in the party. Prime Minister Mahathir has apparently taken this proposal a step further and proposed that the party prohibit rich businessmen from consideration for UMNO posts altogether. None of these proposals, however, have been implemented.

Another suggestion is to introduce a “code of conduct” for party members. Although all members are bound by the provisions in the UMNO handbook, a basic document outlining party procedures, rules, and regulations, members argue that the handbook does not deal specifically with the issue of corruption or ethical conduct. Others argue that codes and pledges are ineffective. As one UMNO official remarked, “Just look at the facts – pledges cannot change moral behavior.”

In addition to considering specific ethical standards for party members and officials, the party is focusing on other preventative measures. UMNO, for example, has an extensive training program for all members. The training takes place at the grassroots level and focuses on all aspects of the party, such as the party’s core values, religious concerns, and anti-corruption efforts. Since 1999, UMNO President Mahathir has addressed the trainees himself on a rotating basis. There are never more than 150 participants in this meeting, “to ensure dialogue, not just lecture.” The party gives evaluation forms to all participants, and, according to one senior official, the feedback from the training courses has been positive.

UMNO Youth also conducts training for youth members. One component of the training focuses on the dangers of corruption in the party. Through this ongoing training, UMNO Youth aims to “insulate the younger members from being tainted by some corrupt party leaders.” Although UMNO Youth believes this training is important, members continue to look to the power base of the party for guidance and instruction about proper party behavior. In the end, according to one youth leader, responsibility for addressing money politics rests with the most powerful in the party, the “elders,” who set the example.

In addition to focusing on prevention, UMNO has also established mechanisms to discipline the corrupt behavior of party members. In 1999, UMNO amended its constitution to create a new independent disciplinary board to root out corrupt party officials. Previous disciplinary committees were part of the supreme council. The disciplinary board is now independent from the supreme council, although the council appoints the 17 board members. Accused members can state their defense in front of the board and are entitled to a hearing by three different panels. The board also conducts an independent investigation before reaching a decision. The board has proven its effectiveness and set a remarkable precedent when it recently expelled six UMNO officials for paying party members for their votes in party elections. Currently, over 80 cases have been presented to this new board.

While pleased at the recent disciplinary action taken by the board, one party official believes that the body is scratching only the “tip of the iceberg” by addressing petty cases and hesitating to take on powerful party officials. Moreover, although the selection process for board members is transparent, some believe that the members are too closely linked to the supreme council, given their appointment by the council.

Gerakan Party

Background

Parti Gerakan Rakyat Malaysia (Malaysian People’s Movement Party) was founded in 1968 by former members of the dissolved United Democratic Party and several “moderates” from the Labor Party. When the Registrar of Societies approved the party, the central committee was comprised of six Malays, six Chinese, and three Indians. The party was established as a multi-ethnic alternative to the mostly ethnically-based Malaysian parties. In 1972, the party joined the ruling coalition, Barisan Nasional, although this decision was met with internal disagreement, and a few leaders left the party. In response, the party’s leader Dr. Lim Chong Eu reorganized the party and reregistered it with the Registrar of Societies.²⁴ The party’s current president is Dato Seri Lim Keng Yaik.

Today, the party is viewed as a small, forward-looking member of Barisan Nasional with a predominately Chinese following, with its strongest base of support in Penang state. Gerakan holds seven seats in the parliament and 20 state assembly seats. The party is known to disagree with the government on a few issues, such as the use of ISA. Many politicians outside the party view certain Gerakan members as “reformers” who choose to “promote change from within.” The party’s central ideology focuses on Malaysian nationalism as

a weapon against “communalism and cultural chauvinism.” The party takes a strong position against economic favoritism of Malays and believes in a more egalitarian Malaysian society.

One of the 12 main objectives of Gerakan as stated in its platform is to eliminate corruption and money politics. The party believes that the “inter-twining of business with politics can often result in the development of cronyism, deviation in policy implementation, corruption, and the stifling of enterprise.” The party therefore wants to separate the two to ensure that “politics is not commercialized.” Gerakan believes that Singapore should be the model for Malaysia both in terms of fighting corruption and in good governance. Although the party supports greater respect for human rights and individual liberties, the party places emphasis on economic, social, and cultural rights over civil and political rights. Party officials assert that democracy and civil liberties should not happen overnight, and Malaysia should be mindful of the events in Indonesia and Russia during their democratic transitions.

Gerakan identified the main challenges facing the party as advocating non-ethnic Malaysian nationalism and serving as a catalyst for change within the government. The party also struggles to promote the idea of “a new Malaysian,” equipped to participate and compete equally with other nations in a new technology-based world.

Party’s Perceptions of the Political Party Environment and Corruption

Gerakan party leaders believe that corruption is a significant problem in Malaysian politics. One Gerakan official indicated that political corruption originated from “government policies that helped certain groups get rich quickly.” The most harmful manifestation of corruption, in the opinion of some party officials, is the practice of government and party officials skimming money off the top of government contracts and concessions. Party leaders note that the key source of pressure on the country to combat corruption comes from the growth and awareness of civil society. The public is losing its patience with corruption scandals and has demanded reforms.

Gerakan officials report that the country’s legal framework is not always effective in fighting corruption in the party system. Some Gerakan officials believe, for example, that the campaign finance laws are neither realistic nor obeyed. Gerakan representatives explain that because friends and party supporters often provide financial support to a candidate’s campaign without the candidate’s knowledge, it is difficult to monitor true campaign expenditures. Gerakan officials have also indicated that the SPR does not effectively monitor

party spending, making it easy for parties to break the finance limits. Moreover, party officials acknowledge that individuals within the ruling coalition have used state resources for campaigning and are never punished. With respect to the regulations governing parties, the party believes that the Registrar of Societies has served as a deterrent for corrupt practices, although it does not really scrutinize the reports and returns filed by the parties.

Gerakan has advocated for the independence of the Anti-Corruption Agency, which it believes is currently weak and susceptible to political interference. Gerakan has also issued numerous statements requesting that the ACA be empowered to “carry out raids or direct investigations into crimes relating to corruption.” The current law deprives the ACA of direct powers of enforcement and, in the opinion of Gerakan, gives too much oversight authority to the public prosecutor and police. Gerakan has held up Hong Kong’s independent anti-corruption commission as an example for possible replication.²⁵

Party Structure and Decision-Making

The party defines its structure and decision-making processes as “bottom-up” and transparent. Gerakan has offices at the central, state, division, and branch levels. Similar to UMNO, committee leaders at the branch and division levels are elected. At the branch level, the lowest level, ordinary members elect the branch chair and seven committee members every two years. At the division level, the chair and nine committee members are elected by branch delegates every two years. Unlike UMNO, however, Gerakan has elections for state level offices as well, and division delegates and branch chairs elect the state committees every two years. Every three years, 1,300 delegates to the national delegates conference choose 18 members of the central committee. In addition to the elected 18 members, six central committee members are appointed and another six are life members. The president, deputy president, three vice presidents, secretary general, and treasurer are also elected by the national delegates conference. The central working committee, consisting of 10 appointed members and the president, deputy president, secretary general, and treasurer, handles the day-to-day affairs of the party.

Local offices (branch, division, and state) are empowered to make decisions and to nominate candidates from their area, although the central working committee has veto power. The delegates to the national delegates conference are able to participate actively in policy making. In fact, delegates can initiate resolutions, which are adopted by popular vote of all delegates. The main constraint on party decision-making, according to several observers, is that the party policies must be in line with the ruling coalition, Barisan Nasional, and party members report that Gerakan sometimes feels pressure from the coalition. This constraint has at times induced conflict within the party.

Money Management and Party Financing

The laws regarding the management of party finances are clearly outlined in the party's constitution. The party treasurer manages party finances centrally and is responsible for controlling petty cash. All withdrawals to the party's account have to be signed jointly by the president and one other person, either the secretary general and/or the treasurer. Moreover, no expenditure over 5,000 *ringit* can be incurred without permission of the central working committee. All party assets, such as a large office building in Kuala Lumpur, are under the management of the central committee.

There is both an external and internal audit of the party each year, the results of which are made available to all members. The national delegates conference appoints an accountant or firm to serve as the financial auditor for the party and approves the audited accounts. The party reports, however, that there is little scrutiny and most members are not very interested in the results.

The main sources of income for the party are membership fees, donations, and rental income from the party building in Kuala Lumpur. Gerakan members of parliament are also required to give a portion of their salaries to the party, and all party members pay a small two ringit (\$.50) entrance fee and two ringit annual subscription fee. Furthermore, many members make voluntary contributions to the party. Fundraising takes place at all levels of the party, and each office must submit annual returns to the Gerakan headquarters. No special appeals for public donations can be made without the central working committee's written approval.²⁶

No central funds are distributed from the headquarters for local party activities, and the local party offices are required to cover their own expenses through fundraising. The party does not have an internal monitoring process to ensure that fundraising is conducted in a clean manner and that the donations are spent properly. Party officials explain that members would "not accept this kind of policing."

Ethical Standards and Discipline

Gerakan members take an oath when joining the party that they will be faithful to the party tenets, although there is no specific mention of ethical behavior. Moreover, all members receive an orientation booklet that includes a section on the "Rights of Members." Rights include the right to speak at party meetings, vote, hold office if elected or appointed, and use party facilities. In addition, Gerakan publishes an "Election Rules" booklet for members to ensure that they understand the party's election procedures and abide by them. There is also a training program for Gerakan members about the party's history and philosophy, including some discussion of ethical behavior.

Although the party educates members about the party rules and procedures, there are few “specific safeguards” against corruption in the party. The party has no code of conduct with respect to corruption, there is no internal monitoring body to keep checks on corrupt behavior of members, and party officials and candidates are not required to declare their assets and liabilities to the party. The party does, however, allow candidates for party posts in internal party elections to appoint “election agents” to monitor the poll and the vote count to ensure that the party election laws are obeyed.

Rather than specific procedures or anti-corruption mechanisms, the party says it relies on “constant brow-beating” to ensure that members “stay in line.” Gerakan believes the key to preventing corruption in the party is the cleanliness of the leadership and the culture of ethical behavior that prevails in the party. The party claims that if anyone practiced corrupt behavior they would be “pounced upon” by other members. In 1996, for example, a Gerakan official allegedly tried to use money when campaigning for a top post within the party. People were infuriated, and the official eventually dropped out of the party before disciplinary action was taken.

The central working committee of the party serves as the disciplinary committee and can suspend or expel members. Any person inside or outside the party can file a complaint with the committee. There is an investigation process, a hearing, and an appeals process. The majority of disciplinary cases involve defections. The disciplinary committee, for instance, was called upon to investigate attempts by some Gerakan members to topple the Gerakan-led Paulau Pinang state government following the 1999 elections. In 2000, the Gerakan president, Datuk Seri Dr. Lim Keng Yaik, made an official announcement that “power brokers” in Penang were trying to buy Gerakan assemblypersons.²⁷ This announcement came after two Gerakan assemblypersons defected to MCA, the Chinese party in the government coalition. Dr. Lim also firmly stated that those found to “be undermining from within” would be expelled. Gerakan had to “freeze” a few party branches after the defections and resignations of the chairs.

Opposition Parties

Parti Islam SeMalaysia (PAS)

Background

The Parti Islam SeMalaysia (PAS) is an Islamic party based on the Qur’an and the *hadiths* of the Prophet Muhammad. In 1951, following religious disagreements with the top leaders of UMNO, several Malay Islamic

scholars in UMNO decided to form a new party, PAS. The aim of PAS was to unite all the Islamic scholars in Malaysia into one organization, and PAS differentiated itself from UMNO by supporting the integration of Islamic ideals into *all* political, social, and economic domains. The ultimate goal of PAS is to establish an Islamic state and to implement Syari'ah, or Islamic law. Although PAS will only accept a leader if "he (*sic*) is Muslim by faith," PAS explains that a leader who is not ethnically Malay is acceptable.²⁸

PAS has participated in every Malaysian general election since 1955. The party rejoined the Barisan Nasional from 1972 to 1977 following pleas from Prime Minister Razak Hussein of UMNO to unite in order to avoid ethnic conflict following the 1969 riots.²⁸ Currently, the party controls the state governments in Kelantan and Terengganu and holds 27 out of 193 seats in parliament and 98 out of 394 state assembly seats. The current leader of PAS is Dato Hafi Fadzil bin Mohd. Noor³⁰. PAS is the head of the opposition alliance and the most powerful opposition party in Malaysia.

According to PAS, the biggest challenge facing the party today is what the party terms, "change management." The party is growing rapidly and must adapt accordingly. A significant adjustment for PAS is the party's inclusion in an alliance with non-Muslims in the Barisan Alternatif (BA) Coalition. There have been occasional conflicts between the old guard within PAS, that tends to be resistant to change, and the new, younger generation, mostly educated in western countries, that is looking for a more moderate and inclusive approach. Some of the earlier leaders had "been far-sighted," argue the younger members, and the party "must respond to new realities." Party members are now going to churches to talk about Islam and what it would mean for a multi-ethnic society, something that would "never have happened a few years ago."

Despite these efforts, however, the Democratic Action Party (DAP), the main Chinese opposition party, left the coalition in September 2001 over unresolved issues surrounding PAS's desire to establish an Islamic state. Without DAP membership in the opposition coalition, PAS faces the challenge of building broad-based, multi-ethnic support for the BA and will face difficulties contesting the multi-religious ruling coalition, Barisan Nasional. Furthermore, following the events of September 11, PAS has been struggling to fend off an onslaught of criticism by the ruling government that it is a party of "extremists." Actions taken by PAS in recent months in Terengganu and Kelantan to "strengthen adherence to Islamic law," such as strictly enforcing the ban on sex out of wedlock (*zina*) and proposals to ban men and women from swimming together, have further alienated secular voters.

Party's Perceptions of the Political Party Environment and Corruption

PAS is vocal about the “rampant” problem of money politics in the country and its effect on the party system. With respect to the country’s legal framework, PAS officials believe that the campaign finance laws do not reduce corruption in the country. First, the campaign expenditure limits are consistently broken by the ruling coalition, which, according to PAS, “spends millions.” Second, the election commission (SPR) never investigates or monitors campaign expenditures and does not examine the filed financial returns of parties. PAS has proposed changes to the law, asking for an election review committee. PAS officials also argue that the Registrar of Societies is ineffective, and the party’s confidence level in the Anti-Corruption Agency is low.

Party Structure and Decision Making

The central committee of the party recently increased the number of committee members to 18 elected positions and 19 appointed positions. The structure of the party is similar to that of other Malaysian parties, with branch, division, and state offices. Each local office includes a committee elected by members. Recently, the party created a chief of religious affairs position in all the branch offices to “instill the morals” of the party. Party leadership positions have two-year terms, but there are no limits on the number of terms.

Like other Malaysian parties, PAS describes its decision-making process as “bottom up.” Local offices are able to nominate candidates, although the central committee makes the final decision and can present alternatives. The central committee meets once a month to discuss party matters. There are informal decision-making processes as well, and 10 key party members meet at random to discuss party affairs, although any decisions are introduced formally in one of the committees. The most important decisions of the party are made during the general assembly meetings. Although there have been few changes to the central platform of the party, the composition of the central committee has changed regularly, and in the recent June 2001 PAS elections several younger party members were voted on to the committee. The majority of central committee seats, however, remain un-elected.

PAS believes that its decision-making process is flexible, allowing for the expression of new viewpoints. Party members cite the party’s decision to ally with non-Muslim parties and develop a more “mainstream” agenda as an example of its responsiveness to members’ wishes. In the past, if members had

championed a more open, reformist view, according to one party official, “there would have been a problem.” Outside commentators, however, report that the party continues to be dominated by the conservative “traditionalists” and decision-making is very hierarchical.

Money Management and Party Financing

All PAS members of parliament must give 20 percent of their salary to the party. Private donations to the party are common as well, and most donors prefer to remain anonymous. In fact, the party reports that members are angered if donors expect recognition. Furthermore, because PAS is an opposition party, many donors allegedly remain anonymous out of fear of retribution from the government. Therefore, the party reports never having a problem with donors trying to wield influence over the party. Others, however, point out that this anonymity of donors hinders transparency in the party.

Fundraising takes place at all levels in the party. There is no formal monitoring of the fundraising process, although all local offices must provide PAS headquarters with financial reports. The party employs an internal auditor, and all members have the right to review and ask questions about the audit. The party has a treasurer to manage funds.

Ethical Standards and Discipline

PAS officials strongly assert that all party members behave ethically, and they attribute the party’s success at remaining free from corruption to its Islamic values and commitment to “democratic principles.” For 50 years, according to the party, PAS has allegedly never had problems with corruption. The main reason, the party explains, is the fact that members do not join the party expecting reward. Rather, members join PAS as part of their “moral, religious duty.” Corruption, according to the party, is incompatible with the party ideology, and money politics is a “foreign concept.” Campaigning for party posts, in particular, is not tolerated. In one case a member offered gifts to other members in return for support in the party elections. As a result, the elections were cancelled. Party leaders recognize that historically religion has not ensured good behavior, but PAS claims that the party has never had a “bad apple.”

To ensure good behavior, the party trains new members regularly, and the training includes a discussion of the negative impacts of corruption and money politics. The party also holds monthly “open discussions” about corruption and good behavior, and in these discussions, the party emphasizes

the importance of a simple and modest lifestyle. This strong belief system is demonstrated by the actions of the leaders themselves, all of whom, according to party officials, live in simple conditions. Religious leaders are also expected to provide “ongoing counseling and guidance” to members, encouraging and supporting ethical behavior. The party officials and candidates do not sign a code of conduct, but they take a pledge to Islam on the tenets of the religion, obedience, and discipline.

The party also has an ombudsperson system (or *Hisbah* system) to monitor compliance with ethical standards. All leaders are required under this system to declare their assets and wealth, and there is a special committee to investigate violations. Even members of the general public can submit a complaint about any member in the party. There have been allegedly very few complaints of unethical behavior in the party, with the exception of a few cases at the grassroots level about misuse of party positions. There is an investigation process, followed by a hearing, and an appeals process to the top religious committee. Dismissals from the party have primarily been due to “un-Islamic conduct,” such as extra-marital affairs, and not about corruption.

Democratic Action Party (DAP)

The Democratic Action Party (DAP), a predominately Chinese-based party, is a derivative of the People’s Action Party (PAP), the ruling party of Singapore. When Singapore left the Malaysian federation in 1965, the Malaysian branch of the PAP decided to continue its activities and formally registered as DAP in 1966. DAP presents itself as a democratic socialist alternative in Malaysian politics, following the demise of the Labor Party and Socialist Front. In 1967, DAP joined Socialist International.

DAP’s central philosophy, like that of Gerakan, is that all Malaysians should have equal access to educational and economic opportunities. DAP asserts equal access does not exist under the current system due to the affirmative action and quota laws for Malays and Bumiputeras. The vision of DAP is for a “Malaysian Malaysia,” the recognition that Malaysia is a multi-cultural, multi-religious, and multi-lingual country and no one group is superior. Departing from Singapore’s PAP, DAP’s philosophy also challenges the notion of “Asian values,” asserting that democracy and human rights are not alien to Asian religions and cultures. The party believes that Malaysia should uphold the universal standards for democracy and human rights, as enshrined in the United Nations’ conventions. Finally, DAP is also a leader in the country on anti-corruption reform, and the party has proposed legislation to reduce corruption and has published numerous statements educating the public about the need for reform.³¹

DAP suffered severe losses in the 1999 general elections. The party attributes these losses in part to having joined an alliance, the Barisan Alternatif (BA) coalition, with PAS, a party that aims to establish an Islamic state. DAP's primarily Chinese, non-Muslim constituents were wary of this alliance, and many formerly opposition-voting Chinese decided to vote instead for the ruling coalition. As the main opposition Chinese party, DAP lost critical support. The party earned 10 parliamentary seats and 11 state assembly seats, and the party's veteran leader Lim Kit Siang lost his seat. Lim Kit Siang remains the national chair of the party, and Kerk Kim Hock is the party's secretary general.

The coalition with PAS remained rocky after the elections, and in September 2001, DAP met with PAS to discuss several obstacles to their partnership. DAP laid out five preconditions for the party to remain in a coalition with PAS: an assurance that there would be no fundamental change in the Malaysian constitution for the establishment of a religious state; a statement in the Barisan Alternatif Manifesto that a vote for BA is not a vote for an Islamic State, but for a "just Malaysia;" notification to the BA council of any measures in the PAS-controlled states of Kelantan and Terengganu that would "impinge on the sensitivities of different religions;" the establishment of a BA committee to ensure that "sensitive religious pronouncements" are made only following consultation with all BA members; and an acceptance by PAS that Malaysia is a pluralistic society and the establishment of an Islamic state is not "suitable or practical." PAS and DAP could not come to an agreement on these issues, and, following the meeting of the party's general assembly, the DAP central executive committee voted to leave the BA coalition. DAP acknowledges that the political landscape will change now that the opposition is no longer united; however, the party believes that it will rekindle support among its key constituents.

Party's Perceptions of the Political Party Environment and Corruption

The party believes that corruption in Malaysia has undermined proper governance and poses a real danger to the country's stability and growth. In the words of the DAP chair, Dr. Chen Man Hin:

Corruption, an old ogre, is becoming monstrous and a major threat to the political soul and economic well-being of our society. The tentacles of corruption have reached even the highest levels of the judiciary. Court judgments are tainted by the color of money. The rule of law is bowing out to the rule of greed.

Combating corruption is a main component of DAP's platform, and the party has been at the forefront of pushing for anti-corruption legislation and reforms in Malaysia. The party has issued numerous declarations enumer-

ating the harmful effects of corruption. According to DAP, “since 1970, Malaysia has lost 27 billion ringit from corruption, financial scandals, and malpractices.”³² DAP’s focus is primarily on grand corruption rather than petty corruption, which it attributes to low salaries and poverty, and DAP has proposed a pay raise for civil servants.

DAP believes that the current legal framework and institutions have failed to reduce corruption. It argues, for example, that the country’s election commission is not effective in preventing and punishing corrupt behavior, an opinion DAP has expressed to the commission numerous times. Like other parties, it points out that the SPR never monitors party expenditures, although it is clear that parties violate the campaign limits. DAP has issued several statements demanding concrete actions by the election commission to address corruption, such as rectifying irregularities in the delineation of electoral boundaries, monitoring vote buying and party expenditures, and cleansing the electoral rolls.

DAP also has demanded greater transparency in the funding of political parties. The party introduced, without success, legislation requiring parties to declare their sources of funding. DAP, like other parties, does not believe that the Registrar of Societies analyzes the financial accounts of parties sufficiently. The party has also demanded legislation to establish a central election fund to minimize money politics. The aim of the fund would be to ensure that parties are not “over-dependent on business donations creating an unhealthy patron-client relationship which is not conducive to a new culture of integrity with zero tolerance for corruption.”³³

DAP does not have confidence in the Anti-Corruption Agency and believes that the Agency is not independent. The party issued numerous statements during the drafting of the 1997 Anti-Corruption Act, calling for greater participation from civil society in the consultative process, and helped host several roundtables on the Anti-Corruption Act for academics, NGOs, government officials, and the public. One of many outcomes of the roundtables was a declaration that the ACA should be an autonomous body, independent of executive control, and directly accountable to parliament. DAP also advocated that the Anti-Corruption Act give the ACA director-general the power of a deputy public prosecutor under the criminal procedure code. The 1982 Anti-Corruption Act did endow the director general with this power, but the 1997 Act revoked it, placing more power into the hands of the public prosecutor. DAP also proposed several amendments to the draft Anti-Corruption Act, none of which were adopted. The party introduced, for example, specific “sunshine legislation” text to the bill requiring public and periodic declarations of

assets and liabilities by MPs and state assemblypersons. The results of these declarations would be kept in a register in parliament, accessible to all members of the public.³⁴

The ACA refused to participate in any of DAP's forums on corruption and the attorney general did not attend the party's "Consensus Against Corruption Conference." Furthermore, a forum on corruption held by DAP Youth was banned by the police on the grounds that "similar forums had been organized and there was no need for another forum on corruption."³⁵

Party Structure and Decision-Making

Most key decisions in DAP are made by the central executive committee, comprising 30 members, including one representative from each state. There are five main committees at the national level – youth, discipline, state, women, and public policies. State, division, and branch offices are able to elect their committees, present resolutions, and nominate candidates for elections, although in practice they often follow the directives of the central committee. The committee, for example, occasionally rejects the nomination suggestions from the local offices because of the limited number of winnable seats. The national assembly meets once every three years to discuss the party platform and elect party officials.

DAP defines its decision-making process as democratic, decentralized, and open. For example, when DAP was contemplating joining PAS in the opposition coalition, the party vetted the idea with party members and constituents across the country. The party does not, however, have regular elections on decisions and policies, and voting is rarely used to resolve issues in the party. The party leaders prefer, in the words of one official, to "use persuasion." Other parties, both opposition and ruling, describe DAP as a centralized operation with the top leaders making most decisions for the party.

Money Management and Party Financing

DAP's funds are managed centrally. The party has an annual external audit, and party members have access to the results and, according to party officials, go through the audit reports line by line. There are often open and heated discussions about how money is spent.

All DAP members of parliament must contribute 15 percent of their salary to the party, and some contribute up to 30 percent, depending on their salary and position. In fact, the entire salary of each MP goes directly to DAP,

and the party deducts the appropriate amount and pays the remainder to the MPs. In the past, the salaries of DAP MPs represented the majority of the party's funding, although today they represent less than half.

Fundraising takes place at all levels of the party. Party offices must report all proceeds to DAP headquarters and give a percentage of the money raised to headquarters. There are no restrictions on contributions. DAP officials claim that donors do not play a role in party decision-making but admit party members have felt obliged to help donors informally. The donors may ask the party "to solve problems for them."

Like other Malaysian parties, there is no monitoring of the fundraising process for corruption, although the party has experienced a few small problems with fundraising practices. In one case, party members hosted a fundraising dinner and kept some of the money raised for personal use. The party attributes these "discrepancies" to the difficult financial situation of DAP. Some in DAP, however, feel that the party should have more formal systems installed to avoid corruption in the future and to remain consistent with its strong anti-corruption agenda.

Ethical Standards and Discipline

Although DAP has proposed a national law requiring MPs and state assemblypersons to declare their assets and liabilities, there is no such requirement within the party for candidates and party officials. The party does not have a code of conduct or other contractual agreements, such as conflict of interest clauses, for party officials to encourage ethical behavior. The party does, however, have a rather stringent disciplinary measure requiring candidates to sign resignation letters for their seats in advance in case they violate party principles, particularly by switching parties. DAP says that this tactic has never been used, although there have been a few cases of DAP members misbehaving or switching parties. In these cases, DAP did not force them to resign their seats, as the party felt it would be unfair to their constituents. The legality of this tactic is unclear. When the PBS party in Sabah state tried to submit the pre-signed resignation letters of a few problematic assemblypersons, the government would not accept them.

DAP has a disciplinary committee as one of its top five main committees. There are five members of the disciplinary committee, and anyone, including those outside the party, can submit a complaint. The committee then investigates, holds a mediation session, and determines the penalties. Disciplinary action is extremely rare, and usually the member is required only to pay fines.

Keadilan Party

Background

Keadilan is a small multi-ethnic party formed in 1999 by activists in the reformasi movement. Wan Azizah Ismail, the wife of former Deputy Prime Minister Anwar Ibrahim, is the president of the party, and Anwar's friends, supporters, and sympathizers joined Keadilan as its leadership. Several of the party's leaders are new to politics and have backgrounds in civil society organizations and academia. The party's platform is based on demands for an independent justice system, greater democracy, and respect for civil rights. The party believes that there are no effective checks and balances in Malaysia due to the concentration of power – legislative, judicial, and executive – in the hands of the ruling party, UMNO. For the 1999 elections, Keadilan joined forces with three other opposition parties – the Democratic Action Party, Parti Rakyat Malaysia, and PAS – to form the Barisan Alternatif opposition coalition. The party currently holds five parliamentary seats and four state assembly seats.

Party's Perceptions of the Political Party Environment and Corruption

According to Keadilan, the main challenges facing political parties and the country relate to the monopoly of power in the ruling coalition, Barisan Nasional. Keadilan believes that the playing field in Malaysia is not equal for all parties. The ruling parties have favored access to the media, the state administrative machinery, and the justice system. The opposition, on the other hand, faces tremendous obstacles due to restrictions on freedom of speech, press, and assembly. Most notably, many key Keadilan members are currently in prison under the ISA without the right to a trial, a situation that the party believes is undeniably politically motivated. The party asserts that the ruling coalition uses the ISA as a tactic to muzzle its competition.

Keadilan is concerned about corruption in the country, although the party views corruption as a manifestation of the broader lack of accountability and transparency in the government, restrictions on civil liberties, and an unfair judicial process. As one senior Keadilan official said, "Corruption is part of a bigger problem in Malaysia of an overwhelming dominance of an executive, and because of that dominance, there is minimal accountability." The party believes that corruption increases when there is no change in national leaders. Moreover, Keadilan officials allege that the government has used corruption as

an excuse to sack political opponents and maintain its monopoly on power, and therefore the government's anti-corruption efforts and the recent dismissals within UMNO must be viewed with skepticism.

Keadilan representatives report that there is "a lack of political will" to enforce the existing laws and regulations aimed at reducing corruption, and to strengthen the national institutions such as the ACA, election commission, and judiciary. The party believes that without strong and independent external institutions, chances of tackling corruption within parties are slim. Party officials argue that there need to be external incentives to encourage parties to keep clean. Therefore, Keadilan and its coalition partners have proposed a variety of national anti-corruption measures.

In the Keadilan party agenda there is a full section on ethics and accountability. The agenda promotes greater transparency and accountability in corporate governance, in government contracts, and in the management of the state. Keadilan has proposed in its agenda, for example, that all elected officials declare their assets at both the state and national levels. Keadilan has also lobbied for the independence of the Anti-Corruption Agency, currently appointed and managed by the executive. In addition, Keadilan advocates for an independent and neutral election commission in order to curb irregularities in the election process and money politics within the parties. The party demands enforcement of the current election campaign finance regulations and genuine scrutiny of the campaign financial reports parties must file.

Despite the party's stated commitment to tackling corruption, its main priorities are the broader themes of expanded democracy, protected civil liberties, and the independence of the judiciary. With these three essential facets in place, party officials argue, corruption would pose less of a problem for the country and parties would be able to operate more freely.

Party Structure and Decision-Making

In October 2001, the party held its first official general assembly meeting and had elections for several party positions. Approximately 12 representatives from each of 120 divisions, corresponding with the country's electoral constituencies, attended. The party elected a new deputy leader, 20 supreme council members, and three vice presidents. The executive committee of the party was also chosen, with elections for information chief, treasurer, and secretary-general. In addition, there are several appointed positions in the party, and the party's leader, Wan Azizah, has the authority to fill these positions. For example, she can appoint two vice presidents and seven supreme council members. State chairpersons are not elected but appointed by the

party leadership. Following the October assembly, several of those party members who were nominated but not elected withdrew from the party. One party official reports that the elections resulted in some polarization within the party.

Keadilan officials claim that the party makes decisions in a democratic, although sometimes informal, manner. The party, for example, is merging with Parti Rakyat Malaysia (PRM), and all Keadilan members were able to provide their input on this merger. Keadilan officials state that the party is decentralized, and state, division, and branch offices are able to make their own decisions about local matters and nominate candidates, although the final approval comes from the party's headquarters. Party officials have emphasized that the party should encourage competing elements within the party and accept pluralism, although this may make decision-making more difficult at times.

As the party grows, several Keadilan members recognize the need for clearer and more defined decision-making processes. There must be a specified way in which resolutions are made and consensus is built. The party has lacked cohesion on a few issues, such as street demonstrations, and there is not a defined process for resolution. Rather, elements within the party often make decisions and act on their own, although representing the party. The first assembly meeting in October was a first step in formalizing and consolidating decision-making in the party.

Money Management and Party Financing

Keadilan is a financially poor party that is dependent on contributions from friends and family to pay even the small deposits required of candidates to run for office. There is no official fundraising process, and all candidates are responsible for managing their own money. The Keadilan headquarters, however, provided posters and pamphlets for all candidates during the 1999 elections. MPs and state assemblypersons are required to donate 10 percent to 20 percent of their salaries to the party.

By law, Keadilan must present reports of party financial activities to the Registrar of Societies, so the party must keep records of revenues and expenditures. However, there is no formal financial monitoring process. Several Keadilan officials do recognize that "money politics exists within any party in power" and therefore believe that the party must develop more concrete financial systems to prevent the possibility of corruption as the party grows.

Ethical Standards and Discipline

Keadilan does not have an official code of conduct or any written contract for new party officials and candidates. All new party members, however, must pledge verbally to adhere to the values of the party, and both Keadilan and the Barisan Alternatif opposition coalition have clear manifestos that all candidates are expected to follow. Keadilan officials assert that the representatives of the BA have adhered to this common manifesto and put forward the principles of the manifesto when in parliament.

Keadilan has not struggled with the problem of internal corruption, according to party officials, because the genesis of Keadilan is based on ideology and “a struggle for justice, transparency, and rule of law.” Therefore, the party believes that the type of person who joins Keadilan is looking for an ideology-based party, as there are no other perks associated with joining. Although Keadilan believes that most internal corruption takes place in the ruling coalition, due to its position of power in the government, Keadilan representatives recognize that the opposition parties are not fully exempt. Although many opposition parties may lack the money and power to participate in high-level graft, a few opposition party members have demonstrated unethical behavior by scaring or intimidating voters. According to reports outside the party, there may be a stronger incentive for opposition parties to cover up possible corrupt practices because they are small and eager to increase their representation and support. Furthermore, those outside the party frequently allege that Anwar Ibrahim, the impetus behind Keadilan, had a questionable record on ethics when he was in government.

Several Keadilan officials recognize that the party should start thinking about specific ethical standards and criteria for party officials, candidates, and leaders and a monitoring system in order to prevent corruption within the party as it expands. One Keadilan official also mentioned that term limits might be an effective way to prevent the monopoly of power within the party. Given the newness of the party, however, others argue that continuity of leadership is important for the short term. Party officials recognize that by implementing certain mechanisms to prevent internal corruption, the party will also provide credibility to its national anti-corruption efforts.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			Schedule I of the Societies Act states, “Every member shall have the right to vote and shall be eligible to hold office in the committee or governing body.”

			Members are involved in choosing local party office committee members, who do participate at the assembly meetings to elect party leadership. There are some senior positions in the parties, however, that are un-elected, appointed positions.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	
	PAS	Y	
	DAP	Y	
2	Do local party branches participate in candidate selection?		In all the Malaysian parties interviewed, local offices are able to nominate or suggest candidates for both parliamentary and state elections, but central party headquarters maintains a veto power. There are no general primaries in which common members and/or citizens can participate.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	
	PAS	Y	
	DAP	Y	
3	Are there regularly scheduled party congresses or conventions?		All parties involve representatives from their local offices in general assembly meetings.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	
	PAS	Y	
	DAP	Y	
4	Can all members participate in selection of delegates to national party congress?		There are no primaries involving all members. However, members participate indirectly in selecting delegates to the national party congress. Members elect local office chairs and committee members, who attend the national party congresses. UMNO and Keadilan's state offices, however, are not elected.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	

	PAS	Y		
	DAP	Y		
5	Are local party offices elected?			
	UMNO	Y		State committees are appointed by UMNO headquarters. Branch and division bodies are elected.
	Gerakan Party	Y		State, division, and branch offices are elected.
	Keadilan Party	Y		State chairs are appointed by party leadership. Branch and division bodies are elected.
	PAS	Y		State, division, and branch offices are elected.
	DAP	Y		State, division, and branch offices are elected.
6	Are there term limits for party officials?			No parties have term limits for party officials, although a few parties have expressed interest in the idea.
	UMNO		N	
	Gerakan Party		N	
	Keadilan Party		N	
	PAS		N	
	DAP		N	
7	Does the party own businesses?			It is legal for parties to own businesses, although they must be audited.
	UMNO	Y		UMNO owns newspapers, businesses, and several properties.
	Gerakan Party	Y		Gerakan owns rental property.
	Keadilan Party		N	
	PAS		N	
	DAP		N	
8	Does the party refuse political contributions from certain sources?			In general, Malaysian parties do not refuse funding from legal sources based on ideological or other concerns.
	UMNO		N	
	Gerakan Party		N	
	Keadilan Party		N	
	PAS	Y		PAS will not accept money from any foreign governments or agencies.
	DAP		N	
9	Do party MPs have to donate part of their salary to the party?			
	UMNO		N	
	Gerakan Party	Y		MPs donate a portion of their

			salaries to the party.
	Keadilan Party	Y	MPs and state assembly persons are required to donate between 10 and 20 percent of their salaries.
	PAS	Y	20 percent of salary of MPs goes to the party.
	DAP	Y	All of the salaries of MPs and state assembly persons go to the party, and the party takes out between 15 and 30 percent depending on the position and salary of the person.
10	Does the party employ professional accountants to manage party funds?		Parties all have official auditors and treasurers, as required by the Societies Act.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	
	PAS	Y	
	DAP	Y	
11	Does the party conduct an annual audit of its accounts?		The Societies Act requires parties to submit financial reports and audits.
	UMNO	Y	
	Gerakan Party	Y	
	Keadilan Party	Y	
	PAS	Y	
	DAP	Y	
12	Does the party disclose the sources of its funds and expenditures to members of the party?		Malaysian parties make their financial reports available at the general assembly meetings. These reports do not always disclose all the sources of funding.
	UMNO	Y	
	Gerakan Party	Y	Gerakan says it will disclose the sources of all funding to its members upon request.
	Keadilan Party	Y	
	PAS	Y	PAS prefers its donors remain anonymous.
	DAP	Y	
13	Does the party disclose the sources of its funds and expenditures to members of the public?		Certain party expenditures are disclosed to the public, such as campaign expenditures. Sources of party financing are rarely disclosed.
	UMNO		N

	Gerakan Party		N	
	Keadilan Party		N	
	PAS		N	
	DAP		N	
14	Are party leaders required to disclose their personal assets?			None of the parties, except PAS, require officials to disclose their assets and liabilities, and there is no stipulation for disclosure in national legislation. PAS requires party officials to declare assets through the <i>Hisbah</i> system.
	UMNO		N	
	Gerakan Party		N	
	Keadilan Party		N	
	PAS	Y		
	DAP		N	
15	Are party leaders required to sign a party code of conduct?			
	UMNO		N	Party members must pledge to follow the UMNO handbook. Nothing specific about ethical behavior, although some members would like to introduce this.
	Gerakan Party		N	Party members must sign an oath that they will obey the party tenets. Nothing specific about ethical behavior/corruption.
	Keadilan Party		N	Party members make a verbal pledge to be loyal to the party. Nothing specific about ethical behavior/corruption.
	PAS		N	Party members take a pledge to Islam on the tenets of the religion, obedience, and discipline.
	DAP		N	The party has no code or pledge on ethical behavior. However, party candidates must sign their own resignation letter as a disciplinary tactic.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			
	UMNO	Y		The party has an independent disciplinary committee.
	Gerakan Party	Y		The party's central working committee serves as a disciplinary committee.
	Keadilan Party	Y		The party has an independent

	PAS	Y		panel to investigate wrongdoing.
	DAP	Y		The party's spiritual leaders serve as the disciplinary committee. The party has an independent disciplinary committee as one of its top five committees.

CONCLUSION

While Malaysia's political parties acknowledge the need for reform, so far relatively few steps have been taken to revamp party organizations. Furthermore, the country's political party and election campaign laws are not stringent or particularly effective in limiting corrupt practices. The laws require no declarations of assets and liabilities for party officials or MPs, set no limits on donations or on expenditures outside the campaign period, and provide no funding for party development. Although many Malaysians recognize that campaign finance regulations are routinely violated, offenders are rarely punished. Essentially, parties can raise money in any manner, from virtually any source, and can spend limitlessly. The public does not know the sources from which parties receive their funding and cannot, therefore, monitor the relationships between parties and donors or trace party policies to donor interests.

In terms of structure and decision-making, most Malaysian parties have established similar bodies and committees at their headquarters and local offices. Parties differ only slightly in their decision-making practices. All parties have general assembly meetings where representatives from the local offices are able to participate in discussions on party policies and financing. Parties also have similar internal election practices, although in UMNO and Keadilan, state offices are appointed, while other parties allow division committees to elect the state office positions. Local offices of parties are able to suggest candidates for elections, but party headquarters hold the final decision-making authority. In most parties, a small group of leaders makes the key decisions and formulates policy.

The Societies Act dictates to a certain degree the financial management procedures of parties. All parties have professional auditors and file financial reports with the Registrar of Societies. Party fundraising practices do differ. UMNO prohibits local offices from fundraising in order to limit opportunities for money politics. For other parties, most fundraising takes place at the local level. PAS, Keadilan, Gerakan, and DAP require party MPs to donate part of their government salary to the party. In the case of DAP, the party takes the

entire salary from each MP, deducts a contribution for the party, and then pays the person his/her remainder. PAS encourages all donors to remain anonymous, which the party believes limits the influence of donors on party decision-making, although this practice also reduces transparency.

Malaysian parties take a variety of approaches to promote ethical behavior of their members and officials and to enforce party discipline. Most parties have some type of training program to teach party members about the philosophy of the party, party regulations, and the roles and responsibilities of members. PAS also includes training on ethics and religious tenets, and the party has an ombudsman system to provide “ongoing counseling and guidance” to members. Many parties cite the internal election process as an area prone to manipulation and fraud. In response, PAS claims to discourage any campaigning for internal posts, while Gerakan Party allows party candidates to use election monitors.

All parties have a disciplinary committee and process, although UMNO has been most aggressive in utilizing its newly independent disciplinary board. As mentioned above, the board recently expelled six UMNO officials for fraud in the internal party elections. The board also has a full caseload still to be heard. DAP has an unusual mechanism to encourage party discipline: it requires all candidates to sign resignations for their parliamentary seat before they take office to discourage party switching. However, the party has never utilized this tactic.

Money politics continues to plague the country. Yet, there is little legislation to regulate political finance and monitor party behavior, and enforcement of existing laws is practically non-existent. Parties themselves have made few efforts to practice self-discipline by mandating internal procedures and regulations. Even parties that advocate strict anti-corruption measures nationally, such as the implementation of mandatory declarations of assets by office holders, have not taken on these reforms themselves.

There is heightened awareness in parties, however, about the need to implement internal reforms. UMNO has initiated measures, such as the disciplinary board, and is also reportedly in the process of discussing further reforms. Other parties have also acknowledged the need for internal regulations and monitoring. Several small opposition parties have stated that although there are few concerns about corruption in their parties at present, it is important to introduce measures that encourage ethical behavior now before they expand and have more “opportunities” for corruption. There is widespread agreement that the Malaysian party system needs enhanced internal accountability and transparency in order to build public confidence in the political system and the democratic process, and all of the political parties have a responsibility to change their current practices.

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- ¹ This chapter is based on interviews with Malaysian political party leaders in Kuala Lumpur June 6 to 10, 2001. In many cases, party representatives spoke on the condition of anonymity and the researchers have complied with this request.
- ² United States Department of State, Malaysia: Background Notes, October 2000.
- ³ United States Department of State, Malaysia Country Report on Human Rights Practices, 2000.
- ⁴ The Yang DiPertuan Agong (King) is the supreme Head of State. He is one of the nine hereditary Malay rulers, or sultans, who together form the Conference of Rulers along with four non-hereditary leaders known as the Yang DiPertuan Negeri, who are appointed by the federal government. The Conference of Rulers selects the King for a five-year term. One of his central responsibilities is to appoint key officials (including Federal and High court judges, senators, election commissioners, and directors of the anti-corruption agency). In practice, the King acts on the advice of the prime minister. The King is also the leader of the Islamic faith in Malaysia.
- ⁵ For the purposes of this study, the East Malaysian Sabah and Sarawak parties are not included.
- ⁶ Crouch, Harold, "Malaysia: Do Elections Make a Difference?" in R. H. Taylor, ed., *The Politics of Elections in Southeast Asia* (New York, NY: Woodrow Wilson Center Press, 1996).
- ⁷ Case, William, "Malaysia's Resilient Pseudodemocracy," *Journal For Democracy*, Volume 12.1 (Washington, DC: National Endowment for Democracy, 2001).
- ⁸ Current breakdown of the 193 seats in the House: BN: 148, PAS: 27, Keadilan: 5, DAP: 10, and Parti Bersatu Sabah (a Sabah state party): 3.
- ⁹ Jomo, K.S., "Elections Janus Face: Limitations and Potential in Malaysia," in R. H. Taylor, ed., *The Politics of Elections in Southeast Asia* (New York, NY: Woodrow Wilson Center Press, 1996).
- ¹⁰ Chin, James, "Malaysia in 1997," *Asian Survey*, Vol XXXVIII, No. 2, February 1998.
- ¹¹ "Dr. Mahathir's One-Man Show," *The Economist*, June 9, 2001.
- ¹² Jayasankaran, S., "Final Sacrifice: Daim Bows Out," *The Far Eastern Economic Review*, June 14, 2001.
- ¹³ With the exception of Articles 18A, 18B, and 18C, which apply to parties only. Societies Act 1966 (Act 335) and Regulations.
- ¹⁴ The constituencies are weighted to favor rural Malays, who have traditionally voted for the ruling coalition. However, with PAS's increasing support among the Malay population, the gerrymandering may no longer favor the ruling coalition.
- ¹⁵ Rahman, Rashid A., *The Conduct of Elections in Malaysia* (Kuala Lumpur, Malaysia: Berita Publishing, 1994).
- ¹⁶ Chin (1998).
- ¹⁷ Anti-Corruption Act of Malaysia, 1997, Act 575.
- ¹⁸ For the purposes of this study, we examined parties in peninsular Malaysia. We included the three main opposition parties, and the leading party in the ruling coalition as well as a smaller coalition member. We were unable to secure interviews with the Malayan Chinese Association (MCA), the second largest party in the ruling coalition.
- ¹⁹ Gomez, Edmund Terence, "Malaysia," in Wolfgang Sachsenroder and Ulrike E. Frings, ed., *Political Party Systems and Democratic Development in East and Southeast Asia*, Friedrich Naumann Foundation (Aldershot, England: Ashgate Publishing Ltd., 1998).
- ²⁰ UMNO Headquarters document.
- ²¹ Case (2001).
- ²² Gomez (1998).
- ²³ Case (2001).
- ²⁴ Membership Orientation Booklet: An Introduction to Parti Gerakan Rakyat Malaysia.

- ²⁵ Dr. S. Vijayaratnam, Vice President, Gerakan Press Release: “Strengthen Tool to Fight Graft.”
- ²⁶ Gerakan Constitution, December 31, 1998.
- ²⁷ Gerakan Party, “Big money being used to lure Gerakan Assemblymen,” Press Release, February 10, 2000.
- ²⁸ See “Ideology, Policy, Struggle, and Vision Towards the New Millennium, by Nasharudin Mat Isa, Secretary-General, January 2001.
- ²⁹ Gomez (1998).
- ³⁰ Noor died in 2002.
- ³¹ See Democratic Action Party, “Towards Malaysian Malaysia,” National Organization Bureau, 1996.
- ³² Democratic Action Party Socialist Youth, Kulai Declaration of Anti-Corruption, 12 December 1993.
- ³³ Ten-Point Consensus of the “First Round Table Conference on Corruption – Assembly of Voices,” July 13, 1997.
- ³⁴ Speech by former DAP Leader Lim Kit Siang on the Anti-Corruption Bill during committee hearings in parliament, 1997.
- ³⁵ Lim Kit Siang, former DAP Leader, August 18, 1997.

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NEPAL¹

SUMMARY

Nepal has experimented with various forms of democracy since the first constitution was drafted in 1959. Between 1962 and 1990 Nepal was governed through a unique *Panchayat* system, in which local and district *panchayats* (councils) elected representatives to the National *Panchayat*. Political parties were banned and real power remained in the hands of the monarch, who appointed almost half of the National *Panchayat* members. In 1980, in response to a growing demand for a more democratic and less corrupt government, the King reformed the *Panchayat* system by amending the constitution. However, these reforms did not appease Nepal's growing "people's movement for the restoration of democracy" that garnered enough popular support by 1990 to instigate widespread political protests. Subsequently, a new constitution was drafted and the first general elections under the new multi-party democracy were held in May of 1991. Since 1991, conflicts among and within parties have made it difficult to maintain governing coalitions and have resulted in 11 prime ministers. This instability is exacerbated by continued economic hardships and the "People's War"² launched in 1996 by the Communist (Maoist) Party of Nepal.

Nepal's democracy continues to face growing pains. A penchant for corruption on the part of many political figures poses a significant challenge. Unfortunately, neither the legislature nor the parties have yet fully established mechanisms to limit the frequency or impact of political misconduct. In addition the anti-corruption mechanisms that exist lack effective enforcement. While the Election Commission has limited corruption during election periods through its election codes of conduct, new laws are required. Barring internal party investigations or discipline, political party officials have few disincentives for engaging in misconduct.

BACKGROUND

Political Context³

Country Background

Nepal is a small, landlocked country situated between India and China, two often-hostile neighbors. Beginning with the unification of Nepal under the Shah dynasty (1744), through the Rana family dynasty (1846-1950), and until the return to power of the Shah dynasty (1950-1990), Nepal has experienced a number of governing systems. The monarch has maintained absolute power throughout most of these periods. As previously mentioned, the first constitution introducing democracy was adopted in 1959. However, Nepal's democracy was short-lived. In 1962, the unique *Panchayat*⁴ system was established. It was not until 1990, that Nepal's movement for democracy ushered in a new era of democratic governance. Unfortunately, this last era has been marked by substantial instability.

1846 -- 1962: Family Dynasties and Monarchical Rule

When the Rana family came to power in 1846 they reduced the monarch to a figurehead role and stabilized the country through the use of hereditary prime ministers. The Rana dynasty has been referred to as a "centralized autocracy" that kept Nepal isolated from the rest of the world. This isolation helped to maintain the country's independence but hindered economic growth. Nepal remains one of the world's poorest nations, dependent on foreign aid and unable to care for millions of rural citizens who live in grinding poverty.

In 1950, King Tribhuvan escaped the control of the Rana family and fled to India, an incident that instigated a revolution to oust the Rana family. The restored Shah King agreed to a democratic government of sorts and introduced a period of quasi-constitutional rule with new political parties. However, it took seven years to formulate a constitution and hold elections. The interim government promulgated, and the King recognized, the first democratic constitution providing for a multi-party system and constitutional monarchy in 1959.

This period of democracy was short-lived. The Nepali Congress Party (NC), having won a majority in the House of Representatives⁵, selected B.P. Koirala to serve as prime minister. Unfortunately, after 18 months of NC infighting and disputes, the King suspended the constitution and dissolved the government. The country's pro-democracy movement would often refer to this brief period of democratic governance in their demand for the "restoration" of democracy.

1962 – 1990: *Panchayat* System

In 1962, King Mahendra established a new form of government by creating the *Panchayat* (councils) system, "a pyramidal structure progressing from village assemblies to a Rastriya *Panchayat* (National Parliament)...(with) the

King as head of state with sole authority over all governmental institutions including the cabinet and the parliament.”⁶ The King or his agents nominated candidates for all elections, many of whom ran unopposed, political parties were banned, and there was no universal suffrage during the first 20 years. This system lasted 30 years and thousands of pro-democracy activists, NC members in particular, were jailed, exiled, tortured, and executed.

In 1980, King Birendra responded to student demonstrations and anti-regime protests by holding a national referendum to determine whether citizens preferred a reformed *panchayat* system or a multi-party government. The referendum was marred by bribery and coercion. The majority of voters chose to retain the *panchayat* system, though 45 percent of voters favored a multi-party system. The monarchy selected a reformed *panchayat* system over a multi-party government, and the King moved to carry out the promised reforms.

During 1990, political protests erupted in Kathmandu under the banner of the “people’s movement for the restoration of democracy.” Supported by united leftist parties under the umbrella of the United Left Front and the NC, as many as 100,000 people demonstrated in the streets demanding democracy and an end to the country’s absolute monarchy. At least 50 protesters were killed and another 200 were injured when the army opened fire on the crowds. In the face of this crisis, King Birendra agreed to political reforms: the ban on political parties was lifted; an interim government was formed under the leadership of the movement parties; the new government was given a mandate to draft a new democratic constitution; and general elections for the House of Representatives were scheduled.

1990 – present: The Transition to Democracy

During the *Panchayat* system, parties remained active underground or based their operations outside of the country. The lack of governmental experience by all parties has created challenges since the adoption of the 1990 constitution. Since 1990, Nepal has had six governments from opposite ends of the political spectrum. Many of these have been unstable coalitions made up of right and left wing parties. Conflicts among and within parties have made it difficult to sustain administrations, as demonstrated by no fewer than 11 prime ministers during this period. “None of these administrations has been able to escape in-fighting and political intrigue that is so commonplace in Nepalese politics. Many observers say the primary consideration of each new government is to stay in power for longer than a year.”⁷ Despite this instability, transfers of power have been peaceful.

The interim government of 1990 was led by Krishna Prasad Bhattarai, president of the NC, and consisted of members of the United Leftist Front and the King's nominees. This government was mandated to draft a new constitution and to hold general elections. A multi-party, constitutional monarchy was modelled after the UK Westminster system.

In May 1991, the first general elections under the new constitution were held and signaled a clear rejection of the *Panchayat* system by Nepal's citizens. The NC was victorious, winning 110 out of 205 seats in the House of Representatives (only 103 seats are required to form a majority), and selected Girija Prasad Koirala as prime minister. Out of the 205 individuals elected to the House of Representatives, only four had any past connections with the former regime. The Communist Party of Nepal-United Marxist Leninist (CPN-UML or UML) became the largest opposition party in the parliament.

Due to the lack of governing experience of both the ruling and the opposition parties, the first few months following the general elections were very challenging for the new government. There were deep intra-party conflicts within the NC. As a strident anti-communist, Koirala received no cooperation from the main opposition party, and the atmosphere in parliament was highly unstable. As a result, Koirala recommended the dissolution of the House and a mid-term election two years before the completion of the five-year term.

The 1994 mid-term elections resulted in a hung parliament in which no single party received the necessary seats to form a majority government. The CPN-UML won 88 seats, the NC won 83 seats, and the Rastriya Prajatantra Party (the party of the old *Panchayat* leaders) won 20 seats. The CPN-UML, as the single largest party, formed a minority government under the leadership of Prime Minister Manmohan Adhikary. This was the only elected communist government in the history of Nepal. CPN-UML ruled for nine months before opposition parties succeeded in forcing Adhikary, who refused to forge coalitions with any other parties, to recommend mid-term elections once again. Accordingly, the King dissolved the House and called for fresh elections.

The legality of the dissolution of the House of Representatives by the King was challenged in the Supreme Court. In August 1995, the Supreme Court declared the dissolution of the House unconstitutional since opportunities for forming a government remained. In the House a new coalition was formed, ousting the minority CPN-UML. In September of 1995, Sher Bahadur Deuba of the NC became prime minister of a coalition government formed with the support of the RPP and the Nepal Sadbhawana Party (NSP). The Deuba government lasted 18 months before it collapsed due to inter-party and intra-party conflicts. During this period, there was no anti-defection law and members of parliament (MPs) continually broke party ranks, often for their own personal gain. This added to the increasing instability of the government.

In February of 1996, the Communist Party of Nepal (Maoist)⁸ launched a “Peoples War” in the mid-western hills of Nepal against what they viewed as a corrupt government responsible for the country’s poverty and lack of development. This insurgency continues to be the most significant political problem in the country. To date, at least 2,000 people have lost their lives in the fighting.

In 1997, another coalition government was formed under the leadership of RPP leader Lokendra Bahadur Chand. Chand was in office only six months. Another RPP leader, Surya Bahadur Thapa, with support from the NC and the NSP, became the next prime minister. This government also only lasted for approximately six months, resulting in the formation of another coalition government under the leadership of the NC’s Girija Prasad Koirala. The NC was supported by the RPP, NSP, and CPN-UML factions. This government scheduled the third parliamentary elections for May 1999.

The third general election resulted in the NC receiving the majority of seats to form the government under the leadership of the aging party leader Krishna Prasad Bhattarai. His tenure came to an end within ten months when he was forced to resign by his own party for not being able to restore law and order or control corruption. Former Prime Minister Girija Prasad Koirala was named the new prime minister with promises to restore law and order, reduce corruption, and streamline government processes. But Koirala was soon embroiled in a corruption scandal, with the main opposition party accusing him of questionable involvement in a lease of a Lauda Airplane for Royal Nepal Airlines. The opposition boycotted the entire 2001 winter session of parliament and demanded the prime minister’s resignation. However, Koirala stubbornly clung to his post. Parliament adjourned after 57 days of non-activity.

Composition of Nepal’s Parliament in July 2001

The House of Representatives	Number	Percentage
Nepali Congress (NC)	113	55.1
Nepal Communist Party (UML)	68	33.2
Rastriya Prajatantra Party (RPP)	12	5.9
Nepal Sadbhawana Party (NSP)	5	2.4
National Peoples Front (NPF)	5	2.4
United Peoples Front (UPF)	1	0.5
Nepal Workers’ and Peasants’ Party	1	0.5
TOTAL	205	100 %
National Assembly	Number	Percentage
Nepali Congress (NC)	21	35

Communist Party of Nepal (UML)	23	38
Rastriya Prajatantra Party (RPP)	3	0.5
Communist Party of Nepal (ML)	1	2
Rastriya Prajatantra Party (Chand)	1	2
Nepal Sadbhawana Party (NSP)	1	2
Nominated by the King*	9 (of 10)	17
TOTAL	*59 (of 60)	** 101 %

* Note: One member has not yet been nominated by the King

** Percentage exceeds 100% due to rounding

Current Political Climate

On June 1, 2001, ten members of the royal family, including King Birendra and Queen Ashwarya, were massacred. Birendra had been very popular for lifting the ban on the political parties and honoring the constitution. A high-level investigative committee concluded that Crown Prince Dipendra was responsible for the killings. Gyandenra, the late King's brother, was crowned King. After the royal massacre, the Maoist insurgents increased their terrorist activities throughout the country, killing and kidnapping hundreds of police officers. The government mobilized the army to rescue abducted police officers and an armed stand-off began.

On July 19, 2001, Prime Minister Koirala resigned. Sher Bahadur Deuba became prime minister once again. Deuba has taken an active role during his first months in office to solve the Maoist crisis. In August, the first of three rounds of talks were held between the Maoists and the government. After the third round of talks, the Maoists unilaterally gave up on the negotiations and resumed armed conflict around the country. The government was forced to declare a state of emergency on November 26, 2001. Prime Minister Deuba's initial successes with the Maoists had garnered enough support to silence his internal party critics.

The Maoist issue has lessened the public's concern with the issue of corruption in the government, even though members of Deuba's party have been arrested and prosecuted for corruption. Deuba, himself, has been implicated in a scandal involving the use of a government vehicle between his terms as prime minister. Although not the top issue on the agenda, corruption still has the attention of many in the parliament who are considering investigations into improper conduct among members. This is an issue that will surely be of interest to the public during the next elections. Local elections are scheduled for mid-2002, with national elections expected in 2004.

Governance System

The current constitution, promulgated on November 9, 1990, is the first constitution in the history of Nepal drafted by the leaders of the democratic movement. The drafting committee was made up of representatives of all political parties as well as the King's representatives in the government. As a result, the constitution is considered to have both "popular consent" and the approval of the monarch. The constitution provides the King with limited powers as the head of state.⁹ The King officially maintains control over the dissolution of the parliament, calls for new elections, gives the opening address to parliament, and, upon recommendations from the Council of Ministers, appoints the constitutional bodies and ambassadors.

Instituting a system of checks and balances, the constitution contains the following provisions:

- The people of Nepal are sovereign;
- A prime ministerial government is formed, based on the UK Westminster system;
- The role of the King is as a constitutional or limited monarch;
- Fundamental human rights are ensured to every citizen, regardless of caste;
- The Supreme Court has the right to adjudicate the constitutionality of legislation and executive actions;
- The legislature is bicameral with the House of Representatives (lower chamber) consisting of 205 members (directly elected from single member districts and serving five-year terms) and the National Assembly (higher chamber) comprised of 60 members;¹⁰
- Independence of the judiciary is ensured; and
- Independent "watchdog" bodies are created.

These independent watchdog bodies are empowered with separate constitutional mandates in specific areas of governance. The Constitutional Council consists of five members: the prime minister (who serves as the chair), the chief justice, the speaker of the House of Representatives, the chair of the National Assembly, and the leader of the opposition in the House of Representatives.

The Commission for the Investigation of Abuse of Authority (CIAA) is responsible for investigating improper conduct or corruption by a person holding a public office. The CIAA has been constrained by a lack of necessary facilities, skilled human resources, and political commitment from leaders in government and the opposition. Although the CIAA is generally regarded as

ineffective, it has increasingly been able to pursue corruption investigations. The body recently uncovered serious improprieties at a major bank. The case is currently in court awaiting a verdict. The parliament is currently considering a bill to further empower the CIAA to more effectively control corruption.

The Election Commission (EC) has the duty of administering and supervising elections at all levels. All parties must register with the EC to field candidates for an election, and the EC has authorization to investigate and monitor campaign finance.

The Office of the Auditor General is responsible for auditing government accounts for efficiency, effectiveness, and propriety. The Public Service Commission is charged with conducting examinations for the selection of suitable civil servants.

Political Corruption in Nepal

Despite the nation's political instability, while progress was being made on the economic front between 1990 and 1994, political corruption did not appear to be as widespread as it is today. Since 1994, however, corruption has taken firm root in the Nepalese political system. Many politicians, particularly from smaller parties, have taken advantage of the government's instability, selling their votes and party memberships to the highest bidder. Once having defected, party officials are frequently rewarded with appointments as government ministers, positions that they can use to raid public coffers. One notorious, but unproven, case involved the simultaneous travel of four ministers to Thailand for immediate "medical treatment." The CIAA investigated and discovered that these ministers were using state funds to lodge at luxury hotels. While the CIAA was unable to develop a strong case to try the offenders, its public findings strengthened the national sentiment that corrupt politicians were feeding on the Nepalese government.

Corruption has also crept into election campaigns. Due to the increasing costs of running campaigns, many party members contend that parties are forced to violate election laws in order to generate the needed financial support. Citing a lack of adequate adjustment for inflation, parties circumvent the spending limits established by the election codes of conduct. Party leaders also complain that voters have come to expect money in exchange for votes during elections.

Corruption at the local government level remains a less significant issue even though local officials are occasionally charged with stealing public funds. At the local level, the Maoists have become the judge, the jury, and the

executioner for officials accused of corruption. In a few instances, the Maoists have killed local officials of the Nepali Congress and the United Marxist Leninist parties on the grounds that they embezzled public funds.

The public is acutely aware of, and concerned about, corruption. Official corruption, in fact, has become a centerpiece of political discussions among citizens. This growing concern has led directly to the sacking of Prime Ministers Bhattarai (by his own party) and Koirala for their failure to control corruption. Nepalese generally regard politicians as corrupt unless it is demonstrated thoroughly that they are clean. The inability of anti-corruption agencies to prosecute cases has made public charges tantamount to verdicts in the public eye.

Political Party Environment

Party Formation and Discipline

Nepal uses a first-past-the-post electoral system with open nominations at the national and local levels. In order to field candidates for an election, a political party must register with the Election Commission (EC). To register, a party must pay a small fee, have a party constitution, and provide a list of party officers. Perhaps due to these relatively minor requirements for registration, there are approximately 90 registered parties in Nepal at this time.

In order to be considered “nationally recognized” by the EC, a political party must receive three percent of the vote in a national election. Once recognized as “national,” a party receives a permanent election symbol, a separate parliamentary party office, and supporting government staff. There is no geographic distribution requirement for these votes. Additionally, in order to qualify as a national party, 5 percent of the party’s nominations must be for women candidates. Nepalese citizens in “good standing” with no criminal record, proper citizenship, and above the age of sixteen can be party members. Civil servants, officials of national corporations, or palace employees are not allowed to join a political party. Of the approximately 90 political parties officially registered in Nepal, only five currently meet the requirements of a national party. Four of those five national parties were formed during the *panchayat* system as opposition parties. The fifth national party was created after 1990.

The Nepalese parliament passed an anti-defection law in 1997. The law provides for a MP’s party membership to be denied if an MP resigns from the party, takes membership in another party, registers a new party with the EC,

or most importantly, votes against the party whip.¹¹ The anti-defection law has had a stabilizing effect on the parliament, at least in terms of party switching, and has reduced the rampant vote buying that was prevalent prior to its passage.

In addition, draft legislation for “Regulating Political Parties” has been passed by the House of Representatives and will likely be considered by the National Assembly during the next session. This law, if passed, would further regulate political party activities.¹²

Party Finance

Currently, there is no legislation regulating party finance outside the campaign period. There are no limits on party spending and no limits on contributions from Nepalese individuals or organizations (including businesses) outside the campaign period. However, the new legislation on Regulating Political Parties would require parties to disclose annual income, expenditures, and any contribution over R25,000. The draft law does not address in-kind contributions to parties.¹³ Because Nepal does not have significantly large businesses or industries, it is assumed that individuals make the bulk of contributions to parties.

With regard to oversight, the auditor general will review parties’ annual income reports, and several internal party codes require MPs, executive committee members, and some lower level committee members to disclose their personal assets and income sources.

Election Laws and Campaign Finance

The oversight of political campaigns is the chief responsibility of the EC. Part of this responsibility includes the formulation of the election codes of conduct. Because the EC was unable to formulate these codes until 1996, the 1991 general election and the 1994 mid-term elections were regulated on the basis of skeletal election laws enacted in 1991.

The 1996 election codes of conduct outline election finance regulations for political parties, party candidates, and independent candidates. The Nepalese government does not provide public funding for political campaigns. Although the EC restricts campaign spending, campaigns can collect unlimited donations from non-foreign individuals and organizations. The EC has some investigative powers and has the right to access candidates’ records during the course of an election campaign. All candidates must maintain accurate records of expenses in a specified format. Financial records must be submitted within

six months after the announcement of the election results and must disclose the expenditures of political parties, individuals, or other entities made on a candidate's behalf.

The election codes of conduct have set four different expenditure limits for candidate campaigns for the House of Representatives based on classified groups. Each of the 75 districts of Nepal are categorized into one of four groups (A, B, C, or D) depending on the number of voters, the remoteness of the district, and the district's economic vitality. Group A, for example, consists of the relatively prosperous urban districts of the Kathmandu Valley, and group D consists of very poor rural districts in remote regions of the country.

	Expenditure	Group A	Group B	Group C	Group D
1	Purchase voters list	20	20	20	20
2	Transportation	2160	1940	1167	820
3	Loudspeaker	280	240	200	147
4	Posters (Max.10,000)	147	107	87	47
5	Pamphlets(Max10,000)	60	53	47	33
6	Loading/Porters	-	-	133	160
7	Public meetings	333	267	200	133
8	Staff/office	267	200	133	67
9	Booth expenditure (Polling agents)	267	200	133	67
10	Miscellaneous	133	107	80	40
	Total Expenses	\$3,667	\$3,134	\$2,200	\$1,534¹⁴

Enforcement of Party and Election Laws

After the election, the EC can impose a fine up to the spending ceiling on a candidate if the statement of election expenses is not submitted as prescribed. Enforcement of these fines has been successful due to the leadership of the current chief commissioner. Since his retirement in 2001, it is unclear whether the EC's enforcement efficacy will continue. Regulations are also enforced through voiding of election results. This can occur if any candidate or political party worker acting on behalf of the candidate violates the codes. The offending candidate may then be found ineligible to contest the new election.

In addition to the election codes of conduct, most party constitutions have codes of conduct and disciplinary committees. However, unlike the EC, enforcement mechanisms under these codes are weak and lack transparency. Party leaders admit privately that they attempt to deal discretely with charges of misconduct against their members, in an attempt to spare the offending member public humiliation and to avoid the involvement of the CIAA, the courts, or the press.

The lack of transparency in financial dealings and inadequate monitoring mechanisms allows party leaders who have accumulated property by corrupt means continue to be in the forefront of the parties' leadership.¹⁵ However, there are signs of change. Political parties realize the importance of not only enforcing general codes of conduct but also publicly disclosing this enforcement through the media. CPN-UML, for example, recently appealed publicly for a parliamentary code of conduct for MPs. At a recent NC central committee meeting, the party asked the government to investigate the property of all NC leaders who have held high government posts during the last twelve years and to confiscate any property not obtained by lawful means. It remains to be seen what will come of this, but there are signs that the parties are willing to take action in the ethics arena.

Media

Nepal has a lively and active media. Newspapers are thick on the ground and are widely read. Radio, however, is the primary news source for Nepalese, with over 80 percent of the population having access to radios. Moreover, there are increasingly popular alternatives to the government-owned Radio Nepal. With the exception of government owned outlets, the media are not reticent to report scandals or accusations and appear to do so with relish at the behest of the public.

However, investigative journalism in Nepal is weak. Ethics scandals appearing in the press are often based on information received from an investigative body or court. News conferences and press releases issued by one political party or leader generally fling accusations against another. It is rare to find a hard-hitting story based on extensive research. Stories involving scandals are rarely, if ever, followed-up. A major scandal will splash across the headlines one day and never be heard of again. There are some exceptions, such as the Lauda Air scandal described above, but in most cases there is little additional information forthcoming. Much of this is due to a lack of training and funds. While keen to investigate reports, reporters complain of low salaries and a lack of expense accounts. This makes it virtually impossible for them to spend the time or money needed to delve into investigative research.

The responses in the following chart are based on provisions of the proposed Law Regulating Political Parties, the election codes of conduct, and other relevant Nepali laws and internal party codes, where applicable.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?		N	The Law Regulating Political Parties (2001) has passed the House of Representatives but not the National Assembly. It addresses party finances, internal discipline and the EC.
2	Are there laws regulating party finance?			Currently, there is no law regulating political finance. The Law Regulating Political Parties (2001) will require party audits and financial reporting, including names of the contributors of more than 25000 rupees (\$333). There will be no contribution or spending limitations.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The EC sets campaign spending limits for candidates and parties, but the amount of contributions are not limited.
3a	Contribution limits?		N	
3b	Spending limits?	Y		
3c	Filing financial returns?	Y		Candidates must file returns with the EC within six months after the announcement of election results.
3d	Returns made public?		N	Financial returns are not routinely made public but regulations state that if requested by a “concerned party,” they will be made available. Under the proposed Law Regulating Political Parties, parties

				will be required to include campaign expenses in its annual income report to be made public.
4	Can political parties accept contributions from:			
4a	Businesses?	Y		
4b	Unions?	Y		
4c	Foreign sources?		N	Parties cannot accept donations from foreign individuals or organizations.
4d	Can parties own Businesses?	Y		Parties are not barred from owning businesses, but in practice it appears that none do.
5	Do parties have to reveal the sources of their funding?		N	Currently, parties do not have to reveal the sources of their funding.
6	Does the state provide public funding to political parties?		N	The Law Regulating Political Parties will require all parties to reveal the names of contributors of over 25,000 rupees (\$333).
7	Are annual financial audits of party accounts required?		N	Currently, no audits are required. The Law Regulating Political Parties will require parties to conduct annual audits and file financial reports with the EC within six months after the expiration of each fiscal year.
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?	Y		Internal party codes do require MPs, executive committee members, and sometimes lower level committee members to declare their assets and income sources. There is no public requirement for this.

8a	Are these declarations made public?		N	Certain bodies such as the Commission for Investigation of Abuse of Authority (CIAA) can access this internal party information if investigating a case.
9	Is there an Anti-Corruption Commission?	Y		The Commission for Investigation of Abuse of Authority (CIAA) is the only constitutionally mandated body with (limited) power to investigate corruption cases.
10	Is there an independent Election Commission?	Y		The Election Commission is independent from the government and parliament.

Political Party Experiences

Nepalese parties, despite their labels, generally lack distinct ideologies. Communist parties espouse socialist economic principles, but (with the obvious exception of the Maoist insurrectionists) are moderate in their policies and continue to voice support for a democratic multi-party system. Without strong party ideologies, voter loyalty is based on either connection with officials at the local, district, and national levels or on historical ties. The popularity of the Nepali Congress Party (NC), for instance, appears to be based on the NC's past critical role in restoring democracy, not on its current ability to govern. This has created little voter allegiance for party ideologies or platforms. In addition, a high illiteracy rate contributes to the Nepalese voting behavior. Party symbols, rather than candidate names, appear on ballots. Most citizens can identify the party symbol of a certain candidate in local elections. It remains unclear, however, how this party identification affects national voting choices.

Party structure is highly centralized. Due to a lack of capacity and resources in lower-level offices, decisions tend to be made at the top and are handed down to the grassroots. In addition, the parties make little attempt to develop branch offices, ensuring little hope for change in the centralized structure. Defection, as discussed previously, is another issue that has become increasingly critical to political parties and is closely tied to the issue of corruption. During the unstable period of coalition governments from 1994 to 1997, Nepali MPs were crossing the floor on important votes, apparently largely induced by financial incentives.

Almost all nationally recognized political parties have “wings” (caucuses) corresponding to the central committees at all levels of the party. These wings typically consist of: organizing (membership); party coordination; parliamentary and local elections; foreign relations (central only); information; women; policy; training; research and evaluation (central only); and intellectuals and professionals.

At the time that research on this chapter was conducted, the CPN-UML and the CPN-ML, both communist parties, were separate entities. On February 25, 2002, however, the two parties were reunited.

The Nepali Congress Party (NC)

The Nepali Congress Party (NC) was established on April 9, 1950, in Calcutta, India. The party’s core base of support came from democratic activists in exile. Since its inception, the NC has been the only party consistently fighting for the establishment and maintenance of democracy in Nepal through both peaceful and armed struggles.¹⁶

The NC’s earliest objective was to raise the political consciousness of the people in order to replace the century old Rana rule with democracy. In 1951, the NC claimed victory when the Rana regime fell. Despite winning a two-thirds majority (74 out of 109 seats in parliament) in the first parliamentary elections of 1959, the NC’s own internal struggles prevented it from organizing an effective replacement government. With the establishment in 1960 of the *Panchayat* system, many of the exiled NC activists gathered in India to re-initiate the movement to restore democracy through the use of both peaceful and armed efforts. In 1976, B.P. Koirala, who had been released from jail and exiled to India, returned to Nepal. In the 1980s, the NC increased civil disobedience activities to protest the *Panchayat* system. In January 1990, the NC began the nationwide movement for the restoration of democracy within Nepal that was joined by a coalition of seven communist parties.

As mentioned above, in the general elections of 1991, the NC won 112 out of 205 seats to form a majority government. In the 1994 mid-term elections, the NC placed second behind the CPN-UML, although no party garnered a majority. Following that election, the NC led two coalition governments. In May 1999, parliamentary elections were held again and the NC attained a majority (113 of 205 seats in the House of Representatives) to form the current government. They also hold 21 of the 60 seats in the National Assembly.

While the NC has led Nepal for more than nine of the 11 years since 1991, including the current majority government, the party is plagued by internal splinter groups. This is due primarily to the party's reliance on its past successes, when the party's leaders were the heroes of the struggle for democracy, and its reluctance to modernize and develop a forward-looking platform. Younger leaders are increasingly vocal in criticizing the failure of the dominant older party leaders to govern effectively and to institutionalize democratic norms within the party. As a result of the efforts of the younger reformers, the demand for internal party democracy has increased recently.

Party's Perceptions of Corruption and the Political Environment

The NC claims to be solving three major challenges facing the country: a "crisis in democracy," referring to the country's lack of experience in democratic governance; slow economic development; and corruption. The party continues to prioritise publicly the fight against corruption. The NC is spearheading both the legislation to strengthen the CIAA and the establishment of the Law Regulating Political Parties. Despite its efforts, however, scandals involving NC ministers and other officials erupt on an almost weekly basis. While the NC does not publicly list the Maoist insurgency as a critical issue, their actions acknowledge its importance.

Party Structure and Decision-Making

The party convenes a national convention every three to five years. During conventions, the central committee conducts internal party elections, party platforms are revised, party finances are reviewed, amendments to the party constitution are discussed, annual agendas are determined, and media events to publicize the party's activities are held. Delegates to the national convention elect the party president and 50 percent of the members of the central committee. Regional, district and village/municipal conventions are held every year.

The central committee of the NC serves as the chief operating body of the party and is responsible for campaign and operational issues between conventions. Similar committees are in place at the regional, district and village levels. A party president cannot hold the position for more than two five-year terms.

Money Management and Party Financing

The major sources of party funding come from active membership fees, general membership fees, levies from MPs and other members, and donations from individuals and companies.

The general membership fee, required every five years, is five rupees (about six cents) and an active membership fee is 100 rupees (about \$1.30). Forty percent of the money generated from party membership fees must be transferred to the central headquarters, with the remaining amount retained by regional and district level party offices. According to current records of the party, it has 107,000 active members and about 1,000,000 general members.

The party maintains an auditing system. A registered, chartered accountant appointed by the central committee conducts party audits.¹⁷ Following the accountant's findings, the treasurer presents an annual financial report to the central committee, which in turn presents the report to the party's national convention.

The NC's financial transactions are made through party bank accounts. According to a central committee member, the party has not faced any major corruption issues while raising party funds, with the exception of some minor cases where the discipline committee has taken action. A central committee member noted that certain individual donors (he estimated about five percent) try to influence decisions or obtain an appointment through their donations.

Ethical Standards and Discipline

At its national convention in 2000, the party amended its constitution to include a nine-point code of conduct with enforcement mechanisms. Included in the code is a requirement that all party office holders at all levels declare their assets and income sources to the party discipline committee and these declarations must be updated annually.

A five-member disciplinary committee under the chairpersonship of the central committee investigates alleged violations of the code of conduct or other violations of the constitution at the national level. Following the investigation, the committee reports its findings to the full central committee that then issues a final decision. Disciplinary committees at the district levels make decisions on minor cases. For more serious charges, the findings of these committees are forwarded to the central disciplinary committee. Depending on the seriousness of findings, those who violate the party code of conduct are subject to either a six-month suspension from the party or barred from party membership for a maximum of three years.

Communist Party of Nepal - United Marxist-Leninist (CPN-UML, or UML)

Citing Marxism and Leninism as its guiding principles, the Communist Party of Nepal - United Marxist-Leninist (CPN-UML) traces its roots to the establishment of the Communist Party of Nepal on April 22, 1949. Currently, it is the largest and most popular communist party in the country.¹⁸ There is little in the way of strident ideology within the CPN-UML, though its consistent message is that it represents the poor, oppressed, and exploited classes in Nepal. The party's organization and message are highly disciplined, maintaining the same themes for months at a time. While the CPN-UML has internal factions, the party remains very well focused and projects an external image of a relatively efficient organization.

Despite its communist tenets, the CPN-UML has played a significant role in the struggle for democracy. The CPN-UML took part in the interim government after the restoration of democracy in 1990 and played a very active role in drafting the current constitution. In 1992, the party went on record for the first time in support of multi-party democracy.

Since 1990, the CPN-UML has been the main opposition party in parliament. While, no party gained a majority of seats in the 1994 election, the CPN-UML won a plurality of seats. However, no other parties were willing to join it in coalition, forcing the CPN-UML to form a minority ruling government. Its nine-month rule in 1994 gave Nepal its first communist government as well as the first government ruled by a minority party. Currently the party has 69 members in the House of Representatives and 23 members in the National Assembly. As mentioned earlier, in February 2002, the CPN-UML reunited with the CPN-ML.

The party's platform in the last general election included full support for consolidation of a multi-party system, the promotion of democracy and human rights, and good governance through a "pro-people" administration to eliminate corruption. The CPN-UML's tenets also include selective privatization of public institutions and local "self participatory" governance at the grassroots.

Party's Perceptions of Corruption and the Political Environment

CPN-UML leaders place the blame for Nepal's failures on political parties. Party leaders particularly focus on the lack of punishment of past corrupt rulers and point out that several of these former rulers are currently leaders of

other parties. They claim that this is not the case in the CPN-UML. The party alleges that these corrupted leaders continue to teach the lessons of corruption to the younger generation. Therefore, the CPN-UML sees little hope for attempts to curb corruption within parties.

The CPN-UML openly acknowledges that voters expect money from candidates at the time of election. It also states that elections have become very expensive in Nepal, contributing to corruption in fund-raising and other campaign violations.

The CPN-UML is publicly united with all other major parties in condemning the Maoist insurgency. The party, however, cites the failure of government to provide economic development and jobs, as well as widespread corruption, as factors that have contributed to Maoist activities.

Party Structure and Decision-Making

The CPN-UML convenes a national convention every five years, has a central committee, a central advisory committee, a central discipline committee, and a central accounts committee at both the central and local levels

The central committee, in consultation with the district and local committees, determines candidate nominations for parliament, district development committee chair, and mayor. The district and local committees, pursuant to certain criteria laid out by the central committee, make decisions on lower offices. The party argues that the nomination authority of the district and local committees is a demonstration of the party's decentralization.

Money Management and Party Financing

Party membership fees and levies paid by elected representatives account for the vast majority of the CPN-UML's funding. Every MP is required to pay 5000 rupees per month (about \$66). This is almost one-third of the basic salary of an MP. Other elected and appointed officials at various levels of government also pay levies as determined by the party.

District and local party units raise funds at the local level and make "annual voluntary contributions" to the central headquarters. CPN-UML officials explain that the local units can decide how much, if at all, to contribute to the headquarters. The CPN-UML currently reports 80,000 active members and a general membership of 300,000. Individual donations and the sale of party publications account for a small portion of party funds. In the past, the CPN-UML received donations from industrialists and business interests. The

party now states that they will not take financial assistance from “corrupt or unlawful” businesses. This is the only national party to voluntarily restrict donations.

The CPN-UML asserts it has a transparent system of raising funds, and to date, the party has not faced any allegations of corruption. Party funds are kept in party bank accounts and “reputable” central committee members are responsible for all banking transactions. An accounts committee of the party reviews the income and expenditures on an ongoing basis, and an internal annual audit is both required and conducted regularly. The CPN-UML claims that any party member may access this annual audit report.

Ethical Standards and Discipline

The CPN-UML’s code of conduct requires financial disclosure of assets from every member in an executive position at all levels of the party. MPs must declare their assets and update their reports as events warrant, including any time they are promoted to or demoted from parliamentary or government positions. If any member is accused of corruption, the discipline committee of the party investigates and reports its findings to the central committee for possible action.

Rastriya Prajatantra Party (RPP) (National Democratic Party)

The Rastriya Prajatantra Party (RPP) was formed in 1990. At that time, there were two parties attempting to register themselves with the name “Rastriya Prajatantra.” To distinguish the parties, the last name of each leader was added. Thus, originally there were the RPP Thapa and RPP Chand “branches” of the RPP. Initially these parties were associated with the discredited *Panchayat* system, as their leaders had been actively involved in politics during that era.

In the first parliamentary elections, RPP Thapa won only one seat, and RPP Chand won three. In 1993, the two parties united, and in the 1994 mid-term election, RPP won 20 seats and emerged as the third largest party in parliament. No party won a majority of seats to form the government in the 1994 election, and many coalition governments were formed during that period. The RPP took advantage of this opportunity by wielding its 20 seats to great advantage, and the party played a key role in making and breaking governments. Alternately throwing their support behind the CPN-UML and the NC, both Thapa and Chand had the opportunity to serve as prime minister. However, a power struggle split the party again, with RPP Thapa taking the largest number of members. The factions later reunited, and RPP currently maintains its position as the third largest party in parliament, with 11 members of the lower house and three in the upper.¹⁹

Although the image of RPP as a party of the *Panchayat* system lingers with many voters, the party's statements and activities reflect no desire to return to that system. Its constitution and platform clearly state support for a multi-party democracy. The party's leaders are wealthy and well educated, and have a vast amount of collective experience in government from their service in the *Panchayat* regime. Party leaders have also been quite skillful in deflecting threats to confiscate their questionable wealth by establishing hospitals and clinics in their names in key constituencies.

Party's Perceptions of Corruption and the Political Environment

The RPP platform is centered on three issues: poverty; institutionalization of democratic norms and values; and corruption. The party blames widespread corruption on the inability of the government to reduce poverty and consolidate democracy.

While party leaders have not adopted any innovative mechanisms to make their party more transparent, they continue to demand greater transparency in government activities and argue that political parties can be the most effective means of promoting public integrity. The RPP believes expensive political campaigns are the primary reason for party-related corruption. The party openly acknowledges that its financing activities are not transparent, but it notes the difficulty of operating in an environment in which all parties lack transparency.

Party Structure and Decision-Making

The RPP holds a national convention every five years, and a national council meets once or twice a year. The national council is larger than the party's central committee but smaller than the convention. The central committee submits issues or disputes for resolution to the national council. The central committee also often considers issues prior to the national convention.

Party leaders either were not willing to divulge or do not have records regarding the number of active or general party members. They do state that their party has "two million members." This is roughly the amount of votes they received in the last general election, so one could infer that they are referring to their voters as members.

Money Management and Party Financing

RPP raises funds through membership fees (amount not specified), levies on MPs, donations from executive members and party workers, and

donations from various organizations and individuals. Party fundraising is very centralized, with the central leadership authorizing only certain members to raise funds.

The party operates through bank accounts accessed only by the party treasurer and general secretary. Records of the accounts are audited annually, and the audit report is presented to the finance committee of the party. The audit report is also made available to delegates at party conventions.

Ethical Standards and Discipline

A five-member disciplinary committee investigates alleged violations of the party's code of conduct or constitution and reports its findings to the central committee for action. The RPP regulations also provide for disciplinary committees at the district and local levels, but the central committee makes final decisions regarding allegations at all levels. The RPP claims that although district and local level party units do not issue the final verdict, the lower level units are always consulted in the decision-making process. The RPP admits that all Nepalese parties have very weak party discipline mechanisms and attempt to protect party members when they are involved in corrupt activities.

Nepal Sadbhawana Party (NSP) (Nepal Goodwill Party)

The Nepal Sadbhawana Party (NSP) was founded in 1983 to represent the regional interests of the people living in the Terai, the "flat lands" on the southern border with India. The party clearly acknowledges its regional appeal, and the party constitution explicitly identifies its objective as working for the rights and well being of the people living in the Terai. The NSP was a partner in various governing coalitions between 1994 and 1999, but has never held the post of prime minister. Currently, this party has five members in the House of Representatives and one member in the National Assembly. Due to the narrow majority in the current parliament, the NSP is able to exert significant influence through these small delegations.

Party's Perceptions of Corruption and the Political Environment

The NSP platform targets the following challenges facing Nepal: poverty; corruption; and discrimination. The party acknowledges that corruption is widespread and that the country lacks effective laws and implementing institutions to address the problem. Further, the NSP also notes that some parties protect and promote corruption. The party recognizes the need to regulate political party finances but views the proposed Law Regulating Political Parties as weak with respect to enforcement. Although the EC's codes of conduct do impose spending limits, the party states that enforcement is lacking and not uniformly applied.

Party Structure and Decision-Making

The central committee, in consultation with regional and district committees, makes all major party decisions, including party candidate nominations at lower levels. The NSP convenes national conventions every four years. The central committee is mirrored through the regional, district, and village levels. The party claims 15,000 active members and a general membership of 150,000.

Money Management and Party Financing

The party maintains its funds in a bank account, and expenditures are made through the signatures of the party treasurer and general secretary. The party introduced an internal audit system before the first general election. Financial records are not made public and are discussed only within the central committee. Fundraising sources are primarily party members and individual donors. NSP officials privately acknowledge that contributors do seek influence after making contributions. They also acknowledge that they have faced some internal corruption problems in the course of fundraising, but would not elaborate.

Ethical Standards and Discipline

The NSP does not require declaration of assets. The party has a three-member disciplinary committee including the chair of the party. The committee makes an investigation of any charges and reports to the central committee for final action.

Communist Party of Nepal - Marxist-Leninist (CPN-ML, or ML)

Like the CPN-UML, the Communist Party of Nepal - Marxist-Leninist (CPN-ML) traces its roots to the founding of the Communist Party of Nepal in 1949, established with the goal of overthrowing the Rana autocracy. Party leaders also claim that their initial objectives included the introduction of a democratic system of government, though history is less than clear on this claim.

A plethora of splinters and divisions mark the history of Nepal's communist parties. The formation of the CPN-ML occurred in 1998, when 46 members of the CPN-UML party created a separate party under the new name. The CPN-ML participated in the general election of May 1999 but

did not win a single seat in parliament. However, the CPN- ML did receive more than six percent of the nationwide vote in the election and is therefore recognized as a national party. Currently the party has one member in the National Assembly. In February 2002, the CPN-ML and the CPN-UML reunited.

Party's Perceptions of Corruption and the Political Environment

CPN-ML officials view the following challenges as the most important issues facing Nepal: political uncertainty and the Maoist insurrection; poverty and lack of economic development; and poor governance. The CPN-ML blames political parties for the failure to fulfill the people's expectations following the restoration of democracy. The CPN-ML states that its primary concern is poverty, and the party consistently raises this issue. Similar to the rhetoric of the CPN-UML, party leaders of the CPN-ML condemn the Maoist tactics but point to Nepal's horrific economic conditions as the reason the insurgency continues to gain momentum.

Despite the party's small legislative representation, the CPN-ML maintains a devoted bloc of followers and, as a nationally recognized party, receives substantial media attention. Current party president, Sahana Pradhan, is the first and only woman to serve in a high post in any party. She maintains a relatively high profile and has achieved some notoriety because of her outspoken nature and her advocacy for the poor. She attacks the ruling and main opposition parties for their inability to achieve consensus on issues of national importance. Although she is adamant in her support for multi-party democracy, she believes it is doomed to fail if democracy does not meet the needs of the poor majority.

Party Structure and Decision-Making

The CPN-ML holds a national convention every five years, has a central committee, a central advisory committee, a central judiciary committee, a central auditing commission, and a national council. The CPN-ML records show an "active" membership of 23,000.

Money Management and Party Financing

The CPN-ML's major sources of party funding are membership fees (no amount specified), regular monthly fees from levies on central committee members, donations, the sale of party publications, and special programs or

drives organized to generate funds. Party funds are held in party bank accounts, and the central accounts commission conducts internal annual audits. No charges of corruption have ever been made against the party regarding party finances. If an individual member is suspected of fraud, the discipline committee of the party investigates and submits its findings to the central committee for a verdict.

Ethical Standards and Discipline

Financial disclosure by all central committee members and other elected and appointed officials is compulsory on an annual basis. If a member's disclosure is alleged to be improper, fines may be imposed. There are several unique party regulations related to ethics and discipline. All central committee members must receive prior permission from the party before constructing or expanding a private home. The party also restricts the building of luxurious private homes. This regulation was created to protect the party's public image. In addition, central or local committee members cannot serve in any salaried position in an international or domestic non-governmental without permission of the party. The CPN-ML states that this regulation was implemented to ensure that members devote their full time to the party. Curiously, the restriction does not apply to holding other jobs or to opening businesses.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			The proposed Law Regulating Political Parties will require a minimum of 50 percent of the party's leadership to be elected.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		Currently, at the party conventions, delegates select some of the leadership positions.
2	Do local party branches participate in candidate selection?			Local committees recommend candidates for elections, though final approval comes from central leadership.

				For positions of MP, district development committee chair, and mayor, all decisions are made at central level.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
3	Are there regularly scheduled party congresses or conventions?			All parties are required by law to have conventions - typically conventions are held every five years. The central committees of the party meet regularly to conduct ongoing business between conventions.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
4	Can all members participate in selection of delegates to national party congress?			Generally there are levels of membership in each party, known by various terms, denoting the level of activity and dues payment. Typically, the higher-level membership (often called “active members”) participates in the delegate selection process.
	Nepali Congress		N	
	CPN-UML		N	
	RPP		N	
	CPN- ML		N	
	Nepal Sadbhawana Party		N	
5	Are local party offices elected?			The Law Regulating Political Parties will require 50% of all seats on central committees at all levels be elected.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
6	Are there term limits for party officials?			Only the Nepali Congress and the RPP have imposed term limits for top leadership.
	Nepali Congress	Y		
	CPN-UML		N	

	RPP	Y		
	CPN- ML		N	
	Nepal Sadbhawana Party		N	
7	Does the party own businesses?			Although party constitutions are generally silent on this, in practice, there is no evidence that parties own businesses. Nepali law does not prohibit this.
	Nepali Congress		N	
	CPN-UML		N	
	RPP		N	
	CPN- ML		N	
	Nepal Sadbhawana Party		N	
8	Does the party refuse political contributions from certain sources?			The CPN-UML claims to refuse voluntarily contributions from the businesses engaging in corrupt or unethical practices.
	Nepali Congress		N	
	CPN-UML	Y		
	RPP		N	
	CPN- ML		N	
	Nepal Sadbhawana Party		N	
9	Do party MPs have to donate part of their salary to the party?			Almost all parties' MPs must donate to the party on a monthly basis.
	Nepali Congress	Y		1000 rupees (\$13) per month.
	CPN-UML	Y		5000 rupees (\$67) per month.
	RPP	Y		Amount not specified (or not revealed to us)
	CPN- ML	Y		33 percent of income.
	Nepal Sadbhawana Party	Y		Amount not specified (or not revealed to us)
10	Does the party employ professional accountants to manage party funds?			Currently, all parties employ professionals to manage their funds. All parties will be required by the Law Regulating Political Parties to employ accountants recognized by the auditor general.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
11	Does the party conduct an annual audit of its accounts?			Currently, party constitutions also require annual internal audits of income and expenditures.

				The Law Regulating Political Parties will require all parties to audit their records and submit to the Election Commission.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
12	Does the party disclose the sources of its funds and expenditures to members of the party?			Currently, the NSP only reveals financial information to its central committee. The RPP only reveals financial information to the party finance committee and top leadership. The Law Regulating Political Parties will require all parties to share audit information with members. This is usually done during the national conventions of the parties.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP		N	
	CPN-ML	Y		
	Nepal Sadbhawana Party		N	
13	Does the party disclose the sources of its funds and expenditures to members of the public?			Currently no parties disclose their sources of funding to the public outside the campaign period. The new law will require the submission of the annual audits to the Election Commission, and the EC will publicly publish a comprehensive assessment of the reports.
	Nepali Congress		N	
	CPN-UML		N	
	RPP		N	
	CPN- ML		N	
	Nepal Sadbhawana Party		N	
14	Are party leaders required to disclose their personal assets?			All party constitutions mention this provision, but due to lack of enforcement and monitoring, it is likely that only a minority of leaders actually follows this

				practice. The CPN-UML claims that it strictly enforces this provision.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN-CPN-ML	Y		
	Nepal Sadbhawana Party	Y		
15	Are party leaders required to sign a party code of conduct?			All parties have codes of conduct.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN –ML	Y		
	Nepal Sadbhawana Party	Y		
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			All parties have some disciplinary process, usually implemented by executive boards, based upon recommendations from discipline committees.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN –ML	Y		
	Nepal Sadbhawana Party	Y		

CONCLUSION

Corruption is a formidable problem in Nepal and is recognized as a critically important issue in the Nepalese political system. Nowhere is this clearer than at the national level where perceptions of corruption have helped topple governments and contributed to a destabilizing Maoist insurgency in the country.

Political parties understand the importance of being free from corruption, but the parties and the government have not yet demonstrated the political will to reform the system. Parties rarely allow relevant government bodies, specifically the CIAA, to enforce internal discipline problems. The current government has deflected allegations of impropriety even after the fall of its two predecessors for failing to control corruption. The parliament has failed to move with great speed to pass the Law Regulating Political Parties or a bill that would strengthen the power of the CIAA.

However, there are some indications that the political party system is moving towards reform. The introduction of anti-party defection legislation successfully stabilized the parliament, and helped prevent the plundering of public funds, even if it has not removed internal party conflicts.

Moreover, the parties have taken initiative on their own to implement several mechanisms to enhance transparency and accountability of party operations and finances:

- The Communist Party of Nepal - Marxist Leninist Party (CPN-ML) requires all central committee members to receive permission from the party before constructing or expanding a private home in order to monitor for unusual accumulation of wealth, and possible misuse of party resources, and to protect the party's public image.
- The Nepali Congress Party (NC), the CPN-ML, and the Communist Party of Nepal - United Marxist Leninist Party (CPN-UML) include explicitly in their codes of conduct a requirement that all party office holders at all levels declare their assets and sources of their income to trace unusual wealth.
- The NC and the Rastriya Prajatantra Party (RPP) have term limits for certain party leadership positions.
- The CPN-UML states that they will not take financial assistance from "corrupt or unlawful" businesses.
- Most parties have an internal code of conduct and a disciplinary body.

The passage of the Law Regulating Political Parties and the law that will strengthen the CIAA will represent an important step in reforming the current political party system. The parties also have an opportunity to support these efforts by implementing their own measures to strengthen oversight of internal party practices. The parties could also distance themselves from the perception of corruption by making their internal disciplinary processes transparent and encouraging external monitoring by civil society.

¹ This chapter is based on interviews with Nepalese political party leaders conducted in Kathmandu in June 2001. In many cases, party representatives spoke on the condition of anonymity and researchers have complied with this request.

² The Maoist insurgencies are a regional rebellion against what is viewed by many, particularly in rural areas, as a weak and corrupt government. This civil conflict has cost over 2,000 lives.

³ See United States Department of State, Background Note: Nepal, January 1995.

⁴ The Panchayat system involved a voting system in which local councils elected members to district councils, which, in turn, were represented in the National Panchayat. The system was strongly influenced by the monarch, who appointed 16 of the 32 members of the National

Panchayat, intervened in the selection of the other candidates, and retained executive power, including appointing the prime minister and his cabinet.

⁵ The House of Representatives is the lower chamber in Nepal's bicameral system. The National Assembly is the upper chamber.

⁶ US Department of State, Background Note: Nepal, January 1995

⁷ Lawson, Alastair. "Nepal's power struggle set to continue." BBC, Friday, November 6, 1998.

⁸ This party did compete in the 1991 elections under the banner of the United Peoples Front.

⁹ The King can only act on the recommendations of the Council of Ministers or in his capacity as a constitutional monarch.

¹⁰ National Assembly members are selected as follows: 10 members of "high repute" who have rendered prominent service in national life are nominated by the King; 35 members are elected by the House of Representatives – three of which must be women – through proportional representation by single vote; and 15 members are elected through a single vote electoral college in each of the development regions.

¹¹ A new parliamentary party can only be formed if 40 percent of the members of a current parliamentary party form the new party and register it.

¹² The unofficial English translation of this legislation can be found in the Addendum.

¹³ According to one report, a NC activist donated a house to the party last year, and she has since become a MP.

¹⁴ The table expresses the expenditure limits by category fixed by the election codes of conduct. Figures have been calculated into US dollars, using the exchange rate at the time of writing, and should therefore be considered approximations.

¹⁵ The communist parties are, to some extent, an exception to this.

¹⁶ The NC was engaged in armed struggle in their fight for democracy prior to 1990.

¹⁷ The proposed "Regulating Political Party Law" further specifies that this accountant be externally chartered.

¹⁸ There are at least ten parties subscribing to communism.

¹⁹ Technically, RPP Chand remains a separate party with a small group of holdouts and one un-elected seat in the National Assembly.

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PHILIPPINES

SUMMARY

In the Philippines, systemic corruption, patronage, and cronyism have long plagued the nation's economic and governance systems, threatening the country's political stability. In 1986, President Ferdinand Marcos fell from office after citizens, under the banner of "people power" stormed the presidential palace protesting, among other things, widespread corruption and electoral fraud. In early 2001, following accusations that then President Estrada embezzled money from the state, the public again demonstrated its intolerance of corruption by taking to the streets demanding his resignation and calling for meaningful reform. While the Arroyo administration has pledged to intensify its efforts to fight corruption, the failure of previous legislative and governmental reforms engenders doubt among the public. Despite extensive governmental initiatives and the passage of numerous anti-corruption laws over the past 70 years, a lack of political will and weak enforcement has rendered reforms ineffective. Persisting doubts about the effectiveness of past government solutions may present an opportunity for political parties to assume a more proactive role in addressing corruption.

Political parties in the Philippines are characterized by the absence of strong ideological agendas, and frequently shifting membership and alliances. Elections in the Philippines are among the most expensive in the world, and citizens' expectations of patronage and payments in exchange for political support contribute to rising costs. Money is necessary, through large donations from individuals or other sources -- sometimes linked to illegal activities -- to survive politically. Because of the personality-driven nature of campaigns and politics, donations are most frequently given directly to candidates, and parties are dependent on their representatives to remain financially viable.

Politicians frequently switch party affiliation. In the Philippines, politicians who switch parties are rewarded with nominations, access to resources, and prime committee posts by the new party. Furthermore, because politics in the Philippines has traditionally been personality-driven, voters often continue to support politicians without regard to party affiliation. Five former Philippine presidents switched parties when they failed or believed they would fail to receive the official party nomination for the presidential election.¹ The candidate either formed a new party or joined an existing one that was willing to support the candidate's nomination. Party switching is prevalent among

legislators as well, in part due to the broad powers of the Office of the President. Observers of Philippine politics note that the president's extensive control over discretionary funds encourages legislators to switch to the party of the president. These legislators have greater access to state funds and can provide rewards and other perks to their constituents. Party switching results from and contributes to the lack of strong ideological party affiliations. Because political parties lack firm ideological bases and clear party platforms, politicians do not develop strong ties to parties and will change their party affiliation in order to advance their careers. In turn, parties are unable to develop a clear mandate and platform because their membership is frequently changing.

Responding to the public's growing discontent, Philippine political parties have increasingly expressed an interest in reforming the current political system, particularly in curbing political corruption. Some parties have already implemented concrete measures to enhance party transparency and accountability and to strengthen themselves as independent institutions. Such measures include enacting party defection contracts for candidates, establishing party policy think tanks and institutes, and committing to involve civic groups in party decision-making. Party representatives also advocated for the passage of a party law that would provide a framework for party development. The law would regulate party structures and finances, as well as reduce parties' financial dependency on individual leaders by providing public funding for parties.

While these internal reform efforts may take time to realize, they represent important initiatives by parties to contribute to the reform process in the Philippines.

BACKGROUND

Political Context

Country Background and Transition to Democracy²

Following the end of 377 years of Spanish rule, the Philippines was established as a democratic republic on June 12, 1898, and the first democratic constitution in Asia, the Malolos Constitution, was adopted a few months later. Since then, however, the country's democratic development has proceeded erratically. Two foreign occupations and a twenty-year dictatorship interrupted the development of democratic institutions and the political party system in the Philippines.

Spain ceded the Philippines to the United States in 1898 following the Spanish-American War. Spain had become increasingly willing to surrender the islands due to concern about the growing strength of the Philippine independence movement.³ Although the United States announced its intention to provide “temporary administration” during the country’s transition to democracy, the US occupied the Philippines for four decades.

During the US occupation, the foundation for the current political party system was established, and the country elected its first legislative assembly in 1907. The pro-independence Nacionalista Party, led by Sergio Osmena, won 58 out of 80 seats. During this period, the government created a civil service and successfully diminished the institutional power of the Catholic Church. In 1935, as part of a final transition agreement for Philippine independence, the Philippines became an autonomous commonwealth of the United States. Nacionalista leader Manuel Quezon was elected as the first president of the autonomous Philippines with Sergio Osmena as vice president.

World War II, however, interrupted Quezon’s administration. In 1942, three years before the intended date for full independence from the United States, Japanese forces defeated the American military and seized control of the country. Quezon was forced to set up a government in exile in the United States. Japanese forces installed a repressive regime and tens of thousands of civilians were imprisoned or killed. In 1944, in an attack on Manila which claimed the lives of over 100,000 Filipino civilians, the US regained control. Japan’s General Tomoyuki Yamashita was hanged as a war criminal. General MacArthur reestablished the Commonwealth Government and Osmena assumed the presidency. When the US granted full independence to the Philippines in 1946, Sergio Osmena of the Nacionalista Party was defeated by Manuel Roxas of the Liberal Party, an offshoot of the Nacionalista Party, in the presidential election. The post-war period was dominated by political consolidation and US-sponsored reconstruction.

From 1946 to 1965, power was peacefully transferred between the Nacionalista and Liberal parties. In 1965, Nacionalista candidate Ferdinand Marcos was elected president and won re-election in 1969. Citing a communist rebellion and deteriorating civil order, Marcos declared martial law in 1972. During this period, Marcos consolidated his authoritarian rule by imposing curfews, banning independent media sources, and imprisoning or killing an estimated 50,000 political opponents. In 1981, Marcos eased martial law restrictions and orchestrated his own electoral victory. The lack of independent media sources and the decision by some opposition political parties, including the United Democratic Opposition (UNIDO), to boycott the election made it relatively easy for Marcos to ensure victory.

Resistance to the Marcos dictatorship grew following the 1983 assassination of opposition leader Senator Benigno Aquino, Jr. In February 1986, popular unrest led Marcos to call snap elections. Though domestic and international election observers exposed widespread electoral fraud, Marcos declared victory over Corazon Aquino, Benigno's widow. Incensed, Filipinos protested in the streets and stormed the presidential palace in an uprising known as "People Power." Virtually all the military forces joined the protestors and Marcos fled the country.

Democracy was restored in the Philippines when Corazon Aquino became president in February 1986. Despite several coup attempts, Aquino's government reinstated democratic institutions and processes. A new constitution was adopted in 1987, mandating several provisions to prevent the concentration of power with any individual or government institution. Many new parties rose from the remains of the dictatorship, and widely contested presidential elections brought about peaceful transitions of power in 1992 and 1998.

Governance System

To prevent a repetition of the abuses of the Marcos regime, the 1987 constitution is based on two fundamental principles: separation of powers, and checks and balances. The constitution mandates a presidential system of government, and governmental powers are divided among executive, legislative, and judicial branches.

The president is the head of state and is vested with all executive powers of the government. The president is chief administrator over the bureaucracy, with general supervision over local governments. The president is also the chief legislator, responsible for the introduction of the legislative agenda at the start of each congressional session, and has the power to veto any measure approved by Congress. As the Commander in Chief of the Armed Forces, the president has the power to suspend the writ of habeas corpus and declare martial law. However, martial law can be revoked by Congress and reviewed by the Supreme Court, and a state of martial law cannot result in the suspension of the constitution. The 1987 constitution also modified the term limit for the president, who now can serve only one six-year term.

The Philippines has a bicameral legislative system. The upper body is the 24-member Senate. Senators are nationally elected in a first past the post system to six-year terms and are prohibited from serving more than two consecutive terms. Half of the Senate seats are contested in mid-term elections held every three years. The lower body is the House of Representatives, which includes 209 representatives directly elected from single-member constituencies.

Representatives serve three-year terms and are restricted to serving no more than three consecutive terms. The tendency of political parties in both houses to form coalitions around the party of the president facilitates general cooperation between the legislative chambers.

The 1995 Party List Law enabled a constitutional provision that requires 20 percent of the members of the House to be elected by a national party list system. As of the May 2001 mid-term elections, there are only seven party-list representatives, although 52 seats are allowed under the party list system. Only five parties won the required number of votes to secure seats in the House of Representatives. There were seven other parties that won at least 2 percent of the total number of votes cast, qualifying them for the party-list seats; these parties were later disqualified by the Commission on Elections (COMELEC) on the grounds that they did not represent the marginalized sectors of the population as required by the law. The Supreme Court upheld COMELEC's decision.

The judicial branch is composed of the Supreme Court and lower courts. The president appoints justices to the Supreme Court on the recommendation of the Judicial and Bar Council and with the consent of the Commission on Appointments whose members come from both chambers of Congress. Judges at all levels are tenured until the age of 70 or until they are unable to perform their duties.

Article X of the constitution defines the territorial and political subdivisions of the Philippines. The country has 78 provinces, 84 cities, and over 1500 municipalities. Article X also provides for the establishment of autonomous regions in Muslim Mindanao and the Cordilleras. Local government officials include governors, provincial council members, municipal and city mayors, and municipal and city council members. Local government officials are elected to three-year terms, with a limit of three consecutive terms. The barangay is the lowest level of government, and there are approximately 42,000 *barangays* in the country. *Barangay* governments have the ability to levy taxes, fees, and charges. *Barangay* officials (chair and councilpersons) are chosen through direct elections held separately from those for higher levels of government.

Through the enactment of the Local Government Code of 1991, the national government decentralized significant governance functions related to agriculture, social welfare, and health to local governments. In addition, local governments now have partial oversight of tourism, environment, budgeting, and the civil service. The new law increased the fiscal and resource bases of local governments by broadening their power of taxation and assumption of

debt, increasing their share of national revenue, and allocating to them a percentage share of the income derived from the use of natural resources in their respective areas.

The 1987 constitution also created several independent bodies with oversight responsibilities. The Commission on Elections (COMELEC) enforces all laws related to the conduct of elections. It has the responsibility to register and accredit political parties, administer elections, and investigate and prosecute violations of election laws. The Commission on Audit (COA) is charged with examining all accounts of government revenues and expenditures and has the power to disapprove expenditures of public funds. It serves as the general accounting office of the government and maintains records and supporting documents. The Office of the Ombudsman is empowered to investigate and prosecute, on its own accord or in response to a complaint by citizens, claims of corruption against elected officials and government employees as well as organizations and companies owned or operated by the state. It has primary jurisdiction over cases brought by the *Sandiganbayan*, the country's Anti-Corruption Court, and its decisions can only be appealed to the Supreme Court.

Constitutional Article XI, Accountability of Public Officers, states the basis on which a high-level public official can be removed from office through an impeachment process. The president, vice-president, and Supreme Court justices, among others, can be impeached for violating the constitution, treason, bribery, graft, corruption, and other "high crimes."

Current Political Climate

In November 2000, the Philippine political system faced a severe challenge when the House of Representatives impeached President Joseph Estrada. Estrada was accused of illicitly amassing millions of dollars during his 20-month rule. When the Senate impeachment court controversially decided not to examine a key piece of evidence against him, massive demonstrations took place in cities across the country, a movement dubbed, "People Power II." The movement succeeded in forcing President Estrada to leave Malacanang, the presidential palace. In January 2001, the Supreme Court declared the Office of the President to be vacant, and Vice President Gloria Macagapal-Arroyo assumed the presidency. Estrada objected to the decision, contending that he had not abandoned his office, a requirement outlined in the constitution. Nevertheless, the Supreme Court unanimously endorsed the transfer of power as constitutional.

Estrada is currently detained in a military hospital during his on-going trial on plunder and other charges. The *Sandiganbayan*, the Anti-Corruption Court, is hearing the case. His legal team questioned the constitutionality

of the Plunder Law before the Supreme Court, but the Court ruled against Estrada, affirming the constitutionality of the law. On February 2002, the Supreme Court also turned down the petition for bail for Jinggoy, Estrada's son, who is accused of embezzlement. Claiming that this decision, as well as all other previous rulings by both the Supreme Court and the *Sandiganbayan*, demonstrated partiality and prejudice against the Estrada family, Estrada dismissed his lawyers, claiming that his conviction was a "forgone conclusion." The dismissals came immediately after the deposed president's admission on national television that he opened a multi-billion peso bank account under the name "Jose Velarde," an account of which he had persistently denied ownership.

When Arroyo took office, her party, the Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikat ng Malayang Pilipino⁴ (Lakas-NUCD-UMDP-KAMPI), regained its dominant position in the legislature. The party leads the ruling People Power Coalition (PPC) that was formed with the Liberal Party (LP), Aksyon Demokratiko Party,⁵ Probinsya Muna Development Initiatives Party (PROMDI),⁶ and Partido para sa Demokratikong Reporma (REPORMA)⁷ Party. This coalition fielded common candidates for the Senate in the May 2001 elections. Of the 13 Senate seats contested, PPC won eight seats. In the House, Arroyo's coalition, with the support of House Speaker Jose de Venecia's Sunshine Coalition, captured a comfortable majority.⁸ Arroyo is eligible to run for president in 2004 since she will have served less than five years of the term she filled when Estrada was impeached.

Despite Arroyo's consolidation of power in the legislature, the Philippine political environment remains volatile. Although the Supreme Court validated the constitutionality of Arroyo's ascension to power, former President Estrada still enjoys support, particularly in rural areas and poor urban communities. This support was demonstrated a few months after Arroyo assumed the presidency when hundreds of thousands of Estrada loyalists staged massive demonstrations and attacked the Malacanang Palace in what they called "People Power III." These supporters view Arroyo as an "unconstitutional president" and as an embodiment of the "old guard" power brokers of the past. The Arroyo government continues to be shaken by rumors of destabilization plots. Estrada loyalists, however, are no longer considered a significant threat, and most analysts believe that Arroyo has enough popular support, including the military and business community, to finish her term.

The Arroyo administration is also plagued by a high-profile corruption scandal involving her husband. Jose Miguel Arroyo is alleged to have received a payoff in exchange for recalling the president's veto of two telecommunication franchise bills and of diverting funds from the Philippine Charity Sweepstakes Office (PCSO) to finance the campaigns of four senatorial candidates in the

May 2001 elections. The latest allegation against Jose Miguel Arroyo accuses him of protecting the Jueteng, a popular illegal gambling racket, in Northern Luzon. More recently, President Arroyo herself has been accused of receiving three billion pesos from a business tycoon for non-pursuance of his 27-billion-peso tax evasion case. She is also accused of taking 18 million dollars in commissions from an Argentine firm contracted to construct a power plant in the Philippines. To date, however, there has been no conclusive evidence proving the guilt of the President or her husband.

The controversy surrounding her administration notwithstanding, President Arroyo has intensified her anti-corruption efforts. In her inaugural address, Arroyo pledged that her government would consolidate its efforts to promote high moral standards and simple lifestyles among public servants and to commit itself to lead by example. Two days after taking office, her first administrative order prohibited public officials and employees from entering into certain official transactions with her relatives. She also banned the use of government-owned luxury vehicles by officials and ordered that these vehicles be immediately returned to proper authorities. She acknowledges, however, that the embedded cycle of corruption in the country may take a long time to eradicate.

Arroyo also inherited a government facing internal security threats. The Abu Sayyaf, a self-proclaimed Muslim separatist group in the south, continues to wreak havoc on the country through the kidnappings and murders of innocent civilians and foreigners. Efforts to find and eliminate the group have failed. The government is receiving assistance from the United States government as part of the American global war on terrorism. These joint Philippines-US military exercises, dubbed "Balikatan 02-1," are controversial and have sparked anti-American protests in Manila.

Political Corruption in the Philippines⁹

Although the government has attempted to increase governmental transparency and accountability, a destructive combination of embedded patronage and money politics keeps democratic and economic institutions weak. The Office of the Ombudsman estimates that about \$48 billion USD was lost to corruption over the past two decades, \$7.5 billion USD more than the foreign debt incurred for that period.¹⁰

Corruption has been a persistent factor in Philippine governance since the arrival of the Spanish in 1521. Graft under Spanish rule was widespread, and public offices were routinely bought and sold. The United States occupation did not eliminate corruption, but did lead to some reforms, including a

new civil service law that eradicated the practice of purchasing public office and helped establish a professional bureaucracy. Public sector corruption flourished under Japanese occupation, as the military occupiers demanded payments from public sector officials.

Observers of Philippine politics note that patronage is a central characteristic of corruption in the Philippine political system. From the leadership of the *barangay* to the presidency, the political system has a well-defined hierarchy of authority that rests upon the exchange of favors. Under this patronage system, a patron distributes goods and services to a client, who rewards the patron with loyalty and support. In the Philippines, because there is a tremendous gap between the rich and the poor and the government does not adequately deliver public services to all areas of the country, patrons can fill the vacuum. In many cases, patrons have provided valuable services by meeting the needs of the public in their communities, but have also abused their positions to amass personal wealth and power.

Strong presidential control over access to government resources is seen as a major cause of corruption, facilitating the misuse of state funds. Corruption in the Philippines received worldwide attention under Ferdinand Marcos. After Marcos was removed from power in 1986, an inquiry into his family's hidden wealth revealed that the Marcos family had stolen as much as \$10 billion USD from the Philippine government. In fact, Ferdinand Marcos earned entry into the Guinness Book of Records for "World's Biggest Thief," a title he held until 1999. Imelda Marcos, the wife of the dictator and a former congresswoman, still faces corruption charges. As stated earlier, allegations of corruption also led to the toppling of President Estrada.

In the Philippines, pork barrel politics is a direct result of a culture of patronage and strong executive control over state resources. For example, the president controls the allocation of several discretionary development funds, most notably the Countryside Development Funds and Congressional Initiative Allocations. The president allocates these funds in exchange for the support of legislators and local government leaders for his or her agenda. This money then trickles down from the local government leaders to the clients below, each skimming part of the allotment. Eventually a percentage of these funds may reach the intended constituency in the form of government services or projects, and local leaders can use this "successful delivery" as part of their public relations campaigns. Some reports estimate that as much as 60 percent of these discretionary funds are lost to corruption before reaching the communities for which they were appropriated.

The president's control of certain development funds also engenders party switching, weakening the party system. Since members of Congress closest to the executive receive a much larger share of these funds, opposition lawmakers tend to join the party of the current president. The difficulty of retaining party members when not in power contributes to weak and undisciplined parties. The parties derive most of their funding from their elected officials and the remains of campaign war chests. Because of the parties' desperate need to retain their members, they are reluctant to enforce internal party discipline, compromising their strength as institutions.

Those outside the government also participate in money politics. Many elected officials and, to a much lesser extent, their parties receive money from business groups in exchange for favorable licensing and legislation. As in other countries, contributors also fund politicians to avoid investigation and prosecution of questionable practices. The funding sources vary in their levels of legitimacy from legal businesses, such as contracting firms, to illegal industries, such as smuggling and gambling operations. Political leaders have also used their power for personal enrichment by passing legislation favorable to their own commercial interests.

Corruption also plagues the election process. Vote buying is widespread, and many candidates buy votes directly or pay opposition supporters not to vote. The practice has become an expectation, and perpetrators are seldom accused, arrested, or convicted. Frequently, voters regard the sale of their votes as the greatest direct benefit from government. Parties also routinely violate campaign regulations and engage in both mundane violations – such as improperly displaying propaganda – and severe violations such as voter coercion.

The Philippine public, long aware of the pervasiveness and depth of corruption in their political and governance systems, is becoming increasingly intolerant. Estrada's removal from power by People Power II, although fuelled in part by his controversial personality and rhetoric, illustrates the increased willingness of Philippine citizens to hold their leaders accountable for failing to govern in a transparent, honest manner.

Government Efforts to Curb Corruption

The Philippine government has tried to respond to the scourge of corruption through numerous legislative efforts. Although the Revised Penal Code of 1932 and the Administrative Code contain provisions with regard to the abuse of public office, the 1955 Republic Act 1379, known as the "Forfeiture Law," is considered the first anti-corruption legislation in the country. This law

makes any property unlawfully acquired by a state employee subject for forfeiture to the state. Four years after its passage, however, it had never been used. This apparent failure led to the passage of Republic Act 3019, also known as “Anti-Graft and Corrupt Practices Act.” This Act, perceived to be more comprehensive than the Forfeiture Law, identifies additional corrupt acts by public officials, not punishable under existing laws, and establishes conflict of interest regulations. For instance, it prohibits congresspersons from proposing legislation that would benefit business ventures in which they have interests. The Act also mandates detailed and sworn statements of assets and liabilities from all public officials and employees every two years. President Marcos later made the submission of statements of assets and liabilities annual through Presidential Decree No. 677.

In 1989, Congress passed the Republic Act 6713, “Code of Conduct and Ethical Standards for Public Officials and Employees.” This Code of Conduct describes the duties of public officials and employees, identifies prohibited acts and transactions, requires the submission of annual performance reports, and allows public access to these reports. According to the Code, public officials cannot have any material or financial interest in any transaction requiring the approval of their office, engage in private practice during their term, or recommend any person to a position in a private enterprise that has regular or pending official transaction with their office. In the same year, Republic Act No. 6770 known as “The Ombudsman Act of 1989” was also passed, giving the existing Ombudsman Office additional oversight authority.

In 1991, Congress passed the landmark Republic Act 7080, more widely known as the “Plunder Law.” This law, a response to the corruption of the Marcos regime, defines plunder as a series of criminal acts committed by a public official leading to the accumulation of at least fifty million pesos in personal wealth. In 1993, new legislation raised the punishment for plunder from life-imprisonment to death.

In addition to legislative efforts, the government has created multiple institutions to combat corruption and increase transparency in governance. Since the 1950s, every Philippine president has created a new agency to probe into any suspicious activities in the administration. These agencies were given the power to initiate or conduct investigations and, in some cases, prosecute them. President Arroyo recently revived the Presidential Commission Against Graft and Corruption and the Inter-Agency Anti-Graft Coordinating Council that previously existed under President Fidel Ramos. These agencies have the power to investigate officials with the rank of “assistant director” and above, including cabinet members.

The effectiveness of these efforts has been the subject of considerable debate. Critics argue that given the extent and depth of corruption, it is evident that the government is not meeting its goal of effectively combating misconduct. Others concede that the Philippine political and governance systems have improved, if slowly, due in part to the reform legislation. Any successes these reforms have achieved, however, have occurred despite a lack of political will to provide resources and support for their enforcement. Some efforts, particularly among the presidential agencies, are believed by some observers to have been designed more for public appeasement than for meaningful enforcement. Prosecutions, when they occurred, usually focused on lower-level officials.

Political Party Environment

Philippine political parties developed from the pro-independence movements at the turn of the Twentieth Century. From 1946 to 1965, the Philippines enjoyed a series of peaceful transfers of power between the two major political parties, the Nacionalista Party and the current Liberal Party. This period, however, was defined by a lack of strong ideological differences between parties and a high level of inter-party defection.

The development of the Philippine party system ceased under the Marcos dictatorship. The regime imprisoned many political opponents or forced them into exile. The parties that were able to continue operating did so under formidable constraints. The regime's practice of manipulating the election process eliminated the opportunity for any meaningful competition. Financial contributors considered parties not aligned with the government to be "bad investments." There were no independent media sources through which opposition parties could publicize their policy agendas. There was also disagreement among the opposition parties regarding the most effective way to challenge the Marcos regime. Some parties, for example, boycotted all elections, and others chose to contest them.¹⁶

With the exception of the Liberal Party, the major parties in the current system were formed near the end of the Marcos regime or in the years after his ouster. Ideology was the basis for the formation of a few parties, but most were established around the ambitions or visions of individual leaders. Internal factions and defections continue to weaken the party system. Parties also do not generally have a strong institutional role between elections. The main activity of the limited number of full-time party staff persons is to process and service requests from members and party officials. The Liberal Party, however, maintains a close affiliation with a liberal policy institute, and other parties, including the Laban ng Demokratikong (LDP)¹⁷ and the Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikat ng Malayang Pilipino (Lakas-NUCD-UMDP-KAMPI), now have similar institutes.

The Philippines does not have a law regulating political party activity. The 1987 constitution and the Omnibus Election Code established the current electoral and campaign finance regulations. Ironically, despite the Philippine government's propensity to regulate most aspects of its governance system, there have been few reform efforts aimed at improving the structure and behavior of political parties. Furthermore, there is little enforcement of the rules that do exist.

Party Formation and Discipline

There are few requirements for registering a new political party in the Philippines. A party registers with the Commission on Elections (COMELEC) by presenting a verified petition, the names of party leaders, a constitution, platform, and set of by-laws. A new party is also required to notify the public of its existence and must establish party chapters in a majority of the country's regions, and within each region, a majority of provinces, towns, and *barangays*.¹⁸ This requirement, however, is rarely enforced. According to former COMELEC Commissioner Teresita Flores, a party can be accredited if it can prove that it has local chapters with officials in a majority of the provinces.¹⁹ To participate in elections, a registered political party must submit to COMELEC: a list of its current elected officials, national executive committee members, and local chapter chairs; a party platform; and a party list of candidates. In the last election, 162 registered political parties, coalitions, and sectoral organizations²⁰ contested the party-list seats, but among the political parties, only 24 are recognized as national political parties.²¹

To become a member, most parties require that the interested individual share the party's ideology. Some parties have minimum age requirements for membership, generally between 15 and 18 years of age. To become a member, the individual must register with the local party branch and take an oath of allegiance. Party membership tends to be low in the Philippines. This situation is actually exacerbated by the elections law. Rather than encourage party membership and cohesion, the Omnibus Election Code allows parties to field candidates who are not even party members. The Code also allows candidates to run for office under a party within one year of leaving another party.²²

Party Finance

There are no laws regulating party finance, with the exception of election-related activities. There are no restrictions on who can donate money or how much they can donate outside the campaign period. The government is the only Philippine organization that is explicitly prohibited from contributing to political parties. There are no requirements for detailed financial records

or regular audits from parties to be submitted to COMELEC or any other government body. Parties do not have to disclose their income, expenditures, or financial records to the public outside the election period. There is no public funding of parties.

Between elections parties rely mostly on funding provided by their elected officials. At the national level, members of congress are expected to contribute part of their salaries to their parties. Many legislators also use part of their allotted congressional staff budget to hire party employees as their staff. At the local level, party leaders are expected to fund many activities themselves. Parties receive marginal funds from membership dues and the sales of party properties. It is not illegal for parties to own businesses, and a few parties have engaged in for-profit business ventures. Some parties also indirectly and illegally receive money from executive discretionary funds by establishing organizations to bid on development projects, referred to as GONGOs or “government organized non-governmental organizations.”

Election Laws and Campaign Finance

Elections in the Philippines are among the most expensive in the world. According to one estimate, a presidential campaign in 1998 cost three billion pesos, approximately \$60 million USD.²³ As a result, candidates and parties must generate large amounts of funding in order to be politically competitive.

According to the Omnibus Election Code, the following are prohibited from making electoral contributions: public educational institutions; foreign nationals or corporations; public and private financial institutions; public utilities; corporations that hold government contracts or sub-contracts; and corporations that have been granted franchises, incentives, exemptions, allocations, or similar privileges or concessions by the government. There is no limit, however, on the amount of contributions from legal sources.

The largest source of campaign funds for candidates is, not surprisingly, the country’s economic elite. Before martial law under Marcos, the main sources of campaign funds in order of significance were: “first, timber and other natural resource concessionaires dependent on the grant of licenses and permits of the governing elite; second, large landowners controlling cash crop plantations that were profitable and important sectors of the national economy; third, ethnic Chinese capitalists who used their liquidity to buy basic political protection; fourth, corporate contributors; and fifth, contributors from the ‘gray economy,’ such as those who run smuggling and gambling operations and who invest in political protection.”²⁴ Since 1986, logging tycoons and big landowners

ceased being the major donors because of the destruction of the country's forests and the decline in prices of cash crops respectively. Capitalists and contributors from the 'gray economy' assumed their place.²⁵

While there is no public funding for elections, candidates can receive free and equal time for campaign purposes on government-owned or operated broadcast outlets.²⁶ In the last elections, the widely unenforced political advertising ban was lifted and paid electoral advertisements in print and broadcast were allowed. These campaign advertisements were subject to the rules and regulations promulgated by COMELEC.

The Synchronized Elections and Electoral Reforms Law of 1991 establishes campaign-spending limits. Candidates for president, vice president, and the Senate are allowed to spend not more than 10 pesos for every registered voter. All other candidates are allowed to spend a maximum of three pesos for every registered voter in their constituency. A political party can spend a maximum of five pesos for every voter currently registered in the constituencies where the party is fielding candidates. If a candidate is not affiliated with any political party, he or she is allowed to spend a maximum of five pesos for every registered voter in the constituency. In the last 2001 elections, nationwide there were 36,334,232 registered voters. Therefore, a senatorial candidate was allowed to spend 363,342,320 pesos (about \$7 million USD), and political parties that fielded senatorial candidates could spend half that amount.

Candidates and treasurers from all political parties are required to submit to COMELEC itemized statements of all campaign contributions and expenditures within thirty days after the day of the election. These statements should include the names of the contributors, although the commission accepts that certain contributions can be anonymously given.²⁷ These accounts become part of the public record for three years.

COMELEC is responsible for enforcing electoral laws and monitoring all party activity during the campaign period. It has the authority to decide on all questions affecting elections, including the registration of political parties. To ensure free, peaceful, and credible elections, with the president's approval COMELEC can work with law enforcement agencies and government institutions, including the Armed Forces of the Philippines. The commission has the exclusive authority to conduct preliminary investigations of election offences punishable under the Omnibus Election Code, and it can prosecute offenders. If the commission fails to act on any complaint within four months from the date it was filed, the complainant may file the complaint with the Department of Justice for investigation and prosecution.

In practice, however, election and campaign finance laws are rarely enforced. Despite the scope of its responsibilities, COMELEC has few resources to provide effective oversight. The Commission has few full-time staff persons and often has the capacity only to respond to reported infractions rather than to identify violations proactively. Moreover, cases filed with COMELEC usually take years to be resolved. Election protest cases, for example, are often considered a waste of money and time because the next election frequently comes before the case's resolution.

<i>Year</i>	<i>Number of Cases Filed</i>	<i>Number of Cases Resolved</i>
1992	584	424
1993	193	106
1994	817	454
1995	549	441
1996	1,118	70
1997	564	368
1998	473	342
1999	190	62
2000	51	2
2001	364	1
2002 (as of 15 March 2002)	43	0

Source: Commission on Elections

COMELEC's oversight of the finances of candidates and political parties, in particular, is severely impaired. Candidates' financial statements are rarely examined despite considerable public doubt about how accurately they report actual expenditures. In the 1992 presidential elections, for example, the Liberal Party's presidential candidate Jovito Salonga reported spending 61 million pesos. Despite the fact that the LP is widely considered to be a "poor man's party," this figure was the highest reported campaign expenditure of any political party.²⁸ Another candidate, Eduardo Cojuangco, believed to be the wealthiest among the presidential aspirants, declared that he only spent 12 million pesos. In addition to having problems verifying financial statements, COMELEC also often lacks the capacity to enforce the submission of such statements in the first place. In the 1998 elections, only four parties submitted their statements of election contribution and expenditures, and in the 2001 election, no party submitted a financial statement.²⁹

TABLE 2: Statement of Election Contribution and Expenditures of Presidential Candidates, 1998 National Presidential Elections			
<i>Name of Candidate</i>	<i>Political Party Affiliation</i>	<i>Contributions Received</i>	<i>Expenses Incurred</i>
Defensor-Santiago, Miriam	People's Reform Party (PRP)	10,130,000.00	10,124,166.45
De Venecia, Jose Jr.	Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikat ng Malayang Pilipino (Lakas-NUCD-UMDP-KAMPI)	59,730,000.00	102,446,792.00
De Villa, Renato	Partido para sa Demokratikong Reporma (REPORMA)	44,636,000.00	39,248,603.17
Ejercito-Estrada, Joseph	Laban ng Makabayang Masang Pilipino (LAMMP) ³⁰	116,400,000.00	118,484,632.31
Enrile, Juan Ponce	Independent	10,923,729.00	25,923,729.00
Lim, Alfredo	Liberal Party (LP)	73,350,000.00	73,851,275.63
Morato, Manuel	Partido Bansang Marangal (PBM) ³¹	0	13,700,000.00
Osmena, Emilio	Rrobinsya Muna Development Initiatives (PROMDI)	23,989,179.09	23,969,179.09
Roco, Raul	Aksyon Demokratiko	9,900,000.00	11,412,337.40

Source: Commission on Elections

TABLE 3: Statement Of Election Contribution And Expenditures Of Political Parties, 1998 National Elections		
<i>Political Party</i>	<i>Contributions Received</i>	<i>Expenses Incurred</i>
<i>Lakas-NUCD-UMDP-KAMPI</i>	<i>0</i>	<i>35,000,000</i>
<i>LAMMP</i>	<i>66,500,000.00</i>	<i>66,039,128.00</i>
<i>LP</i>	<i>4,987,500.00</i>	<i>3,733,370.77</i>
<i>REPORMA</i>	<i>44,636,000.00</i>	<i>39,248,603.17</i>

Source: Commission on Elections

Civil Society and Access to Media

The Philippines has a vibrant media and civil society. The media and civil society serve as watchdogs, advocating political reform and demanding that political leaders be accountable for their actions. These two institutions played

a vital role in the two “people power” revolts that resulted in the ouster of Ferdinand Marcos and Joseph Estrada. Today, the media and civil society play essential roles in encouraging the Arroyo administration to implement its earlier promises of political reform.

The 1987 constitution ensures freedom of assembly. The constitution protects the rights of free speech and press, and the Philippine media represents diverse interests and political persuasions. To ensure fair coverage of opposition party campaigns, the government is prohibited from granting or removing the broadcasting license of any media outlet during the election period. The Philippine media is considered the freest in Asia.

These protections, however, do not ensure the impartiality of the news, and it is frequently alleged that candidates pay journalists for coverage. As veteran journalist Malou Mangahas noted, “In the hands of the unscrupulous, press freedom becomes the freedom to sell stories, the freedom to market the news as a commodity, the freedom to turn the mass media into mass mediocrity.”³² Many argue that corruption in the Philippine media is as endemic as corruption in the country’s politics. Its origins can be traced to the early 1950s, when then President Ramon Magsaysay institutionalized “public relations” by treating members of the media to free lunches and dinners and by providing financial support. The impartiality and objectivity of the media was further compromised during martial law when the Marcos family used both intimidation and rewards to persuade members of the media to defend the dictatorship. With the end of the Marcos regime, the number of media organizations mushroomed alongside the explosion of candidates and political parties. Media support became vital for electoral success, and despite bans on media during the election period, political payoffs reportedly continued between candidates and media sources.³³

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?		N	There was a proposed party act during the time of former President Fidel V. Ramos, but it has not yet been adopted. The only law governing political parties is Article VIII of the Omnibus Election Code of the Philippines.
2	Are there laws regulating party finance?		N	There are no laws regulating party contribution and spending

				except those aspects of party finance related to electoral campaigns.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The Omnibus Election Code regulates campaign finance.
3a	Contribution limits?		N	The Omnibus Election Code specifies the persons, institutions, and corporations prohibited from making electoral contributions. However, there is no limit on the amount that can be contributed.
3b	Spending limits?	Y		The Synchronized Elections and Electoral Reforms Law of 1991 states that candidates for president and vice-president are not allowed to spend more than 10 pesos (\$.20), while all other candidates should not spend an amount exceeding three pesos (\$.05), for every registered voter in their constituency.
3c	Filing financial returns?	Y		The Synchronized Elections and Reforms Law states that every candidate and treasurer of the political party shall within 30 days after the day of the election file with the offices of COM-ELEC true and itemized statements of all contributions and expenditures related to the election.
3d	Returns made public?	Y		Article XI, Section 110 of the Election Code states that statements of contributions and expenditures shall constitute part of the public record for three years after the election.
4	Can political parties accept contributions from:			Political parties are allowed to accept contributions from any entity. The following, however, are prohibited from making electoral contributions: public and private financial institutions; those operating a public utility;

				those which hold contracts or sub-contracts to supply the government; those which have been granted franchises, incentives, exemptions, allocations or similar privileges or concessions by the government; those that have been granted loans and other accommodations; officials and employees in the civil service and members of the armed forces of the Philippines; public educational institutions; and foreigners and foreign corporations.
4a	Businesses?	Y		
4b	Unions?	Y		
4c	Foreign sources?	Y		
4d	Can parties own businesses?	Y		
5	Do parties have to reveal the sources of their funding?		N	There is no law requiring parties to reveal the sources of their funding, except those funds that came from campaign-related contributions. Even in the case of campaign-related contributions, COMELEC will accept anonymous donors.
6	Does the state provide public funding to political parties?		N	
7	Are annual financial audits of party accounts required?		N	There is no law requiring financial audits of parties
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	There is no law requiring party officials to declare their assets and liabilities
8a	Are these declarations made public?		N	
9	Is there an Anti-Corruption Commission?	Y		The Philippines has a Presidential Anti-Graft Commission under the Office of the President. It also has an Office of the Ombudsman, a constitutional body created to enforce public accountability and an anti-graft court known as the Sandiganbayan, which “shall have jurisdiction over civil and criminal cases involving graft and

				corrupt practices and such other offenses committed by public officers and employees in relation to their offices.”
10	Is there an independent Election Commission?	Y		The 1987 constitution mandated COMELEC as an independent constitutional commission.

POLITICAL PARTY EXPERIENCES³⁴

Philippine political parties are considered marginally important organizations, dependent on ambitious individuals and their wealthy patrons. One scholar describes Philippine political parties as “unabashed ‘old boys clubs.’”³⁵ Another Filipino scholar further elaborates that parties are “nothing more than the tools used by the elites in a personalistic system of political contests ... they revolve around political stars rather than around ideologies. They nurture networks of followers and supporters who are dependent on them for money, jobs, favors and political access, not party members loyal to party principles and alert to any perceived betrayal of party causes.”³⁶

As discussed above, Philippine parties tend to be personality-driven and oriented around candidates, who switch parties frequently. Most voters choose representatives based on the ability of the candidate, once elected, to deliver resources to the constituency. Although Philippine political parties have a small core group of committed party loyalists who have strong personal or ideological ties with the party, most citizens do not identify with a particular party.

Parties are dependent on their candidates for fundraising. Parties lose vital financial support when their representatives switch parties, taking their electoral machines with them. Because parties are heavily focused on the election process and securing promising candidates, they are generally not active between elections, and most parties maintain only a few full-time staff persons outside the campaign period. Philippine parties, then, particularly those out of power, have tenuous foundations on which to develop as institutions.

Party officials admit that they are unable to address corruption and legal violations within their parties. Party leaders acknowledge that their candidates occasionally accept money from illegal sources but assert that they are unable to monitor these activities and powerless to stop these violations. Furthermore, party officials claim that their party’s candidates sometimes have to resort to illegal financing to cover high campaign costs and compete effectively. Exacerbating the problem, there are no laws governing party

behavior between elections, and election laws are rarely enforced, allowing corruption to flourish. All parties believe that certain legislative reforms would improve their institutional development and ability to combat corruption. The parties strongly advocate the passage of a political party law, which would serve as a guide for party operations and regulate party financing.

Political parties have been sidelined from discussions on combating corruption largely because they are seen as a significant part of the problem. However, there is a growing realization that money politics cannot be adequately addressed without the cooperation of parties. Moreover, parties are increasingly willing to undertake reforms that promote greater internal transparency, accountability, and institutional stability.

Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikat ng Malayang Pilipino (Lakas-NUCD-UMDP-KAMPI)³⁷

Background

The current ruling party is Lakas-NUCD-UMDP-KAMPI. The party was established in 1992 as a result of the merger of three political parties: the Partido Lakas Tao (Lakas), the National Union of Christian Democrats (NUCD), and the United Muslim Democrats of the Philippines (UMDP). Kabalikat ng Malayang Pilipino (KAMPI) joined Lakas-NUCD-UMDP in 1998. Since its establishment, the party has held the presidency twice.

Of the four political parties that formed Lakas-NUCD-UMDP-KAMPI, NUCD is the oldest. NUCD was established in 1984 as a political organization opposing the Marcos dictatorship and supporting Corazon Aquino in the 1986 elections. The Commission on Elections (COMELEC) registered it as a political party in 1987. NUCD's status as a registered political party was fortunate for Fidel Ramos when he decided to pursue his presidential ambitions in 1991. After losing the presidential nomination to Ramon Mitra in the Laban ng Demokratikong Pilipino Party (LDP), Ramos attempted to form his own party, the Partido Lakas Tao (Lakas), but was unable to register it because the party lacked local chapters and officials. In order to gain status as a party, Lakas merged with NUCD. At about this time, a new movement, the United Muslim Democrats of the Philippines (UMDP), organized and joined Lakas-NUCD, bringing a key constituency to the party. Through this Lakas-NUCD-UMDP partnership, Ramos assumed the presidency.

The new party performed poorly in the following senatorial and congressional elections, winning only two of 24 Senate seats and 27 of the 200 House seats. The LDP swept both houses. Lakas-NUCD-UMDP approached the LDP, suggesting they form an alliance in order to break the deadlock between the Lakas-NUCD-UMDP-controlled executive branch and the LDP-dominated legislature. The “Rainbow Coalition” was formed and included a third party, the Nationalist People’s Coalition (NPC). The NPC left the coalition in 1994, but the two other parties maintained their alliance during the 1995 congressional elections. The coalition did well, winning nine Senate seats and 163 House seats. Immediately after the 1995 elections, however, LDP left the coalition, assuming the role of the opposition.

For the 1998 national elections, Lakas-NUCD-UMDP joined with KAMPI, a splinter group of the LDP that supported the political ambitions of Senator Gloria Macapagal-Arroyo. Following the merger with KAMPI, Arroyo accepted the nomination of vice president, with Speaker Jose de Venecia running for the presidency. Although Speaker de Venecia lost to Joseph Estrada, Arroyo won the vice presidency. When Estrada was forced to step down in January 2001, Arroyo assumed the presidency. In preparation for the May 2001 congressional elections, the party spearheaded the formation of the People Power Coalition (PPC), which included the Liberal Party (LP), Aksyon Demokratiko, REPORMA, and Probinsya Muna Development Initiatives (ProMDI). In the House of Representatives, party chair Jose de Venecia formed the “Sunshine Coalition,” a much broader alliance of political parties than PPC.

Today the party’s main platform advocates “people’s empowerment,” sustainable development, social justice, and solidarity. Its agenda is to promote political development by eliminating the patronage system and empowering the ordinary citizen. The party’s economic policy is to “attain economic growth through entrepreneurship and deregulation of the market.” The party has also developed specific platforms and policies on labor, social services, and the environment. The party claims to subscribe to the principles of “Christian-Muslim Democracy.”

The head of the national executive committee is Gloria Macapagal-Arroyo. The party’s chair is House Speaker Jose de Venecia, and the party’s president is foreign affairs secretary, Teofisto Guingona. Lakas-NUCD-UMDP-KAMPI currently holds 91 seats out of 209 in the House and seven seats out of 24 in the Senate. It has the largest membership of the political parties in the Philippines.

Party Perceptions of the Political Environment

Lakas-NUCD-UMDP-KAMPI officials believe that the key obstacle to building strong democratic institutions in the Philippines is the prevailing political culture in which voting behavior is based on personalities and patronage. For political survival, party leaders acknowledge that they must play by these rules. However, party officials state that the enactment of an organic party law could serve to help institutionalize political parties and usher in a political system based on ideology and principles. A party law would provide a framework, enabling parties to introduce new policies and political reform.

The party has also strongly advocated for public funding for political parties and has proposed two possible funding mechanisms. In the first instance, the government could give public funds to foundations, which would finance the activities of parties. Alternatively, the party suggests the government could distribute money to the parties directly. Party officials propose that the amount of funding be proportional to the party's performance in the last election. In an effort to offset the dominance of political parties that already have the resources and capacity to deliver the votes, party leaders also suggest the creation of a common fund for smaller parties.

Lakas-NUCD-UMDP-KAMPI believes its record of introducing progressive legislation when it is in power demonstrates its commitment to reform. The party proposed a number of reform bills during the administration of President Ramos, including a Party Act, an Anti-Political Dynasty Bill, and the Party-List Act. The Party Act set guidelines for party financing and provided public funding for political parties. The Anti-Political Dynasty Bill prohibited the establishment of a political dynasty, defined as "the concentration, consolidation or perpetuation of public office and political power by persons related to one another." Finally, the Party-List Act, enacted in 1995, mandated that 20 percent of the total seats in the House of Representatives be allocated to sectoral representatives, those representing specified sectors of society including women, labor, youth, the disabled, business, fishermen, and others. The main rationale behind this Act was to encourage the participation of marginalized groups in the political arena. Of these proposed laws, only the Party-List Act was adopted. Since the party is currently in control of both houses of Congress, it is contemplating reintroducing the two shelved bills.

Party Structure and Decision-Making

The national assembly,³⁸ the party's highest policy-making and governing body, elects the national party officers and is presided over by the national chair. The national assembly should be convened every two years, according

to the party constitution. In practice, however, lack of sufficient financial resources has prevented the assembly from meeting every two years. The party's national directorate, presided over by the party president,³⁹ implements party activities adopted by the national assembly. Members of the national directorate are mandated in the party's constitution. The party's secretary general presides over the national executive committee,⁴⁰ which administers and supervises the day-to-day affairs of the party and meets regularly. The national executive committee assumes the function of the national assembly when the assembly is unable to meet.

National party officials are elected every two years, and there are no term limits. Because the national assembly does not meet regularly, elections for national officials are also irregular. As a result, party officials often serve beyond their two-year term until a new election can be organized. Party officials tend to be the party's elected representatives in Congress.

The local chapters of the party elect their own officials, who, like their national-level counterparts, have no term limits. Local chapters participate in the selection of candidates for both national and local public offices through the national electoral college, whose members are determined by the national directorate on the basis of equitable distribution and proportional representation among all sectors and all provinces, cities, and municipalities. Local officials, most notably the regional chairs, have significant influence in party decision-making, especially in those areas pertaining to local concerns. In cases when the position of local chapters differs with that of the national officials, a compromise is usually sought.

A senior party official explained that party politics is influenced by patronage and vote buying in the leadership selection process. To address these problems, the party is considering a selection process that would involve public opinion. The party hopes to implement this in time for the 2004 national elections.

Money Management and Party Financing

Despite the party's current position as the ruling party and its position as the ruling party from 1992 to 1998, it still claims to lack sufficient funds. It asserts that it cannot afford to pursue party building activities. The scarcity of funds is exacerbated by the fact that, unlike other parties, Lakas-NUCD-UMDP-KAMPI does not require its congresspersons or senators to donate part of their salaries to the party. The party considered engaging in for-profit businesses during the Ramos administration. It decided against pursuing this revenue source, however, due to the undefined rules for such activities and the potential opportunity for graft and corruption.

Party officials state that the party refuses contributions from those persons and corporations with pending criminal cases and those involved in illegal activities, including gambling, smuggling, and drugs. Lakas-NUCD-UMDP-KAMPI officials admit, however, that they do not know all the sources of contributions to individual candidates. The party is forced to accept the financial reports of the candidates, as it does not have the mechanisms or resources to verify these reports. Moreover, most candidates are unwilling to identify their political contributors in their reports, further exacerbating the lack of transparency of party finances. If it can be proven that a party member received funds from illegal sources, the party member can be expelled from the party, although to date nobody from the party has ever been charged with this violation.

The party's finance group is responsible for the management of the party funds. The party does disclose the sources of its funds, where available, to its members through the treasurer's report. However, it does not make this report available to the public, citing the absence of rules and guidelines from the government for such a process. The party identifies the lack of a "clearly defined process from the government" as the primary reason the party has not conducted an annual audit of its accounts or required party leaders and officials to disclose their assets.

The finance group also is responsible for preparing the party's financial report for the campaign period and submitting it to COMELEC within 30 days following the election. This report is only required during elections, or every three years, and only covers election-related income and expenditures. The Lakas-NUCD-UMDP-KAMPI financial accounting and reporting system frequently does not, as admitted by party officials, reveal all of the party's election expenditures. According to party representatives, because of the spending limit during the campaign period, no political party reports actual expenditures because they usually exceed this limit.

Ethical Standards and Discipline

In the last mid-term elections, the party required all its candidates to sign an agreement that they would not defect from the party. Any individual caught violating this agreement would be expelled from the party and be expected to resign from the position to which the candidate was elected. This provision was recently implemented and no one has been punished to date.

President Arroyo identified eight points to serve as the "moral compass," or code of ethics, for her government: trustworthiness; results-orientation; poverty-focus; citizen empowerment and participation;

constituency feedback; continuous improvement; respect for others; and a simple lifestyle. The party's secretary general helped the president draft the document and believes that the party should also adopt these standards. Most party officials and members declare that they already subscribe to these principles.

Any party member found guilty of misconduct can be expelled from the party and asked to resign from any elected government positions. Other possible punishments imposed by the party include reprimand, suspension, and expulsion, depending on the gravity of the offence. The national directorate formulates and issues the implementing guidelines for party discipline. The assembly or the national directorate can only expel a member with the approval of two-thirds of all its members. To date, no party members have been penalized for corrupt conduct.

Laban ng Demokratikong Pilipino (LDP)

Background

The Laban ng Demokratikong Pilipino Party was formed in 1988 from the merger of two powerful political groupings both associated with President Corazon Aquino: Lakas ng Bayan (LAKAS), the coalition President Aquino supported in the May 1987 elections, and a splinter branch of Pilipino Democratic Party (PDP-LABAN), led by Representative Jose Cojuangco, Aquino's brother. The merger of these two groups resulted in electoral success. By September 1991, the party had five Senate seats, 150 of 200 House seats, 50 of 73 governors, 35 of 60 city mayors, 1100 of 1532 municipal mayors, and 70 percent of *barangay* officials. President Aquino never joined the party, or any other political party, and chose to remain with a non governmental organization called the *Kabisig Movement*.

The LDP's battle over its presidential nomination in 1991 devastated the party. Then - Speaker of the House Ramon Mitra defeated Fidel Ramos to win his party's nomination to succeed President Aquino. However, Aquino had chosen Ramos to be her successor. When Ramos left the party to form Lakas and merge with Lakas-NUCD-UMDP, he took with him many supporters and much of the president's political influence. Mitra subsequently lost the presidential election. The LDP, however, won the most seats in both chambers of Congress, securing 16 out of the 24 Senate seats and 89 of the 200 House seats.

As mentioned above, prior to the 1995 congressional elections, the party joined a coalition with Lakas-NUCD-UMDP. Although the elections resulted in the overwhelming victory of the coalition's candidates, the LDP,

led by Senator Edgardo Angara, immediately left the coalition. In 1997, the LDP formed a coalition called Laban ng Makabayang Masang Pilipino (LAMMP) with two other parties, the Nationalist Peoples' Coalition (NPC) and then Vice President Joseph Estrada's Partido ng Masang Pilipino (PMP). The LAMMP coalition fielded Estrada and Angara in the 1998 elections for president and vice president, respectively. Estrada won, but Angara lost to Gloria Macapagal-Arroyo. The coalition dominated the senatorial elections, winning seven out of the 12 contested Senate seats. The ruling Lakas-NUCD-UMDP-KAMPI, however, captured a majority of the seats in the House.

The NPC eventually left the LAMMP coalition, leaving the LDP and PMP parties. When Estrada was ousted, LDP and PMP joined with other parties to form the united opposition coalition in the 2001 congressional elections, called the Pwersa ng Masa (PnM)⁴¹ coalition. The LDP remains one of the main opposition parties in the Philippines.

The LDP's stated mandate is to: build a humane and caring society; promote effective and accountable government, responsible citizenship, and sustainable and equity-enhancing growth; and to encourage "new patriotism." The party believes that individual rights should be upheld, as long as they do not infringe upon the rights of others, inhibit economic development, or destroy the environment.

The LDP won two out of the 13 contested senatorial seats in the 2001 elections, bringing its Senate representation to six out of 24 seats. The LDP currently has 30 seats in the House, although 13 of these members chose to join the Sunshine Coalition of Jose de Venecia. They have not, however, left the party and continue to participate in party activities. The party president is Senator Edgardo Angara.

Party's Perceptions of the Political Environment

Like Lakas-NUCD-UMDP-KAMPI, LDP officials acknowledge that the Philippine political party system suffers from patronage, corruption and a lack ideology. The party blames insufficient legislation and the Philippine political culture. The LDP asserts that comprehensive legislation is needed to institutionalize political parties and a party law should clearly define the rights and responsibilities of political parties and their members. A comprehensive party act would foster party discipline and loyalty and level the electoral playing field.

LDP leaders advocate state funding for political parties as a key component of party legislation. The party is particularly sensitive to the problem of party defection, given its numerous losses during the Ramos

administration. It feels threatened by Lakas-NUCD-UMDP-KAMPI's new "Sunshine Coalition" in the House, which has tempted many LDP party representatives to defect, allegedly in return for committee chair positions. The party believes that public funding for political parties will prevent defections by breaking the cycle that allows the governing party to increase its power through its access to state funds and other public resources.

The party has also voiced concern about the "reality of politics" in the Philippines. According to party representatives, even the most progressive members of the party must rely on patronage. In order to survive politically, party representatives must act as patrons in their constituency, providing resources and other services, both legal and illegal.

Party officials assert that they are currently developing a strategy to address the problem of corruption and party defection by organizing strategic planning seminars for party members, conducting policy discussions, and establishing a party institute.

Party Structure and Decision-Making

The LDP's national congress is the party's supreme organ and should convene, according to the party charter, every two years. The delegates to the national congress are specified in the party's constitution and usually include high profile and influential party members as well as current or former office holders at both the local and national levels of government. The national congress is responsible for selecting the LDP's candidates for elected national office, determining party policy positions, and managing the general affairs of the party. The national congress also elects the party's national officers -- the party president, vice president, secretary general, and treasurer. The party's officials tend to be the party's elected representatives, as well.

In instances when the party's congress cannot be convened, the national executive council acts in its place. Members of the national executive council are specified in the party's charter. The council is responsible for day-to-day party management and for ensuring compliance with the decisions of the national congress. There are no term limits for the council members or other party officials. If the national executive council and the national assembly are not in session, the party president makes party decisions.

Local party officials are elected by the party membership in that area, although there is no provision for this in the party's constitution. The local chapters have developed their own organizational structures and positions based on local needs, although they tend to reflect the party's national structure. Local party officials also nominate the party's candidates for local elections.

Although sources outside the party allege that decision-making in LDP is conducted in a “top-down” manner, party officials assert that internal democracy is strong and party members have a voice in most decisions. This is demonstrated, they claim, by the party’s process for determining whether to join the LAMMP coalition with two other parties. The party leadership consulted all local party chairpersons across the country before making a decision.

Money Management and Party Financing

Like other Philippine parties, LDP representatives complain about the party’s lack of funds, especially between elections. The party can raise just enough money to fund the party’s headquarters, generally through active fundraising by the party’s president. LDP representatives cite the party’s opposition status since 1992 as the main cause of the lack of financial support, as many wealthy individuals and companies prefer to give to the ruling party of the day. Even when the party joined the LAMMP coalition, contributions were given to the PMP.

Party representatives acknowledge it is difficult to deliver resources to the party and avoid corruption. The party has a policy of refusing contributions from the “underground economy,” although party officials concede that it is difficult to determine all the funding sources of its candidates.

During the last congress, the party required party representatives and key party leaders to donate a certain percentage of their salaries to the party. This was successful in providing limited funds for the daily activities of party headquarters and for on-going policy studies. The party is considering entering into private business as another revenue source.

The party’s acting treasurer and the secretary general manage party funds. In the previous elections, the LDP commissioned the services of a professional accountant, a senior partner in the law office of Senator Angara. The party does not audit its accounts annually. However, it discloses the sources of its funds, when the information is available, and its expenditures during party congress meetings. The LDP does not require its leaders or officials to disclose their personal finances. Most of the party’s leaders, however, are public officials and therefore required to disclose their personal finances under the Anti-Graft and Corrupt Practices Act.

Ethical Standards and Discipline

The party does not require party members to sign a code of conduct. The party believes that the party constitution, which every member must pledge to uphold, is sufficient to promote ethical standards within the party.

The party's constitution mandates a formal disciplinary procedure for those members who engage in misconduct. Party members can be expelled for: disloyalty to the party; lack of interest or unwillingness to participate in party activities; and other acts perceived to be inimical to the party as determined by the "proper authorities." The national chapter on internal discipline determines punishment, and the decision is implemented through a two-thirds vote in the national executive council. There are also provincial and city chapters on internal discipline. The party has taken disciplinary action against several members, including Congressman Jose Cojuangco, Congressman Emigdio Tanjuatco, Congressman Amado Bagatsing, Congressman Herminio Aquino, and Senator Heherson Alvarez for refusing to abide by the decision of the party to give up their positions in Congress upon the dissolution of the coalition with Lakas-NUCD-UMDP-KAMPI. These legislators, however, claim that they were not expelled but resigned from LDP.

Liberal Party (LP)

Background

The Liberal Party (LP) is the oldest of the major political parties in the Philippines. The party was founded in 1946 when Manuel Roxas led the splinter liberal wing of the ruling Nacionalista Party (NP), under the new Liberal Party, to electoral victory. Over the next 20 years, leaders continually switched between the NP and LP. The Liberal Party won the presidency with Elpidio Quirino in 1949 and Diosdado Macapagal in 1961. In addition, both Ramon Magsaysay and Ferdinand Marcos were LP members before defecting to the NP in successful bids for the presidency.

During the Marcos dictatorship, many LP leaders were detained, while others left the country. Some LP members, however, joined Marcos's governing Kilusang Bagong Lipunan (KBL) for political expediency. Like other parties at the time, the Liberal Party experienced internal divisions between those who wished to compete in the regime's manipulated elections and those who wished to boycott. In the 1978 interim *Batasang Pambansa* election, for example, the party's secretary general, Benigno Aquino, Jr., decided to participate despite the boycott declared by the party president, Senator Gerardo Roxas. For this reason, Aquino and several supporters formed the Lakas ng Bayan (LABAN) and contested the 21 elective seats in Metro Manila, although none of LABAN's candidates won. Aquino did not leave the Liberal Party even though he chose to participate in the elections under a different party. Throughout the 1980s, the Liberal Party continued to experience divisions, defections, and reorganization.

Unified for the 1992 national elections, the LP fielded then Senate President Jovito Salonga and Aquilino Pimentel as its presidential and vice presidential candidates, respectively. Both of them lost, and only one senator and 11 congresspersons came from the LP coalition. In the 1998 presidential election, the party threw its support behind candidates Manila Mayor Alfredo Lim and Senator Sergio Osmena III, but they lost to Joseph Estrada and Gloria Macapagal-Arroyo. For the 2001 congressional elections, the party joined the People Power Coalition (PPC) and is currently part of the ruling Sunshine Coalition in the House.

The party's platform includes a commitment to "an open, pluralistic, democratic society, free from the domination of any external force or power," and to a government that will serve the interests of the majority of Filipinos. The platform is divided into eight sections: politics; economy; labor; education and culture; energy; environment; Muslim and other ethnic or cultural communities; and international relations. The party's economic policies include a commitment to a free and dynamic industrial economy, controlled by Filipinos, and to economic equity.

The party currently holds one Senate seat and 21 seats in the House. The party's president is Congressman Florencio Abad.

Party's Perceptions of the Political Environment

The Liberal Party believes that a key problem with the current party system is that politics is too heavily oriented around individual personalities rather than political parties. The practice of giving political donations to the candidate instead of the party, for example, weakens the ability of the party to function independently or to build a sustainable foundation for activities and policy development. Accordingly, political parties tend to be beholden to party candidates who control the "power of the purse," and parties must adapt and change as party representatives and candidates jump from party to party. As a result, parties lack continuity. In addition, party representatives explain that the focus on candidates leads the bulk of party activities to take place during the campaign period, with very few initiatives addressing long-term party building.

The Liberal Party has lobbied for the enactment of an organic party law. Such legislation, party officials believe, is necessary to support the provision in the 1987 constitution that mandates the development of party system. A party law would also help COMELEC register and monitor political parties, by providing the commission with a mandate outside the election period. Although all major Philippine parties agree on the need for a party

law, a LP official noted that there would probably be differences among the parties regarding the specific provisions of the act, such as the required regulatory mechanisms and the role of the state.

The Liberal Party strongly supports providing public funding for political parties and argues such funding would help address the problem of candidate-oriented politics. In fact, the LP think tank plans to form a consortium with other political organizations and academia to study the issue of public funding. The party suggests that a certain percentage of the congressional development fund (CDF) should be allocated to the parties with representation in Congress. Since the budget is earmarked for local development projects, the party contends that political development should be included.

LP officials readily concede that public funding would not immediately solve the problems plaguing the Philippine party system. Public funding, for example, would not bring an end to independent party and candidate fundraising, so financing abuses would still occur. Nevertheless, the party believes that a party act that includes a provision for state funding would be a first step in strengthening political parties as independent institutions.

Party Structure and Decision-Making

The main decision-making body of the party is the national directorate. It is responsible for the selection of the national party leadership, determining party policy positions, and general strategic planning. The national directorate comprises high profile or influential party members, including current and former elected officials. In addition, local chapters participate in general assemblies in four areas -- Luzon, Visayas, Mindanao, and Metro Manila -- to elect delegates to the national directorate. Each area is allocated equal representation in the directorate, regardless of the number of local chapters or the population in the area. The directorate, in accordance with the party constitution, must convene every six years to correspond with the country's presidential election.

The national executive council⁴³ is the chief administrative organ of the party between conventions of the national directorate and acts in the place of the national directorate when the latter is not convened. The national executive council, for example, chose the party's presidential candidate in 1998 when the national directorate could not be convened. The party's steering committee manages all the day-to-day activities of the party. Members include the party president, vice president, and no fewer than 13 other members who are appointed by the national executive council from among its members, with the approval of the party president.

Local party chapters elect their own respective party leaders and candidates. The national party leadership, however, retains a veto power over the choice of candidates for key elected positions, including congressperson, governor, and city mayor.

Party officials serve three-year terms, but there are no limits on the number of times a member may run for party office.

Money Management and Party Financing

Like Lakas-NUCD-UMDP-KAMPI and the LDP, the LP reports difficulties raising money between elections. In theory, party dues can be collected from party members, but party officials believe that the implementation of this process would not be worth the financial gain that it would yield. At present, party funds come primarily from the required donations of the party's congresspersons and local officials. Party congresspersons also help pay the salaries of party staff persons from their own congressional staff allotment. In addition, the party uses remaining campaign income to support ongoing party activities. The party's survival as a major political party without a likely presidential victor is notable, since it is traditionally the party's presidential candidate who brings funds to the party.

The party has some experience engaging in business ventures to raise funds for the party. In 1992, several members of the party set up a corporation called "Los Liberales." The corporation held a piece of real estate from 1992 until 1998, and during this period, the party was able to use the property without paying rent. Los Liberales was dissolved when the building, the party's sole asset, was sold in 1998. The party has also considered engaging in economic development projects but has yet to launch any such projects due to a lack of capital.

The party claims to refuse political contributions from illegal sources. The LP, however, admits that this party ban is irrelevant, as contributions are given to individual candidates, not the party, and it is difficult to monitor donations to candidates.

The party's treasurer, who is responsible for managing party funds, is not a professional accountant. Party funds are audited annually, and the audit results are disclosed to all party members. This information is not made available to the public. The party claims that it has never received a request from the general public to disclose or share such information. The party does not require disclosure of personal assets of leaders and officials.

Ethical Standards and Discipline

The party does not have a code of conduct. Officers and members of the executive committee, provincial, municipal, city, and *barangay* committees and regional chairpersons must take an oath of office, but the oath is vague and does not identify corrupt or unethical conduct. The party’s constitution does include a provision that mandates the forfeiture of office if a party officer performs in a way perceived to be “inimical to the interests of the party as determined by the executive committee or the steering committee.”

The party constitution includes provisions defining appropriate disciplinary procedures for members who have violated the party rules. Punishment can be as severe as expulsion from the party. The party generally prefers, however, to enforce discipline through “informal mechanisms.” For example, the party leadership has asked some members to take a leave of absence or not to participate in internal party meetings. No member has been expelled in recent times.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			
	Lakas-NUCD-UMDP-KAMPI	Y		The national assembly, composed of elected officials and regional chairs, elects the national party officers.
	Laban ng Demokratikong Pilipino (LDP)	Y		The national congress, composed of regional party representatives, elects national party officials.
	Liberal Party (LP)	Y		The national directorate, the delegates to which are both appointed and elected through local assemblies, elects national officials.
2	Do local party branches participate in candidate selection?			
	Lakas-NUCD-UMDP-KAMPI	Y		The local party branches of the party participate in the selection of the candidates through delegates to the national electoral college.

	Laban ng Demokratikong Pilipino (LDP)	Y		Local chapters select the party's candidates for local offices. Local party branches also participate in the national congress, which determines national-level candidates.
	Liberal Party (LP)		N	Local chapters determine the party's candidates for local positions. For national level elections, however, it is the national executive council that chooses the party's candidates.
3	Are there regularly scheduled Party Congresses or Conventions?			
	Lakas-NUCD-UMDP-KAMPI	Y		According to the party's constitution, the national assembly is convened every two years, although in practice this does not always occur.
	Laban ng Demokratikong Pilipino (LDP)	Y		According to the party's constitution, Congress is convened at least every two years, although in practice this does not always occur.
	Liberal Party (LP)	Y		The national directorate, which also serves as a party convention, should be convened every six years according to the party constitution. Since 1992, however, the directorate has not been convened.
4	Can all members participate in selection of delegates to National Party Congress?			
	Lakas-NUCD-UMDP-KAMPI		N	Delegates to the national assembly are listed in the party constitution. Local officials also serve as delegates.
	Laban ng Demokratikong Pilipino (LDP)		N	Delegates to the national congress are specified in the party constitution.
	Liberal Party (LP)	Y		Delegates to the national directorate are elected by four general assemblies in Luzon, Visayas, Mindanao, and the National Capital Region (NCR), where all local chapters can participate.

5	Are local party officials elected?			
	Lakas-NUCD-UMDP-KAMPI	Y		The local chapters select among themselves their officials.
	Laban ng Demokratikong Pilipino (LDP)	Y		Local chapters elect local party officials. It must be noted, however, that the party constitution does not have any provision regarding local offices.
	Liberal Party (LP)	Y		The local chapters elect their respective officials.
6	Are there term limits for party officials?			In all parties, if the party official also holds public office, his or her party term extends as long as the office for which he or she was elected.
	Lakas-NUCD-UMDP-KAMPI		N	Party officials serve a two-year term, but there are no limits on the number of terms.
	Laban ng Demokratikong Pilipino (LDP)		N	Party officials serve a two-year term, but there are no limits.
	Liberal Party (LP)		N	Party officials serve a three-year term, but there no limits.
7	Does the party own businesses?			
	Lakas-NUCD-UMDP-KAMPI		N	The party has been considering the idea for the last 6-8 years, but since the law is unclear on this matter, the party is hesitant to engage in party businesses.
	Laban ng Demokratikong Pilipino (LDP)		N	Some party members are considering engaging in business, and a group has been tasked to do a feasibility study about this possibility.
	Liberal Party (LP)		N	The party has limited experiences in the past with real estate (renting out of office space, 1992-1998), but the party is not currently engaged in business ventures.
8	Does the party refuse political contributions from certain sources?			The parties do not refuse any legal contributions. Parties also admit that they often do not know the sources of funding, as most contributions go to individuals, not to the parties.
	Lakas-NUCD-UMDP-KAMPI		N	
	Laban ng Demokratikong Pilipino (LDP)		N	

	Liberal Party (LP)		N	
9	Do party MPs have to donate part of their salary to the party?			
	Lakas-NUCD-UMDP-KAMPI		N	Some party senators/congresspersons donate a part of their salary, but this is not compulsory.
	Laban ng Demokratikong Pilipino (LDP)	Y		The range of salary donation is from 25-30 percent.
	Liberal Party (LP)	Y		The range of salary donation is from 15-30 percent, depending on the length of their membership in the party and if they are holding party positions.
10	Does the party employ professional accountants to manage party funds?			
	Lakas-NUCD-UMDP-KAMPI		N	The party has a finance group, headed by the party treasurer (the present treasurer is a lawyer), which makes the party reports to be submitted to COMELEC.
	Laban ng Demokratikong Pilipino (LDP)	Y		The acting party treasurer is a member of congress. In the last elections, however, the party hired the services of a professional accountant.
	Liberal Party (LP)		N	The current treasurer, who manages party funds, is a lawyer, not a professional accountant.
11	Does the party conduct an annual Audit of its accounts?			
	Lakas-NUCD-UMDP-KAMPI		N	
	Laban ng Demokratikong Pilipino (LDP)		N	
	Liberal Party (LP)	Y		The party employs an internal auditor who does not hold a party position.
12	Does the party disclose the sources of its funds and expenditures to members of the party?			Although there is no regulation, all parties disclose the sources of funds and accounting records at general assembly meetings. However, the sources of funding are often not available because funding goes directly to the candidates.
	Lakas-NUCD-UMDP-KAMPI	Y		

	Laban ng Demokratikong Pilipino (LDP)	Y		
	Liberal Party (LP)	Y		
13	Does the party disclose the sources of its funds and expenditures to members of the public?			During the campaign period, parties are required by law to disclose their financial statements and sources of funds. However, none of the parties have a process for disclosure outside of the campaign period.
	Lakas-NUCD-UMDP-KAMPI		N	
	Laban ng Demokratikong Pilipino (LDP)		N	
	Liberal Party (LP)		N	
14	Are party leaders required to disclose their personal assets?			If the party officials are also public officials, they are required by law to disclose their assets and liabilities. However, none of the parties have a voluntary provision for party posts.
	Lakas-NUCD-UMDP-KAMPI		N	
	Laban ng Demokratikong Pilipino (LDP)		N	
	Liberal Party (LP)		N	
15	Are party leaders required to sign a party code of conduct?			
	Lakas-NUCD-UMDP-KAMPI		N	Signed an anti-defection agreement for the 2001 mid-term elections.
	Laban ng Demokratikong Pilipino (LDP)		N	
	Liberal Party (LP)		N	
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			
	Lakas-NUCD-UMDP-KAMPI	Y		A formal disciplinary procedure is defined in the party constitution.
	Laban ng Demokratikong Pilipino (LDP)	Y		There is a formal disciplinary procedure specified in the party constitution.
	Liberal Party (LP)	Y		There is a formal disciplinary procedure specified in the constitution.

CONCLUSION

Recent tumultuous events in the Philippines illustrate increasing public concern regarding corruption. People Power II, which led to the ouster of President Joseph Estrada on charges of corruption, demonstrated the public's demands for transparent, accountable, and effective governance.

Philippine political parties recognize their important role in the implementation of successful political reform. Party leaders believe that developing political parties as strong, financially independent, and ideological institutions will reduce the influence of patronage and money politics in the political system. The parties would like to develop the institutional strength to enforce discipline against members without worrying about losing resources. Furthermore, parties want to play a more significant role between election campaigns, developing policy prescriptions, conducting constituent outreach activities, and strengthening their membership bases.

The main political parties look to legislative solutions to strengthen the party system and advocate the passage of a law on political parties with a provision for public financing. The parties argue that a party law, which would include strong anti-defection measures, is needed to provide a legal framework for party development, to regulate political finance outside the election period, and to ensure continuity of party activities and representation. Public funding would allow the parties to be less dependent on individual candidates and their sponsors. The additional resources, untied to campaign contributions, would also provide the parties with more flexibility in recruiting candidates for elective offices.

Unfortunately, past legislative reforms in the Philippines have been largely unsuccessful. Although multiple anti-corruption bodies and mechanisms have been established, weak enforcement has rendered them ineffective. Parties are aware of the limitations of external legislation and institutional weaknesses, and thus recognize the need for internal party reforms to complement and support legislative proposals. Parties have implemented a few significant measures, such as establishing research institutes, holding general assembly meetings, and creating disciplinary bodies, to back these verbal commitments to internal party reform.

The main Philippine parties resemble each other in structure, organization, and procedures for leadership and candidate selection, although they vary somewhat on the breadth of membership involved in these decisions. A few parties have introduced measures to enhance internal democracy in decision-making and leadership and candidate selection. In order to encourage

greater membership representation in the national directorate, for example, the Liberal Party holds assemblies in four geographic areas to elect delegates to the highest party body. Lakas-NUCD-UMDP-KAMPI is considering soliciting the involvement of the public in the selection of its leaders and officials to ensure their accountability to the public's needs.

Philippine political parties have taken steps to enhance party discipline, addressing in particular the problem of defection. The LDP is organizing seminars and policy discussions on the issue of defections. In 2001, Lakas-NUCD-UMDP-KAMPI required all its candidates to sign an agreement that would prevent their defection from the party. Although none of the parties have defined codes of conduct, most require oaths to obey the party constitution. Lakas-NUCD-UMDP-KAMPI is considering adopting the eight-point "moral compass" that President Arroyo developed for her administration.

Party officials admit that there is little transparency in party financial management, and parties have implemented few reforms in this area. Most money is channeled through individual representatives and candidates, and the party is not able to monitor the sources of funds. No party discloses their records to the public, although the Liberal Party audits its accounts annually and shares the audit results with its party members. No parties require declarations of assets or liabilities from party officials in order to track "unusual wealth," and there are no stringent fundraising regulations.

Despite a few important party efforts, parties maintain that the rocky political history of the Philippines and the prevailing political culture present hurdles to genuine party reform. Independent Philippine democracy followed decades of foreign occupation, and the party system emerged in an unstable environment fraught with internal divisions and corruption. In the 1970s and 1980s, a brutal dictator quickly squashed what little progress democracy had made. Now, 15 years since the fall of Ferdinand Marcos, the party system is slowly recovering but remains challenged by a political culture defined by patronage, factionalism, and dependence on strong, charismatic personalities. Nevertheless, party leaders have expressed their determination to transcend the often-debilitating political environment by institutionalizing genuine and meaningful internal party reforms as a key step toward strengthening the country's democratic institutions.

¹ These five Presidents are: Manuel Roxas (from Nacionalista Party to Liberal Party); Ramon Magsaysay (from Liberal Party to Nacionalista Party); Ferdinand Marcos (from Liberal Party to Nacionalista Party); Fidel Ramos (from LDP to Lakas-NUCD-UMDP); and Gloria Macapagal-Arroyo (from LDP to Lakas-NUCD-UMDP-KAMPI).

- ² Historical background is drawn largely from Background Note: Philippines, US Department of State, September 2001, and Leones, Errol B., and Miel Moraleda, "Philippines," in Wolfgang Sachsenroder and Ulrike E. Frings, ed., *Political Party Systems and Democratic Development in East and Southeast Asia*, Friedrich-Naumann-Stiftung (Vermont, USA: Ashgate, 1998).
- ⁴ Agoncillo, Teodoro, *History of the Filipino People* (Quezon City, the Philippines: R.P. Garcia Publishing Company, 1990).
- ⁴ *Lakas* means Power. *Kabalikat ng Malayang Pilipino* means Partner of the Free Filipino.
- ⁵ *Aksyon Demokratiko* means Democratic Action.
- ⁶ *Probinsya Muna* means Province First.
- ⁷ *Partido para sa Demokratikong Reporma* means Democratic Reform Party.
- ⁸ It is presumed that the 185 congresspersons that voted for de Venecia for Speaker of the House comprise the Sunshine Coalition, as there is no formal document that names the members of this coalition.
- ⁹ This section largely benefits from Carino, Ledivina and Raul de Guzman, "Negative Bureaucratic Behavior in the Philippines: The Final Report of the IDRC Philippine Team," *Philippine Journal of Public Administration*, Vol. XXIII, Nos. 3&4, July-October 1979.
- ¹⁰ Lopez, Antonio, "Philippine Deja Vu: Yet Another Anti-Graft Body, But Will it Really Help?" *Asiaweek*, 21 July 2000, p.53.
- ¹¹ Watson, Russell, et al., "Hard Up in Hawaii," *Newsweek*, 31 March 1986, p.25. This was quoted from Belinda Aquino, *Politics of Plunder: The Philippines Under Marcos 2nd ed.* (Quezon City, the Philippines: Kadena Press, 1999).
- ¹² Pareno, Earl, "Pork," in Sheila Coronel, ed., *Pork and Other Perks: Corruption and Governance in the Philippines* (Manila, the Philippines: Philippine Center for Investigative Journalism, 1998).
- ¹³ Leones and Moraleda (1998), pp. 314-315.
- ¹⁴ Leones and Moraleda (1998), p. 331.
- ¹⁵ Lopez (2000), p.53
- ¹⁶ Leones and Moraleda (1998), p. 295.
- ¹⁷ *Laban ng Demokratikong Pilipino* means Struggle of the Democratic Filipino.
- ¹⁸ Leones and Moraleda (1998), p. 292.
- ¹⁹ Interview with Former COMELEC Commissioner Teresita Flores, Paranaque City, 28 November 2001.
- ²⁰ Sectoral parties are parties that participate in the party-list elections. These parties are required to come from certain defined sectors of society, such as women, youth, fisher folk, labor, among others.
- ²¹ According to COMELEC records as of 23 January 2001.
- ²² Leones and Moraleda (1998), pp. 313-314.
- ²³ De Castro, Isagani, "Campaign Kitty," in Sheila Coronel, ed., *Pork and Other Perks: Corruption and Governance in the Philippines* (Manila: Philippine Center for Investigative Journalism, 1998).
- ²⁴ Magno, Alexander, "The Altered Terrain of Electoral Politics in the Philippines," lecture delivered at the University of Hawaii at Manoa, 30 April 1991, p. 9.
- ²⁵ Magno (1991), p. 9.
- ²⁶ Leones and Moraleda (1998), p. 322.
- ²⁷ Interview with Former COMELEC Commissioner Teresita Flores, Paranaque City, 28 November 2001.
- ²⁸ Daza, Raul, et. al., *The Steadfast Keepers: Keeping Alive the Vision of Liberal Democracy in the Philippines*, (Mandaluyong City: National Institute for Policy Studies, 1996), p. 87.
- ²⁹ When queried on why political parties did not submit a statement of election contributions and

expenditures for last elections, COMELEC officials responded that political parties usually submit such documents during presidential elections only.

³⁰ *Laban ng Makabayang Masang Pilipino* means Struggle of the Nationalist Filipino Masses.

³¹ *Partido Bansang Marangal* means Dignified Nation Party

³² Florentino-Hofilena, Chay, *News for Sale: The Corruption of the Philippine Media* (Quezon City: Raintree Publishing Inc., 1998), p. 77.

³³ Florentino-Hofilena (1988), pp. 3-21.

³⁴ This section is based on interviews conducted with political party officials from the Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikat ng Malayang Pilipino (Lakas-NUCD-UMDP-KAMPI), Laban ng Demokratikong Pilipino (LDP), and the Liberal Party (LP). The Nationalist People's Coalition (NPC) did not agree to meet with researchers.

This section also benefits from Clarita Carlos and Rommel Banlaoi's *Political Parties in the Philippines: From 1900 to the Present and Elections in the Philippines: From the Pre-colonial Period to the Present* (Makati: Konrad Adenauer Foundation, 1996) and Clarita Carlos' *Dynamics of Political Parties in the Philippines* (Makati: Konrad Adenauer Foundation, 1997) and *A Chronicle of the 1998 Elections in the Philippines* (Makati: Konrad Adenauer Foundation, 1998).

³⁵ Rocamora, Joel, *Philippine Political Parties: Continuity and Change*, paper presented to the National Democratic Institute for International Affairs (NDI), Washington D.C., 1996.

³⁶ David, Randolph, cited in Rocamora, p. 2.

³⁷ KAMPI is now a separate party entity but still closely linked with Lakas-NUCD-UMDP.

³⁸ The national assembly is composed of: elected municipal, city, provincial, provincial-district, city-district, municipal-district, congressional district and regional party chairpersons; incumbent elected national government officials; incumbent local officials excluding municipal councilors; members of the national advisory board; members of the national directorate and executive committee; two delegates from each district; appointed non-career national government officials with the rank of cabinet secretary, undersecretary, assistant secretary, and heads of various government agencies and corporations; sectoral delegates to be chosen by the national directorate; and other members as may be determined by the national directorate.

³⁹ National directorate members include: national party officers; deputy secretary-generals; current and incumbent senators and congresspersons; current and incumbent regional governors, vice-governors, and speakers of regional assemblies; chairpersons of the national advisory board, national sectoral, service, and policy research and development committees; and such other members of national stature as may be appointed by the national chair upon the recommendation of the party president and the secretary-general.

⁴⁰ The national executive committee is composed of a secretary-general, executive vice-president, the national treasurer, the party's nine other vice-presidents, two deputy secretaries-general to be named by the secretary-general, the executive director of the national secretariat, and five other members chosen by and from among the members of the national directorate.

⁴¹ *Pwersa ng Masa* means Strength of the Masses.

⁴² The national executive council is comprised of current and past party presidents/chairs and secretary -generals and incumbent vice-presidents, senators, house representatives, governors of the autonomous regions, provincial governors, city mayors, and up to five members each from the youth and women chapters, who are appointed by the national executive council. Since the elections of 1998, however, the number of incumbent elected officials who can sit as national executive council members is limited to: all LDP senators and no more than 25 members of the House, 15 governors, 10 vice-governors, and 10 city mayors. If the number of representatives in each group exceeds the limit, they must select among themselves those who will be national executive council members. All other elected representatives, governors, vice-governors, and city mayors shall be allowed to participate in national executive council meetings but without the right to vote.

⁴³ The national executive council is composed of: the party president; executive vice-president and other vice-presidents; secretary-general and his/her deputies and assistants; treasurer; members of the senate and house of representatives who have been party members in good standing for at least 6 months; regional chairpersons and other party officials; and party members of national stature as may be chosen by the steering committee.

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SOUTH KOREA¹

SUMMARY

Korea's² experience with multi-party democracy has been brief. The transition from quasi-military authoritarian rule to democratic governance began in 1987. The legacy of the authoritarian era, however, is still reflected in the democratic political party system. Political parties also have not had time to become well-defined, fully democratic institutions. Parties in Korea resemble each other in structure and practice and are characterized by highly centralized leadership and regional bases of political support. Furthermore, an embedded system of patronage and political corruption binds certain political leaders and parties to the captains of the economy.

Money has greatly influenced political competition in Korea. Even before the Asian economic crisis, Korean society recognized the magnitude of the problem of political corruption and its impact on national development. The economic crisis, and the partial collapse of the Korean economy that accompanied it, however, heightened public awareness of the need to strengthen efforts to eradicate corruption. The people of Korea have demanded political and economic reforms.

In response to the challenge of political corruption, Korea has relied almost exclusively on enacting legislation to reform party activities. As a result, an extensive legal framework rigidly governs political party operations, elections, and political finance. Perhaps because of this reliance on legislative remedies, Korean political parties have undertaken very few independent internal reforms. While individual party leaders and reformers have questioned party practices, political parties as a whole have been slow to democratize. The primary political party reform strategy, for all of the nation's parties, has been to promote improvements in the legal framework governing party operations.

BACKGROUND

Political Context

Transition to Democracy

The Republic of Korea was established in 1948, following the end of World War II and the Japanese occupation of the Korean peninsula. Its first decade, however, was dominated by the conflict between the north, supported by the Soviet Union and China, and the south, supported by the United States. The conflict has left the Korean peninsula divided.

In the south, conservative politician Syngman Rhee became the first elected president of Korea. Authoritarianism and corruption were the dominant characteristics of his rule, and he was ultimately forced to resign in 1960 following allegations of ballot tampering and ensuing student demonstrations. The government that succeeded him was administratively weak and, as a result, survived for only a brief period. The failure of the elected government paved the way for a bloodless military coup in 1961, led by General Park Chung Hee. This marked the beginning of three decades of military domination of the political process.

General Park immediately declared a state of emergency, dissolved the elected legislature, suspended the constitution, and disbanded political parties. Although he retired from the military and made efforts to restore indirect civilian rule, Park led Korea in an autocratic manner until 1979. Park's regime made it a crime to criticize the government, imposed martial law, and repressed, harassed, and imprisoned opposition party leaders. During Park's rule, the current president, Kim Dae Jung, was repeatedly imprisoned for political crimes and was at one point sentenced to death. General Park ultimately became a victim of his own authoritarian rule and was assassinated by his security apparatus in 1979.

During Park's rule, however, Korea underwent a tremendous economic transformation. The Korean economy was completely altered from one primarily based on fishing and agriculture to one based on a thriving industrial sector. Economic growth approached 10 percent annually. The state coordinated economic development closely through several massive corporate conglomerations, *chaebols*, which received state subsidies and were allegedly the source of political kickbacks. The conglomerates continue to control much of the Korean economy today.

The end of Park's rule was followed by a short period of democratic liberalization. However, in 1980, another bloodless military coup led by Lt. General Chun Doo Hwan replaced the civilian government. When student protests occurred in the spring of 1980, Chun declared martial law, banned demonstrations, and arrested many opposition politicians and dissidents. Though martial law was rescinded in 1981, the government retained broad political powers. Subsequent elections were closely controlled, political opposition was forced to operate under heavy restrictions, and the military regime utilized the full resources of the state in its campaign. Not surprisingly, Chun Doo Hwan won the presidential election in 1981.

During Chun Doo Hwan's rule, the government was plagued by major financial scandals involving national politicians, an economic slowdown, labor strikes, and massive public demonstrations demanding constitutional reforms. Chun Doo Hwan stepped down from public office in 1987, succeeded by his deputy Roh Te Woo. In the historic June 29 Declaration, Roh Te Woo announced a dramatic reversal of government policy and promised political and constitutional reform, including the participation of political parties. The government pledged to work with the fledgling political opposition on the development of a new constitution and announced the direct election of the president. In the 1987 elections, opposition leaders Kim Dae Jung and Kim Young Sam could not reach agreement on a common candidate, allowing Roh Te Woo to win the election. For the first time since 1952, however, his governing party did not have a legislative majority.

In 1990, an unexpected political realignment gave Roh's ruling party a legislative majority. Opposition parties led by Kim Young Sam and Kim Jong Pil merged with the governing party, creating an immediate super-majority in the legislature. In the watershed elections of 1992, long-time opposition leader Kim Young Sam became the candidate of the incumbent government party, defeating Kim Dae Jung. Upon assuming the presidency, Kim Young Sam became the first non-military leader of Korea since 1961.

The government of Kim Young Sam introduced meaningful political reforms. The most notable action of the Kim Young Sam government, however, was the prosecution of former leaders Chun Doo Hwan and Roh Te Woo, for their respective roles in the 1980 military coup and for allegations of massive corruption and bribery during their time in office. The former leaders were accused of having received millions of dollars in bribes and kickbacks from corporate conglomerates. Although both leaders were convicted, they were eventually pardoned in 1997 with the approval of the government and opposition parties.

In 1997, as Kim Young Sam's term expired, the Korean economy was devastated by the Asian financial crisis. The economic collapse coincided with historic elections in which long-time opposition leader and former political prisoner Kim Dae Jung won the presidency, with the support of the United Liberal Democrat Party (ULD). His victory marked the first peaceful transition of power from a governing party to an opposition party in Korean history.

Governance System

The 1987 constitution (technically the ninth amendment to the 1948 Basic Law) establishes a presidential system in Korea based upon a system of checks and balances. The constitution establishes three branches of govern-

ment, the executive, legislative, and judiciary, with significant political power tilted in favor of the president. The military is charged by Article 5 of the constitution to maintain political neutrality.

Since the 1987 reforms, the president has been directly elected by popular vote, requiring a plurality of votes to secure victory. The president is elected for a five-year term and is limited to serving a single term. The constitution makes no provision for a vice president. The president appoints a prime minister and, based upon the recommendations of the prime minister, appoints a state council of 15 to 30 members, which serves as the national cabinet. Although the constitution grants greater powers to the president over other branches, presidential power is limited to a far greater extent than during the previous authoritarian era and is checked by the legislative branch. The next presidential election is scheduled for December 2007.

The legislative branch is the unicameral National Assembly. The National Assembly approves presidential actions and introduces and passes legislation. The legislature may move to impeach the president and is specifically authorized to investigate government affairs. Members of the National Assembly are directly elected for four-year terms, with no limitation on the number of terms a single legislator may serve. The constitution originally established a National Assembly of 299 members, though that number has since been reduced to 273. In the last National Assembly elections in 2000, the Grand National Party (GNP) won 133 seats, the Millennium Democratic Party (MDP) of Kim Dae Jung won 115 seats, and the United Liberal Democrat Party (ULD) earned 17 seats. In early 1998, the MDP and ULD came together to form a coalition in the Assembly, although this partnership fell apart in September 2001. The next National Assembly election will be held on April 15, 2004.

The electoral system is a mixed system that includes single-member constituencies and proportional representation through party lists. Voters directly elect 227 members in single-member constituencies under the first-past-the-post system, and the remaining 46 seats are filled from nationwide party lists under a proportional allocation of seats. Voters cast a single vote for the local district candidate, with that vote also counting as a vote for the candidate's party list. Although this model is typically candidate-focused, the regional support bases for party politics in Korea make party affiliation extremely important, strengthening the role of parties in the electoral process. Despite a 30 percent quota for women candidates on the party lists for proportional seats in the National Assembly, only five women were elected in the December 2000 election.³

Current Political Climate

A critical issue in Korean political debate has for several decades been the relationship between South Korea and North Korea, arguably the world's most repressive country. The stated policy of both the north and the south is a desire for eventual re-unification of the Korean nation. The details and methodology for achieving unification, however, remain unresolved. Global political events, most notably the fall of the Soviet Union, led to a greater push in South Korea for more cordial relations with North. In recent years, the government of Kim Dae Jung has emphasized warmer relations with the north, named the "Sunshine Policy," leading to the historic first meeting between Kim Dae Jung and Kim Jong Il.

The meeting between these heads of state led to international acclaim for Kim Dae Jung, earning him the Nobel Peace Prize. Domestically, however, the Sunshine Policy has been greeted with widespread skepticism and is often viewed as "too soft" on North Korea. Critics, including many opposition leaders, argue that national security must remain the highest priority, and there is still distrust of Kim Jong Il. Despite the south's Sunshine Policy, the north has not reciprocated by offering better cooperation, such as agreeing to a rail linkage or regularizing family reunions. Attempted North Korean infiltrations into the south, including a June 1999 border skirmish caused by two North Korean patrol boats crossing the U.N. declared border in the West Sea and a 1996 incursion into South Korean territorial waters by a North Korean submarine, have fueled suspicions of the north. In addition, critics express concern about the possible ramifications of warmer north-south relations on the struggling South Korean economy. Disagreement over Kim Dae Jung's Sunshine Policy reached a critical juncture in September 2001, when parliament handed a no-confidence vote to Kim's unification minister Lim Dong Won. The ruling coalition collapsed, and the entire cabinet resigned, throwing the government into political disarray.

The economic slowdown is another important topic of political debate. In the three decades following the Park government's First Five-Year Economic Development Plan in 1962, South Korea enjoyed high annual growth rates. This rapid economic development propelled Korea to the rank of the 11th largest economy in the world and secured the country's acceptance into the Organization for Economic Cooperation and Development (OECD) as a "developed" nation. Corrupt ties between the state and corporate conglomerates and the absence of transparency and accountability in economic and political affairs, however, accompanied the period of rapid growth of the Korean economy. The financial crisis of 1997 was seen as a repudiation of the state-sponsored economy, the system of state subsidies, and corruption. The results

have been painful for Korea. Rather than 8 to 10 percent economic growth, in 1997, the Korean economy contracted to 5 percent, leading to unemployment and a general decrease in the standard of living.⁵ In 1998, over 1.5 million people were out of work, one in five households had someone unemployed, and suicide rates rose by 50 percent.⁶ The poverty rate also rose to an unprecedented 23.5 percent in 1998.⁷

Injected with foreign aid, and subsequent economic restructuring, however, GDP rose again by 10.7 percent in 1999 and unemployment fell below 4 percent. In the first stage of economic reforms: the government tightened financial regulations; financial institutions were consolidated through mergers and acquisitions; accounting practices were reviewed; a Tripartite Commission on labor was established; and several job-training programs were initiated.⁸ The government has also pledged to foster a “digital” sector, and has taken on several Internet based programs, such as the city of Seoul’s initiative to post all applications for permits and contracts on-line to allow for monitoring and ensure competitive bidding.⁹ Despite these improvements, the economic outlook in Korea remains unpredictable, traditional management practices continue to thrive, and projections now estimate that Korea’s real GDP growth may slow to 2.5 percent.¹⁰ Citizens are demanding further economic reforms.

The issue of political reform also ranks highly on the public agenda. Given the close links between the economic collapse and political corruption, the Korean public, and the international community, laid much of the blame for the financial crisis with politicians. The \$57 billion bailout, to which the IMF, World Bank, the Asian Development Bank, and seven nations contributed, demanded not only economic reforms but also political ones in exchange for the much-needed financial aid. Fierce public demands for political reform also played a major role in the 1997 presidential election victory of Kim Dae Jung, who ran on a reform platform. As promised, Kim Dae Jung’s administration has overseen the successful passage of important anti-corruption provisions, discussed below. Many reforms, however, including changes to the legislative framework governing political competition, have been hindered due to a lack of political support among legislators and scandals involving members of his administration and family.¹¹ The pace of reforms has not kept up with public demands for a new style of political competition based on transparency, accountability, and democracy.

The current political climate is also marked by partisan struggles and stalemate in the Assembly, hindering reform legislation. When Kim Dae Jung assumed office, the Grand National Party (GNP) held the majority of the seats in the legislature and refused to cooperate with Kim Dae Jung’s ruling party, the National Congress of New Politics (now, Millennium Democratic Party).¹² By

September 1998, some members of the GNP defected, giving the NCNP-ULD coalition a small minority. In the 2000 National assembly elections, however, the GNP earned more seats than the MDP, formerly the NCNP, and the coalition between the ULD and the MDP ultimately fell apart. As a result, there has been a lack of inter-party cooperation and the ruling and opposition parties have clashed on major issues. Many of Kim Dae Jung's promised political reforms also remain gridlocked in the Assembly.

The current deadlock in parliament is accompanied by a crisis of leadership. Kim Dae Jung, who at one point enjoyed approval ratings of 80 percent, is struggling to lead.¹³ In an effort to avert political paralysis, in November 2001 Kim resigned as the leader of the MDP and pledged to concentrate on the issues without partisan loyalties. This was followed by a cabinet reshuffle in early 2002. In an attempt to build cross-party support, most new ministers and advisers were drawn from outside the political arena. As President Kim ended his five-year term, he faced low public approval ratings and fierce partisan politics.

Corruption and Government Anti-Corruption Efforts

Corruption ranks as one of the most important public policy issues among the Korean public. In a recent survey, Koreans ranked corruption (21.7%) second only to economic development (22.1%) as "the most important national priority to be addressed in the coming decade."¹⁴

The most commonly identified form of corruption in Korea is the financing of powerful politicians by corporate conglomerates. One analyst interviewed noted, "Political financing is the root cause of corruption." The absence of transparency in government and business relations has fueled these "collusive connections between politicians, government officials, and businessmen."¹⁵ Korean conglomerates grew through their dependence on government loans, regulatory protections, and contracts. In return, the conglomerates created slush funds to finance political campaigns and bribe government officials for further benefits. It is alleged that these corporations sometimes used borrowed money to fund corrupt activities, and many banks now have extremely high levels of non-performing loans as a result. Investigations into the size of corporate slush funds conducted by the Committee for the Prevention of Corruption in 1996 revealed that the funds varied from .9 percent to 1.25 percent of total revenues.¹⁶

The "Slush Fund Scandal" of Roh Te Woo's administration is illustrative of the problem, although certainly not unusual. From 1987 to 1992, then-President Roh Te Woo created a slush fund of billions of *won*¹⁷ through

illegal contributions from corporate conglomerates in exchange for political preference in the state-led economic development plan.¹⁸ Each of the major corporate conglomerates reportedly contributed four billion to 25 billion *won* during Roh Te Woo's term. In return, state funds in the form of economic subsidies were channeled to the corporate sector, and then again returned to the ruling party through kickbacks and bribes.¹⁹

Low salaries of public officials, coupled with unnecessarily cumbersome administrative regulations and procedures contributes to widespread petty corruption in Korea, in which public officials routinely demand bribes from citizens in exchange for performance of basic government services. People also point to cultural factors to explain corruption, such as the gift-giving practice of Korean society, the use of social ties based on nepotism and regionalism, and patriarchal patronage systems.²⁰

In his inaugural address, Kim Young Sam stressed the need to eliminate corruption and attempted to introduce meaningful reforms.²¹ In addition to vowing not to accept money from businesses while in office and enacting anti-corruption legislation, he required all cabinet members and National Assembly members from the ruling Democratic Liberal Party to declare their assets.²² The legislature then passed a new Public Servants' Ethics Act, requiring all public servants to register their assets annually and making those asset declarations available to the public. Furthermore, a law prohibiting the use of fictitious names in financial and banking transactions was passed. The government also launched corruption probes into the activities of previous regimes, as described above. These probes resulted in the convictions of former leaders Chun Doo Hwan and Roh Te Woo for corruption during each of their terms as president, although they were later pardoned.

The Kim Dae Jung government, which came into power on a platform of reform, made anti-corruption a centerpiece of its administration. As a precursor to an independent anti-corruption commission, President Kim established and appointed a Presidential Commission on Anti-Corruption (PCAC) as a temporary coordination mechanism for anti-corruption initiatives. The PCAC mission is to advise the president on anti-corruption matters and to recommend reforms to the corporate sector, the public administration, and the political process. The PCAC identified four broad objectives:²³

- Establish the legal and institutional infrastructure for anti-corruption efforts, including a review of existing legislation (the Freedom of Information Act, the Public Servants' Ethics Law, and the Basic Law of Administrative Regulation) and the development of new legal mechanisms;

- Reform administrative systems (regulatory reform, governmental transparency, and integrity evaluations of the public sector);
- Promote public awareness and education, including strengthening NGO activities and oversight; and,
- Reform the corporate sector (transparency, legal reforms, and transaction regulations).

To further these efforts, the National Assembly passed the much-anticipated comprehensive anti-corruption legislation in July 2001. Key provisions of the legislation include the following:

- The establishment of a fully empowered anti-corruption commission authorized to advise and evaluate every government department on transparency, effectiveness, and public reporting;
- The establishment of a streamlined system for prosecuting corruption offenses. The commission is granted powers to require disclosure of information, although the power to prosecute remains in the hands of the public prosecutor;
- Authorization for the commission to launch education programs, targeting specific government departments and the general public;
- “Whistle-blower” protection and compensation.²⁴

As part of the anti-corruption legislation, the National Assembly passed the Anti-Money Laundering Act. The Act establishes a financial investigation unit (FIU), granted with special powers to search all financial accounts, with the notable exception of political party funds.

While the new laws are viewed as positive steps towards combating corruption, some political activists do not believe the anti-corruption legislation went far enough.²⁵ A leading NGO, which helped develop drafts of the legislation, argued that the new legislative package should have included provisions for a new, more concrete code of conduct for public officials and new financial disclosure mechanisms, as the existing Public Servants’ Ethics Act governing these issues is weak. The current Act identifies 10 broad principles as a code of conduct, but this code is too vague and has not been enforced. Critics argue that the code should be more specific and include restrictions on income from sources other than employment, exclude officials from interest-related positions, describe the types of banned gifts, and restrict the re-employment of corrupt officials. The current Act also requires disclosure of assets and liabilities from public servants, but the implementing agency has not been granted the capacity to conduct investigations based on these declarations. Activists argue that the new anti-corruption legislation should have incorporated and strengthened these aspects of the current Public Servants’ Ethics Act.

Anti-corruption advocates also believe that there must be greater protections for whistle-blowers, and the punishment for the violation of whistle-blower protection should be clarified. In addition, these critics argue that the law should include a “special prosecutor system,” an idea to which the ruling party objected. The current public prosecutor’s office, critics assert, is not independent enough and has failed to investigate big corruption scandals. The public prosecutor’s office has itself been in the spotlight of scandals in recent years. In the so-called “Furgate” scandal, for example, Choi Soon-yong, the owner of Shindongah Group, was arrested for illegal capital flight. His wife gave a fur coat to Prosecutor General Kim Tae-joung’s wife in return, allegedly, for “light” treatment.²⁶ A special prosecutor system would establish an investigation office separate from the government with the mandate to prosecute senior government officials.

Most notably, activists criticize political parties for excluding political party funds and politicians from scrutiny by the FIU. The unit is authorized to investigate political parties in certain circumstances, but requires court authorizations beforehand. The opposition parties claim that they objected to granting broad powers to the FIU because they feared the law would be applied along partisan lines to oppress the opposition. The final legislation created a FIU that was not as strong and independent as many civic activists had desired. The obvious conclusion is that parties would have supported a stronger bill if they had “no reason to fear financial transparency.” As one professor stated:

The three parties agreed to ignore the political party issue with the FIU. They presented a bill that excluded political parties but went after every other sector. The public perceives that parties are willing to regulate everyone else, but not themselves. People believe politicians are trying to make themselves ‘the untouchables.’

Nevertheless, even the critics agree that the new legislation, namely the establishment of the anti-corruption commission and the FIU, will have an impact on reforming the political process, as well as other sectors. However, public demands for further reforms, particularly of the political finance system, persist.

Political Party Environment

Throughout Korea’s post-war history, the government has regulated political parties through legislation. During the period of military rule, legislation was used to limit the activities of political parties and prevent criticism of the government. In the democratic era, legislation is now seen as a way to protect the rights and freedoms of political parties. In fact, the rights of political parties are enshrined in the first chapter of the constitution.

Legislation is also viewed as the most effective way to monitor political parties and combat the prevalence of money politics. As a result, there is a substantial body of detailed laws regulating political parties.

This tendency to enact legislation to reform the political finance system and internal party practices is accompanied by, and contributes to, very few voluntary political party reforms to their internal operating procedures. Typically, parties have only adopted reforms when legislation requires certain measures. Because of this trend, the legal framework governing parties has much greater significance in Korea than in other countries. In many ways, fulfilling the laws governing party behavior represents the only response of political parties to the problems of political finance and political corruption.

Several specific pieces of legislation form the basic legal framework within which political parties operate and compete:

- The constitution (as amended 1987)
- The Political Parties Act (as amended 2000)
- The Political Fund Act (as amended 2000)
- The Act on the Election of Public Officials and the Prevention of Election Malpractices (as amended 2000)

Constitution

Due to the long history of political repression in Korea, the 1987 constitution strongly protects the establishment and rights of political parties in Chapter I, Article 8. Subsection (1) guarantees the freedom to establish political parties and protects the multi-party system. Subsection (2) requires political parties to be democratic in their objectives, organization, and activities, and requires parties to facilitate citizen participation in “the formation of the political will,” or public policies. Subsection (3) entitles political parties to the protection of the state and provides the state with the option to fund parties. Subsection (4) outlines disciplinary measures if a political party is alleged to have violated the “fundamental democratic order.” The significance of this last provision is that it treats the dissolution of a political party as a matter of constitutional significance, requiring the government to bring its action against a party to the Constitutional Court.

Political Parties Act

The Political Parties Act guarantees the rights of political parties to exist and function and outlines the requirements regarding political party activity. Article 30 of the law protects the freedom of political parties to undertake any and all activities not otherwise proscribed or prohibited by the constitution or by law.

Parties are required to register with the National Election Commission (NEC). According to Article 28, parties must have a party constitution that includes: the party's name and general organization of party structures; method of election, length of term, and rights and duties of party officials; membership regulations; financial regulations; candidate selection regulations; and dissolution and merger procedures. Article 29 requires political parties to have a representative organ, such as a national convention or congress, to represent the party membership, an executive council, and a caucus of National Assembly members.

Registration regulations require a political party to have structures at the central and district levels as well. To address the problem of strong regional ties of parties, Articles 25 and 26 require an applying party to establish district offices in at least one-tenth of the electoral districts in Korea, and at least five of the seven main metropolitan areas to ensure a cross-regional spread. Additionally, no single metropolitan area may account for more than a quarter of the parties' required district offices. District party branches must consist of at least 30 members each and must be approved by the central party headquarters. If at any time a party is unable to maintain the structures required above, its registration may be revoked. A party must also participate in some level of government elections at least once every four years and must win a minimum threshold of seats or vote percentage to remain registered.

The Political Parties Act protects the right of party members to participate in the election of their party leader and to run in party elections, as long as a member pays her or his party membership fees and adheres to the party constitution. Article 31 stipulates that candidate selection must be: (1) democratic (though it does not define the term); (2) reflective of the representative organ of the party (to prevent overly centralized control of party nominations); and (3) determined only by those who pay party membership fees or volunteer for the party. Political parties are also required to open their platforms to the public, as mandated in Article 28.

Article 19 of the party law protects citizens from being forced to join or leave a political party without consent. Individuals are not permitted membership in more than one political party at a time. Article 22 requires political parties to establish and collect membership fees, as described by their party regulations. Parties are also required to maintain membership lists for central and district party branches, although access to these lists may be kept confidential.

A recent amendment to the Political Parties Act restricts the number of salaried staff persons for a political party. A party is only allowed to have 150 salaried employees at the central party level and five salaried staff persons in

each district. Consultants hired to develop policies are excluded from these calculations. A party found to be in violation of this provision will have its government subsidy reduced by the excess salary amounts. This amendment provides an instructive example of how legislation has been used to attempt to address deficiencies in the political process. In recent elections, parties have built massive election machines by hiring a multitude of agents to campaign on behalf of their candidates. This system was seen as excessively expensive and conducive to corruption. The amendment seeks to reduce campaign expenditures, clean up the campaign process, and encourage the use of party volunteers.

Generally, political party leaders are satisfied with the current Political Parties Act. Some political leaders suggest that the law should define more clearly the criteria that would satisfy the requirement of “democratic” candidate selection procedures. Others complain that the recent amendment limiting the number of salaried staff is unrealistic and weakens parties’ ability to function effectively. Party leaders are generally satisfied that the regulations and the law are applied in a fair and non-partisan manner.

Political Fund Act

The Political Fund Act, amended in 2000, governs political finance in Korea. The Act includes provisions on fundraising, including a definition of the legal sources of funds, sets contribution and expenditure limits, and requires party reporting. The law attempts to reconcile the obvious need for funding for political parties with clean politics. According to the Act, its stated purpose is to “contribute to the sound development of democracy by guaranteeing an optimum supply of political funds and making the status of receipts and disbursement of such funds open to the public.”

Article 2 of the law outlines several basic principles that should guide political finance:

- No person should contribute or receive political funds except as described in the law;
- Political funds should be transparent; and
- Political funds should not enrich any individual and should therefore be used only for political activities.

The Party Fund Act identifies three legitimate sources of political funds: (1) party membership fees; (2) individual and corporate contributions; and (3) public funding. The Political Parties Law requires party membership fees, but the amount of the fees and rules regarding the fees are determined by

party regulations. Donors' contributions are channeled through "supporters' associations" in order to "cut off direct contacts between donors and recipients to prevent any incentives for corruption"²⁷ or through the election management committee of the party. As stated in Article 17, public funding takes the form of state subsidies, determined by the percentage of votes or seats won. The election law, discussed below, further regulates campaign finance.

According to Article 12, political contributions are forbidden from: foreigners or foreign corporations; state or public institutions; enterprises in which the state has a majority of stock; mass media; religious organizations; unit trade unions organized by a businesses; school foundations; or enterprises showing a deficit for three consecutive years. Trade unions are required to establish separate funds for political contributions.

- Supporters' Associations and Election Management Committees

Article 5 of the Act allows for the creation of supporters' associations for political parties at the central party level, branch level, district level, or for individual candidates. The purpose of these associations is to receive money from members of the association or other contributors and to donate that money to the relevant party structure or candidate. Article 6 requires supporters' associations to notify the appropriate election commission whenever it donates or transfers its funds to a party or candidate. Each party office or candidate can only have one supporters' association.

Contributions to supporters' associations are limited for both individuals and corporations. An individual member cannot contribute annually more than a sum total of 120 million *won* to various supporters' associations and is also limited in the amount she or he donates per association. Corporation members are limited to annual contributions of not more than 250 million *won* to supporters' associations and limited to lesser amounts per association. Article 6-2 allows a person who is not a member of the supporters' association to contribute up to one million *won* anonymously. This provision of anonymity applies to each individual contribution, rather than an aggregate total.

Moreover, each association is limited in how much it can legally contribute on an annual basis to a party or candidate. According to Article 6-3, annual contributions are limited to 20 billion *won* to a central party

headquarters, two billion *won* to a city branch, and 200 million *won* to a district branch. These ceilings are doubled in an election year.²⁸ The law further stipulates the legal methods through which a supporters' association may conduct fundraising and regulates those methods. Supporters' associations must submit to the election commission receipts for all contributions or in-kind assistance provided to the association. Moreover, each supporters' association must be registered with the election commission and must maintain a membership list. As outlined in Articles 9 and 25, the election commission may request the membership list if it deems it necessary for supervision purposes. This list is kept confidential by the election commission.

Annual Ceilings on Support Contributions:

Association	Individual	Corporate Body
Central Party Supporters' Association	100 million <i>won</i>	200 million <i>won</i>
Shi/Do Branch Office Supporters' Association	100 million <i>won</i>	200 million <i>won</i>
District Party, National Assembly Member, Candidate for National Assembly Member Associations	20 million <i>won</i>	50 million <i>won</i>

National Election Commission, 2001

Ceilings on Contributions and Funds Collected by Supporters' Associations:

Association	Limit on Funds Raised	Limit on Contributions
Central Party Supporters' Association	30 billion <i>won</i>	20 billion <i>won</i>
Shi/Do Branch Office Supporters' Association	3 billion <i>won</i>	2 billion <i>won</i>
District Party/National Assembly Member Associations	300 million <i>won</i>	300 million <i>won</i>

Source: National Election Commission, 2001

Individuals can also contribute funds to a political party through the party's election management committee at the election commission. Individuals can contribute no more than 100 million *won* or five percent of the individual's income. Organizations and companies can contribute no

more than 500 million won or two percent of total equities. Although no one can contribute to a party anonymously or under a false name, contributors can request that the party not disclose their names to the public.

Ceilings on Deposits:

Donor Type	One-time Contribution	Ceiling per Year
Individual	10,000 <i>won</i> or more	100 million <i>won</i> or 5/100 of the donor's income in the preceding year, whichever is higher
Corporate body		500 million <i>won</i> or 2/100 of the donor's total capital at the end of the preceding business year, whichever is higher
Organization		500 million <i>won</i>

Source: National Election Commission, 2001

- Government Subsidies

State funding for political parties was initiated by the first revision of the Political Funds Act in 1980. However, as part of his “Clean Politics Campaign,” President Kim Young Sam increased public funding by a magnitude of eight through revisions in 1994. The government recognized that the state should help provide required political funds in an effort both to reduce the need of political parties to raise funds independently and to level the playing field for opposition parties, which have greater difficulty in raising corporate contributions.

The political party subsidy is calculated by multiplying the number of total electors (votes earned) for each political party in the most recent National Assembly election by 800 *won* annually. The amount from this subsidy alone accounts for more than 45 billion *won* per year allocated to the three major political parties in proportion to electoral support. According to Article 17 of the Political Fund Act, disbursements of the total subsidy amount are made quarterly to each political party. Subsidies can only be used for certain types of expenses, including personnel, office equipment and supplies,

office establishment, public utilities, policy development, education and training for party members, propaganda, among others. Article 19 of the Act requires that at least 20 percent of the subsidy be used for policy development, in an attempt to encourage a stronger commitment to developing party policy positions. Parties must maintain separate bank accounts for the political party subsidy and also provide receipts for each expense. Additional subsidies are provided directly to members of the National Assembly and to candidates and parties for election campaigns, covered under the election law.

- Reporting Requirements

Each party must report annually on all party income and expenditures to the election commission by February 15 of each year. The report must include dates of transactions, names, amounts, classifications, and receipts for every income or expense. The election commission must notify the public that the reports have been received and allow public inspection of the reports and receipts for three months. Any objections raised by the public are to be investigated by the election commission. Parties are also required to conduct audits of their accounts, and in the case of the ruling party, the report of a certified public accountant must be attached. The party accountant must maintain the account records for at least three years.

Election Act

The Act on the Election of Public Officials and Prevention of Election Malpractices creates the framework for electoral competition in Korea and establishes the National Election Commission (NEC) to oversee and administer all elections. In the wake of the vote-rigging scandal of the 1960 elections, the NEC was given independent status through the 5th Constitutional Amendment in 1963. The NEC's independence was still compromised under military rule, however, until the past decade. The NEC is a nine-member commission, with three members appointed by the president, three by the National Assembly, and three by the Chief Justice. By tradition, a justice of the Supreme Court is the chair of the NEC.²⁹ No member of the NEC can represent a political party. The NEC is supported in its activities by 16 metropolitan or provincial election commissions; 243 ward, city, or county election commissions; and 13,783 voting district election commissions.

The NEC's mandate includes: overseeing all elections and referenda; creating an atmosphere conducive to clean, fair elections; ensuring fair competition; monitoring and deterring election law violations; responding to violations; determining spending limits on election expenses for each contest; and inspecting account books and resolving financial irregularities. In addition,

as mentioned above, the NEC is responsible for implementing the Political Parties Act and the Political Fund Act. Election commissions at all levels have created special departments to deal with oversight of these laws.

Candidates for president must be citizens 40 years or older. National Assembly candidates must be citizens 25 years or older.³⁰ Candidate registration takes place for two days prior to the beginning of the campaign period, defined as the 23 days before polling in the presidential election, the 17 days before polling for National Assembly seats and local government heads, and the 14 days before polling for local government seats. As stated in Article 31 of the Political Parties Act and Article 47 of the Election Act, registered parties submit a list of candidates for an elected post, and “the recommendation of candidates for any elected public office by a political party shall be democratic.” Independent candidates are able to register, provided that they gather a certain number of signatures of registered voters supporting their candidacy. Public officials are permitted to run for office if they resign their government positions 60 days before the election, according to Article 53 of the Election Act.

Any person who registers as a candidate must submit documents demonstrating his or her eligibility. The NEC posts information on the candidates’ personal assets, military service, tax payments, and criminal records, if any, on its webpage to help voters in their decision-making.³¹ Candidates are also required to pay a deposit to the election commission, which will be held to cover any fines or election violations. This deposit is returned if the candidate receives 20 percent of the valid votes cast in the election or the total number of votes divided by the number of candidates. The deposit for presidential candidates is 500 million *won*; 20 million *won* for National Assembly candidates; 50 million *won* for province or metropolitan area candidates; 15 million *won* for candidates for the head of local government; four million *won* for provincial council candidates; and two million *won* for local council candidates.

Article 87 of the election law prohibits campaigning by organizations, with the exception of trade union activities or “pure” voter education programs. This measure prevents NGOs from campaigning in elections. Article 108 forbids the publication of public opinion poll results during the official election campaign period. The election law takes great pains, in Articles 111 to 118, to identify specific “acts of contribution” by a candidate or elected official that are prohibited during the “contribution restriction period,” defined as the 180 days prior to the election. These provisions prevent candidates or elected officials from offering money, goods, services, or even refreshments to people within their constituency, unless they are logged as official campaign expenses.

Campaign finance is treated distinctly from broader political finance, applying only to the official election campaign period. The controlling election commission sets a maximum expenditure limit for each electoral race, based on factors within each electoral constituency. Legal sources of campaign funding include: the personal property of candidates and loans from friends and relatives; contributions from the candidate's supporters' association; contributions from the central party headquarters; and an additional election campaign subsidy from the state. According to Article 17 of the Political Fund Act, parties are provided with an additional 800 *won* per elector for each level of election being held, unless elections for local government council and heads of local government are taking place concurrently, in which case the subsidy is 600 *won* per election.

Each candidate or election campaign must appoint an accountant to maintain a record of all income and expenditures. According to Article 132, the accountant in charge must submit a report on the revenues and disbursements for election expenses to the election commission within 40 days after a presidential election or election of a proportional representative National Assembly member and within 30 days after election day for other elections. These accounts are available for a period of three months to political parties, candidates, campaign managers, election campaign liaison offices, and electors from the constituency. In the 16th National Assembly election, only two of 1,040 candidates failed to submit a report of their accounts.³²

According to chapter 15 of the Election Act, parties, candidates, and electors are permitted to file lawsuits with the election commission if they believe there have been election violations. According to Article 222, in the presidential election and the election of a National Assembly member, an elector, a political party that has recommended a candidate, or a candidate may file a lawsuit with the Supreme Court within 30 days of the election. Election violations can be punished with up to seven years in prison or a fine of up to 30 million *won*. The election commission, the Supreme Court, or the appellate court can decide to invalidate election results if it is deemed that a violation affected the election results. Candidates convicted of serious election violations are barred from seeking public office for five to 10 years.

Political Competition in Practice

Despite the rigorous legal framework in Korea regulating political party competition, there is an enormous gap between political competition as defined by the law and political competition in practice. Two academics summarized the problems: spending is out of control; the flow of money is not transparent; and violations of the law are rampant.³³ According to politicians,

government officials, and civic activists alike, breaking the law, rather than adherence to the law, is the norm in Korean politics. Due to lack of transparency in political finance and poor enforcement of existing laws and regulations, money continues to dominate politics. Furthermore, significant amounts of money are necessary to compete effectively and most estimates suggest that the formal reporting of political finance reveals “only the tip of the iceberg,” representing only a fraction of the actual political expenditures.

- Contributions

The Political Fund Act requires political parties to submit a financial report, which includes assets, the receipt and disbursement of funds, and all transaction accounts, to the election commission. According to many analysts, however, in practice, parties do not always report the full extent of their income. Money is contributed every year from a variety of legal and illegal sources, exceeding the legal limits. According to journalistic reports, political contributions from the central party branch to each district branch in the 16th National Assembly elections exceeded several hundred million *won*. Candidates also regularly receive unreported contributions from the leaders of party factions. In 1997, one veteran politician revealed that he routinely gave one million to 50 million *won* to several parliamentary candidates in his faction.³⁴

Another problem with political finance in Korea, like in other countries, is that corporate contributions have tended to flow to the governing party. Official figures reveal that in 1996, the Grand National Party, as the governing party, received 25 billion *won* from corporate contributors. In 1999, as the opposition, the GNP, received only 2.7 billion *won*. Similarly, the Millennium Democratic Party received only 5.9 billion *won* from corporations as the opposition in 1996, but the party received 20 billion *won* from corporate contributors as the ruling party in 1999. Of this 20 billion *won*, the nation’s largest 10 corporate conglomerates contributed more than 18.5 billion.³⁵

- Expenditures

It is also alleged that reports on political expenditures are inaccurate. Official figures reveal that politicians declare campaign expenditures well below the legal limits. In the 1997 presidential election, for example, Kim Dae Jung reported campaign expenditures of 26 billion *won*, while Lee Hoi Chang reported expenditures of 20 billion *won*, both declarations below the upper ceiling. Civic groups, however, claim that politicians report only a fraction of actual expenses, although there have been few opportunities to observe actual expenditures. In 1992, when the legal spending limit was 36.7 billion *won*, a leaked internal document suggested that President Kim Young Sam spent 317 billion

won in the last two months of the campaign alone, revealing a more realistic figure of presidential campaign expenditures. This is the case in National Assembly elections as well. The average campaign spending limit for a constituency in the 16th National Assembly elections was 131 million *won*, with the average reported expenditure totaling 66 million *won*, only half of the allowable amount.³⁶ Yet, academic and journalistic reports suggest that “it is not uncommon to hear candidates spending up to two to three billion *won*,” particularly in highly competitive districts.

Ironically, even though politicians, according to their records, routinely under-spend, they complain that the campaign expenditure limits set by the election commission are too low, casting further doubt on the accuracy of their reports. Many civic groups agree, claiming that the NEC’s spending limits are based on unrealistic calculations. Some argue that the reason political finance reform has not been more effective in Korea is precisely because regulations are so restrictive that compliance is impossible. Even a newspaper editorial, extolling the virtues of blacklisting corrupt politicians, called the campaign spending limits “inefficient and unrealistic.”³⁷

Furthermore, NGOs and election observers allege that some party and candidate expenditures are illegal. In the highly centralized candidate selection processes, for example, several politicians confided that party nominations often require a contribution of several hundred million *won* to the party leadership. In addition, party activists continue to demand payment for campaign organizing and voter mobilization, although this practice was made illegal by the amendment to the Political Party Act allowing only a limited number of paid staff. According to one academic, in the absence of volunteers, candidates require huge sums of money to pay the campaign machinery to mobilize their support base.

Candidates also spend money on vote buying, including meals, gifts, and contributions to various local events. During the authoritarian period, the government coordinated massive voter mobilization programs through outright vote buying – handing out money to voters in exchange for their votes. Today, direct vote buying is reportedly not as common as the demands for the candidate to provide the community with contributions of goods and services, particularly in rural constituencies. Observers point to the fact that Korean society is based upon networks of relationships, and food, beverages, and entertainment are required to tap into and mobilize these networks. Others, however, suggest that such reasoning is condescending to the voting public and that citizens have higher standards than politicians and only accept what politicians offer in the absence of meaningful policy platforms.

- Enforcement

As stated above, the financial reports submitted by political parties and candidates are often inaccurate. A leading government anti-corruption official stated, “The most serious problem in the election process is the absence of transparency in financial reporting. In Korean elections, all financial reports are false – everyone knows this, all people know this, even the NEC.” The NEC believes, however, that its efforts to monitor political contributions and expenditures are becoming more effective. In the 15th National Assembly elections, 39 winning candidates were investigated for irregularities in their financial reports. Of these, four were ultimately disqualified, stripped of their legislative seats, and imprisoned -- the first time in Korea that such a penalty was enforced. In the 16th National Assembly elections, more than 3,700 complaints were received, with 40 percent of these related to illegal campaign spending, and 125 winning candidates came under investigation. Twenty-five legislators still have pending court cases.³⁸

Civic groups argue that while the NEC has made some progress, its efforts do not go far enough in monitoring for political finance violations. In an independent analysis of party financial reports on the use of government subsidies, the People’s Solidarity for Participatory Democracy (PSPD), a well-known civic organization, concluded that 75.5 percent of the receipts and evidence submitted by political parties to account for the subsidy are insufficient or deficient in some way.³⁹ The analysis found violations of the law, including expenses, such as legal fees, not permitted by the Political Fund Act. Although the law establishes a reduction in a party’s subsidy as a penalty, no penalty has ever been imposed, even where undisputable evidence exists. Where evidence of violations is disputed, civic groups allege that sufficient investigation and verification do not take place. In an interesting partnership that seeks to address this problem of monitoring, the city of Seoul entered a special contractual relationship with PSPD to monitor public activities and public officials for corruption. PSPD argues that similar arrangements are required at the national level if monitoring is to be an effective deterrent to corruption.

- The Direction of Reform

Given the shortcomings in the current political finance system, there is significant debate in Korea on how to address the problems and the types of reforms needed. Several critics, both from within and outside parties, argue that the unrealistic expectations of the law damage the credibility of the political process. It has become difficult for the public to distinguish sincere politicians who violate campaign laws by overspending “in good faith” from the seriously corrupt politicians. By “criminalizing” all politicians and, in a sense, removing the stigma of illegality, the laws may actually create more opportuni-

ties for severe violations of the political finance system. Critics also assert that the “absurdly low” expenditure limitations have resulted in universally inaccurate reporting, eliminating any transparency in political finance. The effect of this has been to sacrifice financial transparency for expenditure limitations that are, by all admissions, routinely ignored. One senior government official commented, “More important than setting spending limits is first getting accurate reporting.”

Others, however, have argued that a strict legal framework, even if only partially implemented, is more helpful in reforming the political process than a weaker standard that would be more easily met by political parties. A NEC official noted, “In the five elections since the enactment of the 1994 Election Law, the obvious signs of political corruption and vote-buying have disappeared.” He further states that the law, although it may not be followed in every detail yet, serves as a guide by which to measure progress in political reforms:

Yes, the law sets an exceptionally high, possibly unrealistic, standard. But, step-by-step, practice in reality is being raised up closer to the standard set forth by the law. Parties say that people are no longer willing to volunteer for campaigns, and so they must pay campaign organizers, and the funding levels are too low. But volunteers will return if the right internal processes are put into place. Rather than proposing to change the law, political parties should change their party practices so that they can live up to the expectations of the law.

Supporters of this position contend that political parties must reform in order to meet the requirements of the law, and oppose lowering the legal standard to meet the current practices of political parties, as proposed by others.

Media and Civil Society

The media in Korea today plays a key role in exposing and monitoring corruption in the political process. During the authoritarian era, print and broadcast media were owned by both public and private sources, although they were subject to pervasive government control and regulations. In 1987, the remaining restrictions on the media were eased, and virtually all restrictions were eliminated at the beginning of the Kim Dae Jung administration. The independent media has flourished, and by the late 1980s, South Korea’s four largest daily newspapers had a combined circulation of more than 6.5 million.⁴⁰ The media has consistently served as a watchdog, reporting on corruption and exercising oversight of the government. The media’s role in exposing corruption, according to most politicians and civic activists, has resulted in greater transparency.

Recently, however, the government launched a crackdown on major media institutions for failure to pay taxes. The media and opposition parties allege that these efforts represent government attempts to silence criticism. The government states, however, that it is simply trying to apply tax laws fairly across all sectors.

Civic activism in Korea is strong, and the country has a long history of people's movements, proving instrumental in creating the public pressure that led to the transition from authoritarian rule to multi-party democracy. Particularly on the issues of corruption and political reform, civic groups are extremely vibrant and play an active role in monitoring the political process, promoting public education activities, and advocating reform.

Several NGOs have been engaged in a dialogue with the government on reforms needed to reduce corruption and participated in the drafting of recent anti-corruption legislation.⁴¹ Other organizations are monitoring the asset declarations of public officials and initiating investigations when violations are suspected. One such group, the People's Solidarity for Participatory Democracy (PSPD), maintains a "Democracy Wall," which contains copies of all asset declarations for leading government officials, judges, and National Assembly members. PSPD also monitors key state institutions, such as the National Assembly, and issues reports of its findings to the public. PSPD is now preparing scorecards for politicians based on their performance in the National Assembly in terms of voting on pro-reform measures and participating in floor debates. Other groups, such as the Citizen Coalition for Economic Justice (CCEJ), are monitoring political party funding records, focusing in particular on the use of state subsidy money. These groups all rely upon the transparency created by the Political Fund Act and the Freedom of Information Act.

In January 2001, a coalition of more than 400 civic associations formed the Citizens' Alliance for the 2000 General Elections (CAGE) to build public pressure for a clean political campaign.⁴² Initially, these groups had tried to work with politicians to promote a clean campaign. They, however, grew frustrated with the lack of action from political leaders. The groups identified corrupt politicians as the major obstacle to reform and, unable to participate in the candidate selection processes, sought to influence candidate selection through popular campaigns. The leader of the coalition summarized the rationale of the campaign: "Korea's number one vice is corruption. Corrupt politicians are unable to present solutions, so they themselves must become the target of reform."

In the first phase of what became known as the “Blacklisting” campaign, the coalition sought to prevent the nomination of proposed candidates whom it deemed “unfit to hold public office.” The civic groups released a list of these blacklisted candidates, hoping to influence party bosses not to nominate politicians of questionable reputation. The indicators for blacklisting included: attendance in the National Assembly; opposition to democratic reforms; allegations of corruption, vote buying, patronage, bribes, or other illegal activity; and problems with asset declarations. Reactions from the parties to this campaign were mixed: the opposition claimed political partisanship, asserting that the NGOs were colluding with the ruling party; the ruling party promised to consider the list; the smaller United Liberal Democrats (ULD) claimed that the campaign was illegal, pointing to Article 87 of the election law that prohibits campaigning by outside groups. According to one civic leader, political party leaders did, in some cases, use the list as justification for rebalancing political power within their parties or for settling political grudges. In the end, approximately 50 percent of the targeted candidates received their party’s nomination.

In the second phase of the campaign, the NGOs targeted those blacklisted candidates who had received nominations, taking to the streets to campaign actively against them. According to the coalition, of the 86-targeted politicians, 59 (or 70 percent) lost their elections. The campaign sent major shockwaves through the Korean political system. In metropolitan areas, representing one-third of all constituencies, the campaign was 90 percent effective. The message from civil society was that democracy, corruption, and reform were now issues on the political agenda, and that political parties needed to consider these factors when determining candidates or be prepared to pay the consequences at the polls. Politicians have been forewarned that civil society is watching and reporting and that their record on democracy issues can be exposed to the public. The campaign seeks to transform the traditional voting patterns of Korea based on regional identity or personal ties to voting behavior based on useful information regarding candidate qualifications.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		The Political Parties Act of Korea governs parties.
2	Are there laws regulating party finance?	Y		Political Fund Act regulates political finance, defining the terms for state subsidies, legal sources of funding, contribution limits, spending limitations in terms of both amount and type,

				and reporting requirements.
2a	Contribution limits?	Y		Individual party members can contribute up to 120 million <i>won</i> (\$91,883) per year to a supporters' association, not to exceed the following totals in each category: 100 million <i>won</i> (\$76,570) per year to the central party headquarters; 100 million <i>won</i> per year to a party branch, and 20 million <i>won</i> (\$15,314) per year to a district, parliamentary members, and candidates. Corporations are able to contribute up to 250 million <i>won</i> (\$191,424) per year, not to exceed the following totals in each category: 200 million <i>won</i> (\$153,140) per year to the central party headquarters; 200 million <i>won</i> per year to the district branch, and 50 million <i>won</i> per year to a district, parliamentary members and candidates. Deposits to political parties not going through supporters' associations, cannot exceed 100 million on per individual and 500 million <i>won</i> per corporation.
2b	Spending limits?	Y		Party expenditures by the central party headquarters are limited to 20 billion <i>won</i> (\$15,313,936) per non-election year. Party branches are limited to two billion <i>won</i> per non-election year. District parties, parliamentary members, and candidates are limited to 200 million <i>won</i> per non-election year.
3	Are there campaign finance regulations?	Y		Campaign finance is covered under the Act on the Election of Public Officials and the Prevention of Election Malpractice, Chapter VIII, and the Political Fund Act.
3a	Contribution limits?	Y		The contribution limits described above by the Political

				Fund Act are doubled in an election year.
3b	Spending limits?	Y		The NEC limits party expenditures by the central party headquarters to 40 billion <i>won</i> (\$30,627,870) per election year. Party branches are limited to four billion <i>won</i> per election year. District parties, parliamentary members, and candidates are limited to 400 million <i>won</i> per election year.
3c	Filing financial returns?	Y		Accurate contribution and expenditure accounts, accompanied by receipts, are required to be submitted within 30 days of the election, except in the case of presidential or national list candidates, in which case financial reports and receipts must be submitted within 40 days of the election date.
3d	Returns made public?	Y		Financial reports are available for public inspection for three months.
4	Can political parties accept contributions from:			Article 12 of the Political Fund Act stipulates legal and illegal sources of funding. The law identifies three sources of legitimate funding: public funding; individual and corporate donations; or membership dues.
4a	Businesses?	Y		Corporations are permitted to contribute directly to political parties according to the limitations outlined above. Corporations showing deficits for three consecutive years are not permitted to contribute to a political fund.
4b	Unions?	Y		Unions are not permitted to donate directly to political parties, but are permitted to establish a separate fund for further contribution to a political party fund. Trade unions organized by businesses are prohibited from contributing

				political funds.
4c	Foreign sources?		N	Foreign contributions are not permitted, except for contributions from foreign corporations under the control of Korean nationals.
4d	Can parties own businesses?		N	
5	Do parties have to reveal the sources of their funding?		N	The laws are somewhat unclear on this point. Supporters' associations may be called upon to reveal their membership lists to the election commission, but these lists are kept confidential. The Political Fund Act Article 11 forbids anonymous direct donations to a political party but allows the donor to request that his/her name not be revealed in the public notice. Article 129 Subsection (1)-2 of Election Law requires the party accountant to keep records of contributors.
6	Does the state provide public funding to political parties?	Y		Political Fund Act provides funding for parties. Amounts are determined by multiplying total number of electors for each party by a fixed amount of 800 won (\$.61). Article 19 specifies the legal uses of this particular source of money.
7	Are annual financial audits of party accounts required?	Y		The NEC is charged with auditing party accounts.
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	Party officials do not have to disclose their assets and liabilities. However, elected government officials are required to do so, including parliamentarians. This has the effect of covering many party officials.
8a	Are these declarations made public?		N	Elected officials' declarations are made public.
9	Is there an Anti-Corruption Commission?	Y		The National Assembly recently passed comprehensive anti-corruption legislation. It upgrades a Presidential Commission Against

				Corruption to an independent anti-corruption commission.
10	Is there an independent Election Commission?		N	The NEC is independent from the government.

POLITICAL PARTY EXPERIENCES

Political parties in Korea have developed few strategies to combat corruption through internal party reform. Efforts to reform political party practices have emphasized legislative remedies rather than internal party policies. Prevalent among political parties is the belief that internal party reforms will impede a party's ability to compete on a level playing field with other parties rather than provide the party an opportunity to distinguish itself from others and increase electoral support. One former politician explained the hesitation of political parties to reform:

In the 1994 local elections, Kim Young Sam adopted an internal party policy that his party would not participate in any vote buying. He was committed to a clean election process, so he did not use the political money that had traditionally been part of election campaigns. When voters asked for money, he told them no. The party was routed in the elections – totally defeated. At the next presidential election, he did not make the same mistake twice. All parties learned this lesson. This is why they are afraid of unilateral reforms. Voters did not vote based on clean politics, and so parties see clean politics as an obstacle to political survival.

While political parties wish to appear reform-minded and democratic, they have only been willing to accept reforms through a legislative mandate, requiring all political parties to adopt similar reforms. As a result, political parties in Korea appear strikingly similar, in terms of leadership style, party structure, and party decision-making.

There are currently three major political parties in Korea: the Millennium Democratic Party (MDP), which was reelected in elections in December 2002; the Grand National Party (GNP), which is the largest single party in the National Assembly; and the United Liberal Democrats (ULD). Although much smaller in terms of representation in the National assembly, the ULD often wields significant power in helping to create a ruling majority in the legislature. Each of these parties was founded as recently as 1995 and represents a reshuffling of political forces that have existed since the beginning of the authoritarian era.

For four decades, party politics in Korea has been dominated by “the three Kim’s”: Kim Dae Jung, leader of the MDP; Kim Young Sam, former leader of the GNP; and Kim Jong Pil, leader of the ULD. After concluding his presidential term, Kim Young Sam stepped down from active politics, though his legacy still looms large over the GNP. Political parties have tended to revolve around these three central figures.⁴³

Leadership in each party is highly centralized, dominated by the personalities of each of these leaders. A report of The Asia Society noted: “It would be no exaggeration to say that the fate of a party, including a split or formation of a new party, hinges on decisions made by its leader.” Traditionally, the party leader has played a dominant and decisive role in the process of candidate selection, personally determining the party’s nominees with the advice of a small circle of senior advisors. This highly centralized leadership style has contributed to low levels of internal party democracy. Party members are dependent on the party leader for political advancement, and opposition or criticism of the party leadership is tantamount to political suicide. Loyalty to the party leader is often rewarded with “safe” electoral districts.⁴⁴

Similarly, because political parties in Korea have been in part founded on the personalities of their leaders, they tend not to be strongly based on a distinct party ideology. During the authoritarian era, political parties were distinguishable by their stances on political reform: parties stood either for or against enhanced democracy, with some degree of variation in terms of strategy. In the multi-party democratic era, although parties have separate party platforms and stated objectives, all three parties share similar agendas.⁴⁵ However, this trend appears to be changing particularly with regard to relations with North Korea.

Although Korean parties may not have very distinct policy agendas, historically they have differentiated themselves based on regional loyalties.⁴⁶ Kim Dae Jung and the MDP have traditional support based in the southwestern provinces (Cholla), while the GNP has garnered support from the southeastern provinces (Kyongsang), and the ULD’s supporters tend to hail from the central provinces (Chungchong), though to a lesser extent. While all parties claim to be national parties, these regional bases continue to prevail in current politics. For instance, in 1997, Kim Dae Jung won 90 percent of the votes cast in Cholla districts, but only 10 percent of the votes cast in Kyongsang. One civic activist called regionalism “the single biggest problem with Korean politics, and the reason Korean politics is not renewed.” He stated, “No one dares leave the fold of the three regional powers – they know they will need the regional vote to win in an election.” Intense regionalism has fostered the lack of policy-based platforms and hindered the development of concrete solutions to nationwide concerns.⁴⁷ Despite the importance of regional relationships, in recent years national elections have been largely decided in Seoul, where 40 percent of the population resides and regional ties have diminished.

An additional characteristic of traditional party politics in Korea is the hierarchal exchange of money and loyalty through an embedded patronage system. Observers allege that money flows to party bosses in exchange for nominations and leadership positions within the party, and then flows from faction leaders to party members in exchange for political support. Party leaders have traditionally had a high degree of power to control, distribute, and collect party funds. A civic leader noted, "Money is the channel through which party bosses keep candidates subordinate."

A final characteristic of political parties in Korea is the contrast between "old" and "new" style politics, reflected by a generational divide within the parties. In recent years, a younger, more progressive generation of party leaders has begun to emerge, asserting greater influence over party structures. Many analysts believe that meaningful political reform will only really take place through this generational transition.

These factors contribute to a relatively unstable political party system, in which political parties are extremely fluid, and parties emerge, merge, change names, and dissolve in a constant rebalancing of political power. Individual party members tend to follow the key central leaders. Members of the National Assembly change party affiliation as required based on their relationships with key political leaders and, at times, political convenience.

Currently, political parties and political leaders are held in low public esteem, and there is a serious crisis of credibility of politicians in Korea. A recent survey of Korean citizens on political values found that 69 percent of respondents believed that politicians tended to serve the interests of their parties rather than the citizenry.⁴⁸ Political parties have lost popular support by enacting reforms to the political process through legislation but failing to adhere to the spirit of the laws they themselves have passed. A senior MDP legislator noted, "The perception among the Korean people is that those members of the National Assembly who are found guilty of corruption are above the law. In the reforms, the public perceives ordinary people as the losers, bearing the weight of reform, while politicians are still winning." Two recent cases illustrate this point. In the recent debate over the Anti-Money Laundering Act, as mentioned above, political parties agreed to exclude political funds from the power of the Financial Investigative Unit to conduct unauthorized searches. The rationale applied was that the opposition feared the legislation would be used as a political tool to harass opposition parties. Outsiders viewed this maneuver as a flagrant attempt by politicians to impose reform on society at large but grant themselves immunity.

A second case relates to the use of state subsidies to political parties. As previously mentioned, the legislature recently amended the Political Party Act to limit the number of salaried staff persons a party could employ. The Party Fund Act was also amended to require that 20 percent of the government subsidy be used for policy development. These amendments aimed to reduce party expenditures by trimming down party staff and to encourage parties to commit greater resources to policy development. In response, however, political parties across the board took advantage of their subsidies to thwart the reform intent of both amendments. In one case, a party re-classified its executive salaries as “policy development,” claiming that the party leadership was tasked with developing policy. These salaries had previously been classified as general party activities. Another party re-classified 49 employees as “policy researchers,” without altering their job descriptions. These employees had, the year before, been classified as secretaries and basic administrative support staff. However, by calling them “policy researchers,” they are excluded from the calculation of the party’s salaried employees.⁴⁹ One analyst commented, “Parties frequently operate incorrectly to avoid regulations instead of first thinking about the purpose of the law. While the lack of law-abiding spirit is problematic, arbitrary interpretation of the law is a more serious problem.”

Millennium Democratic Party (MDP)

Background

The Millennium Democratic Party (MDP) was launched in January 2000 in advance of the 16th National Assembly elections. The president of the party, until November 2001, was Kim Dae Jung, the long-time opposition leader who earned his national status campaigning against the authoritarian governments on a platform of political reform. Kim Dae Jung resigned as president of the party in order to focus his energies on his last year as president of the country. The current chairman of the party is Dr. Chyung, Dai-chul.

The MDP considers itself “an orthodox democratic party, progressively proceeding from the National Congress for New Politics (NCNP) Party.”⁵⁰ When Kim Dae Jung won the 1997 presidential election on the NCNP ticket, the party occupied only one-third of the legislative seats, hindering President Kim Dae Jung’s ability to enact promised reforms. In October 1999, President Kim announced the need for a new, reform-oriented people’s party to fulfill the aspirations of middle-class and low-income people, and proposed the launching of the MDP. The MDP is also known in Korean as “Minjoo.”

The MDP platform is based on the principles of national unification and reform. Although its platform is similar to those of the other Korean parties, the MDP is perceived as the most liberal of the three major parties. Specifically, the platform includes the following objectives:

- Expand parliamentary democracy, democratic participation, and basic human rights;
- Implement administrative reform towards a more efficient, transparent, and accountable government;
- Revitalize the economy based on a “knowledge-based” economic system and high technology industries;
- Guarantee social justice and welfare to ensure basic living standards; and
- Develop foreign policy based on National Unification through the “Sunshine Policy” with North Korea and a more activist role in regional political affairs.

The regional strength of the MDP, and the preceding NCNP, lies in the southwestern Cholla districts. However, in recent national elections, the MDP improved its performance in other parts of the country. In the 16th National Assembly elections, the MDP gained 115 seats out of 273 in the National Assembly. The MDP formed a coalition with the ULD to gain a majority in the Assembly.

Currently, the party faces plummeting support. The ULD left the coalition in September 2001 due to fierce disagreement over Kim Dae Jung’s policies on North Korea, and Kim’s entire cabinet resigned. The MDP has lost its majority control of parliament and is now threatened by an emerging alliance between the ULD and the GNP. The party is also struggling to groom a new leadership now that Kim Dae Jung has resigned, and there have been several important changes in the party.

Party Perceptions of the External Environment and Corruption

The MDP describes itself as a party of reform. The MDP attributes Kim Dae Jung’s presidential victory in part to the party’s platform of cleaning up political and business relationships in Korea. The party points to its lead role in drafting and passing the Anti-Corruption Law and the Anti-Money Laundering Act as evidence of its commitment to reform. Party officials assert they also have made serious efforts to solicit and incorporate public opinion in legislative efforts, and included several provisions recommended by the public, such as the citizen audit and whistle-blower protection and compensation, in the new laws.

Despite these efforts, party leaders recognize that the public does not believe that politicians are always sincere about their intent to fight corruption. They are aware, for example, that the public is unhappy that political funds were excluded from the mandate of the Financial Investigation Unit (FIU), although the party maintains that this will not be detrimental to the effectiveness of the law. MDP leaders have stated that one of the party's central aims is to rebuild the trust of people in the political process, and they recognize that primary responsibility for repairing the public image of politicians rests with the political parties.

Several politicians believe that the legal framework governing parties, as it currently stands, is impractical and does not encourage transparency. One party official summarized, "You can't win if you play by the rules, and everyone knows this." Party leaders explain that the election law in particular is unrealistic, and readily concede that all politicians, including themselves, violate campaign finance laws. In addition, several party officials argue that it is impossible to comply with the restriction limiting the number of salaried party employees if the party and its candidates wish to be successful in election campaigns. Party leaders explain that given the absence of unpaid volunteers in Korea, party canvassers must be paid to ensure success. The MDP, however, respects the integrity of the National Election Commission (NEC) and believes that it conducts its work in a neutral and non-partisan way.

Party leaders believe that legislative reform is the most effective avenue for political finance reform. One leader suggested that the government should consider fully funded election campaigns and that the NEC should conduct the election process in its entirety, including candidate nomination. Others, however, argue that the generational change and the emergence of a new breed of younger, reform-minded politicians within the party will ultimately lead to change.

The MDP strongly defends media freedom, and Kim Dae Jung's government abolished the Ministry of Information, which previously regulated and controlled the media. The government, however, re-established a smaller, "streamlined" ministry with the new mandate "to articulate government positions to the public." Although MDP leaders recognize that the media is essential in creating a more transparent political environment several party leaders complain that media outlets must exercise greater responsibility in reporting on the political process. As mentioned above, the Kim Dae Jung government is under criticism from the media for enforcing tax laws on various newspapers.

MDP leaders also assert they are committed to supporting a vigilant civil society. The party claims to have demonstrated its support for an active civil society by enacting reforms under President Kim Dae Jung that protect basic liberties. President Kim Dae Jung was the only party leader who expressed

initial support for the civil society blacklisting campaign described above. This endorsement, in fact, led to suspicions that the MDP was somehow involved in the civic effort, despite the fact that MDP candidates were targeted along with opposition candidates. Party leaders concede, however, that the party has not been particularly successful in responding to all the demands of civic groups. At the same time, several MDP politicians believe that civic groups, like the media, need to act with greater responsibility. They accuse civil society activists of destroying the image of politicians without offering a replacement image or helping to re-build a new style of politics.

Party Structure and Decision-Making

The MDP has a formal organizational structure as required by the constitution, including a national congress comprising 10,000 delegates, which is the most powerful party organ, a central committee, a supreme council, and various policy-making and disciplinary bodies. A party caucus within the National Assembly provides guidance to elected representatives on party voting positions. The party has a decentralized structure with district branches throughout most of the country. In reality, however, like other political parties in Korea, real political power is centralized in the hands of the party president. Key decision-making in the party usually flows from the top-down, with informal systems of authority admittedly replacing the formal mechanisms. One party leader stated, "Democracy within the party only exists in theory; in practice, it is a one-man show."

The selection process for candidates for both public office and party positions is a top priority for party reform. As one leader stated, "There is as much corruption in the primaries within the party as there is between political parties." The party has taken some steps to address this problem and established an exploration committee of candidates to introduce greater transparency into the nomination process. However, it is reported that candidates must still use money in order to win internal support. One party contender for the party's ticket for president claimed that astronomical sums of money would be required, far exceeding the party's regulations, "if he wished to be competitive." In fact, he claims that others had already begun raising money purportedly on his behalf.

Leaders within the party also recognize the importance of cleaning up the internal election process for party positions. In order to address this, the party established an oversight body when the national congress elected the supreme council in August 2000. Although party officials believe that this mechanism indicates a step in the right direction, they allege that money still played a role in this election and no one was punished for violations. Some leaders believe that changes in the party's by-laws are needed to reform the internal election process.

A promising informal structure within the MDP is a newly formed caucus of progressive party leaders called the “committee on solutions and implementation.” The central aims of the committee are to identify reform needs, develop solutions, and transform the solutions into reality through internal party advocacy. The committee consists of 10 members of the National Assembly, many of whom have backgrounds in civil society organizations and have demonstrated a long-standing commitment to democratic reform and anti-corruption. While the committee is not an official part of the party structure, mainstream party leaders are extremely responsive to its opinions. According to one party official, “Wherever there are obvious problems, the party leaders want to know what the caucus is saying.” This committee, though composed of only a small number of pro-reform politicians, has become an effective instrument for democratic reform within the party.

The first significant task of the committee was the promotion of the recent anti-corruption legislation, and a member of the committee served as the primary drafter of the legislation in the National Assembly. The caucus reports that its success lies in its methodology: working through party structures, rather than outside of them. In the past, noted the committee chair, party reformers sought to work through the media, rather than through the party. The committee is extremely cautious and tactical, however, to ensure that the mainstream of the party is engaged in its efforts. In the past, when an issue has not had the support of the party, the committee members have not pursued it and have focused on other issues, allowing time to build broader consensus.

The party recently proposed significant changes to its structure and organization. On January 7, 2002 at the party’s convention, there was unanimous agreement on party reform, particularly in the wake of President Kim Dae Jung’s resignation as president of the party and a series of corruption scandals. MDP members agreed to establish a special committee to implement several reforms. Unlike the caucus described above, this committee would be an official part of the party structure. One of the main changes made at the convention was the elimination of the position of party president in order to protect against one person dominating the party. Instead, the supreme council and a chairperson elected by party members will run the party. In addition, the leadership of the party and the candidate for president will be separate in order to ensure smooth management of the party in the future. Finally, the candidate selection process will be radically changed. The MDP will hold primaries open to average citizens to help determine candidates. In calculating a candidate’s score, the result from the primaries will count for 50 percent, the vote from all party members will count for 30 percent, and the vote from party delegates will count for 20 percent.

Fundraising and Money Management

As required by law, the MDP has a central fundraising account for political party funds and a separate party account for funds received through the state subsidy. A central finance committee manages funds and oversees fundraising. Fundraising takes place at both the national and branch levels, although the branch offices must report all funds to the party's central headquarters. The MDP headquarters also provides 2.5 million won per year in support to local district branches. Money primarily comes from membership dues, the government subsidy, and private and corporate donations.

During his election campaign, President Kim Dae Jung pledged not to seek any corporate contributions. Reports indicate, however, that other leaders in the party continued to fundraise from corporations, and Kim's strong stance on this issue apparently softened. The party (as the NCNP) received 5.9 billion won in corporate contributions in 1996 as an opposition party. As the governing party in 1999, the MDP received 20 billion won from corporate donors. Of this amount, 18.5 billion was raised from the nation's 10 largest conglomerates.⁵¹ Opposition leaders have remarked that the MDP has adopted all of the fundraising practices that it fought against as the opposition. The MDP has attempted to clarify the party's position on corporate contributions by arguing that although it is not aggressively pushing for corporate contributions, as a matter of political survival, the party will accept such contributions. MDP officials admit that problems arise when accepting these donations but that in order to be competitive, the party must accept the needed funding.

Korean law requires all parties to disclose their financial records, and the party has regular audits and inspections of its financial accounts. However, MDP leaders, including members of the supreme council, acknowledge that the use of party funds is not always transparent. According to one leader, the accounting system is not detailed enough to expose how party money is really spent.

Ethical Criteria and Discipline

The party constitution, like other parties in Korea, includes general provisions guiding the behavior of party members. Party leaders elected to government office are required by the Public Servants' Ethics Act to declare their assets and liabilities, the party does not require any additional asset declarations for party officials.

Grand National Party (GNP)

Background

The Grand National Party (GNP) was established in 1997, prior to the 15th presidential election. The GNP originated from the ruling Democratic Liberal Party (DLP), which was formed in 1990 as the result of a three-way party merger. At the time of the DLP's establishment, party president Roh Te Woo was serving as president of country. In 1992, party president Kim Young Sam was elected the 14th president of Korea, the first non-military leader since the 1961 coup. In 1996, the party's name was changed to New Korea Party. When Kim Young Sam retired from politics in 1997, the party merged with the smaller Democratic Party to create the Grand National Party, led by the new party president Lee Hoi Chang. The GNP is referred to as "Hannara."

The GNP party platform emphasizes the national identity of the party, the principles of freedom and democracy, and the eradication of collusion between businesses and politicians. GNP believes that it serves as "a valuable defender of democracy" by placing a check on the policies of the current administration and "minimizing the mistakes of Kim Dae Jung's government."⁵² The GNP platform distinguishes itself from other parties through its emphasis on national security and its opposition to demilitarization. Specifically, the party's platform includes the following broad objectives:

- Guarantee the freedom and rights of the people;
- Realize economic justice and social stability;
- Promote economic development to be competitive in a global economy;
- Promote the development of science and technology;
- Build an affluent welfare society in which peaceful labor-management relations are maintained;
- Guarantee equal opportunity to education;
- Build an environment-friendly and resource-saving society;
- Expand women's economic, social, and political participation;
- Strengthen national security and national defense; and
- Accomplish a peaceful national reunification.

The GNP's parent parties were in government from 1990 to 1997. In 1997, GNP president Lee Hoi Chang lost the 15th presidential election by 1.6 percent of the vote to Kim Dae Jung. In the 16th National Assembly elections, the GNP won 133 out of 273 seats, maintaining its position as the party with the largest single representation in the National Assembly. Following the break up of the ULD and MDP, the GNP now controls parliament, and there are rumors of an ULD-GNP alliance.

Party Perceptions of the External Environment and Corruption

GNP leaders point to the anti-corruption efforts of the Kim Young Sam as a demonstration of their party's commitment to reform. In particular, party leaders tout the political finance reforms initiated under Kim Young Sam, whose administration multiplied party subsidies by eight and strengthened limitations on private contributions. As one party official stated:

We gave up our established right when we initiated these reforms. Before, the conglomerates actually sat on the party's finance committee. Money was contributed to the NEC, but it was well known that the money was finding its way back to the ruling party. This was not fair, so we decided to level the playing field. We may have lost the 1997 elections, but we made a significant contribution to democracy and clean politics in Korea.

Today, GNP leaders state that, generally, the legal framework governing political parties is applied fairly. They are concerned, however, that certain provisions are not implemented in a neutral manner. With respect to the anti-corruption law, for example, the GNP would have preferred further guarantees of the independence of the anti-corruption commission and the establishment of a special prosecutor system. Party officials have also expressed concern about the neutrality of the NEC in auditing political party accounts. One party leader suggested that irregularities in the accounts of the ruling party were overlooked, while smaller problems with the opposition reports received disproportionate attention. In addition, during the drafting of the Anti Money-Laundering legislation, the GNP expressed concern that opposition parties would be disproportionately targeted if the proposed FIU were empowered to conduct unauthorized searches of political funds.

The GNP also has indicated dissatisfaction with the enforcement of existing laws. GNP party officials believe that although the act requiring public officials to declare their assets publicly has likely deterred some questionable behavior, the mechanism lacks adequate enforcement provisions. According to GNP officials, the committee that receives the reports does not necessarily investigate financial gains made while in office, but only records them. With respect to the regulations governing disclosure of political party funds, one senior GNP official reported that they are sufficient, although, enforcement could be strengthened. In his opinion, better enforcement of these regulations requires bureaucratic, rather than political, reform.

Another critical point of concern for the GNP is the issue of corporate funding. There remains significant disparity in the amounts of corporate contributions to the ruling and opposition parties. One leader suggested that 80 to 90 percent of private and corporate contributions are donated to the ruling party of the day, regardless of ideology. In order to control the influence of corporate money, some GNP party leaders have proposed that the NEC establish a system that would tax corporations one percent on their profits over a certain amount and use the money as a common campaign fund. The funds would be distributed proportionally to political parties, and corporations would be barred from other political contributions. They contend that the ruling party opposes this measure because it would lose a significant source of political funding. While describing the proposal, one leader stated:

We know that such a system would not be entirely democratic, that it would infringe on free speech. We also know that it is we who would be disadvantaged if we return to power. But it is the system that is important. The party would increase its credibility if it were to fulfill promises like this.

In addition, the party believes that the government should provide greater public funding to parties in order to cover costs such as television commercials, seminars, debates, and printed materials. The public subsidy money is currently the only source of funding with a considerable degree of transparency, and increasing the percentage of party funding that comes from the government would therefore enhance transparency.

One party leader believes the onus is on the ruling party to reform the system through legislation. He stated, "Politicians in general are not very popular right now. But raising the credibility of the political process is the job of the governing party – they have the power to pass the necessary legislation." The party prides itself on serving as a watchdog on the current administration. The party publishes the bi-weekly *Democratic Journal*, in which it claims to expose "unreported" scandals involving government officials.

With respect to the impact of civil society and the media on the political party environment, party leaders report that they can play a positive role by monitoring the political process. In the words of one party official, "We cannot be what we used to be; the situation has changed." The GNP has, however, alleged partisan bias in the NGO blacklisting campaign and also contends that the government crackdown on the media is based on political motivations.

Party Structure and Decision-Making

According to party regulations, the national convention is the top decision-making authority of the party. The convention, which comprises 8,000 to 9,000 party members, is held every two years. The national convention

has the authority to adopt and amend the party platform and party constitution, to elect the party president and nominate the presidential candidate of the party, to confirm the appointments of the party president, and to determine party dissolution or mergers.

The party also holds conventions at the metropolitan city/provincial level. These conventions include 150 to 300 members and are responsible for electing representatives to the national convention, submitting recommendations to the central party headquarters, and choosing the chairs of city and provincial chapters. District conventions, with 100 to 150 members, choose the chairs of district chapters, elect representatives for the national convention, and submit recommendations to the party. The party maintains 16 city and provincial chapters and 253 district branches. The total party membership is approximately three million.

At the party headquarters, the “presidential group meeting” consists of the party president and vice presidents, as well as party executives such as the secretary general, deputy secretary general, the chair of the policy committee, and the floor leader of the National Assembly. The presidential group meeting meets weekly to consult on major party affairs and policy decisions. The policy committee conducts research and development on party policies and includes 19 sub-committees. The GNP also has a central executive council, consisting of 80 members, and holds regular party office-holder meetings, which include key local and national party officials, to deal with matters referred by the central executive council. A caucus within the National Assembly provides guidance to elected representatives on party voting positions. The party’s Yoido Institute is responsible for research and investigation.

Despite this formal structure, which includes multiple committees and positions, decision-making in the GNP remains, as in other parties in Korea, highly centralized and leader-centric. One senior party leader noted that, aside from the party president, meaningful power is held by the secretary general, the floor leader, and the chair of the policy committee.

A special committee within the party selects candidates for public office. Nominations are determined based on the results of public opinion polls and the preferences of party leaders. The party runs its own polling institute to solicit public opinion about the selection of candidates. Despite its efforts to solicit public opinion, one leader admitted that the nomination process for the 16th National Assembly elections largely ignored the suggestions of the NGO blacklist campaign described above. The GNP does not use a primary system, and party members do not select candidates; however, district chapters are required to provide a secondary endorsement of candidates from their district. For local offices, local chapters select candidates, who are then approved by the city chapter and central headquarters.

The party recently created the reform committee, chaired by a party vice president, to develop and propose reform legislation. The current vice president contends that because the proper groundwork was not completed, the 1994 political reforms were only mildly successful. The party is using its time as the opposition to develop reform policies that it plans to implement when it returns to government. One challenge, he says, is to maintain party consensus on the need for political reform. Some of the “older-generation leaders,” for example, believe that the 1994 reforms led to the defeat of the party. He described the nature of this challenge:

Yes, there are those who resist the reforms. With reform, the question is always, ‘Will this give us an advantage or not?’ There are those who, somewhat rightly, see the reforms as ‘stepping on our own toes.’ But the Korean people have a high standard; they know what politicians are up to. We must act in the people’s interest: this will gain the support of the people and help us to increase our electoral appeal if we are sincere. People will recognize genuine reforms and say, ‘The party is doing this even though it will be disadvantaged, but the party must clearly care about the Korean people as a whole.’

Because of these challenges, the party encourages extensive discussion on proposed reforms at all levels of the party in order to solicit feedback, build popular support, and maintain consensus within the party.

Money Management and Party Fundraising

The party’s central finance committee spearheads fundraising efforts and manages the party’s finances. Previously, representatives of the largest corporate conglomerates actually sat on this committee, although this practice has been abolished. Each local chapter is permitted to raise funds independently, although local funds must be reported to the central headquarters. Party leaders do not believe that political contributions impact the party platform or party policies.

Party leaders admit that it is only through receipts that one can track contributions to the party. Despite the limit on individual and corporate contributions, these receipts are, according to one senior party leader, only required if the contributor seeks tax exemption. Otherwise, no receipt is prepared and the contribution goes unreported. He acknowledged that unrecorded contributions occur in all parties, including the GNP, hindering transparency in the political finance process.

Since becoming the opposition, the GNP has relied much more extensively on the government subsidy for political finance, as corporate donations have shifted to the ruling MDP. Currently, approximately 50 percent of reported party funds are provided by the subsidy, which totaled 21 billion won in 2000. Party leaders argue that potential private donors are deterred from contributing to the opposition out of fear that they will be the subjects of partial investigations by the government. The party also raises money through the donations of party leaders. According to party representatives, there is a traditional expectation that party leaders should contribute financially to the party in exchange for leadership positions. As one party official stated, "This concept of 'a clean party is a strong party' is a new idea; there is still the belief that leaders must show their loyalty and duty to the party by contributing."

On the whole, leaders report that, like in other Korean parties, there are low levels of transparency in party finances. Official party funds are audited as required by the law, but party representatives voice little faith in these audits. In 1997, the GNP finances were the source of a major political scandal involving Kim Young Sam's son, who at the time was in charge of party finances. The son was indicted on charges of bribery related to his party responsibilities.

Ethical Standards and Discipline

GNP party leaders sign contracts with the party specifying conduct and terms of service. These contracts include a leadership code. The bureau of general affairs/planning deals with the implementation of the code, alleged violations, and discipline. Although some party officials report that the code is an effective deterrent, others have alleged that the party uses the code only when it provides an effective remedy to deal with political opponents.

United Liberal Democrats (ULD)

Background

Kim Jong Pil, a long-time politician who had previously served as prime minister, founded the United Liberal Democrats (ULD) in 1995. Kim Jong Pil is now the honorary party president, and Lee Han-dong is the new party leader. The ULD formed out of a succession of parties, all of which frequently played the role of junior coalition partner in governing majorities. In 1990, for example, the ULD, under a different name, was one of three parties to merge into the governing Democratic Liberal Party.

A central component of the ULD manifesto is the party's commitment to more "conservative politics," which is how the party often distinguishes itself from other parties. The party platform sets forth the following objectives:

- Promote economic development based on a free-market system with self-regulation led by the private sector;
- Encourage technology industries;
- Advocate responsible politics through a true parliamentary system, limited presidential powers, a smaller central government, and political decentralization;
- Guarantee economic justice and social welfare;
- Balance development among Korea's regions;
- Promote peaceful national unification based on the democratic system; and
- Strengthen national security.

The ULD is the smallest of the three major parties, with its regional support in the central Choungchong provinces. In the 2000 National Assembly elections, the ULD won 17 seats out of 273. Despite its small size, the ULD wields significant power as a governing coalition partner in an otherwise divided parliament and government. Recently, the ULD left the ruling coalition in parliament, upsetting MDP's control of the Assembly.

Party Perceptions of the External Environment and Corruption

The ULD has proposed several fundamental reforms to the governance system in Korea in order to promote clean politics. Foremost among these is the establishment of a true parliamentary system, with limited presidential powers and state decentralization. In addition, the ULD supports the creation of multi-member parliamentary districts, arguing that this will help to reduce the role of money in politics. The ULD has also proposed complete government funding of the political process for party activities and campaigns. Nevertheless, party leaders believe that the current legal and electoral frameworks are becoming effective in countering corruption. ULD leaders also believe that the new anti-corruption commission will operate independently and effectively. However, like the GNP, ULD officials are concerned that the government may use the FIU to target the opposition.

Party Structure and Decision-Making

Like the other political parties, the ULD has an extensive formal organizational structure that includes numerous committees and local bodies. Per the regulations of the Political Party Act, the party has a national

convention of delegates as the supreme decision-making authority, a central council, and a 20-member board of executive members to manage party affairs on a regular basis. Other important structures include the policy committee, the party officials' meeting, the floor committee, city/provincial and district chapter conventions, the party secretariat, and a series of standing committees. These structures mirror the structures of the other political parties, granted similar mandates by the party constitution. In reality, the decision-making process is similarly centralized and dominated by the party leadership.

Money Management and Party Fundraising

A central finance committee oversees fundraising and the finances of the party. When part of the opposition, the ULD relied more heavily on its government subsidy to fund party activities, accounting for approximately 40 percent of party funds. However, when it became a coalition partner, the ULD had better success than the GNP in raising private contributions. According to an interview with the party leadership, in 1999 the ULD raised an additional 7.8 billion won in reported private contributions.

Ethical Standards and Discipline

The ULD regulations include a code of conduct for party leaders, monitored and implemented by the committee on the code of conduct. The party also has a standing party discipline committee. ULD leaders report, however, that the code is not particularly strong, nor is it implemented rigorously. ULD leaders did not point to any other specific reform initiatives within the party to promote ethical behavior, as party leaders assert that corruption in the party is not a serious problem.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			The party leader has not typically been challenged, except when the post has been vacated. Otherwise, delegates to national congress vote on mid-level and senior leadership offices.
	MDP	Y		
	GNP	Y		

	ULD	Y		
2	Do local party branches participate in candidate selection?			Candidates from all parties have in the past been selected by a small committee of top national leaders, based in part on the results of public opinion polls. Many party reformers have targeted this area for reform.
	MDP		N	The MDP has proposed full membership elections and open public primaries to determine candidates in the future.
	GNP		N	The GNP consults public opinion polls when determining nominations.
	ULD		N	
3	Are there regularly scheduled party congresses or conventions?			All parties hold regular conventions.
	MDP	Y		
	GNP	Y		
	ULD	Y		
4	Can all members participate in selection of delegates to the national party congress?			There are no primaries involving all members. However, indirectly, through various levels of party structure, such as the city and district conventions, members can participate in selection of delegates to national congress.
	MDP	Y		
	GNP	Y		
	ULD	Y		
5	Are local party offices elected?			The parties all have formal procedures for electing the chairs of the city, provincial, and district chapters. However, the party leadership reportedly influences the decision, and local branches are most often headed by the leadership's candidate choice for the national assembly.
	MDP	Y		
	GNP	Y		
	ULD	Y		
6	Are there term limits for party officials?			Although there are no term limits for party officials in any party, term limits were implemented for Korea's president. Typically, the party leader retires

				from party leadership after having served as the country's president.
	MDP		N	
	GNP		N	
	ULD		N	
7	Does the party own businesses?			The Political Funds Act prohibits this; although certainly close associations between the chaebols (conglomerates) and the major parties are alleged
	MDP		N	
	GNP		N	
	ULD		N	
8	Does the party refuse political contributions from certain sources?			Parties abide by the standards of the law, which prohibits certain sources. No party says they refuse legal donations.
	MDP		N	
	GNP		N	
	ULD		N	
9	Do party MPs have to donate part of their salary to the party?			
	MDP	Y		
	GNP	Y		
	ULD	Y		
10	Does the party employ professional accountants to manage party funds?			
	MDP	Y		
	GNP	Y		
	ULD	Y		
11	Does the party conduct an annual audit of its accounts?			By law, all parties audit, but none take additional voluntary steps.
	MDP	Y		
	GNP	Y		
	ULD	Y		
12	Does the party disclose the sources of its funds and expenditures to members of the party?			By law, all parties are required to keep public accounts. However, there are opportunities in the laws that allow donors to maintain anonymity.
	MDP	Y		
	GNP	Y		
	ULD	Y		
13	Does the party disclose the sources of its funds and expenditures to members of the public?			By law, parties must report sources of funds and expenditures in accounts that are made

				public. However, there are provisions in the law that allow for donor anonymity, so not all sources of funding are known.
	MDP	Y		
	GNP	Y		
	ULD	Y		
14	Are party leaders required to disclose their personal assets?			No party requires its leaders to disclose their personal assets; however, elected government officials, including members of the national assembly, are required to do so by the Public Service Ethics Act.
	MDP		N	
	GNP		N	
	ULD		N	
15	Are party leaders required to sign a party code of conduct?			All parties have provisions in their regulations to agree to abide by the principles of the party.
	MDP		N	
	GNP	Y		GNP party leaders sign contracts with the party specifying conduct and terms of service, and these contracts include a leadership code.
	ULD	Y		The ULD regulations include a code of conduct for party leaders, monitored and implemented by the committee on the code of conduct.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			While all parties have formal disciplinary procedures and structures, most party leaders report that party practice is more personalized and less institutionalized.
	MDP	Y		
	GNP	Y		
	ULD	Y		

CONCLUSION

An extensive legal framework governs political competition and political finance in Korea. Despite the strict provisions of the law, political corruption and money politics continue to prevail. Some argue that the

problem is one of implementation: over time, the regulatory framework has begun to demonstrate a positive impact on the political process in Korea. Others contend that the regulations are unrealistic and routinely un-enforced, engendering systemic disregard for the law.

Despite this debate, it seems evident that political parties have been extremely reluctant to enact voluntarily internal party strategies to reform political practices. Instead, they prefer to rely on legislative remedies to clean up the political process. At the same time, however, practice suggests that parties have often not shown good faith in adhering to the legislative reforms upon which they rely. Indeed, this perception has led to a crisis of credibility within the Korean political system, and public distrust of politicians continues to grow.

Several factors, however, contribute to a more optimistic outlook in Korea. First and foremost, the multi-party system in Korea is young, and the democratic progress made in a short period of time has been significant. Second, political parties are in transition. Present-day parties arose in opposition to authoritarian rule and, with that objective achieved, parties are still struggling to adapt to a new and different political environment. Change is underway in political parties in Korea, with “old-style” politicians being replaced by an emerging breed of progressive political newcomers. Third, an active civil society has aggressively stepped forward to demand that politicians be held accountable to the public. As the political culture transforms in Korea, political practice will likely begin to resemble more closely the political ideals set forth in the ambitious legislative framework. One political party official commented, “To clean up politics, three foundations are required: political legitimacy, legal reform, and a new political culture. Korea now has two of these three.”

As Korean parties move forward, analysts have suggested several courses for further reforms. One common theme among these proposals is the need for transparency in the system of political finance. Whether by more effective implementation of the existing laws, or through legal revisions, the prevalence of “informal” political financing must be addressed. A second common prescription is the need to democratize the internal operations of political parties. Many analysts and politicians have identified the candidate selection process as the single greatest obstacle to more open and democratic parties. In response, parties are starting to implement measures, such as GNP’s use of public opinion polls to determine party candidates and the MDP’s proposal to conduct open public primaries. Korean parties have also taken the positive step of forming various committees, such as the MDP’s committee on solutions and implementation and the GNP’s reform committee, to examine broader reform needs and explore solutions.

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- ¹ This chapter is based on interviews with South Korean political party leaders conducted in Seoul June 23 to July 1, 2001. In many cases, party representatives spoke on the condition of anonymity and the researchers have complied with this request.
- ² For the purposes of this chapter, “Korea” refers to South Korea.
- ³ Interview with Dr. Wonhong Kim, Korean Women's Development Institute, March 2002, website: www2.kwdi.re.kr:8090/ucgi-bin/webdriver?Mlval=eng_home.
- ⁴ Park, Tong Whan, “South Korea in 1997,” Vol. 38, No. 1, January 1998, p. 3.
- ⁵ South Korea Country Profile, www.economist.com.
- ⁶ Park, Tong Whan, “South Korea in 1998,” Vol 39, No. 1, January/February 1999, p. 136.
- ⁷ Kim, Dong-Choon, et al., “Poverty Conditions for the Republic of Korea in the Aftermath of the Financial Crisis,” *PSPD Working Paper*, November 2000.
- ⁸ Ministry of Finance and Economy, *Beyond the Crisis: Korea prepares for a new take-off*, Foreign Press and Public Relations Division, Economic Information Bureau, October 2000.
- ⁹ Seoul Metropolitan Government, “e-Seoul 2001,” brochure of Information System Planning Bureau, 2001.
- ¹⁰ The Economist Intelligence Unit, *South Korea Forecast*, September 28, 2001.
- ¹¹ Park (1998), p. 137.
- ¹² Park (1998), p. 137.
- ¹³ “A President in a Hurry,” Economist.com, August 30, 2001.
- ¹⁴ Survey results appearing in “Korea’s Anti-Corruption Drive,” published by the Presidential Commission on Anti-Corruption of the Republic of Korea in November 2000.
- ¹⁵ As identified by the Presidential Commission on Anti-Corruption (PCAC) in “Korea’s Anti-Corruption Drive,” November 2000.
- ¹⁶ See Taekwon Kim, “Economic Consequences of Corruption in Korea,” *Asian Solidarity Quarterly*, People’s Solidarity for Participatory Democracy and The Resource Center for Asian NGOs at Sungkonghoe University, No. 3, Winter 2001.
- ¹⁷ 1237.4 won = \$1 USD.
- ¹⁸ Cited in “Greater Transparency for Further Liberalization,” a paper by Hoon Jaung and Jongryn Moon prepared for the Democracy Forum, sponsored by the National Endowment for Democracy and the Sejong Institute, “Political Finance and Democracy in East Asia: The Use and Abuse of Money in Campaigns and Elections,” June 2001.
- ¹⁹ This explanation of the political corruption process and the financial data are presented in a paper by Verena Blechinger, entitled “Corruption Through Political Contributions in South Korea,” prepared for a Transparency International Workshop. (www.transparency.org/documents/work-papers/s_korea_paper.htm).
- ²⁰ Cotton, James, “Introduction,” in *Politics and Policy in the New Korean State*, James Cotton, ed. (New York: St. Martin’s Press, 1995), p. 11.
- ²¹ Cotton (1995), pp. 1-2.
- ²² Cotton (1995), pp. 1-2.
- ²³ Outlined by the PCAC in “Korea’s Anti-Corruption Drive.”
- ²⁴ Anti-Corruption Act, Office for the Government Policy Coordination, Republic of Korea.
- ²⁵ See Rim Mi-Ok, “The PSPD’s Campaign for the Enactment of an Anti-Corruption Law: Establishment of the Transparent Society Campaign Center in 1996,” *Asian Solidarity Quarterly*, People’s Solidarity for Participatory Democracy and The Resource Center for Asian NGOs at Sungkonghoe University, No. 3, Winter 2001.
- ²⁶ Yoon, Young-Kwan, “South Korea in 1999: Overcoming Cold War Legacies,” *Asian Survey*, Vol. 40,

No. 1, January/February 2000, p. 169.

²⁷ “Fund-Raising and Regulations on Political Financing in Asia,” by Soon-doo Hong, Director of the National Election Commission, a paper presented at the Democracy Forum, sponsored by the National Endowment for Democracy and the Sejong Institute, “Political Finance and Democracy in East Asia: The Use and Abuse of Money in Campaigns and Elections,” June 2001.

²⁸ Brochure of the National Election Commission, 2001.

²⁹ www.nec.go.kr

³⁰ Brochure of the National Election Commission, 2001.

³¹ Brochure of National Election Commission, 2001.

³² Jaung and Moon (2001).

³³ Jaung and Moon (2001).

³⁴ Jaung and Moon (2001), citing newspaper reports in *Weekly Chosun*, May 1, 1997.

³⁵ Jaung and Moon (2001).

³⁶ Jaung and Moon (2001).

³⁷ Editorial appearing in *The Korea Herald*, April 3, 2000.

³⁸ National Election Commission, 2001.

³⁹ Cited in “Transparency of Political Finance and Direction of Reform,” prepared by Doo Soo Kim, Director of the Civic Watch Department of PSPD, 2001.

⁴⁰ Library of Congress Handbook on South Korea on the World Wide Web at memory.loc.gov

⁴¹ See Lee, Nam-Joo, “NGO’s Role in the Prevention of Corruption,” *Seoul Conference on Combating Corruption in the Asia-Pacific Region*, Asian Development Bank and the Organization for Economic Cooperation and Development, December 2000.

⁴² See The Civil Action for 2000 General Elections in Korea (CAGE), The CAGE Newsletters 1-5, 2000.

⁴³ See Yong-Ho Kim, “Korea,” in Wolfgang Sachsenroder and Ulrike E. Frings, ed., *Political Party Systems and Democratic Development in East and Southeast Asia*, Friedrich-Naumann-Stiftung (Vermont, USA: Ashgate, 1998).

⁴⁴ *Asian Updates*, published by The Asia Society (2000); available at: www.asiasociety.org/publications/korean_elections.html#party.

⁴⁵ Yong-Ho Kim (1998).

⁴⁶ Yong-Ho Kim (1998).

⁴⁷ Ha, Yong-Chool, “South Korea in 2000: A Summit and the Search for New Institutional Identity,” *Asian Survey*, Vol 41, No.1, January/February 2001, p. 170.

⁴⁸ Lee, Aie-Rie, “What We Know About Party Non-Identifiers in South Korea” *Asian Affairs, an American Review*, Winter, 1999.

⁴⁹ Doo Soo Kim (2001).

⁵⁰ MDP public information documents: “Our History.” Available at www.minjoo.kr/english/history.htm.

⁵¹ Jaung and Moon (2001).

⁵² Informational Brochure of the Grand National Party.

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TAIWAN¹

SUMMARY

Four decades of martial law and one-party rule facilitated political corruption—commonly referred to in Taiwan as “black-gold politics”—by providing one party with monopolistic control of state resources. The advent of multi-party political competition in the late 1980s was marked by three relevant features: (1) a system of money-politics embedded in political practices; (2) an economic boom providing tremendous wealth to political competitors; and (3) a legal framework, designed during the one-party era, ill-equipped to regulate the complex challenges of political finance.

In the absence of rigorous laws and rules regulating political competition, political parties of Taiwan have largely been left to their own devices to address the problems of political finance and political misconduct. While in many other countries political parties have been relatively hesitant to take pro-active, self-regulating measures, Taiwan’s relatively brief experience with multi-party democratic competition is rich with political party reform strategies. Public opinion in Taiwan, demonstrated in part by the results of the 2000 presidential election, have forced “clean politics” onto the national agenda. In response, political parties have distanced themselves from the “black-gold” practices of the past by implementing concrete reforms, transparency, and accountability in party practices. While the sincerity or effectiveness of many of these measures may be open to debate, the experiences of Taiwanese political parties offer several interesting strategies in response to the problem of money politics.

BACKGROUND

Political Context

Country Background and Transition to Democracy

Taiwan, a small island neighbored by global powers China and Japan, has long been a site of geopolitical strategic importance and controversy. More than 300 years ago, Taiwan came under Chinese influence during the Ming Dynasty when China occupied Taiwan and annexed the island. Taiwan was the eastern outpost of the vast Chinese empire, left largely to its own development. Seized by the Japanese in 1895, Taiwan became a Japanese colony until 1945, when it reverted back to Chinese rule.

In 1945, when Taiwan was returned to China, the Nationalist Party (Kuomintang or KMT), led by Chiang Kai-shek, and the Chinese Communist Party (CCP), led by Mao Ze-dong, were engaged in a civil war. Losing to the CCP, in 1947, the KMT government was forced to flee the mainland to the island province of Taiwan. Until 1991, the KMT continued to consider itself the legitimate government of China, although the entire mainland was occupied and controlled by the Communist Party. The KMT viewed its relocation to Taiwan as a temporary tactical move, from where the KMT would continue to wage the struggle against the Communist Party and regain control of the mainland. Indeed, most of the international community recognized the KMT government as the legitimate government of China into the 1970s.

Upon its arrival in Taiwan, the KMT government suspended the nation's existing constitution and declared martial law, which lasted until 1987. Full constitutional rule was not restored until 1991. During the period of martial law, elections were not held (except supplementary and some local level elections) and political dissent was not tolerated. Opposition political parties were banned, and the government actively repressed the development of any unified opposition political movements. The KMT's authoritarian governing style and repression of local Taiwanese culture and identity, including making Mandarin Chinese the official language and discouraging the use of the Taiwanese dialect, precipitated conflict with the Taiwanese. More than 18 million of Taiwan's population of 22.2 million are "native Taiwanese," whose ancestors migrated from Fujian and Guangdong provinces in the 18th and 19th centuries.² Though both the earlier immigrants and the post-1945 immigrants are ethnic Han Chinese, local Taiwanese viewed the two to three million "mainlanders" who arrived with the KMT after 1945 as unwelcome "intruders." Tensions led to the "228 Uprising" on February 28, 1947, in which Taiwanese protested *en masse* against KMT rule. The government responded harshly, resulting in the deaths of an estimated 15,000 to 60,000 Taiwanese activists.

Following the uprising, the KMT government undertook several significant reforms to build local and international support for its rule. Land reform, for example, provided greater economic opportunity to Taiwanese and had the added benefit, in the eyes of the Nationalist government and its international allies, of reducing the island's vulnerability to communism. In addition, the KMT government spearheaded an economic transformation that resulted in 30 years of growth rates above 8 percent annually, making Taiwan one of Asia's most dynamic economies.³ The KMT also allowed local government elections to take place beginning in the early 1950s. Although local polls provided some limited space for the development and expression of political opposition, the government actively intervened to ensure that the opposition remained local-

ized and isolated. As part of this effort, the KMT government encouraged the development of local political factions, which competed among themselves for power, allowing the KMT to play the role of power broker. Limited, localized political opposition functioned sporadically, commonly referred to as simply the *Tangwai* or “outside the party.”⁴

In 1972, Taiwan’s external political environment changed dramatically. After President Nixon’s historic trip to China, the U.S., the KMT’s strongest ally, began scaling back its military presence in Taiwan and started the process of rapprochement with the mainland government. The U.S. change in policy was accompanied by a decline in Taiwan’s international status, as much of the international community switched diplomatic relations to Beijing and the United Nations withdrew its recognition of the KMT government, offering its seat on the Security Council to the Communist government. These changes forced a radical re-examination of Taiwan’s national status and the domestic political situation. Domestic politics became more contentious, with some segments of the population pushing for independence and others advocating reunification with the mainland. Facing an uncertain international environment and domestic divisions, the government clamped down further on internal dissent, claiming that it was crucial to maintain domestic stability.⁵

At the same time, the KMT government was in transition internally. With the death of Chiang Kai-shek, who had ruled since the 1930s, his son Chiang Ching-kuo assumed the leadership of the party and the government. In the absence of elections, leadership had remained stagnant for more than 25 years, and Chiang Ching-kuo’s ascension to power brought with it several changes. He began to liberalize Taiwan’s political system and opened 10 of the 600 legislative seats for political competition. In order to rejuvenate the party and gain support among Taiwanese, the KMT initiated a policy of “Taiwanization.” Previously, both the party and the government had been closed to the native Taiwanese majority. Under the new system, the party provided training and political opportunity to local Taiwanese, and by 1994, 19 of the 31 members of the KMT central standing committee were Taiwanese.⁶

As Taiwan gradually moved toward greater democratic participation and the opposition became more united, international politics again became a distraction when the US announced its intention to establish diplomatic relations with mainland China. Questions of national identity and national sovereignty were once again in the forefront of public discourse and continued to challenge the legitimacy and authority of the KMT regime’s rule, presenting the opposition with an opportunity to address public concerns regarding Taiwan’s future.

In response, the KMT government called off the 1978 elections and restricted domestic political opposition. With the exception of 1978, supplementary elections for the National Assembly, Legislative Yuan, and Control Yuan had been held since 1969.⁷ Opposition leaders were forced to rely on political periodicals, including the *Taiwan Political Review* and *Formosa*, to present their views and rally public support for political reform. The government's response, which included censorship by the Taiwan Garrison Command and the trial of some of the leading editors and publishers of the journals for libel, proved both ineffective and costly in terms of helping the public image of the KMT.⁸ On December 10, 1979, a *Formosa* sponsored protest led to the "Kaohsiung Incident," during which violence broke out and 183 police officers were injured. The government imprisoned over 100 opposition leaders, with sentences varying from several years to life. The government's harsh reaction generated much sympathy and support for the opposition. The opposition was able to capitalize on this sympathy during elections in 1980 and the *Tangwai* made a strong showing.⁹

Following the death of Chiang Ching-kuo, vice president Lee Teng-hui succeeded him as president of Taiwan and the chairperson of the KMT, becoming the first Taiwanese to lead the party and the country. Lee sought a new popular legitimacy based on two distinct strategies: democratic reforms to the political process and the systemization of "black-gold politics," manipulating access to state resources in return for political loyalty. Lee's rule was marked by the mushrooming of political corruption coupled with a transition to democratic competition.

The transition to democracy advanced quickly. In 1986, the opposition movement announced the official formation of the Democratic Progressive Party (DPP), the first opposition political party in Taiwan. Although at the time opposition parties were still officially banned, the government did not prohibit the DPP from operating. In 1987, martial law was lifted; political parties were legalized in 1989; and full constitutional rule was restored in 1991. In 1992, for the first time, all seats in the legislature were opened for election, and in 1996, the president was elected by direct popular vote. In 2000, the opposition DPP won the presidential election, and the KMT, which had ruled Taiwan for 50 years, peacefully ceded executive control, marking the first transfer of power in Taiwan. This unique historical path has had significant implications on both the problem of political finance in Taiwan and the development of political party responses to this problem.

Governance and Election System

During the period of martial law, from 1947 to 1987, Taiwan operated as a one-party state. KMT rule was characterized by strict authoritarianism, with the KMT monopolizing political power and little distinction between the party and the state. The military was essentially an arm of the KMT. Power within the government mirrored the power relationships within the political party. All state organs were subordinate to the party, which was in turn subordinate to the party chairperson. Although formal processes and structures existed, most government decisions were made through informal channels and the party hierarchy. The KMT central standing committee, rather than the government cabinet, *de facto* ran the daily affairs of the state. During the 1980s, however, the KMT leadership began to reduce party domination over administrative and legislative matters.

The constitution of Taiwan (officially the Republic of China) established five separate branches of government: executive, legislative, judiciary, control, and examinations. The control and examinations branches are largely responsible for auditing government performance and for oversight of the extensive administrative bureaucracy. The executive branch consists of a president and vice-president, popularly elected on a single ticket since 1996, and a cabinet appointed by the president. The executive serves for a four-year term, although the public is provided with the “right of recall.” Taiwan’s current president is Chen Shui-bian of the DPP party.

The legislative branch in Taiwan, until recently, consisted of two separate chambers: the National Assembly of Representatives and the Legislative Yuan. In April 2000, however, following the presidential election, the constitution was amended and the functions of the National Assembly were limited to amending the constitution and altering the national territory, if first proposed by the Legislative Yuan. The National Assembly is now a non-standing body, whose 300 delegates are selected by proportional representation of the political parties in the Legislative Yuan.¹⁰

The Legislative Yuan (LY) is comprised of 225 members, all popularly elected since 1992, who serve three-year terms. In the 1998 legislative elections, the KMT held on to its majority in the LY with 123 representatives, the DPP earned 70 seats, and the New Party won 11 seats. A fourth party, the People First Party (PFP), was formed after the 2000 presidential election, but it gained 19 seats when members of the legislature, elected as representatives of other parties, crossed the floor. In the recent December 2001 legislative elections, the DPP earned 87 seats and the KMT dropped to 68 seats. The Taiwan Solidarity Union won 13 seats, the new People First Party won a startling 46 seats, the New Party won 10 seats, and one seat went to an independent. For the first time in Taiwan’s history a party other than the KMT holds the most seats in the Yuan.

Though the DPP is the largest party in the LY, it does not command a majority. To date, cooperation among parties has been on an ad hoc, or issue-by-issue, basis, without firm coalitions taking hold.¹¹

Of the 225 members of the Legislative Yuan, 168 are elected from 21 multi-member districts under the single non-transferable vote (SNTV) system, eight are elected by popular vote by the aboriginal population, and eight are elected by overseas Chinese constituencies on the basis of the proportion of nationwide votes received by political parties. The remaining 41 are determined by proportional representation under a closed party list system. Under the SNTV system, multiple candidates run in each of the 21 districts, with the number of seats dependent on the local population. Each voter casts a single vote for a single candidate. Candidates are ranked according to the number of votes received and fill in the available seats accordingly.

Political parties that captured at least 5 percent of the total votes nationwide submit two party candidate lists in advance of the election, one for the national constituency and one for the overseas Chinese communities, from which its proportional seats will be filled.¹² The law does not provide voters with any opportunity to influence the composition or ranking of candidates on the party lists. The allocation of party list seats is determined by a national aggregation of the votes under the SNTV system. The individual candidate selected by the voter represents a political party, and the vote will count once for the individual under the SNTV system and once for the political party. If the candidate selected by the voter is an independent, then the vote will only count for the district race, and no political party will be credited with the vote. Party votes are aggregated nationally, determining their national percentage.

Many political leaders and observers in Taiwan have criticized the current SNTV multi-member district electoral system. Candidates in the SNTV system do not require a majority of votes to gain election in their district. Because of this, parties do not require “consensus” candidates, but rather, candidates that appeal to a small percentage of voters. Electoral outcomes in Taiwan are determined to a large extent by party strategies determining which and how many candidates to field in each district. Such decisions attempt to predict public support in advance in order to maximize the number of seats a party can win without risking a “split” of the party’s support. Based on this electoral system, elections in Taiwan tend to be more “candidate-centered” than “party-centered,” because each candidate is individually motivated to ensure that he or she achieves the minimum number of votes needed for election.¹³ Many analysts also contend that this aspect of the electoral system has helped to fuel the influence of money in political campaigns and the excessively high cost of campaigns.

Legislative elections in Taiwan, based on estimated spending per candidate, are reportedly the most costly legislative competitions in the world. Election costs skyrocketed in the late 1980s with increased political competition. Candidates spend money on advertising, parties, and other campaign activities, including vote buying. In the 1989 legislative election, it is reported that candidates spent as much as \$3.2 million on a single campaign. According to one account, “The staggering amount of money involved apparently horrified some American election observers who had good reason to be shocked: in 1988, average campaign expenditures for candidates to the US House of Representatives averaged only \$274,000 and for the Senate \$2.8 million.”¹⁴

There have been calls recently from many quarters to reform the electoral system. However, as one scholar notes, reform is highly unlikely in the current polarized political environment. “It is a hard enough task to reach consensus on the need for electoral reform in Taiwan, but reaching agreement on the particular model for reform, where so many options exist, is near impossible at the moment.”

Corruption in Taiwan

Corruption in Taiwan is an impediment to economic recovery and is one of the public’s most serious concerns. Reforming the public sector is a cornerstone of the new administration. The effects of the Asian financial crisis, particularly in Korea, Thailand, and Indonesia, remain a stark reminder in Taiwan of the threat posed by corruption to sustainable economic development. Several recent high-profile corruption scandals highlight areas of major concern regarding corruption in Taiwan. These include the public administration, public procurement, and the financial sector.¹⁵ Irregularities in the financial sector, in particular, have prompted fears of national economic instability.

In all of the areas needing reform, there are direct links to the political process and, specifically, to the discretionary power of public officials. One leading politician defined “black-gold politics,” which captures these corrupt dealings, as follows: “black is the link to illegal activities, gangsters, and organized crime; gold is linked to profit by politicians and their associates. Black-gold is the connection between corruption, money, and power.” Black-gold politics was historically considered a trademark of the former ruling KMT party, primarily because the KMT was the only political party with access to significant resources.¹⁶ One KMT politician acknowledged that, in the past, KMT candidates regularly used financial rewards to win elections. However, many analysts assert that all political parties have now been infiltrated to some degree by the problems of money politics, vote buying, and influence peddling.¹⁷

Electoral corruption and vote buying have long been considered part of elections in Taiwan. In addition to buying the support of local elites, some politicians have engaged in corrupt relationships with local farmers associations or fisherman's associations, particularly their credit unions. These local banks offer loans to local politicians for which they would otherwise not qualify, in exchange for political influence.¹⁸ Moreover, candidates and parties allegedly buy support from average voters, and many voters take money during the elections. Politicians and analysts, however, believe that the effectiveness of vote buying has decreased. As in other countries, the prevalent belief is that vote buying will cease if it is no longer an effective campaign method and does not help candidates win elections. With the public's rising concerns about policy and candidates' platforms, the influence of political money is expected to decrease.

The issue of political corruption and "black-gold politics" was a factor in the 2000 presidential election. As a candidate, Chen campaigned on his "no compromise" approach to eliminating political misconduct, promising that he would encourage all government officials to adopt a "do more and talk less" attitude in combating corruption.¹⁹ This campaign resonated with voters. After winning the presidency, the Chen administration quickly established a national "anti-black-gold action center," laying the groundwork for greater cooperation among various government departments. President Chen charged the Ministry of Justice, headed by minister Chen Ding-nan, a politician highly regarded in Taiwan for his integrity, to spearhead anti-corruption efforts. Many analysts interpreted this appointment as a demonstration of the sincerity of the government's efforts. Minister Chen has made the campaign to eliminate black-gold politics his foremost priority.²⁰ In his first 15 months in office, while President Chen's overall approval ratings have dropped, approval ratings on his anti-corruption efforts remain at 70 percent.²¹

The government's anti-corruption drive is housed in the Department of Government Ethics and the Bureau of Investigation, both within the Ministry of Justice. There is, however, no centralized agency dedicated to the anti-corruption cause, although the government has introduced anti-corruption legislation, which, if passed, would establish a comprehensive, independent counter corruption agency. At the time of this writing, this legislation is pending in the Legislative Yuan.

The legislature has adopted several other initial pieces of anti-corruption legislation. The Administrative Procedure Act came into effect on January 1, 2001 to promote greater transparency in the tendering and procurement process. The law attempts to limit the discretionary powers of the extensive administrative bureaucracy in the public service by mandating that all contracts

over NT\$1 million (NT\$35 = US\$1) be advertised publicly on the internet and discussed in meetings open to the public. In June 2000, the legislature passed “conflict of interest” legislation to prevent political and public officials or their close relatives or associates from benefiting from government tenders or decision-making.²² The legislature also approved mandatory asset declarations for public officials, although many question whether these measures have been effectively implemented. Several political and civic leaders, for example, point to a case in which a police chief purchased a new mansion, while his asset declarations clearly showed that he would be unable to pay for such a house.

The government has already taken action against corrupt officials. In October 2001, for example, 33 former senior government officials, educators, business executives, and a former legislator were indicted for their alleged involvement in an extensive corruption case concerning schools run by the Jin Wen Group, a real estate company. In one of the biggest corruption cases in recent years, the prosecutor sought a life sentence for Lin Chao-shien, a former vice minister of education, and a 15-year jail term for former Minister of Education Yang Chaur-shin, and 12 years for former cabinet minister and secretary general Chang Yu-huei.²³

Current Political Climate

There are several policy issues that currently dominate political discourse in Taiwan: reform and anti-corruption; Taiwan’s national status and relationship with mainland China; national identity (e.g. the distinction between “mainlanders” and Taiwanese); and economic recovery and development. Political party positions on these major issues will be discussed later in this chapter.

Although, as discussed above, corruption is an important issue in Taiwanese politics, the most critical question facing Taiwan is its national status and relationship with mainland China. The spectrum of debate includes three primary options: reunification with China under a variety of governance schemes; national independence; or maintaining the status quo, an undefined limbo in which Taiwan enjoys *de facto* national sovereignty but lacks general international recognition. There is concern that a declaration of or a significant move toward independence would trigger an attack by China. Taiwanese, however, are equally concerned about the ramifications of reunification. Hong Kong’s reunification with the mainland under the ‘one country, two systems’ formula has not been viewed as a success in Taiwan. Broad public opinion polls show much greater domestic support for independence than for reunification, although overwhelming support exists for maintaining the undefined status quo over either of the other two options. Taiwan’s fragile relationship with the

mainland was put to the test when, leading up to the March 2000 elections, Chinese Premier Zhu Rongji warned Taiwanese voters that if Taiwanese independence forces came to power, it could instigate a war.²⁴

The issue of national identity is another important topic of debate. The population is approximately 85 percent Taiwanese, while only 15 percent are mainland Chinese.²⁵ Mainland Chinese tend to support reunification, while Taiwanese most often support independence. However, although political parties in Taiwan tend to be either Taiwanese or mainlander parties, people do not vote strictly along those lines. Furthermore, the issue of national identity is not a defining issue for younger generations in Taiwan.

The economic downturn, and sharp decline in the stock market -- brought on in part by the Asian financial crisis, government policies, and long-standing structural issues -- is a more common focus of political debate. During Chen's first several months in office, Taiwan's stock market fell by more than 50 percent. In response, consumer confidence and business expectations fell to record lows.²⁶ Private investment in Taiwan has stagnated, while the mainland continues to attract investors, fuelling a fear of a "hollowing out" of Taiwan's economy as investors shift to China. Although Taiwan's economy appears to have bottomed out and is expected to exceed an annual growth rate of two percent in 2002, the economy is just beginning to recover.²⁷ The public is growing impatient with the inability of government policies to stimulate economic growth.

Despite these pressing issues, the political situation in Taiwan has been defined by stalemate and inaction. Following the DPP's presidential victory, the executive faced a Legislative Yuan under KMT control, and polarization, political bickering, and paralysis characterized the relationship between the two branches. When Chen came into office he tightly controlled the formation of government and did not reach out to the KMT when he determined his cabinet, even though the KMT held 115 of the Legislative Yuan's 225 seats. The KMT responded by refusing to cooperate with Chen. For example, when the Chen government announced the cancellation of the Fourth Nuclear Power Plant, a pet KMT project, the KMT considered moving to impeach him. Faced with the possibility of impeachment, Chen was forced to backtrack and apologize to the KMT.

Now that the KMT no longer dominates the LY, it is unclear if the tensions between the president and the legislature will be eased. To date, however, the DPP has not been able to form a solid coalition, although it cooperates with the Taiwan Solidarity Union (TSU). Together the two parties control 100 votes, 13 seats shy of a majority. On the other hand, the KMT and

PFP together control 114 seats and have cooperated on several important issues, including the election for the deputy speaker of the LY and the budget.²⁸ In March 2002, the political parties could not even agree to a TSU proposal to invite the president to deliver a state of the union report in the legislature. The KMT and PFP criticized the proposal as an opportunity for Chen to promote himself and receive positive attention in front of the nation. When KMT and PFP legislators later agreed to support the TSU proposal under the condition that the president could be questioned after the speech, DPP lawmakers opposed the idea, fearing that Chen would be greeted with hostility. Therefore, despite the DPP's victory in the LY, it is possible that the stalemate between the two branches will continue, resulting in little progress in number of public policy issues.

Political Party Environment

From 1947 to 1987, opposition political parties were legally banned. Efforts to unify opposition movements at the grassroots level were aggressively disrupted by the government, and opposition leaders were routinely imprisoned. The state administration, including the civil service, the education system, and the military, was dominated by the KMT. Even in the private sector, economic decision-making and development were similarly influenced by the ruling party, with the advantages of state support allegedly offered as a political reward to those loyal to the government.

Even in 1986, when the first opposition movement was formally launched, people remained hesitant to associate with the opposition due to the KMT's continued influence over all facets of the state. Being perceived as an opponent of the government could mean economic and social disadvantage. Since the DPP has become an established party, and particularly since the 2000 presidential election, this stigma has been removed. Following its victory in the presidential election, the DPP's membership doubled, rising literally in a matter of months from 200,000 to 400,000 members.

While the history of opposition politics is brief, political reform has been more rapid than in many other countries. Several factors have contributed to this rapid transformation. Taiwan achieved significant economic growth under KMT rule, allowing the development of a wealthy and educated society that could promote democratic reforms. In addition, Taiwan's unique international status has encouraged a more "outward-looking society."²⁹ Taiwan has been more sensitive to international pressure and, at the same time, has sought to differentiate its style of governance from the more authoritarian rule of mainland China. In addition, an independent media emerged quickly after formal government controls were removed, and the Taiwanese military has

refrained from interfering in civilian politics. Perhaps most important, the KMT government allowed the transition to democracy to take place, suffering significant losses as a result.

Legal Framework for Political Parties

One scholar referred to the existing legal framework for political parties as, more appropriately, the *absence* of a legal framework. According to a government minister, “Taiwan does not really have a legal framework for political parties to speak of.” National laws in Taiwan provide minimal guidelines and regulations for political party operations. This is due in part to the brief history of multi-party democracy and in part to the conscious effort on the part of the Taiwanese government not to over-legislate political party activity. Political parties are allowed significant autonomy in their internal operations and are hesitant about efforts to mandate specific styles of party operation. Even the legislation currently pending in the LY would not, if adopted, impose particularly stringent requirements.

The legislative framework that does exist was not designed for multi-party political competition. The Civic Associations Law was amended only minimally upon the implementation of constitutional rule. The Presidential and Vice Presidential Election and Recall Law (PVPERL) and the Public Officials Election and Recall Law (POERL), which govern electoral competition, were adopted only in 1995. Thus many of the holes in the legal framework have only recently been exposed. More comprehensive legislation to regulate political competition is still under debate within the various branches of government.

- The Civic Associations Law³⁰

Taiwan has not yet enacted a comprehensive political party law to govern the registration, structure, or operations of political parties. Provisions for political party registration were first provided by the “Organization Law for People’s Groups at an Extra-ordinary Period of Time” in 1987 and then replaced by the “Law for People’s Groups at Mobilization and Communist Rebellion Suppression” in 1989. In 1992, following the restoration of constitutional rule, the law was amended and renamed the Law for People’s Groups (also translated as the Civic Associations Law). Responsibility for the enforcement of this law rests with the Department of Civil Affairs in the Ministry of Interior. According to most political parties, the Civic Associations Law is not used by the government to interfere with party operations or party competition, nor have the requirements been applied in a partisan manner.

The Civic Associations Law is extremely broad, covering registration for all types of civic groups. The law was recently amended to include a chapter entitled “Political Groups,” to allow for the organization of political organizations and parties. According to a current vice-minister with responsibility for these matters, however, political parties were included under this law “almost as an afterthought.” As a result, the law places few requirements on political parties. An aspiring political party must submit its constitution, its structures and operations, its leadership roster, and registration forms to the ministry. The current law does not prevent political parties from owning and managing financial enterprises, nor does it place any requirements on political party financial practices, such as audits of party financial accounts or declarations of party assets. As a government minister stated, “There are very low standards to be a party in Taiwan.”

- Election and Recall Laws: for Public Officials, President, and Vice President

In 1995, two pieces of legislation were adopted to govern elections in the multi-party environment: The Public Officials Election and Recall Law (POERL) and the President and Vice President Election and Recall Law (PVPERL). The laws establish similar procedures for elections, describe the administration of the elections, and place certain requirements on candidates and political parties during the period of electoral campaigns.

According to Article 6 of the PVPERL, responsibility for elections in Taiwan is vested in the Central Election Commission (CEC), which operates under the oversight of the Ministry of Interior. Article 7 sets forth the responsibilities of the CEC, including: the proclamation of elections and results; preparation and administration of elections; candidate screening and registration; election publicity and candidate debates; inspection and examination of all election and recall activities; and other affairs related to elections and recall.

The election law sets forth minimal criteria for candidate eligibility. Section 3 outlines the candidate eligibility requirements and the candidate application process. Candidates from political parties that received five percent of the national votes in the last election are considered duly nominated with the submission of a letter of recommendation from that party. The law places no stipulations on the process by which parties select their candidates. Candidates from other political parties who do not meet this criteria, or independent candidates, must submit the signatures of registered voters totaling 1.5 percent of the number of voters in the previous election.

The PVPERL also provides regulations on campaign finance, including contribution and expenditure guidelines for candidates. Article 35 prohibits campaign donations from foreign groups, groups based in mainland China, another party or candidate in the same election category, or any public enterprise. According to Article 38, campaign contributions to candidates are legally limited to NT \$20,000 (NT\$35 = US\$1) per individual or NT \$300,000 per profit-seeking enterprise. The POERL limits campaign contributions to political parties from individuals to 20 percent of personal income, but no more than NT \$200,000 per individual, and from businesses to 10 percent of total business income but no more than NT \$3 million. These contributions are tax-deductible, as are contributions made by candidates to their own campaign, as long as the party previously earned 5 percent of the national vote or, in the case of a new party, earns 5 percent in the coming election.³¹

Ceilings on Contributions to Presidential Political Campaigns:

Donor Type	Ceiling per Campaign
Individual	NT \$20,000
Corporate body	NT \$300,000

Source: The President and Vice President Election Recall Law

Ceilings on Contributions to Political Parties:

Donor Type	Ceiling per Year
Individual	20% of personal income, but no more than NT \$200,000
Corporate body	10% of total business income but no more than NT \$3 million

Source: The Public Officials Election and Recall Law

The PVPERL also limits campaign expenditures. As outlined in Article 36, the limitation for campaign expenditure by each candidate is calculated at 70 percent of the total population of registered voters, multiplied by NT \$15 per voter, plus a base amount of NT \$80 million. According to Article 31, candidates are required to pay a deposit of 50 percent of this maximum amount, which is refunded if the candidate wins at least 5 percent of the vote.

Article 37 requires each candidate to prepare an account book of campaign expenditures, audited by a certified public accountant, and to make this account book available for inspection and reference. Candidates are not

required to reveal the sources of funding. This account book must be submitted to the CEC within 30 days after the election. The CEC is empowered to seek verification of income or expenditures if it suspects the information reported to be untrue or inaccurate. The reports filed by candidates for president and vice president are printed in the bulletin of the Executive Yuan and available for public review. For other candidates, the public can apply to the CEC to access the records in full. Failure to report in a timely or accurate fashion is penalized by fines ranging from NT \$500,000 to NT \$2.5 million. There is no penalty of imprisonment or nullification of election results for these offenses.

Article 78 of the PVPERL makes vote buying a criminal offense and describes possible punishment for vote buying, including a penalty of imprisonment up to five years, fines up to NT \$4 million, and, per Article 94, nullification of the election results if the outcome of the election was deemed affected.

Chapter 4 of the PVPERL also outlines provisions for the recall of the president and vice president. A motion for recall must be initiated by one-quarter and approved by two-thirds of the legislature. A recall referendum would then be held, in which 50 percent of eligible voters must participate, and 50 percent of those votes must support the recall motion if the recalled official is to be removed from office.

Contribution and expenditure regulations for political parties apply only to the official electoral campaign period, identified as the 28 days preceding the polling day (Article 34). Neither of the election laws, nor any other current legislation, regulates political finance outside of this 28-day defined campaign period. There are no expense or contribution limits for political parties. There are similarly no requirements on political parties to account for party finances or to audit or disclose party financial information.

- Public Financing of Political Parties

The state provides financial subsidies to political parties and candidates based on electoral performance. One form of state subsidy involves reimbursement for campaign expenditures. According to Article 39 of the PVPERL, in the presidential election, candidates receive from the state NT \$30 per vote for each vote obtained above the threshold of one-third of the votes required for election. The total amount subsidized cannot exceed the maximum contribution limit. If the candidate runs as a representative of a political party, the subsidy is paid directly to the political party. In the legislative elections, candidates are subsidized at NT \$10 per vote for each vote obtained above the threshold of three-quarters of the votes required for election.³²

In addition, political parties are subsidized based on the national performance of their legislative candidates. Parties that surpass the threshold of 5 percent of the national votes receive an annual subsidy of NT\$50 per vote. Since the annual subsidy to parties was adopted, the amount of public funding to political parties has increased by more than 15-fold. Annually, this has amounted to public subsidies of NT \$217.5 million per year for the KMT, NT \$156.6 million per year for the DPP, and NT \$61.1 million per year for the New Party.³³

The Ministry of Interior is responsible for managing subsidies to political parties. Currently, there are few regulations governing the use of the subsidy. Once the subsidy has been disbursed, parties have no obligation to report or provide accounts on how the subsidy was spent.

- Effectiveness of Legislation

Politicians from both the ruling and opposition parties state that the campaign expenditure limits set forth in the law are absurdly low. Elections in Taiwan for a legislative seat are recognized as some of the most expensive elections in the world. One government minister claimed that “even to cover basic campaign expenditures,” one must spend several times more money than the legal campaign limits allow. Recently, a handful of politicians have sought to expose the absurdity of the legal expenditure limits by accurately declaring campaign expenditures, far exceeding the legal limits, despite the fine imposed.

It is widely recognized and acknowledged that nearly all politicians submit false reports of their campaign expenditures to the Central Election Commission.³⁴ It is expected and accepted that every candidate will file a report that shows both the amount of total campaign contributions and the amount of total campaign expenditures to be equal to the legal limit. The CEC is not able to provide effective oversight or verification, primarily because it is unable to track the accurate amount of campaign contributions. When asked if candidates report honestly, a CEC official could only reply that he “hopes so.” In addition, the financial accounting forms required for submission to the CEC are not detailed enough to be useful, according to this official.

In addition, critics point to the absence of legal guidance on how to dispose of unspent campaign contributions. Politicians cannot declare leftover money or they will face difficulties raising funds for the next election. As a result, unspent campaign funds essentially become the personal property of the candidate. Many politicians allegedly establish personal foundations and not-for-profit enterprises to funnel money and other resources to their campaigns.

Another major loophole in the current legislation is the definition of the campaign period as only the 28 days prior to the election. Fundraising is not regulated outside of this 28-day period, nor is campaigning necessarily restricted to these 28 days. The current electoral legislation is also criticized for its very limited criteria for the disqualification of electoral candidates. Taiwan has a three-step legal appeals process, and current legislation only bars a candidate from running if *all* appeals have been exhausted. These appeals, however, take time.

Parties have also recently raised concerns about the neutrality of the Election Commission. In October 2001, the Election Commission rejected a joint-nomination for Taipei county commissioner from the KMT and the New Party, stating that the candidate can only represent one party. According to the Public Officials Election and Recall Law, a party can only nominate its own members and two parties cannot nominate the same candidate. The PFP, New Party, and KMT held a press conference protesting what they viewed as DPP obstruction of a possible alliance between the three parties, and the parties plan to take the case to court.³⁵

Pending Legislative Reforms

Legislators and government officials in Taiwan generally argue that many countries have a tendency to over-legislate the regulation of political competition. The prevailing philosophy in Taiwan is instead to allow political parties greater autonomy rather than to interfere with internal party operations. Taiwanese leaders hope that positive peer pressure (from other parties) and electoral pressure (from the public) will create a political party environment conducive to internal democracy, transparency, and accountability. Although the government does believe it is important to regulate party finances, in order to prevent corruption and protect the integrity of the political system, in other regards, the multi-party system is compared to a free-market system: the voters should decide the type of party practices they want to support. Government leaders express that public oversight, rather than legislation, is the appropriate strategy to influence internal political party operations. This philosophy stands in stark contrast to the prevailing philosophies in countries such as Korea and Thailand, where legislation is seen as the appropriate, and often the only strategy to regulate political party practices.

However, parties and government officials do recognize the inadequacies of the current legal framework for political parties, elections, and political finance in Taiwan and acknowledge that some legislative reforms are needed. Government ministers, as well as individual legislators, have proposed several key legislative reforms in the past year. These include a new Political Parties Law, a new Political Contributions Law, and further amendments to the Election and Recall Laws. All of these proposed pieces of legislation, however, remain pending.

- Amendments to the Election and Recall Laws

The Ministry of the Interior has proposed an amendment to the Election and Recall Laws that would strengthen the eligibility requirements for candidates. Currently, convicted candidates are excluded from seeking political office for 10 years only after all appeals have been exhausted. The proposed change would bar candidates who have been found guilty at the first stage of the legal process, and have pending appeals, from seeking political office, unless and until an appeal were to overturn the ruling. Currently, all political parties are claiming to have voluntarily implemented this type of provision. The amendment to the law, however, would also apply to independent candidates. Some political parties have been accused of colluding with “friendly independents”: convicted candidates who have been excluded from running on behalf of the party, instead contest as independents, and the party promises not to field party candidates in those constituencies.

A second amendment to the election law seeks to repeal the penalties for declaring campaign contributions or expenses in excess of the legal limitations. According to one government minister:

In the past, we had our legal limits, but they were treated as a joke. Everyone was violating the law, even to campaign legally. The laws are outdated and the limits are unrealistically low. Every candidate spends above the legal limits. This proposal would see the penalty removed in order to encourage more transparency in the reporting of campaign finance. Candidates would only be prosecuted if they were to fail to provide an accounting of expenses, to falsify their declarations, or could not justify or verify certain expenses.

The government’s philosophy is that the problems of political finance cannot be addressed until: (1) the law is respected and (2) an accurate assessment of campaign contributions and expenditures can be made. For these prerequisite conditions, many political analysts agree that greater transparency is the first step. The proposed amendment would seek to promote transparency by only punishing false reports. The pending legislation would then raise the campaign finance limits to more realistic amounts, after ascertaining accurate costs and expenditures.

- Political Contributions Law

A pending Political Contributions Law would close one of the main loopholes in current finance legislation by, for the first time, regulating political finances *outside* of the campaign period. Political parties would have to keep

detailed and accurate financial records, which would be audited by certified public accountants and made available for public inspection. The draft law proposes certain limitations on the amount of political contributions by individual and corporate donors. The objective of the legislation is consistent with the electoral amendment mentioned above: to first introduce transparency into the political funding process before assessing further areas requiring reform.

- Political Party Law

The government has also proposed the enactment of a Political Party Law to regulate the registration and operation of political parties. The proposed requirements are not particularly rigorous, as the government does not wish to interfere too extensively in internal party operations. The major change to the existing framework would be to ban political parties from managing their own profit-making enterprises.³⁶ The law would require that profit-making enterprises owned by political parties be managed by professional financial managers. All party assets would be made completely transparent, open for audit and public inspection. The draft version of the law also requires political parties to be democratic in both their organization and operations. For example, the highest party leaders would have to be democratically elected to four-year terms.³⁷ Government proponents and civic supporters believe that civil society and the media could then play a more active oversight and monitoring role.

- Open Primary Proposal

Another more controversial reform proposed by some sectors in Taiwan is to establish a system of government-funded open party primaries. Such primaries would be open for participation by all members of the voting public, regardless of party membership. Proponents of this proposal believe that it would help clean up the problem of corruption in the party nomination processes. Opponents note that open primaries are accompanied by their own set of problems, including the possibility of cross voting, the problem of voter fatigue (the open primary is essentially a second election), and the sizeable cost of the primary process. One scholar estimates that the cost of the open primary would be NT \$1.5 billion. The government has not yet taken a position on this proposed reform.

- Electoral System Reform

Many political actors would like to see reforms to the multi-member district, SNTV electoral system in Taiwan. Supporters of these reforms note that Japan and Korea, upon whose electoral systems the Taiwanese system is

based, have already reformed their own electoral processes. Election experts express a preference for a proportional representation system that places more emphasis on party identity, forcing political parties to strengthen their images as institutions rather than focusing on individual candidates. Others have suggested a mixed system, such as the electoral model used in Germany, which combines party votes and candidate votes, or any number of other possibilities. However, as noted earlier, it is this very diversity of possibilities that make consensus on this type of reform particularly unlikely in the near future.³⁸

Media, Civil Society, and Voter Behavior

Until the 1980s, the state controlled media in Taiwan.³⁹ Under martial law, the media was not free to investigate and report on matters of corruption or government malpractice. However, in the late 1980s, during the transition to constitutional rule, the media was freed from government control and quickly adapted and responded to market conditions. In recent years, the media has become quite active and aggressive in pursuing issues of corruption and now serves as an effective oversight and government watchdog body. Most media outlets pursue a political agenda to some extent; however, analysts believe that the market economy and the diversity of media sources have resulted in a media that broadly represents the interests of society. Many political party leaders would like to see news sources implement more stringent ethical standards and practice more “responsible” journalism, but all recognize the importance of the media in monitoring and exposing corruption.

Civil society, on the other hand, is considered rather passive in Taiwan, particularly on the issue of political corruption. One scholar attributes this to “activist fatigue.” Taiwan experienced an exhausting period of massive street demonstrations and protests during the transition to multi-party competition. Others attribute the lack of civic activism to cultural factors, while still others point to the economic recession. Many political analysts believe that civil society needs to become more involved in monitoring political parties and the government for corruption. Indeed, the government’s push for greater transparency is premised on the notion that civic participation will increase and develop the required oversight capacity. Government leaders recognize that the government is not best suited to play this monitoring role.

Although civic monitoring between elections may be weak, voter behavior has been an extremely effective check on political parties. Over the past several years, corruption has become one of the highest priority issues for the public. According to public opinion polls, voters are dissatisfied with the excessive cost of political campaigns and are questioning the sources of this

money, how money is spent during campaigns, and the price of politics in terms of political influence and kickbacks.⁴⁰ Political leaders from outside the DPP concede that the DPP’s “clean politics” campaign contributed to the party’s victory in the 2000 presidential election. Candidates perceived by voters to be “pro-reform” polled on average better than those associated with black-gold politics. The goal is now to encourage voters to express actively their intolerance for corruption outside the election period.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?		N	There is a reference to political organizations in the Law on Civic Associations. Government legislation on specific political party legislation is pending.
2	Are there laws regulating party finance?		N	The civic associations law does not regulate party finance in any way. See comment above.
2a	Contribution limits?		N	
2b	Spending limits?		N	
3	Are there campaign finance regulations?	Y		The Election and Recall Laws for both Public Officials and President/Vice-President set spending and contribution limitations. The laws require financial reporting and make these reports public.
3a	Contribution limits?	Y		Campaign contributions to candidates are legally limited to NT \$20,000 (NT\$35 = US\$1) per individual or NT \$300,000 per profit-seeking enterprise. Campaign contributions to political parties are legally limited to 20% of personal income but no more than NT \$200,000 per individual, or 10% of total business income but no more than NT \$3 million.
3b	Spending limits?	Y		The limitation for campaign expenditure is calculated at 70% of the total population of registered voters, multiplied by NT \$15 per voter (NT\$35 = US\$1), plus a base amount of NT \$80 million.

3c	Filing financial returns?	Y		An audited account book must be submitted to the Election Commission within 30 days after the election.
3d	Returns made public?	Y		The account books are published in a government proclamation.
4	Can political parties accept contributions from:			Party finance is only regulated during election periods, defined as the 28 days prior to polling. During all other times of the year, there are no regulations or restrictions on party finance, except regarding foreign funding. The law is silent on whether parties can own business enterprises, although pending legislation may change this.
4a	Businesses?	Y		
4b	Unions?	Y		
4c	Foreign sources?		N	
4d	Can parties own businesses?	Y		
5	Do parties have to reveal the sources of their funding?		N	There is no law requiring the disclosure of sources.
6	Does the state provide public funding to political parties?	Y		The state provides public subsidies to political parties based on the electoral support achieved. This operates as a reimbursement for campaign expenses.
7	Are annual financial audits of party accounts required?		N	There is no law requiring financial audits of parties
7a	Are audit results made public?		N	
8	Do party officials have to declare assets and liabilities?		N	There are no asset declaration laws for party officials in Taiwan.
8a	Are these declarations made public?		N	
9	Is there an Anti-Corruption Commission?		N	The Ministry of Justice currently spearheads anti-corruption efforts. Several initiatives have proposed the establishment of a Hong Kong-style anti-corruption commission.
10	Is there an independent Election Commission?		N	The Central Election Commission operates under the Ministry of Interior.

POLITICAL PARTY EXPERIENCES

Despite the brief history of multi-party politics and the absence of a rigorous legal framework, political parties in Taiwan have undertaken significant initiatives to combat political corruption and promote democratic,

transparent, and accountable party operations. The Kuomintang Party (KMT), which ruled Taiwan for more than 50 years, recently developed and began to implement a massive party reform program. The reforms are revolutionizing party structures and party operations as the KMT attempts to reinvent and rejuvenate itself. The Democratic Progressive Party (DPP) is a unique political party in Asia. In large part, its political identity is founded upon its commitment to internal party democracy and transparency. The DPP has implemented various mechanisms to realize its commitment to internal good governance. Nevertheless, the DPP now faces the challenge of being the ruling party and must manage its growth and adjust to its new position of power. The People First Party (PFP) is a newly established party, and its recent electoral success may also provide instructive examples for other parties in the region.

Kuomintang (KMT)

Background

The Kuomintang Party (KMT), or the Chinese Nationalist Party, was established in 1894 by Founding Leader Sun Yat Sen. The party was launched during the Sino-Japanese War, with the purpose of revitalizing and uniting a divided China. The KMT ruled mainland China for several decades, until giving way to the Communist Party in 1947, when the party leadership retreated to the island of Taiwan.

Since its inception, the KMT platform has been based on the ideal of national re-unification under the Three Principles developed by Sun Yat Sen: “Nationalism, Democracy, and the People’s Well-Being.”⁴¹ Although theoretically still committed to “one China,” the KMT position on the issue of national identity has moderated to some extent. Recognizing that re-unification is not a popular position in Taiwan, the KMT supports maintaining the status quo, nebulous although largely satisfactory, in which Taiwan’s national status is undefined. The KMT contends that promoting an independent Taiwan risks inciting conflict with China.

Under martial law from 1949 to 1989, aside from supplementary elections for the National Assembly and the Legislative Yuan, the KMT was not held accountable for its rule through regular national elections. The absence of political competition coupled with a lack of internal dynamism, engendered public dissatisfaction, particularly among indigenous Taiwanese. Confronted with this challenge, aging leadership, and fading international support, in 1972 the KMT implemented its first reforms by seeking the support of indigenous elites through a party revitalization program of “Taiwanization.” Training and advancement opportunities were made available to Taiwanese, and the KMT

implemented land reform, which benefited many Taiwanese. Moreover, the KMT government is credited with engineering an economic transformation in Taiwan, achieving unprecedented levels of economic development and growth.

Although traditionally viewed as an exclusively mainland Chinese party, the emergence of ethnic Taiwanese Lee Teng-hui as the party chairperson and president of Taiwan demonstrated a shift in the party's approach. As chairperson, Lee could not rely exclusively on the loyalties of the primarily mainland Chinese party structures. The party had a monopoly on state resources, and in seeking a new base of support, Lee utilized the vast riches of the party to build an extensive patronage network, which became known as black-gold politics.

At the same time, President Lee oversaw several important democratic reforms, both within the party and in the government, to build popular legitimacy. In 1987, he lifted martial law and restored full constitutional rule by 1991. In 1992, the entire legislature was opened for multi-party electoral competition, and in 1996 people elected their president for the first time. Lee also implemented changes within the party. Since 1993, the national congress of the party has elected the party chairperson. In addition, Lee mandated that the central committee elect half of the membership of the central standing committee, previously appointed in full by the party chairperson.

In 2000, Lee decided not to run again for another term as president of Taiwan. His deputy, Lien Chan, was selected as the KMT presidential candidate. The popular governor of Taiwan province, James Soong, however, also sought the KMT nomination. Frustrated by the personalized party nomination process, Soong left the KMT and ran as an independent candidate for president, splitting the KMT's support. In the ensuing presidential race, Lien Chan received only 21 percent of the vote, being outpolled by both Chen Shui-bian of the DPP (38%) and James Soong (35%). The KMT's public approval ratings had dropped to an all-time low. For the first time in more than 100 years, and for the first time since arriving in Taiwan 50 years earlier, the KMT found itself outside of the executive branch of government, a situation thought unlikely only a few years earlier.

Many senior party leaders blamed KMT chairperson Lee Teng-hui for the election defeat. They contended that he did not campaign earnestly enough for Lien Chan and that he secretly supported the DPP candidate Chen Shui-bian. He was ousted as party chairperson and replaced by Lien Chan, although he still remains a member of the party. The initial reaction of party leaders to the astonishing election loss was to revert back to more centralized authority and decision-making in the party. Similarly, the party sought to reverse the ideological shift towards the moderate political center and reclaim the core

ideology of the party. The party has tried to recall images of its past greatness, epitomized by two giant banners of Sun Yat Sen hanging on the party headquarters across from the presidential office, with the words “I’ll be back.”

Public opinion polling, however, has quickly revealed to party leaders that their initial instinct to revert back to the old ways is a mistake. The rules of politics in Taiwan have changed, and the KMT requires comprehensive reforms to adapt itself to the new political playing field. According to party officials, if the KMT does not reform itself thoroughly, the party risks its survival. Responding to this alarming feedback, the party has commissioned a massive restructuring exercise, hoping to reform and revitalize the party.

The KMT Reform Program

The defeat of the KMT in the 2000 presidential elections revealed several fundamental problems within the party that required reform in order to recover the party’s popular appeal. Most observers contend that the KMT lost for two primary reasons. First, corruption became a major election issue. The KMT was perceived as the party of black-gold politics and political corruption, while the DPP promoted itself successfully as the party of clean politics and reform. Second, the KMT split its support. Lien Chan ran as the official KMT candidate, while former KMT leader and the popular James Soong ran as an independent candidate.

Even more troubling to KMT leaders was the fact that Soong outpolled Lien Chan 35 percent to 21 percent. In the words of one senior KMT leader:

Losing the election hurt, but what hurt even more was the way it happened – James Soong used to be a member of the KMT, and together we would have polled 60 percent of the vote. So we learned our lesson. Next time around, the party rank and file will determine our candidate. Last time, it was the party delegates (to the party’s national assembly) who determined the candidate, but these delegates were themselves chosen by the central committee. Next time we will trust the wisdom of the party masses. March 18th (the date of the election) was like our physical check-up. We diagnosed our problems: our heart and our eyes were failing us. Now we need to address these problems one by one.

The KMT acknowledges the need for reform of party structures, operations, and nomination procedures. In particular, the party has recognized the gap that had developed between the KMT leaders and the party rank and file. Additionally, the KMT learned that it must deal genuinely with the problem of corruption and shake the label of the “black-gold party” in order to win back popular support. As one KMT leader stated:

It is often said that power begets corruption – this phrase applies equally to politics in Taiwan. It [the election defeat] was a good thing for us – we have been forced to make some changes and bring about some serious reforms. The corruption was beginning to destroy the party.

The first step for the KMT reform process was to convene a special party reform task force, made up of 40 to 60 party leaders from various levels of the party hierarchy and with diverse backgrounds and disciplines. Members included local party leaders, national party leaders, scholars, and representatives of the party youth. Although the reform committee membership had to be approved by the KMT central standing committee, according to leaders of the reform effort, the committee operated with a great degree of autonomy.

As a first initiative, the reform committee held hundreds of meetings across Taiwan with party members at all levels of the party hierarchy. The meetings sought the input of party members in developing a comprehensive reform package to improve the image of the party. Following these internal party consultations, the KMT convened a meeting of outside scholars, who were not members of the KMT, and asked them for reform suggestions. The reform committee made a report of its recommendations to the central standing committee (CSC). The CSC discussed the recommendations, adopted them, and developed a plan for their immediate implementation.

The fundamental message of the reform package is to transform the KMT into a more democratic, transparent, and accountable political party. The specific reforms being implemented by the KMT will be discussed in the sections of the report below; however, the basic elements of the reform program are:

- Greater accountability of party leadership structures;
- Increased participation in the selection of party leaders;
- Enhanced transparency and professionalism in the management of party assets;
- Eradication of the party's "black-gold" image;
- Greater transparency in the nomination of party candidates for public office;
- Clearer guidance to party leaders on ethical conduct;
- More efficient party structures;
- Rejuvenation of the party's grassroots structures and membership.

To promote the entire KMT reform package, the party appointed a separate promotion committee to deal exclusively with public relations on the reforms. This committee has printed copies of the new revised party regulations and distributed them through the 400 local branches of the party. In addition, the party has attempted to generate as much media attention as possible around the reform process.

Party Structure and Decision-Making

The supreme party organ is the national assembly of party delegates, which comprises 1500 party members. The central committee of 210 party leaders meets on a quarterly basis and is responsible for implementing the policies adopted by the party's assembly. The Central Standing Committee (CSC), which consists of 31 leaders, manages the day-to-day affairs of the party and meets on a weekly basis. The top position in the party is that of the party chairperson. At the grassroots level, party members are organized into cells based on district and county demarcations.

The KMT has traditionally operated according to a top-down "Leninist hierarchy,"⁴² in which near absolute political power was centralized in the hands of the party chairperson. The KMT has been largely defined by its previous chairpersons: Sun Yat Sen, Chiang Kai-shek, Chiang Ching-kuo, Lee Teng-hui, and the current chairperson, Lien Chan. The chairperson enjoyed extensive powers, including the appointment of the members of the central standing committee, which was the most powerful organ within the party. Under the CSC was the central committee, which appointed the delegates to the national assembly. Power in the KMT flowed from the top-down, with the higher bodies appointing those beneath them and all power originating from the chairperson.

The KMT's structure and decision-making processes, however, are being reformed. The essence of the reform process has been to invert the hierarchy of the KMT by reversing the flow of power from bottom to top.

As mentioned above, in 1993, chairperson Lee Teng-hui implemented the first significant reform in the internal election process by requiring the party chairperson to be elected by the national assembly. This reform was implemented as a way to hold the party leadership more accountable to the party membership. In 2001, the entire party membership, almost one million members, was eligible to participate in the first real direct election of the party chairperson. More than 60 percent of the party's members participated, and they overwhelmingly elected Lien Chan. Analysts note that the direct election has given chairperson Lien the legitimacy needed to steer the party through the transition process and has provided him with a mandate to pursue reform.

A second significant reform implemented under Chairperson Lee involved the way the central standing committee members were selected. The central standing committee, composed of 31 members, holds significant power. When the KMT was in power, the CSC would meet each Wednesday, the day before the government cabinet meeting, and decide on government policy. The chairperson had appointed all members of the CSC, until Lee's reforms. Now half of the CSC is elected by party members. Nevertheless, the chairperson could still influence a majority of the CSC members. Having been appointed by the chairperson, CSC members were thus unable to be critical of the chairperson or to serve as an effective check on the chairperson's power.

As part of the recent reform process, the KMT central committee will elect all 31 members of the central standing committee. Party leaders believe that this change will empower CSC members to speak out and serve as an effective check on the influence and power of party leaders. CSC members will no longer owe their positions to the party chairperson, but to the central committee. As a result, the chairperson will no longer be able to control the CSC or stifle political debate.

A third reform to the party's organizational structure involves the relationship between the party's central committee and the national assembly of party delegates. Previously, the central committee selected the delegates to attend the national assembly. These delegates then had the responsibility of electing members to the central committee. This circular relationship prevented dynamism within the membership of the central committee. Beginning in 2001, party members at the local level directly elect 900 of the 1500 delegates to represent them at the national assembly. The remaining 600 delegates are drawn from elected leaders who represent the KMT in government and party officials, such as committee and branch chairpersons. These 1500 delegates continue to elect the 210 members of the central committee.

A fourth reform to the party structure reassesses party support by undertaking a complete re-registration of party members. Prior to the presidential election, the KMT's official party membership was approximately two million members. These figures, however, were based on outdated records that included many people who had died, changed residence, or shifted party loyalties. Members are not required to pay membership fees or dues, so the party had difficulty maintaining accurate records. The KMT's election performance in the 2000 presidential election also revealed a lack of party loyalty and a disconnect between the party leadership and its members. Additionally, the New Party and the recently launched People First Party have been drawing support from KMT members.

The re-registration of party members resulted in a membership of 900,000. As one party official stated, “Now we have their names, addresses, phone numbers, etc. We can hold primaries and internal party elections, and we have a more accurate assessment of the party’s real support.” The party has also sought to recruit younger people to support the KMT and to revitalize party branches and grassroots structures.

All of these reforms point to a commitment within the party to greater democracy and popular participation in the party’s structures and decision-making. In the past, party officials filled party positions through appointment, based on the wishes of the chairperson. Now, internal elections are supposed to be held at all levels of the party hierarchy for party committees, local level positions, and party leadership posts. Additionally, specialized committees have been formed to monitor and review party policies and officials, to discipline party members and officials, and to oversee the financial management of the party. The KMT also established a think tank staffed by former cabinet ministers to help formulate party policies.

Candidate Selection Process

Previously, the KMT candidate selection process for legislative elections was, like the determination of internal party posts, primarily a decision made by the party leadership. According to party members, party nominations were a traditional favor used by the party to control local political factions and maintain support for the national leadership. In the past, the KMT had a special nomination committee of senior party leaders, which would select the party’s candidates. This process was later revised so local chapters could play a role in nominating the candidates, but the ultimate decision still remained with the party headquarters.

Through the reform exercise, the party identified two major weaknesses with the candidate selection process. First, a wide gap had developed between the party’s members, who form part of the voting public, and the party’s leaders, who selected the candidates. The party rank and file had no role to play in the selection of local candidates, which resulted in the KMT’s poor showing in the 2000 presidential election. Second, the party was nominating some unpopular candidates, many of whom were associated with black-gold politics. This problem will be addressed under the section on Ethical Standards and Discipline.

A major component of the KMT reform program is a participatory candidate selection process. Starting in 2001, responsibility for selecting the KMT’s legislative candidates shifted from party leaders to the party members

and the voting public. Adopting a system similar to that used by the DPP, the KMT now uses a combination of party primary elections and public opinion surveys of the general voting public to determine candidates. The results of these two processes are weighted equally. The party nominates the candidates with the highest scores in each constituency. Only registered, card-carrying members of the KMT are allowed to participate in the party primaries. The public opinion surveys are used to determine if the candidate is able to attract support from the voting public.

The party list continues to be determined by the central party leadership but has to be approved by the newly elected central committee. As one leader said, “If it is a decision by party headquarters, and it has made a poor decision, then the central committee will certainly not approve the nominees.”

Party leaders expect several positive outcomes from the more democratic candidate selection process. First, the process is expected to reduce the ability of party leaders to control, manipulate, or influence candidate selection within the party. Party leaders can no longer doll out nominations as favors. Second, the new process should help bridge the gap between the party leaders and the party rank and file. Third, the active participation of KMT party members should help rejuvenate the KMT and its structures by providing a greater role for party members in party decision-making. Finally, it is expected that higher quality candidates will be chosen – people who represent the party and the interests of the voting public.

Money Management and Party Financing

The KMT is widely considered to be one of the wealthiest political parties in the world. Estimates suggest that the KMT’s accumulated assets are worth as much as NT \$80 billion. This wealth includes numerous and diverse party-owned enterprises, including construction companies, buildings, financial institutions, computer companies, appliance companies, newspapers, and television stations. This wealth was accumulated during the 50 years of KMT rule in Taiwan through extensive state and party intervention in the economy.⁴³ One political observer referred to the party as “KMT Incorporated,” which may accurately reflect the manner in which the party was run, as a profit-making enterprise. In fact, with this massive war chest at its disposal, the KMT claims it does not need to engage in traditional fundraising activities.

Party leaders recognize that there is a negative public reaction to their wealth. Although KMT officials insist that the party’s wealth has been accumulated through legal means, there has been very little transparency in this accumulation and the management of party resources. According to one

government official, before 1994, all party assets were held in accounts under the names of individual party leaders. After the party took control of the assets, a centralized finance committee was established to supervise party finances, and party regulations were developed to restrict the buying and selling of party assets. However, these assets have never been disclosed to the public or even to party members. In the absence of information from the party, the public and party members have been left to speculate as to the true sources and amounts of the party's wealth. Some allege that the KMT's assets were earned through corruption and economic manipulation. Moreover, on occasion, party members have accused the party leadership of using these resources improperly to support political campaigns.

An essential objective of the KMT's reform program is to change the image of the party's financial dealings. One of the most significant reforms, which has been approved but not yet implemented, is to transfer all KMT assets into a trust managed by a private professional financial management company. The party itself would cease to engage in profit-seeking activities. The party accounts would be opened for investigation and audit, and certified financial reports would be made available to the public. Party leaders believe that transparent party finances would improve the party's public image.

The party would continue to benefit from the revenue generated by their assets through the profit-seeking activities of professional financial managers. Profits would be used in two primary ways. First, they would continue to support normal party operations and activities. Second, party resources would be used to fund activities for "the public good and other charitable works." To assist in this, the party established four foundations in 2000. Under the new system, the use of all party resources would be recorded and reported to the public.

For such a wealthy party with a history of being accused of problems with money politics, the proposed party finance reforms represent a major shift in party practice. Still, at the time of this writing, the KMT has not yet implemented these proposals. Party leaders claim to be waiting for the passage of national legislation on party assets. Political opponents, however, accuse the KMT of delaying the passage of that very legislation, in order to be able to sell off the majority of the assets, particularly those that might cause public embarrassment. Nevertheless, even opponents of the KMT recognize the significance of this proposal. The KMT will no longer be able to apply its massive wealth to election campaigns without public oversight, and in the future the party will be held accountable for the use of its wealth.

Ethical Standards and Discipline

The KMT's evaluation and discipline committee is responsible for monitoring three types of party members for corruption: (1) governmental members (party members employed in the public service); (2) KMT representatives holding elected office; and (3) company or corporate members. The committee reports to the party's central committee.

The evaluation and discipline committee, comprising primarily lawyers and judges, is responsible for investigating allegations about the behavior of these three categories of members, deciding upon the merits of the allegations, and determining punishment. Primarily, the committee is tasked with ensuring that these three groups of party members abide by the party's constitution and regulations as well as any relevant national legislation, such as asset declarations or conflict of interest contracts. Investigations are conducted when allegations are brought to the attention of the committee, often through the media. Wherever possible, cases are handled by the local branches of the evaluation and discipline committees, which exist at all levels of the party.

As part of the recent reform process, the KMT revised its party regulations, providing much greater detail on the criteria and disqualification guidelines for party candidates for public office. An approximate translation of the amended version of the party statutes follows below:

Disqualification categories for the party include: violating organized crime prevention laws, gangster laws, drugs and weapon regulations, money-laundering laws; violating public service election laws, such as stirring violent emotions in a rally, buying votes, threatening voters, killing, serious assault, invasion of property, robbery, or kidnapping; or violating bribery regulations.

If a member is found guilty by a court of any act that fits the categories above, no matter if the actor is convicted or not (meaning there are pending appeals), he/she is disqualified as a primary election candidate and will not be nominated for election by the party. The person will not be able to attend any committees in the party. Actors found not guilty before the nomination process or before primary elections are excluded.

Therefore, if a potential candidate is found guilty of corruption at his or her first trial, but not yet convicted through the trial appeals process, the potential nominee will not be allowed to represent the KMT in electoral competition, unless and until the guilty verdict is overturned by a subsequent ruling. This provision goes beyond the current national law on the matter. A special

election committee within the party conducts the screening process to determine the eligibility of party candidates. One party leader stated that the message within the party is clear and unmistakable:

The party regulations now have very strict guidelines about whom the party wants and whom it does not want. Everyone in the party knows why we are not picking certain candidates. No matter how much you may have done for the party in the past, no matter how much you may have helped the party, no matter how certain it is that you would win the election, we are not going to take you if you are corrupt.

One purpose of these revisions was to enable the party to disqualify the most notorious black-gold politicians, many of whom previously held positions of leadership in the KMT. Party leaders state that they have already disqualified people under the new eligibility requirements. A senior KMT politician stated candidly:

In the past, the party's interest was always in winning. We sometimes used dirty tactics, so long as we won. We used dirty people as our candidates, as well. Now, to create a new image, we are using younger, cleaner people. For example, in this year's election, we were going to nominate a current incumbent legislator in Nantou Province. But he got into trouble with the law, and so we have stopped supporting him.

Similarly, the party has attempted to clean up the image of its internal office-holders by applying the same criteria to candidates for party offices as those for national offices. In addition, the amended by-laws state:

Party members whose membership rights have been taken away for more than one year, or whose membership has been revoked, are not eligible to be elected as a member of the central committee or as chairperson of the party.

Another reform implemented by the KMT is the establishment of a committee to monitor the internal party election processes. The central election monitoring committee consists of well-respected party members, many of whom have legal backgrounds, and is responsible for preventing corruption in the party election processes. Specifically, the central election monitoring committee ensures adherence to the KMT constitution and regulations, including regulations prohibiting certain campaign activities, such as the exchange of political favors, bribery, and gift giving. A party leader summarized the impact of the new regulations as follows: "Those politicians who violate the KMT constitution or regulations, or who hurt the party's image in any way, are now being forced to leave the party."

Democratic Progressive Party (DPP)

Background

Despite the government ban on opposition parties, the Democratic Progressive Party (DPP) was officially launched on September 28, 1986. According to DPP leaders, however, the establishment of the DPP only formalized the convergence of the Tangwai, the various opposition forces that had been cooperating for many decades. The DPP was born from the diverse, mostly native Taiwanese political movements that emerged in the 1950s. The resulting party included local opposition politicians, the independent legislators of the 1970s and the political prisoners of the pro-democracy movements.

A former DPP party chairperson observed that, in the beginning, the DPP behaved less like a political party and more like a civic association through which activists could continue to promote democratic causes. Therefore, rather than building electoral strategies, the DPP initially focused on creating an environment in which meaningful elections could take place. The original DPP platform included: the abolition of martial law; the restoration of constitutional rule; the promotion and protection of civil liberties and human rights; and direct elections of legislative and executive leaders. In addition, central to the DPP platform was support for Taiwanese independence, in contrast with the one-China position of the KMT.

After the implementation of constitutional reform in Taiwan, the focus of the DPP shifted to electoral competition. The DPP platform embodies the principles of: political and social justice, including a clean and transparent democratic process; balanced economic and financial administration; social welfare; educational and cultural reforms; and an outward-looking foreign policy. In recent years, the party has moderated its position on independence. Rather than pressing for a declaration of independence, the DPP supports the status quo, arguing that Taiwan already enjoys *de facto* independence. The DPP differentiates itself from the KMT by emphasizing its commitment to practicing the same democracy within the party that it proposes for the country as a whole.

In the past, most of the party's electoral successes were at the local level. In 1994, Chen Shui-bian, the DPP candidate, won the Taipei mayoral election. This was followed by victory in the Kaohsiung mayoral election. The DPP's most stunning upset occurred, however, when Chen Shui-bian won the 2000 presidential election. The DPP attributes its presidential victory to the party's clean image and its promises of governmental reform, although many DPP officials acknowledge that division within the KMT was critical to the DPP's victory. The DPP's strength has been further enhanced by its victory in the 2001 legislative elections, although the party faces the challenge of forming a coalition government and managing its new role as ruling party.

Party Perceptions of the External Party Environment and Legislative Framework

The DPP believes that legislation is not the most appropriate way to solve the problems of political finance in Taiwan. The party argues that political party practice should not be heavily regulated and parties should independently determine their practices and procedures. The DPP, however, stresses the importance of transparency and disclosure. The public then can make an informed decision about the type of political party it chooses to support and can hold parties accountable for their actions.

DPP officials also support certain basic revisions to the regulatory framework for political parties and have proposed several political finance laws, as discussed in detail above. Primarily, the DPP argues that transparent and accurate reporting of political finances should be required. The current expenditure limits for political campaigns are, according to the DPP, absurdly low. Unrealistic legislation, DPP officials argue, gives politicians and citizens little incentive to abide by the law. Similarly, party leaders point out that there has never been a case in which individuals who contributed above the legal limit were investigated or prosecuted. Therefore, in order to encourage accurate reporting, party officials believe that more realistic campaign contribution and expenditure limits should be established and that the penalties for spending above the limit in campaigns should be repealed.

The DPP also supports adopting a comprehensive political party law regulating political finance beyond the narrowly defined election period of 28 days before an election. In addition, the DPP advocates for wholesale electoral reform. The party recognizes, however, that this legislation will be difficult to pass until a new coalition in the legislature is formed.

Until the proposed reforms are implemented, party officials advocate for stricter enforcement of existing laws and empowerment of current institutions. DPP leaders argue that, in the past, government institutions were sometimes restricted from performing their duties, casting doubt on the integrity of the electoral process. In the 2001 legislative elections, the DPP government pledged to unleash the full investigative and regulatory force of the election commission and the justice ministry to pursue election violations and prosecute those who broke the law.

Party Structure and Decision-Making

The creation of the DPP unified disparate groups seeking an alternative to the KMT, resulting in several factions within one party. As one leader stated, "The DPP was born of factional politics, and we did not altogether trust

each other or each other's approaches." The division initially was described as one between "pragmatic politicians" and "idealistic intellectuals." Even today, the DPP remains a conglomeration of various interests, with factions represented at all levels of the party structure. Party leaders see these divisions as a way of preventing overly concentrated political power.

Because of the initial lack of trust among its various constituencies, the DPP needed to develop and rely upon strong, well-defined party regulations and procedures in order to ensure survival. Many DPP leaders identify the party rules as the most important element in the DPP decision-making process. The rules govern the selection of leaders, the formation of party policies, and disciplinary procedures. The rules also control factional politics, uniting the party once a decision has been made according to party regulations.

One of the more striking features of the DPP is the absence of a powerful leader. Because party factions did not feel comfortable giving significant authority to a single person, political power is decentralized. All party members directly elect the party chairperson, who reports to the central standing committee. The party also implemented term limits, and the chairperson is limited to serving a maximum of two two-year terms. Since its formation, the DPP has had four party chairpersons and two of the major factions have been represented.

The supreme decision-making body of the party is the national congress, which comprises 300 members. Local party members directly elect more than half of the congress. Other congress members include nationally elected leaders, such as party and government officials. The national congress meets annually, and its members serve for a term of two years.

The national congress elects a 31-member central executive committee. The central executive committee elects 10 of its members to serve on the central standing committee. No more than three-quarters of the members of both committees can be of the same gender. Members of both committees serve two-year terms, with a maximum of two terms. The central executive committee meets at least once every three months, while the central standing committee meets at least once a week. These committees implement the decisions of the national congress, formulate and execute the policy plans of the party, set the internal party regulations, and manage party finances.

In addition, the party has a central review committee comprising 11 members to supervise the implementation of party policies, oversee the party budget and financial accounts, and monitor adherence to party regulations.

The national congress elects the committee, and committee members can serve a maximum of two two-year terms. No more than three-quarters of the committee members can be of the same gender.

A separate arbitration committee settles disputes between the party's central structures, local branches, and party members. The arbitration committee also interprets the party charter when required. Members of the arbitration committee are recommended by the central executive committee and approved by the national congress, and members also serve a maximum of two two-year terms. The party also has party caucuses that gather elected party representatives at each level of government. Party caucuses have the freedom to undertake their own activities, as long as these do not violate the party charter.

The DPP membership is 400,000. The party's membership was only 200,000 before the DPP victory in the presidential election. DPP leaders believe that the increase in membership demonstrates that fears of persecution based on political affiliation still existed until the DPP victory in the presidential poll. The party also claims many loyal supporters who are not official party members. In 1996, the DPP gained two million votes, despite having only 100,000 registered members.

Party members are required to pay dues of NT\$100 annually and promptly. Failure to pay membership dues on time results in a suspension of membership rights and privileges. These rights include the right to run for elected office and for party leadership positions after two years of dues-paying membership, and the right to vote in party primaries and elections for party leaders after one year of membership.

Political power within the DPP flows from the bottom-up, and the party has implemented checks and balances between the party structures, preventing power from resting with one body or leader. Observers point out, however, that the absence of a strong central leader creates challenges of its own with regard to the coordination of party policies, particularly now that the party is in power.

Candidate Selection Process

The DPP attributes its electoral successes to the fact that the party nominates strong candidates, and the party's democratic and transparent nomination procedures increase the likelihood that strong candidates will emerge. The DPP's candidate nomination process has been amended eight times in the past 15 years of elections. The party has revised the procedures

frequently in order to ensure that there is no manipulation or corruption in the process. The nomination process, however, is amended only after careful deliberation, and the national congress -- not the central standing committee -- must approve any changes.

Because of the constant revisions, the DPP nomination process has experienced everything from centralized control to open public primary elections. In 1996, the party experimented with a primary open to the public to select its presidential candidate. However, because only the DPP used this system, it was vulnerable to manipulation by opposing political parties. The current nomination process combines closed party primaries, in which only party members are eligible to vote, and public opinion polls, which survey the general voting public's views on the various candidates. The public opinion polls are conducted by five separate professional polling firms, with the high and low scores for each individual disregarded and the remaining three scores averaged. Thus, successful candidates need to be both popular with the public at large and respected and known by party members.

Originally, candidates' scores were based equally on performance in the primaries and on the public opinion polls, but party leaders worried that the primaries were vulnerable to political corruption and vote buying. Therefore, in the most recent elections, candidates' scores were based 30 percent on performance in the primaries and 70 percent on performance in the public opinion polls.

The nomination process is extremely strict, leaving little room for party leaders to manipulate the outcome. In fact, some party leaders complain that with so little control over the candidate selection process it is difficult to have a coherent party strategy. The most the central executive committee can do to try to manage the process is to decide that certain districts are not yet ready to hold party primaries, in which case the party hierarchy appoints certain candidates. However, the national congress must ultimately grant the committee this authority to appoint, rather than elect, candidates. Because the members of the committee are elected by the national congress, members know that they will be held accountable for their actions and act cautiously. The congress also has the power to veto certain candidacies with a vote of at least two-thirds of members; however, this provision has never been used. In sum, the party has installed numerous checks to prevent manipulation of the nomination process.

Until recently, candidates for the party lists were determined entirely through a party primary in which all party members voted nationwide. For the 2001 elections, the national congress amended the party list regulations.

Candidates for the party lists are now determined equally by public opinion polls and party primaries. Candidates for the party lists fall into four categories: scholars and experts, who require certain advanced degrees; representatives of disadvantaged groups, including the handicapped, farmers, women, and workers; international representatives, candidates who have lived abroad for a minimum of eight years; and an open category, which typically includes former politicians. A committee within the party determines an individual's eligibility for each classification.

Despite the constant revision and scrutiny of the candidate selection process, the DPP is still concerned about political corruption and vote buying, particularly within the primary process. Therefore, the party places significant emphasis on public opinion polls. Party officials report that voting frequently takes place through the "head system," a system of election agents who represent a certain number of registered party members. Each agent controls a certain number of "heads," or members, by paying their membership dues, holding their membership cards, and hoping they will vote as advised by the agent. Even the addresses of these members are listed as the address of the agent. Candidates, therefore, need to campaign through these agents, who promise to deliver a certain number of votes. In some instances, these agents will seek financial compensation from candidates, either to hold events for party members they control or to keep as their own payment. In other cases, the agent might offer support without expecting anything in return or trade the support of his or her members for the support of another agent's members.

Rather than seeking to eliminate this process immediately, which seems unrealistic, the party has sought to at least decentralize it. Party membership fees were previously NT\$1,000 per year, restricting the practice of the "head system" to wealthy agents who could afford to pay the membership fees of many members. The party reduced the membership fee to NT\$100 to create multiple centers of power. Importantly, party leaders point out, in the end, each member must cast his or her own vote. Therefore, the agents have the responsibility of "managing their heads" and are only able feasibly to control a small number of people. For example, it is more difficult for an agent with 1,000 members to deliver all of those votes than an agent with only 200 members. A candidate can seek to gain support in a variety of ways, either through a few large agents, or through many smaller agents. Agents are required to deliver constituency services, to be in touch with their communities, and to provide other services that would strengthen the relationship with his or her members. Although not considered an ideal method of securing support, this system has the effect of preventing one individual or faction from controlling too many votes or dominating the electoral process.

Another method employed to reduce corruption in the primary process is the creation of the position of independent supervisor for the party nomination process. The central executive committee appointed the deputy secretary general to monitor corruption in the primary process. One of the deputy secretary general's first steps was to establish a telephone hotline to receive complaints and allegations of corruption in the primaries. Only the deputy secretary general can answer the phone, and all incoming calls are automatically tape-recorded. The deputy secretary general investigates any substantive allegations. The current deputy secretary general cited three significant court cases in the last several years involving corruption in the primaries. In each of the three cases, the country's courts found the accused innocent, but the party still revoked the memberships of the accused individuals and barred them from representing the DPP in future elections for public office. According to the deputy secretary general, "The DPP operates on higher moral ground than the law."

Despite these significant efforts, DPP leaders remain concerned about the growing influence of money in the political process, specifically in internal party elections. Party leaders recognize that the quality of the party's candidates influences the public image of the party. One senior leader stated "Once we lose our clean spirit, we cannot survive." The DPP, therefore, continues to refine the party nomination process in order to maximize public input and minimize the opportunity for manipulation. The DPP is also continually seeking new ways to regulate the use of money within party competitions to preserve the integrity of party primaries.

Money Management and Party Financing

Unlike the KMT, the DPP is considered a relatively poor political party. While a lack of significant financial resources has aided the party in its efforts to prevent corruption internally, it presents a challenge to covering the costs for required party operations. This challenge is magnified by the candidate-centered electoral system in Taiwan, in which individual candidates find it easier than political parties to raise funds.

The DPP raises its funds from four primary sources: government subsidies; mandatory contributions from elected political leaders; membership dues; and private, including corporate, contributions. Contributions raised locally by party branch offices are maintained locally by the branch. Although the law does not prohibit parties from owning businesses, party regulations forbid the DPP from owning any profit-making enterprises. Party leaders believe this helps to promote the party's clean image. Additionally, through the

mandatory personal contributions of elected leaders, the party aims to decrease its dependence on corporate contributions.

The primary source of DPP funding is its annual government subsidy, which was discussed earlier. In addition, now that the party has won control of the executive branch and a majority in the LY, a significant amount of party funding comes from the salaries of elected party representatives. Each elected representative from the party must contribute a portion of his or her salary, often as high as one-third of the total salary, to the party. The national president must contribute NT\$8 million, the vice president NT\$5 million, the party chairperson NT\$5 million, committee members NT\$500,000, national legislators NT\$300,000, Central Review and Standing Committee members NT\$200,000, local representatives NT\$200,000, and party list legislators, NT\$100,000. Seventy percent of the total amount collected from party and government leaders is directed to local branches, and thirty percent is allocated to the national headquarters. Ninety percent of membership dues are allocated to local branches, and the remaining ten percent to the national headquarters.

In the interest of transparency, the party publishes its scale of contributions from elected representatives in the media. In addition, all party funds are audited by professional accountants and made available to the public. The entire party budget is published in the media and open to public scrutiny, with income broken down by the source of funding and expenses broken down by line items.

Ethical Standards and Discipline

The DPP has no specific criteria for party membership. When the party was first formed, it implemented a strict screening process for members. However, the criteria were often applied with political bias. As a result, the party eliminated party membership criteria.

The DPP claims to set standards for party members through its party regulations, which are well publicized throughout the party. The party also has a training program that includes presentations by senior party leaders on party ideals, the importance of protecting the image of the party, and the need for further legal reforms. Party members are also educated on the party regulations, the party platform, and the procedures for nomination. Presentations are made on the problem of corruption and the party's efforts to fight corruption. According to party leaders, the culture of the DPP serves to promote the party's commitment to good governance among rank and file party members.

Candidate eligibility requirements have been enhanced to protect the integrity of the party. As a prerequisite, candidates must have been dues-paying members for at least two years. In addition, the DPP regulations have been amended to exclude anyone with a criminal record from being nominated for public office by the DPP. Candidates must also sign various party contracts, promising not to take bribes, buy votes, or engage in other specified corrupt activities. The party does not require declarations of assets from elected party officials.

Discipline of publicly elected representatives is enforced through formal party caucuses that operate at all levels of government. The caucus has the power to fine violators, to eject them from the party caucus, and to withhold certain positions, such as committee chairpersonships. Other disciplinary bodies, such as the central review committee can penalize members for campaigning as a DPP candidate despite having failed to earn the party nomination, for assisting members of other parties in their campaigns, or for falsifying facts in party matters. Additionally, party officials state that party discipline is, in part, maintained by the factional nature of the DPP. The DPP continues to be an amalgamation of factions. Separately, these factions are not strong enough to wield significant political power. Therefore, the factions within the DPP have an incentive to work together and promote their common interests.

DPP leaders have expressed concern about protecting and maintaining the public image of the party. Many newer members may engage in activities or lifestyles that, although not corrupt per se, create a “negative image” for the party. Party officials explain that once elected, some members choose to spend their money on expensive automobiles, clothes and new homes. The party worries that this type of behavior may cause voters to question the source of the newfound wealth and accuse the party of black-gold politics. Other leaders state that although the image may still be intact, corruption within the party is increasing. As the party grows beyond its current size of 400,000 members, 25 local chapters, a central headquarters, and many salaried employees, the party will be under greater strain to remain free of corruption. Party leaders express the need for constant vigilance, for strengthening the regulations of the party and their enforcement, and for maintaining the democratic nature of internal party practices.

People First Party

Background

After a strong showing in the 2000 presidential election, James Soong and Chao-hsiung Chang formed the People First Party (PFP) on March 30, 2000. Soong, who previously served as governor of Taiwan province, was a

strong contender for the KMT's presidential nomination. However, despite Soong's strong popular support among KMT members, Lee Teng-hui selected Lien Chan as the party's candidate. After failing to win the KMT's nomination for president, Soong left the party and ran as an independent, choosing Chang as his vice-presidential running mate. Soong and Chang won 35 percent of the votes, losing to the DPP candidate by only three percent, and outpolling the KMT candidates by 14 percent. Following their success, Soong and Chang decided to establish their own party, the People First Party.

The establishment of the PFP was met with great enthusiasm in many quarters. Many voters who traditionally supported the KMT had grown disenchanting with the alleged black-gold politics and top-down management style of the KMT. Soong is perceived to be a reformer, as well as a practical businessman with the ability to govern effectively. When the PFP was launched, 19 legislators from the KMT and the New Party crossed the floor to join the PFP. The December 2001 legislative election was the first opportunity for the PFP to test its public support. The PFP was encouraged when it won 46 seats in the Legislative Yuan. Despite the inclusion of Chang, an indigenous Taiwanese, the PFP is perceived to be a predominately mainland Chinese party and draws most of its support from traditional KMT constituents.

The PFP platform is based primarily on the principle of "smaller government." PFP's proposal is to reduce the government to its core functions, privatize state enterprises, and extricate the public sector entirely from the business of profit making. PFP leaders believe that downsizing the government will have the added benefit of limiting corruption in the public sector, by reducing government officials' control over national resources and thereby minimizing rent-seeking opportunities.

Party Perceptions of External Party Environment and Legislative Framework

PFP leaders have identified several flaws in the existing legislative framework governing parties and elections, and have proposed concrete legal reforms to address these shortcomings:

- Taiwan should implement "sunshine laws" to regulate state activities – laws that promote transparency in public sector governance.
- Legislation should be passed, regulating political contributions outside the election period and requiring the disclosure of all funding sources and amounts should be passed.
- Political party accounting practices must be regulated, requiring transparency and professional verification.

- Legislation is required to reverse the burden of proof in cases of unexplained increases in asset declarations of public officials. In such cases, the burden would be on the accused to justify the increase in wealth.
- Conflict of interest legislation must be strengthened.
- An open primary system for all political parties should be mandated and regulated by the state. In such a system, all voters would determine the electoral candidates for political parties.

Party Structure and Decision-Making

A major challenge to the PFP will be to institutionalize and build the party, beyond the shadow of its charismatic and popular founders. Currently, decision-making is, as might be expected of a new party, highly personalized. The political party operates around party chairperson Soong.

According to party officials, the PFP has not yet established party structures, although it is in the process of doing so. Due to resource constraints, there are few local chapters. The party has, however, established “communication centers,” comprising mostly local supporters and volunteers. In addition, the PFP has not yet begun mass recruitment of members, although some individuals have actively sought party membership. According to PFP officials, the party does not yet have the staff resources to provide services to party members or to maintain party membership records. Until those resources become available, the PFP is focusing on the number of supporters rather than members. The party plans to set membership dues at NT\$1,000 per year, although exceptions will be made for those who cannot afford this amount. The PFP expects that its membership will mainly come from former KMT and New Party supporters.

Current party practice allows the party chairperson to select the majority of candidates for public office, and party leaders report that most of the PFP candidates are dependent on Soong’s personal support. Where there are high levels of political interest and activism at the local level, the party uses two methods to determine candidates. First, the local party branch nominates candidates to a national selection committee. Second, the party uses public opinion polls. If there is a problem of any kind, Soong will personally intervene and encourage resolution of the matter.

PFP officials acknowledge that this personalized process is not sustainable and argue that candidate selection is one of the biggest challenges facing all political parties in Taiwan. The party plans to establish a more systematic candidate selection process to handle internal competition in the future.

Money Management and Party Financing

As a new political party, the PFP is particularly challenged by the need to raise political funds. The PFP has only now become eligible for the public subsidy for political parties because of the seats it gained in the Legislative Yuan elections. PFP leaders also point to the economic recession as an additional obstacle to fundraising. Currently, party chairperson Soong provides the majority of the party's financial resources.

According to party representatives, a professional accountant audits all financial contributions and party assets and audit results are made public. The names of the donors, however, will only be revealed with their permission. The party has also determined that it will not own business interests or profit-seeking enterprises. Some contributors have offered the party stock options, and the party has agreed to accept such donations, but will hire an external professional financial manager to oversee such activities. The party intends to allocate 80 percent of contributions to local branches and 20 percent to the national headquarters.

The party used the recent elections as an opportunity to raise funds. To assist in fundraising, PFP hired a private advertising firm to help develop ideas and marketing devices, such as accepting in-kind donations and selling commemorative items.

Ethical Standards and Discipline

Convicted criminals are not eligible to be nominated for elected office by the PFP. Additionally, PFP leaders have warned party members against taking any action that "may damage the image of the party." Beyond this, the party does little to guide the behavior of party leaders and representatives. According to party officials, peer pressure keeps party officials honest. However, the party has stated its intention to develop codes of conduct, mandate declarations of assets from party officials, and enforce conflict of interest provisions.

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			
	KMT			As part of KMT reforms, all major national party officials are now either directly elected by party members or indirectly by elected committees. National

				officials were previously selected by national chairperson.
	DPP	Y		All party officials are directly elected by the party membership.
	PPF		N	The party was recently launched; and there is no specified election process for party officials.
2	Do local party branches participate in candidate selection?			
	KMT	Y		As part of KMT reforms, candidates for public office are now selected through combination of party primaries and public opinion polling. The national leadership had previously selected candidates.
	DPP	Y		Candidates are selected through a combination of party primaries and public opinion polling.
	PPF		N	The national leadership selects candidates.
3	Are there regularly scheduled Party Congresses or Conventions?			
	KMT	Y		Party congresses take place every four years.
	DPP	Y		Party congresses take place every year.
	PPF		N	PPF has not yet had a congress.
4	Can all members participate in selection of delegates to National Party Congress?			
	KMT	Y		As part of KMT reforms, local party members directly elected more than half of the delegates to 2001 congress. Delegates used to be selected by the central committee.
	DPP	Y		Party members directly elect more than half of all party delegates. The rest of the party delegates are either elected politicians or high government officials.
	PPF		N/A	
5	Are local party offices elected?			
	KMT			As part of KMT reforms, local branch leaders are now elected.
	DPP			Leaders of local branches are elected.

	PFP		N/A	There are no local leaders to speak of, beyond candidates.
6	Are there term limits for party officials?			DPP voluntarily adopted term limits for party leadership. DPP's chairperson, central executive committee members, central standing committee members, and local chapter leaders can serve only two two-year terms.
	KMT		N	
	DPP	Y		
	PFP		N	
7	Does the party own businesses?			
	KMT	Y		KMT is widely acknowledged as one of the wealthiest political parties in the world. KMT owns businesses in virtually every sector of the Taiwan economy.
	DPP		N	DPP has voluntarily refused to own profit-making enterprises.
	PFP		N	PFP has voluntarily refused to own profit-making enterprises.
8	Does the party refuse political contributions from certain sources?			
	KMT	Y	N/A	Party does not seek political contributions.
	DPP		N	The party does not refuse legal sources of funding, although the party aims to become "self-reliant" (through membership contributions and party representatives' donations) and to refuse all corporate and individual donations.
	PFP		N	The party does not refuse legal sources of funding.
9	Do party MPs have to donate part of their salary to the party?			
	KMT		N	
	DPP	Y		MPs on the party list have to give approximately one-third of their salary to the party. MPs elected on a constituency basis have a quota to raise for the party each year.
	PFP		N	
10	Does the party employ professional accountants to manage party funds?			
	KMT	?		It is unclear how the KMT manages its funds. As part of KMT reform package, however, KMT

				assets will be moved into trust, to be managed by professional financial house.
	DPP	Y		
	PFP	Y		
11	Does the party conduct an annual audit of its accounts?			
	KMT		N	
	DPP	Y		
	PFP		N/A	
12	Does the party disclose the sources of its funds and expenditures to members of the party?			
	KMT		N	
	DPP		N	
	PFP	Y		The PFP only discloses the names of donors with their permission.
13	Does the party disclose the sources of its funds and expenditures to members of the public?			The DPP and PFP voluntarily disclose their accounts to the public. However, the PFP only discloses the names of donors with their permission.
	KMT		N	
	DPP		N	
	PFP	Y		
14	Are party leaders required to disclose their personal assets?			The PFP has stated its intent to require declarations of assets from party leaders.
	KMT		N	
	DPP		N	
	PFP		N	
15	Are party leaders required to sign a party code of conduct?			
	KMT		N	Party regulations were recently amended to include more extensive language on ethical guidance to party leaders and elected representatives.
	DPP	Y		During the primary process, party nominees must sign a contract stipulating certain provisions similar to a code of conduct.
	PFP		N	Party has no such regulations yet.
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?			
	KMT	Y		
	DPP	Y		
	PFP		N	

CONCLUSION

Taiwan's recent experience with political parties is replete with examples of voluntarily imposed mechanisms to enhance internal party democracy, accountability, and transparency. In the absence of legal requirements, parties have attempted to regulate themselves in order to limit political corruption, a systemic problem in Taiwan's political system. During the years of one-party rule, a culture of money politics emerged. The linkages and exchanges between state resources and political power became known as "black-gold" politics.

The public had become increasingly frustrated with black-gold politics, particularly in a time of economic hardship. As a result, there was a shift in voter behavior. Despite the resources and power of the ruling KMT, the DPP was able to win the presidential election. The DPP believes its success is due in large part to its reform and anti-corruption platform and its party practices, which emphasize transparency and clean politics. The DPP's anti-corruption practices include:

- Democratic determination of key party posts, committees, and policies, through bottom-up election processes;
- Term limitations for elected party leaders, including committee members;
- A central review committee to ensure adherence to party regulations and policies and to serve as a check on party leadership;
- Using a combination of party primaries and public opinion polls to determine party candidates for public office;
- Eligibility requirements for party candidates, including signed codes of conduct to hold party candidates accountable to clean campaigns;
- An independent supervisor responsible for ensuring fair internal party elections;
- A telephone hotline to report problems in internal party elections, including corruption;
- Complete public disclosure of audited financial records of the party, including all income and expenditures;
- A self-imposed prohibition on party ownership of profit-making enterprises;
- A training program for party members on the party's commitment to anti-corruption; and
- Inclusion of "anti-corruption" as one of the key platform objectives.

The KMT's electoral defeat sent a strong message to all political parties. Voters associated the party with black-gold politics, and members were frustrated by the centralized decision-making, including the nomination

procedures that ultimately forced Soong out of the party. The KMT's response has been to undertake a program of restructuring and reform, in an effort to improve the party's image and decentralize operations. These reform efforts include:

- The direct election of the party chairperson by all members of the party;
- Greater participation of local party members in the election of delegates to the national assembly of party delegates;
- The election of the entire central standing committee by the central committee, which is also elected;
- The complete re-registration of the KMT membership;
- Instituting party primaries and public opinion polls to allow greater participation and transparency in the candidate selection process;
- Pledging to audit and publicize party assets and transfer management of party assets to a professional financial management company; and
- Imposing stricter requirements and disciplinary measures on potential party candidates and party officials.

Democratic structures and anti-corruption mechanisms have now become prerequisites for political parties in Taiwan. Even the recently established PFP has expressed its plans to implement procedures to enhance party transparency. The party prohibits party businesses, discloses its financial records to the public, and plans to implement asset declaration requirements for party leaders.

Perhaps no other country better demonstrates the constructive role that voter behavior can play in influencing political practices. Public opinion polls in Taiwan consistently reveal that citizens want clean political parties, and in order to compete effectively, political parties seek to demonstrate their "clean politics" credentials. Furthermore, the anti-corruption mechanisms of Taiwanese political parties are particularly interesting because law does not impose them. Taiwan does not have comprehensive political party legislation to govern parties, and there are few constraints on party behaviour and financial practices. Taiwan's experience demonstrates the capacity of political parties to develop voluntary regulations to reduce internal corruption. Finally, another "lesson learned" from Taiwan's experience is that the nation's parties tend to mimic one another. If one political party sets the bar high by reforming and practicing clean politics, providing voters with a desirable alternative, then other parties tend to follow.

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THAILAND

SUMMARY

Political party development in Thailand has suffered several interruptions since the first legislation recognizing parties was passed in 1946. A series of subsequent authoritarian regimes banned political parties, and it was not until after 1992 that the party system began to deepen. Parties have not yet become strong, broad-based institutions, nor have they emerged naturally out of the ideological interests of citizens. Rather, Thailand's political parties tend to be leadership-driven, centralized organizations that primarily function as electoral machines to secure political power. Intense factionalism and the Thai patronage system also plague the parties, allowing money politics to thrive. Thailand's political parties, however, are in the midst of transition, and many party reformers have expressed a desire to break the cycle of corruption and strengthen political parties as democratic and accountable institutions.

Most Thai party leaders acknowledge that, so far, parties have done little to reform their internal operating structures. Reform, rather, has been imposed on the parties by legislation, such as the Organic Law on Political Parties and the Organic Law on Elections, mandated by the 1997 constitution. The new party and election laws inflict stringent regulations and checks on parties, such as requiring all party officials, including branch chairpersons, to declare their assets and liabilities and mandating annual party audits with full disclosure of all contributions. The new election law has "zero tolerance" for vote buying and empowers the new Election Commission of Thailand (ECT) to disqualify candidates. Furthermore, a party fund was established to strengthen the party system by providing financing to parties for establishing branch offices and conducting education programs, as well as constituent outreach activities. The strict enforcement of the new laws through an active ECT has not only induced parties to examine their behavior but also educated the Thai public about the need for reform.

Although there are many valuable features in Thailand's new party and election laws, and in the laws providing for their enforcement, legislative remedies alone seem unlikely to break the cycle of money politics in the party system. There must also be broader changes in Thai political culture. Throughout Thailand, and especially in the rural areas, citizens have come to expect material rewards in exchange for their political support. A deeply embedded patronage system shapes the political system, undermining the principles of democratic

representation. Civic education can help voters learn to seek public, rather than private, gains from their elected representatives. However, the parties themselves will also have to become more transparent, democratic, and accountable institutions if the promise of the new constitution and other reforms is to be fulfilled.

BACKGROUND

Political Context

Country Background and Transition to Democracy

The Kingdom of Thailand was one of the first Southeast Asian countries to experiment with democracy and the only nation in the region never to have been colonized by a European power. Thailand experienced very rapid growth rates between 1985 and 1995 and has become a key political and economic leader in the region. The country, however, has experienced uneven political development over the past 50 years. Since its transition from an absolute monarchy to constitutional government in 1932, Thailand has alternated between civilian and military rule and experienced a succession of *coups* and *coup* attempts. Civilian and military governments have been unstable and short-lived.

Thailand's transition to a democratic state took place over many decades, and there were several defining moments in this transition. One such moment occurred on October 14, 1973 when, frustrated with the repressive authoritarian rule of Field Marshal Thanom Kittikachorn, students and faculty at Thammasat University, a leading university in the country, held a rally to promote democracy and demand constitutional reform. In response, the police attacked and arrested lecturers and students. Days later, when a crowd of 100,000 Thais held a peaceful protest in front of the police headquarters, the police killed more than 70 protestors. Thanom was subsequently forced to resign, and the King called a national convention of 2,500 delegates representing a cross-section of Thai society – teachers, union members, farmers, business-people, and religious leaders – to draft a new constitution. This convention paved the way for elections and constitutional reforms and is seen by many as Thailand's first sincere step toward democracy.

Following the 1973 convention, however, Thailand experienced three years of ineffective political leadership. In 1976, Thanom was able to resume power, and right-wing radical groups summarily executed students, representatives of peasant movements, and other spokespersons for democratic reform.

General Kriangsak Chomanan took power after a 1977 *coup* and called for elections in 1979, which ushered in a period of increased public participation in politics and a stronger parliamentary system. With the growth of civil society in the 1980s, elected politicians began to gain political strength, although military elites continued to play an influential role in the governance of the country.

In 1991, a *coup* led by Generals Sunthorn Kongsompong and Suchinda Kraprayoon forced the resignation of elected Prime Minister Chatichai Choonhavan. The military charged Chatichai's administration with corruption and disrespect for the military. The Chatichai government had failed to appoint army leaders to powerful positions and to consult the military when naming a new defense minister. Under the two generals, the military established a "national peace keeping council" to restore order, and several violent attacks were carried out against democracy activists. The military leadership did not last long, however, and civic leader Anand Panyarachun was appointed interim prime minister and scheduled general elections for March 1992. These elections ushered in a series of short-lived, unstable governments but represented the end of military rule in Thailand.

The 1997 Thai Constitution

The year 1997 arguably represents the most significant advancement in Thailand's democratic development. The devaluation of the baht that year initiated the economic downturn for Thailand and the rest of Asia. This period of financial crisis increased the public's frustration with the politics of patronage and corruption, which many viewed as a root cause of the downturn, and further fueled existing demands for reform. In October 1997, parliament adopted the country's sixteenth constitution in 65 years.

The 1997 constitution initiated sweeping changes in the nation's political system. It called for an elected Senate, endorsed civic participation in public policymaking, and mandated a process that devolved authority from Bangkok to the provinces. Moreover, the new constitution introduced significant changes in electoral processes and procedures. The constitution switched the Thai electoral system from a multi-member constituency system, where voting was on a plurality basis, to a mixed system. Under the current semi-proportional electoral system, 400 members of parliament are elected through single-member constituencies that use a "first past the post" voting system and 100 MPs are chosen proportionally through national party lists. In addition, ballot counting moved from local polling stations to specifically designated places at the constituency level to protect the secrecy of community voting behavior.

The constitution also established several independent bodies to promote transparency and accountability. The ECT was created not only to administer national and local elections, which were previously carried out by the Ministry of the Interior, but also to serve as a watchdog over the election process. The ECT is empowered to investigate election-related complaints, thwart corrupt practices, and disqualify candidates found to have violated the election law. The constitution also provided for an independent National Counter Corruption Commission (NCCC) to investigate petitions lodged by the public and parliament, monitor the assets and liabilities of state officials to determine unusual wealth, and hold trials for those accused of corruption. NCCC verdicts can be appealed to a higher court.

The constitution also established: an independent Constitutional Court to rule on the constitutionality of legislation and judicial decisions rendered by lower courts; administrative courts to adjudicate cases of dispute between state agencies, state officials, and the public; an Office of Ombudsman to investigate public complaints regarding state officials or agencies; a National Human Rights Commission to examine and report on human rights violations and needs; and an independent Auditor-General. These new bodies are intended to serve as checks on the state and provide avenues for airing public grievances.

These independent bodies have demonstrated their effectiveness. The NCCC and Constitutional Court found the powerful former Minister of Interior and Deputy Prime Minister Major-General Sanan Kachornprasart guilty of filing false declarations of his assets and debts to the NCCC, and he was banned from politics for five years. The NCCC also found the current prime minister, Thaksin Shinawatra, guilty of filing false asset reports and illegally transferring corporate stock to his employees in order to conceal the full extent of his wealth. Thaksin's conviction, however, was over-turned by the Constitutional Court. The ECT has disqualified numerous candidates in both the 2000 Senate and 2001 House elections and has used its authority to re-run elections in several constituencies.

Thailand is still, however, in a critical period of transition as the country struggles to implement the reforms embodied in the new constitution, and the sustainability of these reforms may depend on corresponding changes in Thai political culture. The meaning of the new constitution is frequently being challenged and debated, and many vested interests are keen on seeing the powers of the new constitutional bodies weakened, particularly now that they have witnessed their effectiveness. Moreover, the public is struggling between the concept of governance through strong, accountable institutions, transparency, and rule of law, and old-style patronage politics.

Governance System

Thailand is a constitutional monarchy with the King as head of state. The King is empowered to exercise authority through the National Assembly, the Council of Ministers, and the courts, and he is the supreme head of the Thai Armed Forces. In practice, the King does not involve himself in political affairs or use his power to veto legislation or dissolve parliament. However, he wields enormous moral influence and is considered by some as an important check on the government and military. In 1991, for example, the King stepped in to stop violence during clashes between democracy protestors and the military. Thailand is extremely protective of its royal family and the country's *Lesé Majesté* laws make it illegal to criticize the monarchy and the royal family.

Thailand has a bicameral parliament with an elected House of Representatives and Senate. The country has a mixed electoral system with both single-member constituencies and party lists. Of the 500 members in the House, 400 are elected from single-member constituencies and the other 100 are chosen from national party lists. House members, commonly referred to as MPs, serve four year terms or until the House is dissolved. The 1997 constitution established a unique system for electing the 200-member Senate. Senate candidates must be apolitical – not associated with any political parties or government agencies – and they cannot campaign. Senators can serve only one six-year term. The party, or coalition of parties, capturing the most seats in the House forms the government, and all cabinet ministers must resign their positions as MPs in the House, providing a separation between legislative and executive duties. The leadership of the country changes frequently, and, in fact, the last government, which was dissolved in 2000, was the first to serve until the end of the official term.

The country is divided into 76 provinces, each of which is divided into districts, sub-districts, and villages. The 1997 constitution mandated decentralization in order to provide a more direct link between people and government policies and has empowered various local authorities with new autonomy in local administration, including fiscal responsibilities. According to Section 284 of the Thai constitution, “All local government organizations shall enjoy autonomy in laying down policies for their governance, administration, personnel administration, finance and shall have powers and duties particularly on their own part (*sic*).” The decentralization process has also increased the number of elected positions in local bodies. The country is still in the process of implementing this constitutional mandate.

Political Corruption in Thailand

Despite the reforms that have taken place, corruption in government, business, and the political process remains widespread. Money politics, in particular, mars the democratic system by undermining efficient government practices and replacing formal rules and laws with an opaque system of cronyism.

Thailand's complex patronage system is considered a cause of and contributor to political corruption by embedding a system that relies on the exchange of favors. A "patron" might provide protection, material goods, and other benefits to a client who, in return, gives the patron support and loyalty. The patronage system continues to flourish in many parts of Thailand, in part because centralized, bureaucratic governmental structures often fail to provide sufficient services outside of Bangkok. Citizens, therefore, often turn to unofficial patrons to fill the vacuum.¹

Corruption has helped shape the electoral process as well. Vote buying is rampant, and both parties and voters participate. Canvassers hired by candidates offer voters cash, medicine, food, and other goods for their support, and this vote buying usually takes place in more than one round. Candidates finance their vote buying expenditures by providing loyalty to their wealthy patrons and sponsors. Moreover, if candidates successfully solicit the support of village chiefs or local business "godfathers" (*jao poa*), these local leaders will call on villagers to vote accordingly. "Winning candidates are those who manage to construct a workable patron-client network in the villages,"² according to Thai scholar, Anek Loathamatas. In return for capturing the votes, the elected leader often rewards powerful supporters by offering lucrative government contracts and business opportunities or by turning a blind eye to the supporter's illegal activities. Vote buying has become so embedded in Thai political culture that parties claim to face difficulties breaking the cycle. Citizens are hesitant to relinquish this perk, as the money gained from vote selling is often viewed as one of the few benefits they receive from their elected representatives.³ Tax money seemingly disappears in Bangkok and rarely is funneled toward legitimate public goods or community projects.

Compounding and contributing to corruption and patronage in the Thai political system, is the low level of political awareness among many Thai voters. Many Thais, particularly in poor and rural parts of the country, do not understand the legislative function of elected representatives or the role of citizens in a democracy as decision makers and advocates for public policies. One political observer notes, "Rural voters do not expect abstract rewards such as laws, policies, or the public interest."⁴ Voters, therefore, demand little in terms of legitimate legislative behavior from their representatives, and punishment of

poor performance through the ballot is rare. As one ECT official explained, “In Thailand, people easily forget the past. Politicians get involved in one scandal after another with little retribution from voters.”

Although corruption continues to mar the country’s political process, general awareness of the damaging effects of corruption has grown. The economic crisis, in particular, drew attention to the devastating role corruption played in undermining the Thai economy. Moreover, the press has been essential in uncovering corruption scandals and emphasizing the costs of corruption on the country. Finally, the new constitution has introduced specific regulations and bodies to weed out corruption and improve accountability. In particular, the ECT has drawn enormous attention to the issue of political corruption by punishing politicians for fraudulent behavior, heightening awareness among the public. In response to these developments, many politicians have included “anti-corruption” commitments in their platforms.

The 2000 Senate and 2001 House Elections

The 2000 Senate and 2001 House elections ushered in the first parliament under the new constitution and demonstrated that many of the challenges facing the country, particularly the dominance of money politics, will not disappear overnight. These elections represented a test of the country’s new reforms, and their strengths and weaknesses are now more apparent. It is also clear that many politicians are still wedded to the practices of the past.

In an attempt to take money and patronage out of politics, the Senate was envisioned as an apolitical, elite upper body. The ECT therefore established stringent rules for candidate conduct and designed an election process that deviated significantly from that of other elections. Senate candidates were not allowed to campaign or state their opinions about policies, and there were no forums for real debate. Only a small number of pamphlets containing biographical data on the candidates were distributed to voters. Candidates could not be affiliated with political parties or state bodies. Ballot counting was conducted at the polling station instead of at the constituency level because, according to the constitutional drafters, Senate candidates would be “gentle ladies and men” and would therefore not intimidate, buy, or punish voters in any way. Additionally, the media was effectively gagged and could not report on individual candidates, their policies, or their backgrounds.

The effort to take the politics out of the election and the money out of politics did not quite work. Vote buying was widespread, and there were cases of intimidation, as well. Approximately 500 complaints were submitted to the ECT, and over 78 senators-elect out of 200 were suspended on charges of

corruption. The ECT was forced to re-run elections in 35 out of the country's 76 provinces. Because of continued corruption in the re-election process, the ECT had to keep scheduling fresh elections. In some areas, the ECT held six rounds of elections, prolonging the sitting of the Senate for months. Moreover, although several well-respected civic leaders won positions in the Senate, several old-style politicians, some notoriously corrupt and linked to illegal enterprises, also won. Even after the first sitting of the Senate, accusations against the senators continued to emerge. The ECT had to strip 10 senators, including Senate Speaker Sanit Worapanya, of their parliamentary status and call for fresh elections in their provinces. In sum, Thailand's idealistic vision for a clean Senate was called into question, and reformers were forced to acknowledge that their vision would take more time to implement.

The Senate election demonstrated that the ECT was not another "paper tiger" but would use its authority, more authority than some believe is appropriate, to tackle corruption in the election process. Not surprisingly, the ECT came under tremendous criticism. The House became uncomfortable with the action taken by the ECT, particularly when House members realized that they too would soon be candidates falling under the ECT's scrutiny. House and Senate members raised concerns about the neutrality of the ECT and the length of the election process, with all the re-elections, and many proposals were introduced to curb the discretionary authority of the ECT and to oversee its operations. Outside observers argued that the attempts to limit the powers of the ECT were a step backward for the new constitutional reforms and illustrated a lack of sincerity on the part of politicians to truly stamp out corruption. The ECT emerged from the House and Senate debates with some changes in its authority, but managed to keep the bulk of its power.

The January 2001 House elections were also riddled with corruption and further tested the ECT in its enforcement role. Even months before the elections, reports of vote buying were rampant. Banks were reportedly running out of small *baht* bills (fifties and hundreds) due to the huge withdrawals by party canvassers. The Australian Broadcasting Corporation (ABC) even managed to capture vote buying on videotape during a rally hosted by Thai Rak Thai, the current ruling party. Monitors reported that vote buying payouts were the highest in history. The ECT was flooded with thousands of complaints of corruption, and the commission had to schedule re-elections in 62 constituencies. Violations during the re-elections were also widespread, and several leading Chart Thai Party officials were allegedly caught on audiotape discussing vote buying tactics for a re-election exercise and were investigated by the ECT. Violence was also prevalent, and massive protests during the count forced military units to take over several counting stations, and, in some cases, counting stopped altogether.

The elections were noteworthy not only for testing the new constitutional provisions, and for the extent of corruption that took place, but also because of the new government they ushered in. The Thai Rak Thai Party, a party less than three years old, claimed a startling victory. Telecommunications billionaire, Thaksin Shinawatra, was able to build his party virtually overnight by convincing the powerbrokers from other parties to defect to Thai Rak Thai. Thaksin won key factions from the National Aspiration and Chart Thai parties, among others. Many political observers believe that significant financial rewards were offered to induce the party switching, and parties and the media accused Thai Rak Thai of “buying candidates.”

Although attracting key politicians to the party explains part of his success, Thaksin’s victory was also due to his clear four-point platform that resonated with voters. Thaksin promised a subsidy of 30-baht (under \$1) per visit healthcare, a debt moratorium for farmers, an asset management corporation to absorb non-performing loans, and a one million baht (\$22,000) grant for each village (there are over 70,000 villages in total). Thaksin also campaigned on a “protectionist” platform, pledging to protect Thai businesses from foreign ownership and competition. Many believe that the Thai Rak Thai campaign was the first real “issue-based” campaign in Thai history and may demonstrate a shift in political and electoral behavior. Despite doubts about the financial feasibility of these populist proposals during a time when the government is short of cash, people responded positively to Thaksin’s campaign. Voters felt that Thaksin addressed the needs of the average Thai, while former Prime Minister Chuan Leekpai’s administration focused too much effort on bailing out financial institutions in Bangkok.

The party swept into power with 248 of the 500 House seats. It was the first time in history one single party has come close to obtaining a simple majority in the House.⁵ The Chart Thai Party and the New Aspiration Party (NAP) joined the coalition with Thaksin, leaving the former ruling Democrat Party in the opposition. In addition, in January 2002, the NAP voted to merge with Thai Rak Thai and will provide the party with a comfortable absolute majority in the House.

Current Political Climate

Thaksin took office after being convicted by the NCCC on charges that he concealed his assets and illegally transferred corporate shares to his employees. The first six months of his leadership were tense as he awaited a final verdict from the Constitutional Court, which could have banned Thaksin from politics for up to five years. On August 3, 2001, he was acquitted by a vote of eight to seven. Although many Thais agree, supporters included, that he made

false declarations, whether intentionally or unintentionally, people are divided about the decision of the court. Some supporters contend that he was not accountable under Article 295 of the constitution because when the case was filed, he no longer held the position for which he made the alleged false declarations. Other Thaksin supporters, however, simply wanted the court to look the other way because they believed that Thaksin holds the answers to the country's social and economic ills. Outraged opponents argued that the decision demonstrates that Thailand is not quite serious about the implementation of the constitutional reforms that promote accountability, transparency, and strong independent institutions. Rather, the decision proves that the promise of an individual takes precedence.

In addition to Thaksin's bumpy start, almost a year after taking office, the public complains that the new government's campaign promises have not been fulfilled and there has been little improvement in the economy. The country's deficit spending continues to grow, and new foreign investment commitments have fallen nearly 40 percent since 2000.⁶ Most alarming was a speech given by the King in December 2001, in which he criticized the prime minister for leading the country towards "catastrophe." Moreover, allegations that Thaksin is protecting his own business interests and those of his friends through new government policies, such as the Thai Asset Management Company and new telecommunications legislation, are widespread. Many commentators argue that the new government, like the country, appears to be struggling with the transition from "old-style," patronage-based Thai politics to the reforms envisioned in the new constitution.

Despite criticism and a censure motion planned by the Democrat Party, Thaksin's hold on power has strengthened. With the New Aspiration Party's decision to merge with Thai Rak Thai, the number of party MPs could surge to 300. Moreover, when the Chart Pattana party joins the ruling coalition, Thaksin will control close to 350 seats, enough to combat effectively any censure motion and change the constitution, if desired.

Political Party Environment

Political party development has oscillated since the first legislation allowing for the establishment of parties was enacted in 1946 under the leadership of Pridi Banomyong. (The first, although not officially recognized, political party, the People's Party, however, dates back to 1932; its aim was to end the absolute monarchy.⁷) In 1955, the Political Party Act was adopted to regulate party activities. It provided strict guidelines about party membership, platforms, and activities. Parties had little opportunity to grow before several subsequent military governments subverted them. In 1958, Field Marshal Sarit

Thanarat suspended the constitution and banned the participation of parties, and it was not until 1968 that parties could participate again under a new Royal Act of Political Parties. From 1979 to 1988, parties were permitted to operate, but a military-led government limited their activities.⁸ Since 1992, parties have been able to function and grow without interruption.

The formation of Thai political parties did not evolve through the emergence of contesting ideas or ideology, but rather through planned legislative enactment.⁹ Thai parties were essentially created for electoral purposes and have always been strictly regulated by the centralized bureaucracy. According to Thai scholar, Anuson Limmanee, “the focus of the laws on regulation of political parties implies not only the low status of this political institution in the Thai political system, but also the real nature of state centralization ... In addition, the regulation reflects an emphasis on uniformity in and supremacy of the centralized state.”¹⁰ Nevertheless, despite the efforts to regulate Thai parties, they have emerged as dynamic, complex entities that are frequently in a state of flux.

As previously mentioned, the 1997 constitution called for new laws on political parties and elections. Although these laws continue to regulate party practices, they are also aimed at strengthening parties as issue-oriented organizations, reducing corruption, such as vote buying, and broadening the base of parties by supporting branch offices.

Party Formation and Discipline

The 1998 Organic Law on Political Parties allows a group of at least 15 citizens, all of at least 20 years of age, to form a party as long as the platform of the party does not “endanger the security of the state or act contrary to law or public order or good morals or a democratic regime of government.”¹¹ All parties must register with the Registrar, led by the chairperson of the ECT, following which the party must recruit 5,000 members and establish branch offices in each of the four regions of the country within 180 days. Parties do not need to win seats in order to remain registered, as was the case before the 1998 law, allowing parties to exist for advocacy purposes. There are 59 parties currently registered under this new law.¹²

The parties’ internal management, structure, and procedures must be consistent with the constitution and democratic principles. All parties are required to have branch offices, internal elections for party posts, defined member rights and duties, a formal process for dismissing members, and clear rules for candidate selection. The law also defines the requisite positions in the party and the responsibilities associated with these positions. In addition, the constitution includes an unusual provision to protect individual party members

from undemocratic party leadership decisions. The party cannot expel a party MP unless three-quarters of a joint meeting of the party's executive committee and party MPs agree to the expulsion. The MP also has the right to appeal the decision to the Constitutional Court.

The Organic Law on Political Parties contains several provisions to strengthen party discipline and engender party-oriented, over personality-driven, decisions. All candidates for the House must be members of only one party for no fewer than 90 days before nomination day. Once in the House, if MPs defect from their party, they sacrifice their seats. These regulations make party switching nearly impossible and aim to limit personality-oriented campaigns and the "purchasing" of MPs by parties. In addition, the new constitution called for an electoral system that is, in part, a party list system with closed lists. This was implemented to encourage parties to strengthen their electoral appeal as political organizations, rather than as a collection of individuals.

In order to inform party members about the new laws and regulations, the ECT provides training across the country at the party branch offices. Training topics include financial regulations, the rights of branch delegations to vote for party leadership and attend the party convention, and party discipline and structure. Although, according to the ECT, these seminars have sometimes upset party leaders, the ECT continues to receive requests from the branch offices for additional training.

Party Financing and Disclosure

The party law includes several provisions regulating party finance. The law requires the disclosure of donations to parties, authorizes subsidies for parties, and provides in-kind contributions to parties. However, there are no limits on contributions or on party expenditures outside the campaign period. Moreover, there are few restrictions on how parties spend money outside the campaign period. Giving money to voters, for example, is lawful unless it takes place during the campaign period, in which case it is considered vote buying.

The executive committee of the party is responsible for the financial administration of the entire party. The party headquarters is required by law to maintain records of all revenue and expenditures, receipts for donations, and accounts of the assets and liabilities of party officials. Branch offices must submit reports to the party headquarters on a regular basis. The party's financial statements must be audited by a certified public accountant, the results of which have to be approved by the party's general assembly, or convention, by April of every year. The results must also be posted at the party's offices across the country for at least 15 days for public viewing. Within 30 days of approval by the general assembly, the reports are submitted to the Registrar at the ECT,

where they are also made available for public review. However, the ECT reports that few people ever check the reports of parties, other than those candidates who have lost in the election.¹³ Failure to submit financial reports or falsification of the reports can result in fines and criminal charges.

The law defines a donation to a party as money, property, or any other benefit that can be ascribed a monetary value, other than membership fees required under the party regulations. It prohibits donations by foreigners, including companies with 25 percent foreign ownership, by state enterprises, and by any organization that “jeopardizes national security.” In addition, no private companies are permitted to make political contributions in ways that “deviate from the standard path for their industry,” and no donations are allowed from contractors that have been awarded government concessions or projects. Any party violating these regulations can be fined and possibly dissolved, and the party member responsible can be imprisoned for a term of two to 10 years. The person giving a donation against the law can face imprisonment or fines.

The revenues received from fundraising activities that involve selling a good or service, such as tables at a dinner, are not considered donations. Therefore, the party does not need to declare these amounts or disclose the names of contributors. As mentioned, there is also no ceiling on contributions, either from within or outside the party. The lack of such limits has allowed extremely wealthy individuals to exert strong influence on the parties. According to reports submitted to the ECT, Prime Minister Thaksin Shinawatra’s wife, Khunying Pojamarn, donated 240 million baht to Thai Rak Thai Party in one year. In addition, with no limit on the amount companies can give, there have been concerns that businesses can exert undue influence on parties.

Parties must file all donations, regardless of their amount, with the ECT. The party must record the names and addresses of contributors, the amounts donated, the names of the party members through whom the donations were made, and the date of the donation. The party must issue three receipts for each financial contribution, one for the donor, one for the recipient, and one for the party to file with the Registrar. Any donations received by party members, independently from the party, must be recorded with the party within seven days. All donations are deposited in a bank account under the name of the party, and the party leader must provide records of the deposit and certification by the bank to the Registrar. Direct donations to the leader of a party must be recorded, sent to the ECT, and posted openly at the party headquarters for at least 15 days. According to the party law, all contributors are entitled to a tax deduction, but the revenue code has not yet been revised to permit such deductions.

In order to track the accumulation of “unusual wealth,” the party law also requires all party leaders, executive committee members, and branch office committee members to submit accounts showing assets and liabilities for themselves, their spouses, and dependent children to the Registrar within 30 days of taking office and within 30 days after leaving office. Although these declarations are not made available to the public, the Constitutional Court or the NCCC can access them if the need arises.¹⁴

Public Subsidies for Parties

The new party law also provides a fund for the development of political parties, managed by the ECT. The fund provides subsidies to the parties for activities “to strengthen the party,” such as developing branch offices, and the parties must submit their proposals for activities to the ECT for approval. At least half of the allocated funds must be set aside for head office and branch administration, membership recruitment, and civic education. Parties must report on and provide receipts for all expenses paid for from the subsidy to the ECT. If the party is dissolved or fails to comply with disclosure regulations provided in the party law, it must reimburse the subsidy.

The party law also provides in-kind contributions to the parties. The ECT gives grants to the parties to cover postage costs, telephone expenses, and utilities at party headquarters and branch offices. Money must be spent on actual costs, with limits for each item. The party law supplies free television and radio coverage to the parties both during the campaign period and in between elections. Parties with MPs receive free coverage of their activities three times a year, and the number of seats in the House determines the allocation of time. During the campaign period, from the dissolution of the House until the election, the ECT allocates television and radio time to candidates and parties for three types of campaigning: party advertisements, policy discussions, and constituency candidate advertisements. In addition, the election law regulates political advertising provided independently by the stations. There are no regulations or limits on political advertising outside the campaign period.

Originally, the ECT determined the amount of each party’s subsidy by considering equally the number of party members, MPs in the House, and branch offices. Parties creating “phantom” members and branches in order to obtain increased subsidies, however, abused this process. Therefore, in 2001, the committee changed the allocation rules, and the formula is now weighted: 35 percent on the number of MPs; 30 percent on the number of party list votes in last election; 20 percent on the number of party members; and 15 percent on the number of party branches. In 2001, 252 million bath (approximately 5.3 million dollars) was allocated to 43 political parties.¹⁵

Money for the fund comes from budgetary appropriations; candidate application fees; donations; fines, properties, and assets seized from law offenders; assets from dissolved parties; and interest. The fund is managed by a committee comprised of the chairperson of the ECT, an election commissioner, a representative of the Ministry of Finance, a representative of the budget bureau, three representatives of parties having MPs in the House, one representative from a party with no seats, and the secretary-general of the ECT.

Election Laws and Campaign Finance

The ECT determines the expenditure limits for the campaign period in consultation with the leaders of all parties competing in the election. The campaign period technically begins on the date of the promulgation of a royal decree following dissolution of parliament and ends on the day of the election results declaration. There are separate limits for individual candidates and political parties. In the 2001 House elections, candidates were limited to one million *baht* each (\$22,000), and the party could spend no more than one million *baht* per party list candidate. In addition to placing ceilings on spending, the law also defines legitimate spending. Parties and candidates can spend money on application fees, staff persons, rent, transportation, procurement, media advertising, flyers and publications, postage and utilities, and “other expenses that do not violate legal sanctions.” No candidate or person can give, or promise to give, money, transportation, property, or entertainment to a voter or organization to induce a voter to vote for him or her, any other candidate, or party. However, it is not illegal for citizens to sell their votes. This is to encourage testimony from witnesses in vote buying cases.

All income and expenditures of the party and individual candidates must be recorded with the party treasurer, who files a return with the ECT within 90 days from the announcement of the election results. The ECT’s Party List Election Expenditure Audit Center in Bangkok audits the expenditures of the parties, and the ECT’s constituency audit centers at the provincial level monitor the constituency candidates. The ECT makes all audit results public within 60 days after receiving the returns. Parties and candidates found in violation of these regulations can be subject to fines, imprisonment, and disenfranchisement.

After the results of the election are announced, parties have the right to submit a petition with a complaint of an electoral violation to the ECT within 30 days. The ECT conducts a hearing “without delay” and has the authority to order a recount, mandate a fresh election, and disqualify candidates.

Enforcement of Party and Election Laws

The ECT has demonstrated its commitment to enforcing the new party and election laws in several ways. It has, for example, recommended the dissolution of parties for failing to abide by the law. In July 2001, the ECT sent dissolution requests for 17 parties to the Constitutional Court. Most of the violations involved failing to submit party activity reports to the Registrar, and one party spent its public subsidy on personal items and filed bogus receipts with the ECT. In practice, the Constitutional Court upholds the decisions of the ECT, although it has the right to over-turn them. Short of dissolution, the ECT has also punished parties, usually through fines, for violating the party law. The ECT has also submitted to the criminal court over 380 cases of party officials who have failed to declare their assets and liabilities.¹⁶

As mentioned, party officials can appeal to the Constitutional Court if they feel that the party has treated them “undemocratically,” and party members have used the appeals process effectively. In February 1998, for instance, the Court ruled that Prachakorn Thai Party’s expulsion of 12 members for joining the ruling coalition of the Democrat Party, despite Prachakorn’s standing in the opposition, was unconstitutional.

The ECT demonstrated its strong enforcement authority during the recent elections. The ECT “yellow-carded” and “red-carded” numerous candidates in the 2000 Senate and 2001 House elections on charges of vote buying, and re-elections were held across the country. A yellow card necessitates fresh elections but does not prohibit the candidate from running again. A red card is given when a candidate can be clearly linked to the corrupt act and therefore he/she is disqualified from running in the new election. Many believe that the strong action taken by the ECT affected the behavior of candidates and parties and contributed to heightened awareness about corruption among the Thai public. Some argue, however, that the ECT action has simply driven corrupt practices underground.

Despite some initial success, the ECT still faces substantial hurdles. The ECT audits all party financial reports, monitors for violations, such as false receipts, and sends investigation teams to crosscheck information filed by parties. The ECT, however, readily admits that it is unable to scrutinize parties effectively. The ECT knows, for example, that parties spend more than they file in their reports, but it does not have the staff capacity to monitor thoroughly. The ECT usually investigates a party only if there is an obvious problem with that party’s reports. In addition, the scope of the ECT’s jurisdiction is narrowly circumscribed. The ECT, for instance, collects declarations of assets and liabilities from all party branch committees, but it has no authority over “party

coordinating centers,” although they operate much the same way. The Thai Rak Thai Party, for example, has hundreds of party centers and, therefore, avoids oversight by the ECT.¹⁷

The ECT also struggles with maintaining a reputation of neutrality. Many parties as well as independent watchdog organizations have accused ECT officials of impartiality and corruption. ECT central officials have acknowledged that it is difficult to ensure the integrity of ECT employees throughout the country. Even the five election commissioners have come under criticism. In the recent turnover of ECT commissioners, a former police officer who had been accused of corruption and a former politician who had been yellow-carded himself in the previous election were appointed to the commission. Confidence in the independence of the ECT has fallen with the appointment of these new commissioners, and the Thaksin government has been accused of interfering in the ECT’s operations.

The ECT is also facing increased criticism by civic groups for punishing too few politicians following the 2001 general elections. Some observers believe that too many public complaints of vote buying and other illegal acts were ignored. As a result, some civic organizations have started to gather signatures for a petition to oust the five commissioners.

Civil Liberties

Civil liberties, such as freedom of speech, the press, and association shape the environment in which political parties function. Thailand’s constitution provides for freedom of speech and the press, and the government generally respects these rights. The government can, however, limit these freedoms to preserve national security, the rights of others, and so-called “public morals.” In addition, the law prohibits any criticism of the royal family or of Buddhism. Although journalists are generally free to discuss government activities without fear of reprisal, some journalists have admitted to self-censorship with respect to reporting on illegal activities, particularly involving powerful people. Although rare, journalists have been intimidated and even wounded. Most television and radio stations operate under the oversight of the government or military, and stations occasionally censor portions of programs.¹⁸

Some political observers have expressed concern about the Thaksin administration’s commitment to freedom of speech and of the press, although the government has publicly stated its strong support for press freedom. Shin Corps, Thaksin’s telecommunications company, purchased the private television station I-TV approximately eight months before the general elections. Some commentators reported that I-TV covered the elections and the emergence of

Thai Rak Thai in a biased manner. In fact, within a few weeks after Thaksin took office, 23 I-TV journalists spoke out against what they saw as partisan reporting on the elections and Thai Rak Thai following the Shin takeover. These journalists assert that they were told to omit reports of Thaksin's involvement in certain corruption scandals. I-TV sacked the journalists, outraging academics, NGOs, and press associations, including the Southeast Asian Press Alliance (SEAPA).

Journalists and press associations have also accused the Thaksin administration of stifling the press through advertising contracts and new state monitoring agencies. According to press reports, the government allegedly offered millions worth of advertising to the newspaper, The Nation, in return for less critical coverage, although the government denies these charges. Moreover, the Thaksin administration has created a new state agency, staffed by supporters, which has reportedly edited news stories and provided guidelines to the state-controlled media, alarming journalists.

The constitution protects freedom of association and assembly. Permits are necessary for meetings on public property, but in practice there are few problems obtaining these permits. There are few restrictions on parties' ability to organize, hold rallies and campaign events, and use public spaces.

External Party Environment

		Yes	No	Comments
1	Is there a law on political parties?	Y		The Organic Law on Political Parties (1998) addresses party finances, internal discipline, disclosure, and state subsidies. The registrar and chair of the ECT enforces the law.
2	Are there laws regulating party finance?	Y		The political party law regulates donations and requires party audits, financial reporting, and disclosure of contributors. However there are no contribution or spending limitations.
2a	Contribution limits?		N	
	Spending limits?		N	
3	Are there campaign finance regulations	Y		The ECT sets campaign expenditure limits for candidates and parties, but contributions are unlimited.
3a	Contribution limits?		N	
3b	Spending limits?	Y		

3c	Filing financial returns?	Y		Candidates must file returns with the ECT within 90 days after the announcement of the election results.
3d	Returns made public?	Y		Financial returns are posted for the public.
4	Can political parties accept contributions from:			Parties cannot accept donations from foreigners, businesses with 25% foreign ownership, or state enterprises.
4a	Businesses?	Y		
4b	Unions?	Y		
4c	Foreign sources?		N	
4d	Can parties own businesses?	Y		
5	Do parties have to reveal the sources of their funding?	Y		The political party law requires all parties to declare the sources of their contributions, regardless of amount, and provide contributors with receipts.
6	Does the state provide public funding to political parties?	Y		The political party law provides a subsidy, as well as in-kind contributions, to parties meeting certain requirements.
7	Are annual financial audits of party accounts required?	Y		The political party law requires parties to conduct annual audits and file financial reports with the ECT. The parties and the ECT post the audit results publicly.
7a	Are audit results made public?	Y		
8	Do party officials have to declare assets and liabilities?	Y		All party MPs, party executive committee members, and branch committee members must declare their and their families' assets and liabilities to the ECT.
8a	Are these declarations made public?		N	Only certain bodies, such as the NCCC, can access this information.
9	Is there an Anti-Corruption Commission?	Y		The NCCC is mandated by the 1997 constitution.
10	Is there an independent Election Commission?	Y		The ECT is independent from the government and parliament.

POLITICAL PARTY EXPERIENCES¹⁹

It may be no earth shattering revelation for you to know that desperate efforts to set up a new political grouping in Thailand doesn't necessarily signal a new platform to tackle a certain issue. It simply means that a

group of people has failed to convince others in the old party to come round to their way of thinking. Or that they have refused to come around to the others' way of thinking. Or that they have found a new source of funding which they wouldn't want to share with others. Or that their leaders has decided to side with the other faction. Or that they have decided to side with their leader... Anything but a well-thought out plan to pursue a different policy towards national problems.

- Suthichai Yoon, Editor-in-Chief, The Nation
Multimedia Group (*Thai Talk*, 1995)²⁰

In general, political parties in Thailand are not based on ideology. Party leaders prefer the flexibly to adjust to the immediate interests of voters during the campaign. Consequently, it is often difficult to distinguish the stated policies of one party from another. "Major parties do not differ fundamentally in political and economic programs and ideological orientations."²¹ Party switching is also widespread, so even if a party articulates a central ideology, it is unlikely that all party members adhere to that ideology.²² "Party alliance is not formed on any discernible principle or philosophy. As political platforms are never made explicit and are not what win the election for the parties or the candidates, policy is not an important factor determining alliance formation."²³ However, in recent years, parties have taken on more visible policies and socio-economic alliances.

Parties have frequently been used as instruments to serve the personal interests of party leaders and bosses, and factionalism often defines party behavior. Faction leaders are usually wealthy patrons who extract loyalty from a group of MPs in return for paying election campaign costs, providing access to powerful connections and networks, and financing the "social taxes" of those MPs.²⁴ "Social taxes" are the expenditures associated with paying for weddings, funerals, religious events, and other activities often expected by citizens, particularly those in rural areas. These faction bosses bring their MPs to the party with the best perks, and if the party fails to meet the faction leader's expectations, he or she will take the "clique" and move to a new party. There is, however, a more complex side to factional relationships than simply financial exchanges. MPs will often align themselves carefully with promising relationships and partners who sometimes share certain social or regional concerns.

Parties tend to be highly centralized, not wielding much influence at the local level, although individual politicians may have strong rural machines and links with local power brokers. Parties play little or no official role in local and provincial elections. According to the new party law, party members from the community select party branch committee members through an election, but most parties report that, in practice, this has not happened and the party

headquarters still selects the branch office leadership. The new party law is trying to change this trend by providing funds for the establishment and activities of branch offices. Furthermore, some party leaders appear to recognize the need to decentralize and say that they are eager to strengthen their constituency outreach.

Political financing is a challenge for Thai political parties, and parties argue that it is difficult to comply with the current laws given public expectations and demands on parties and politicians. Voters expect payments or other rewards from politicians, particularly in rural areas, and this increases campaign costs. Furthermore, politicians must build links with the patronage networks in their constituencies in order to secure victory, and these relationships also cost money or other rewards. Most parties are unable to solicit donations from average citizens, and there is no tradition of contributing small sums of money to support a political party. Although parties have membership fees, they are usually forced to waive them. Therefore, candidates and parties frequently have to raise money through the patronage of wealthy party leaders, faction bosses, and businesspeople who see politics as an opportunity to increase their influence or fortunes. Many wealthy donors, however, want to remain anonymous, forcing parties to accept money “off the record,” clearly a violation of the law. These donors further increase party costs by demanding rewards for their contributions, such as government contracts, concessions, or positions.

It has proven difficult for parties to reduce the influence of donors and faction leaders on the party system without losing tremendous financial support. The former Palang Dharma party led by Chamlong Srimuang reportedly put strict conditions on all donations. All money had to be given in good faith and for the “good of the country.” Donors had to agree to specific conditions, namely, that they could make no demands or ask for any compensation from or positions in the party. The party also would not tolerate vote buying or mud slinging during campaigns. Although these strategies gave Palang Dharma a clean image, it wiped out the party’s financial support by scaring away many donors. Several former Palang Dharma members sadly admit that the Thai political system at the time was not receptive to such efforts, and only the naïve chose to ignore the political realities of money politics.²⁵

Some observers, however, believe that politics in Thailand need not require large sums of money. According to one former Palang Dharma leader, the political climate today is much more conducive to a party like Palang Dharma, and citizens are in fact looking for this option. Furthermore, the financial demands made on parties by citizens are greatly exaggerated and should not be used as an “excuse” to abuse money. As one former campaign manager said, “The need for money would be drastically reduced if parties behaved themselves.”

These factors – factionalism, patronage, financial demands, and centralized governance – have hindered transparency and allowed money politics to thrive in the party system. As one former party leader asserts, all parties have their “dark, informal side” – consisting of illegal contributions, participation in vote buying, and rewards to patrons from the government’s coffers. However, all parties also have legitimate structures, transparent aspects of their decision-making and financing, and many committed and hard-working politicians. Party reformers want to rid their parties of the “informal” side and create strong institutions based on policy and ideology instead of relying on powerful individuals and material rewards. Most acknowledge, however, that, to date, parties have implemented few concrete mechanisms on their own to check the influence of money within the party.

Thai Rak Thai Party

Background

Telecommunications billionaire, Thaksin Shinawatra, established the Thai Rak Thai (Thais Love Thais) Party in 1998. Thaksin’s roots are in the Palang Dharma Party, established in 1985 and originally led by General Chamlong Srimuang. Palang Dharma was a small, ethics-oriented party, gaining most of its support from elite, educated Bangkok voters. When Thaksin assumed leadership of the party in the 1990s, however, the party soon lost its electoral appeal.²⁶ Palang Dharma eventually dissolved, and Thaksin established the Thai Rak Thai Party. Few of the characteristics of Palang Dharma have been carried over to Thai Rak Thai, and the new party was designed to appeal to a mass audience through a broad-based, populist agenda.

Thai Rak Thai grew rapidly, with funding coming largely from Thaksin and his family. According to the ECT, Thaksin’s wife Khunying Potjamarn donated 240 million *baht* to Thai Rak Thai in 2000. Members and factions from other political parties were quick to join the new party, most notably power broker Snoh Thienthong from the New Aspiration Party (NAP), often referred to as the “King Maker,” who brought over 70 politicians with him.

As Thaksin consolidated his party, he also launched his campaign nearly two years ahead of the general elections. The party ran commercials, sponsored events, hosted road shows across the country, and held a convention. As described earlier, Thaksin vigorously promoted his vision for Thailand and laid out four main policy proposals: 30-*baht* per visit healthcare, one million *baht* fund for villages, an asset management corporation to absorb non-performing loans, and debt moratorium for farmers. Thaksin also promised more “protectionist” economic policies, restricting the rights of foreign investors.

This issue-oriented campaign was arguably the first of its kind in Thailand. Thai Rak Thai touted these four issues consistently across the country, and they resonated with voters.

Thai Rak Thai swept into power with 248 seats²⁷ and with the merger with the New Aspiration Party, depending on the possibility of NAP defections, could see its numbers approach 300. Thai Rak Thai survived its first major challenge when Thaksin was acquitted by the Constitutional Court on charges of fraud in his asset declarations while he was serving in government in 1997. Now the main challenge facing the party, expressed by Thai Rak Thai party officials, is the implementation of the party platform. The party recognizes that the public is impatient for reform. As one official said, “The strength of the party relies on the success of these policies, and the party’s reputation lies on its ability to perform and meet the expectations of the people.”

Party’s Perceptions of the Political Environment and Corruption

The Thai Rak Thai Party repeatedly states that money politics has damaged the political system and the way in which parties operate in Thailand. The party has declared a “war against corruption” and has stressed the need to educate the public at large, starting with young children, and to reward honest officials and citizens. One party leader has proposed that the national school curriculum stress ethical standards, based on Buddhist study. The party declares that it is committed to fighting vote buying and corruption in the political process.

Most party officials, however, also acknowledge that there are many expenses associated with party work. Money is needed to launch campaigns, obtain popular candidates, and hold the parties and festivals demanded by the voters. Party officials report, for example, having to pay allowances to people “volunteering” for the party. Therefore, it is a challenge for the party to meet these financial demands while avoiding money politics.

Thai Rak Thai officials believe that the new constitutional provisions represent significant changes in Thailand’s political system and culture. Although the new laws represent several advantages, several party officials argue that some of the provisions are “unnatural.” According to one official, the Organic Law on Political Parties “forces” parties to develop in a specific way under stringent guidelines and applies “excessive” enforcement measures. Another Thai Rak Thai official observes that the law allows parties to become established too easily but makes it almost impossible for them to survive. Although party officials support disclosure mechanisms -- and in the words of one party official, “the more transparent the better” -- some believe that these

regulations discourage businesspeople from entering politics. According to one party official, “All businesspeople try to reduce their taxes,” and this could get them in trouble when they are required to make declarations. Another complaint from party officials is that the rules are not clear and the wording of the law is at times confusing.

Several party representatives have also expressed distrust of the independent bodies, such as the NCCC and the ECT, and believe that they should be monitored and “checked” by the government. Thaksin has proposed to limit the powers of the accountability bodies and to set up parliamentary oversight committees to monitor the activities of the NCCC and ECT. In addition, several Thai Rak Thai officials have proposed the establishment of “another NCCC” that is staffed by “the people” to counterbalance the current body. Some party officials have stated that the NCCC should be focusing its attention on catching “big fish” and should not spend time on “harmless” cases. Moreover, Thaksin has spoken out against “the ability of the Constitutional Court to ban a prime minister from politics” and has proposed to “clip the wings” of the Court and other independent bodies. Other party officials, however, explain that the party has no intention of limiting the powers of the independent bodies but rather wants to see the bodies “refocus and rethink their objectives.”

Party Structure and Decision-Making

The executive committee of the party includes 120 members who are elected at the general assembly meeting, along with the party leader, although the committee may be expanded to include the leadership of the NAP. The party also has 22 deputy leader positions. There are several committees under the leader, including the political committee, academic committee, and the consideration committee for nominating candidates for elections. The secretary-general oversees the party’s spokesperson and public relations office and the administration and management office.²⁸ The general assembly is comprised of MPs and representatives from coordinating centers across the country. There are no term limits for the party leader or the committee officials.

The party is currently restructuring itself to manage its rapid growth and decentralize its operations. Thai Rak Thai boasts of 10 million members, although the party has only established four branch offices, as required by law. The party instead calls its local offices “coordinating centers.” Party officials say that this is, in part, to avoid the declaration of assets and liabilities required of all branch officials by the ECT and in part because the party wants to establish branch offices slowly in order “to avoid mistakes.” Representatives from the party also assert that it has been difficult to establish branches in the short time it has been registered, and it is trying to “catch up” with its fast growth.

The party's coordinating centers, or regional committees, exist in the north, northeast, central region, and the south. The responsibilities of the committees are to select "suitable local politicians" to join the party, develop guidelines for party policies at the regional level, develop regional budgets, and evaluate regional operations.

According to virtually all reports from within and outside the party, the decision-making process in Thai Rak Thai is highly centralized, and the party is often accused of being a "one-man show." Thaksin's ideas and platform have been the party's ideas and platform, and he formed the party based on his vision and agenda. Everyone who subsequently joined the party agreed with the measures outlined by Thaksin, and therefore party members and officials did not have a voice in the formulation of the campaign or the campaign message. Moreover, the founders of the party alone identified Thai Rak Thai candidates for the House elections, without broad membership input.

Thai Rak Thai officials explain that the party is new and will become more consultative and democratic over time. Officials also add that the leadership must proceed with caution in "democratizing" the party in order to hold the party together. A big challenge for Thai Rak Thai is to manage the collection of diverse factions and interests that compose the party. Party members believe that it is necessary for the party first to build a strong, centralized foundation and institutionalize its principles in order to avoid splintering before allowing more democratic procedures. Furthermore, many Thai Rak Thai officials explain that although party members and candidates did not participate in devising the party's platform, Thaksin consulted with many experts, academics, and citizens before formulating his agenda for the new party. In fact, officials from other parties acknowledge that Thaksin's policy development process was from the "grassroots."

Supporting the argument that public opinion drives the party's agenda, Thai Rak Thai uses public opinion surveys. The party believes that polling is essential in identifying strategies that are responsive to the needs of the people, and, according to one senior Thai Rak Thai official, the party "cannot trust the press to report the sentiments of the Thais accurately." By determining party policy through polling, the party has to justify any policy positions that are not consistent with public opinion, enhancing accountability and transparency in the platform development process and highlighting any acts of patronage or vested interests. Public opinion research is a technique that is relatively new to Thai political parties, and Thai Rak Thai boasts that it is on the cutting edge of party professionalism.

Although the party has formal decision-making procedures, with major decisions requiring approval from specified bodies within the party, the party also has informal mechanisms for making decisions. Officials acknowledge that a few key leaders may make party decisions without going through official approval processes. Many party members argue that these informal mechanisms are necessary in all parties for efficiency.

Money Management and Party Financing

Most of Thai Rak Thai's funding comes from the Thaksin family, according to ECT reports. The party does not own any businesses, although the Thaksin family does. Thai Rak Thai also receives 83 million *baht* from the government's party fund, and the amount will increase in the next year due to the party's growth. According to one party official, the party fund, although not necessarily needed for financial reasons, is essential to ensure that "the prime minister does not dominate the party alone." As the party diversifies its funding, it also diversifies the control structure in the party.

Fundraising takes place at the party headquarters. Coordinating centers can raise small amounts of money for local candidates, but money for party purposes must go through the headquarters. Candidates are responsible for funding their own campaigns, although the party provides posters and other materials. Party officials report that it is difficult to raise money from average citizens, but corporations and wealthy individuals are interested in contributing.

The party will accept money from all sources permitted under the law. Party officials acknowledge that it is difficult to accept money from "dark" sources because of the vigilant press. The party does not have any specific restrictions on donors, such as the tough conditions championed by Thaksin's former party, Palang Dharma. Party officials assert that neither outside donors nor internal patrons influence party behavior, and it is "impossible" for donors or other influential people to obtain important positions in the party or government without strong qualifications. According to party members, Thaksin makes it very clear to donors that influence "is not tolerated." Those outside the party, however, contradict these statements by pointing to several of Thaksin's cabinet ministers who are former business associates or powerful patrons with questionable professional qualifications.

Ethical Standards and Discipline

The party has a "code of conduct" for all new members, based on the government code for parliamentarians.²⁹ The code is included in the party's regulations, and although members do not sign it, they must pledge to follow

the regulations. This code includes 12 principles to which all members must adhere. These are:

- Respect and worship the institutions of Nation, Buddhism, and King, and the democratic regime with the King as the head of state.
- Adhere to the regulations, policies, and resolutions of the executive committee, the orders of the committee officials, and the party proclamations.
- Do not use members to seek personal interest or the interests of others in a manner against the law, regulations, and good morality in society.
- Do not conceal or neglect to inform the party of any wrongdoing by members that may ruin the party's reputation.
- Do not violate the law or good morality and do not conduct any act that sets a bad example and is condemned by the public.
- Respect the resolutions of the executive committee relevant to selecting suitable candidates for the election to the House of Representatives.
- Behave and work morally and legitimately.
- Adhere to the principles of the party as outlined in the party's policies.
- Be responsible for your duties in the party.
- Honestly report and be responsible for the information on the membership application form.
- Do not join another political party or hold any position in another political party while a member of Thai Rak Thai.

There is no official monitoring process in the party, and the party tracks the behavior of members informally. According to one party official, "We always seem to know when there is a problem." During the weekly meeting of MPs and ministers, people have the opportunity to raise concerns about party members, and it is through this forum that complaints about discipline usually arise. The party has a disciplinary committee to hear cases against members. The party leader alone chooses five people to form the discipline committee, and the executive committee endorses them. The discipline committee ensures that members adhere to the code of conduct, submits new laws and regulations to the executive committee, and investigates and considers accusations against members. A member of the executive committee or at least 20 party members can submit a petition to the disciplinary committee. The executive committee determines the verdict and punishment.³⁰ Party officials acknowledge that "of course" there have been disciplinary problems and this is "normal for Thailand."

Party officials explain that Thaksin influences the conduct of party members and sets an ethical example for the party. He often speaks about the harmful effects of corruption and his intolerance for corrupt behavior, and this, party officials claim, has a positive impact on the party. One party official

reported that Thaksin often says to members, “If you need money and are tempted by bad sources, please come to me instead and I’ll help you.” Moreover, the party reports that a vigilant press is the best preventative measure.

New Aspiration Party (NAP)³¹

Background

Former supreme military commander, General Chavalit Yongchaiyut, formed the New Aspiration Party (NAP) in 1990. Soon after its establishment, the party became a powerful electoral machine, recruiting popular politicians from other parties and establishing an extensive organizational structure. The party was victorious in the 1996 elections, capturing the House with 125 members and forming the coalition government. This victory, however, was short-lived. With the onslaught of the economic crisis, then-Prime Minister Chavalit was forced to resign in November 1997 amid severe criticism, and he joined the opposition when Chuan formed a new coalition government.

During his military duty, General Chavalit was active in the fight against communist insurgents and was involved in the military’s “pro-democracy” efforts. He formed NAP on a platform of expanded democracy in Thailand, and the party participated in the rallies with student activists and democrats against Suchinda during the 1991 *coup*. NAP is viewed as an “Isaan” (northeast region) party, appealing to the needs of the predominately farming population in the northeast. The party is considered more populist in its appeal, demanding greater decentralization and promoting local economic activities. The party has consistently focused its economic platform on the financial gap between the rural and urban populations. NAP advocates an economic strategy with a strong emphasis on national sovereignty and one that is cautious about the trends of globalization. General Chavalit often refers to foreign companies and investors as “neo-colonists” and has resisted the more liberal economic approach advocated by other parties. The party lobbied strongly against the Democrat administration’s agreement with foreign lending conditions during the economic crisis.³²

NAP lost many of its key members prior to the 2001 House elections, including the powerful Snoh Thienthong and his 70 followers who defected to Thai Rak Thai, establishing the *Wang Nam Yen* faction. NAP won 34 seats in the 2001 elections and became the fourth-largest party in the House. However, in January 2002, the party voted to join Thai Rak Thai with a vote of 149 in favor and 84 against. Those in favor of the merger argued that the survival of small parties is not guaranteed in Thailand, as the last election demonstrated a

movement toward a two party system. Dissenters, however, were furious at the inevitable submersion of the NAP ideology to that of Thai Rak Thai and have serious misgivings about Thaksin's leadership. Once the NAP is dissolved, members will have 60 days within which to decide to join Thai Rak Thai, defect to a different party, or form a new party.

Although Thai Rak Thai unanimously voted to accept the NAP into its fold, there are members of Thai Rak Thai who are reportedly displeased with the merger as well, namely Snoh Thienthong. He will now have to join together again with a former foe -- the party he left under negative circumstances -- and may have to sacrifice some of his power in Thai Rak Thai to accommodate the NAP leadership.

Party's Perceptions of the Political Environment and Corruption

NAP representatives acknowledge that corruption is a severe problem in the country and affects the environment in which parties function. The party includes "fighting corruption" in its platform and has proposed several broad solutions to the problem. First, education, particularly civic education, is needed, starting with children. Second, there must be active campaigns on social values and ethical behavior. Ordinary, honest citizens should be promoted, and attempts must be made to wipe out, in the words of one NAP official, "the Thais' fascination with and automatic respect for the wealthy and elite." Third, people's earning capacity must be improved and people should have access to capital to start and maintain businesses.

Party leaders report that the new laws, such as the party and election laws, represent a step forward for democracy. According to one senior NAP minister, people do not have a good sense of how parties are supposed to function and the laws help "demystify parties" and increase transparency. The laws allow people to view the inner workings of the parties and force accountability, and the new constitution and regulations have increased the public's understanding of democracy and corruption. The same minister added that there is "less tolerance than ever" for bad behavior, and parties must worry about their public image.

Some NAP party officials, however, also criticize what they describe as an underlying assumption in the constitution that all politicians are bad. This assumption not only damages the image of parties but also discourages more popular participation in the party system, which is essential to the growth of democracy in Thailand. Furthermore, several NAP officials have expressed concern that some clauses in the constitution are vague and unintentionally created loopholes that should be closed.

Party Structure and Decision-Making

NAP has an executive committee of almost 70 members, a small executive board of 10 to 12 people, a general assembly, and 267 branch offices. The party has several committees paralleling the committees in parliament, such as foreign relations, finance, and legal. The executive committee appoints the members of these policy committees. This structure will change with the merger with Thai Rak Thai, and it is unclear what authority NAP's executive committee members and leaders will have in the new party.

According to party officials, the secretary-general and party leader have historically made major decisions in NAP. The party's by-laws, however, allow for some membership involvement in decisions. The executive committee or at least 100 general members, including 20 members from each region, for example, can propose amendments to party regulations. These amendments, however, have to be approved by at least one-third of the executive committee or half of the general assembly. In practice, neither members nor the general assembly have contradicted the leaders on party decisions, although some members have occasionally raised questions about the party budget.

Party officials report that the new constitution and legislation have altered the decision-making process in the party, namely by "counterbalancing the powers of financiers and patrons." Patrons who once were able to influence party policy and use the party to "build up their resources," are no longer able to control the majority as they used to do, according to one party MP. The party law requires general assembly meetings and more democratic procedures within parties. NAP proceedings and decisions are thus open to scrutiny by members, and major party policies require a vote. In the words of one NAP official, "Now decisions are made by majority and not by a few influential people." Informal decision making within the party is also not as tolerated as before. When a group of senior members held an informal meeting to discuss the merger with Thai Rak Thai, for example, party leader Chavalit dismissed the person who called the meeting because the meeting did not follow the required procedures. Party MPs also report that the party fund has helped reduce the influence of patrons by providing an independent source of money for the party.

The internal election process for party posts has also changed. According to one NAP MP, "Vote buying used to be prevalent in the party elections, and there was never a true merit system for posts. Now, however, it is more difficult to purchase party members and influence their voting decisions." Members are more aware of their rights to participate in the party and recognize their duty to their constituents. Moreover, with growing public

awareness and a strong press, according to one party MP, Thai parties can no longer give high posts to financiers unless they have other strong qualifications or the image of the party would be damaged.

Money Management and Party Fundraising

The main source of NAP's funding comes from donations to the party. Party ministers and MPs also are requested to pay a percentage of their salary to the party. Ministers give approximately 10 percent of their salaries, and MPs give approximately five percent. Party officials acknowledge that often contributors, including those within the party, expect certain rewards for their contributions. However, as mentioned above, financiers have less influence on the party since the implementation of the new party and election laws.

The party became much smaller following the 2001 elections and does not attract the same financial support it did in the past, as many donors prefer to give to parties in power. According to one MP, the party used to have a special fund for MPs to pay the "social taxes" in the villages. Various investors and businesspersons sponsored this fund. The fund was abolished, due to the decrease in donations. Although the lack of funds has put NAP politicians in a difficult position, one party MP believes that it represents a positive change. "Now MPs must reinvent themselves and their role," he said. "They need to explain to the public why they cannot give money anymore."

The party has a professional treasurer and accountant, and the party's audit results are made available to all party members as well as the general public, as prescribed by law. However, certain party officials concede that the information reported in the audit probably does not include all the financial transactions in and out of the party. Some donors, particularly companies, request anonymity, and therefore NAP, like other Thai parties, does not report these donations. Party officials also admit to the possibility that the party has accepted funding from "dark, anonymous sources." With increased scrutiny from the ECT and the media, however, party officials assert that the party is much more careful about its sources of funds and refuses money from obvious illegal sources.

Ethical Standards and Discipline

NAP has an oath to uphold the party principles: "Resolve to serve the general masses, determine to bring about a prosperous and dignified country, vow to uphold with reverence the Chakkri Dynasty, and stand to preserve noble deeds and propriety." The party also has a code of conduct.³³ The code requires members to:

- Adhere to the principles and policies of the party.
- Follow the regulations or the resolution of the executive committee, executive board, regional committees, branch committees, as well as the orders of the party leader.
- Maintain and keep the reputation of the party by not committing any derogatory acts.
- Encourage, support, and promote the principles of the party.
- Encourage and promote the activities of the party.
- Support party candidates for the election without any conditions.
- Not commit any act indicating divisiveness in the party or causing divisions in the party.
- Not illegally seek benefits on behalf of the party.

According to one party official, codes of conduct are “irrelevant.” Unless enforced, they are only about the party’s image. There are no conflict of interest clauses for party officials or other mechanisms that directly regulate party members’ conduct. Party representatives report that it would be “difficult to get members to agree with such stern regulations.”

If a disciplinary problem comes to the attention of party officials, the party leader appoints a committee to investigate, and the accused is provided the opportunity to defend himself or herself. When the hearing ends, the committee suggests a verdict to the leader, who determines the punishment. According to one senior official, the party first tries to “help the person and save his reputation.” Only in severe cases has the party officially punished a member, when it was obvious that his or her actions would be revealed to the public.

Party representatives report that the laws established by the new constitution improved internal party discipline. The stringent measures of the ECT affected party behavior, as party members realized that their actions are more vulnerable to public exposure. The party also taught its members about the laws and emphasized disciplinary development. In particular, the party leadership lectured candidates about vote buying and how harmful punishment from the ECT could be to the reputation of the party. The training seminars took place across the country through the branches, and the party encouraged monks to participate as facilitators and used religious values as guidelines for ethical behavior.

Both the small size of the party and its inability to raise large amounts of money have affected party behavior. One official argues that the party has started relying on the “only resource we have – policies.”

Democrat Party

Background

The Democrat Party is the oldest party in Thailand, established in 1946 by a group of supporters of then-Prime Minister Kuang Aphaiwong in favor of enhanced democracy in the political system. The party's ability to participate in politics was periodically interrupted over the next few decades as the country fell under authoritarian rule. For an entire decade, from 1958 to 1968, the party had to stop functioning completely due to the dictatorial regime of Field Marshal Sarit Thanarat. In the 1970s, the party lobbied for democracy and an end to military rule and started to attract young scholars and civic leaders. The party participated actively in the student protests in 1973 against the dictatorship of Thanom Kittikhachorn. Again in the early 1990s, under the new leadership of Chuan Leekpai, the party rallied together with students and democrats to oppose *coup* leader General Suchinda Kraprayoon and the national peacekeeping council (NPKC). The party has its stronghold in the south, the home of party leader Chuan Leekpai.

The Democrat Party promotes a liberal economy and conservative fiscal policy, which the party terms, "economic professionalism." The party supports developing monetary instruments and enhancing the market in order to increase savings.³⁴ It believes in encouraging foreign investment and agreed with the measures mandated by the International Monetary Fund (IMF) and World Bank following the 1997 crisis. The party advocates for the independence of the Bank of Thailand and the Security Exchange Commission to insulate these bodies from undue political influence.

Some commentators, particularly in the NGO community, have criticized the party for being elitist and argue that the Democrats focused too much on the needs of businesspeople and financial institutions during the economic crisis at the expense of the poor and rural populations. The party defends its policies, asserting that they address the long-term strength and stability of the economy, and the party cautions against "quick-fix," populist solutions. In particular, the party has expressed concern about the temptation of politicians in Thailand to promote a "benevolent dictator" model of governance, in which a leader restricts certain liberties to control the economy and enhance political stability.

The party assumed control of the government in 1997 following a no confidence motion against Prime Minister Chavalit Yongchaiyut's administration, and the Democrat government was the first in history to complete a full term. However, the party lost the government in the landslide victory of Thai

Rak Thai in the 2001 House elections, although it held on to 128 seats.³⁵ This defeat was a catalyst for a massive reform process within the party. The party has pledged to “professionalize” and focus on developing a new management structure and policy agenda. Party leaders acknowledge that the Thai Rak Thai Party was more responsive to the public’s desires during the last election and that the Democrat Party is sometimes viewed as aloof and too bureaucratic. The party is confident, however, that it will rebuild its support and continue to appeal to voters as it has for over 50 years.

Party’s Perceptions of the Political Environment and Corruption

When discussing political finance and corruption, the Democrat Party believes in focusing on the way in which the current legal framework affects parties. According to party leaders, the new Organic Law on Political Parties and Election Law represent some positive fundamental changes in party financing and accountability. In many ways, the new requirements have induced shifts in behavior on the part of the parties to enhance transparency and democratic decision-making. Although full implementation of the laws will take some time, overall, Democrat officials believe that the laws have been effective in limiting corruption and money politics.

Many Democrat representatives complain, however, that the laws are still not sufficient. First, there are no limits on contribution amounts. The Democrat Party believes that this puts them at a distinct disadvantage because of Thai Rak Thai Leader Thaksin Shinawatra’s family money. Party officials admit that when the laws were first drafted no one expected that this loophole would put parties on such an uneven playing field. Second, the spending limits for parties are only in force during the official campaign period. However, campaigning can start two years in advance, allowing parties to spend exorbitant amounts of money without any restrictions or limits. The Democrats are working with several institutes and academics to propose a bill to limit contributions and spending at all times.

Democrat Party MPs, like Thai Rak Thai officials, have also complained that some of the new laws are excessive and make it difficult for the party to operate because of the onerous reporting requirements they impose. If a candidate uses his or her own car, for example, he or she must calculate the rental value of the car and report it as expenditure. Other party officials, however, argue that the rules are acceptable as long as they are enforced fairly and equally across parties. Several party officials have also asserted that the state subsidy for parties is too small, and the formula to determine allocations should be revisited. The allocation amount is based in part on party membership, and the party points out that the definition of a party member is often

unclear and there are so-called “phantom” members in parties. Moreover, Democrat party officials have expressed disappointment in the inflexibility of the ECT regarding how money from the subsidy can be spent. In one case, the party claimed that it wanted to spend part of its party fund allocation on research but did not get approval from the ECT.

With respect to disclosure, a few party officials, like those in Thai Rak Thai, have indicated that the declaration of assets and liabilities for branch chairs is excessive. Although they agree that candidates and high-level party officials should submit declarations, some officials believe that there should be greater leniency with the branch office chairs. The party reports that the declaration requirements have discouraged “qualified people” from taking branch chair positions because they would like to maintain their financial privacy.

In addition to concerns about how the legal framework affects the party, the Democrats are worried about the impact of the media on the party system. Party officials have questioned the neutrality of several key media sources. The party alleges, for example, that wealthy parties are influencing journalists, and newspapers are too dependent on advertising income, making them easy targets for party and government interference. The Democrat Party is especially troubled by Thaksin’s acquisition of I-TV and believes it has harmed the objectivity of this valued source of news and information.

In general, party officials acknowledge that it is extremely difficult to enforce ethical behavior and prevent money politics because of Thai political culture. Some politicians spend up to one million *baht* (\$22,000) a month on weddings, funerals, and other activities, the so-called “social tax,” for their constituents. In the words of one senior Democrat, “Many honest MPs are in trouble” because they refuse to accept the money of a patron to provide these expected services. In Bangkok, the problem is reportedly not as acute, since citizens do not have the same expectations and often disapprove of “social taxing.”

Party Structure and Decision-Making

As the oldest party in Thailand, the Democrat Party has been able to implement a clear structure and decision-making process over the years. Even other party officials admit that the Democrat Party is the most institutionalized of the parties and follows defined procedures. The party’s broadest body is a general assembly of approximately 300 people, including party MPs, executive committee members, and branch office chairs. The party leader and 40-member executive committee are elected by the general assembly.

There is also a smaller executive board of 18 members, including the party leader, the secretary-general, several MPs, and party officials. The party's secretary-general oversees the branch offices and committees, and the party's director manages personnel, accounting, conferences, public relations, information services, and registration. There are no term limits for positions in the party, but the party has had five different party leaders over the past 56 years, indicating turnover.³⁶

The internal party election process operates smoothly, according to party leaders, and party officials report that there is no vote buying or manipulation. Fourteen years ago, there was a rift in the party between two camps, leading to vicious lobbying during the party elections and an eventual split in the party. The party claims it has since "learned its lesson" and will not tolerate coercive factionalism or election manipulation. Competitiveness, however, is encouraged, and the current party leader Chuan Leekpai has not always won by a large margin, demonstrating, according to one leader, "healthy democracy within the party." Nonetheless, some party officials still complain that "not all votes are equal" in the internal election process, as those with power can influence outcomes through effective lobbying and vote buying.

Party officials define the party's decision-making process as democratic, and general assembly members are able to vote on key policies. The party also conducts public opinion polls to aid party decision-making and has established policy committees to manage activities for the party on a variety of issues. Some decisions in the party, however, are made unilaterally. According to several party members decisions made in the committees have been "top down" and opaque with no broader membership endorsement or approval. Furthermore, there are currently no elections to determine the policy committee's composition. Party officials also report that in the past candidates have been chosen by the leadership without broader consultation. According to one party member, only a few key leaders in the party determined the party list in 2001. The party is currently revamping its internal structure and plans to reduce the number of committees and give them more defined functional responsibilities, such as policy formulation, foreign affairs, conferences, and fundraising. The party also pledges to develop a more consultative and democratic decision-making process.

Democrat members at the local level elect the chairs and committees of the approximately 300 branch offices, including regional, provincial, and constituency committees. Branches conduct local party activities and have the authority to nominate candidates for the general elections, although the party headquarters must approve all nominations. In the past, there have admittedly

been “nasty conflicts” between the branches and headquarters over the nomination process, which, the party asserts, is inevitable when competition is fierce. Local branches must keep party headquarters informed about their initiatives by submitting financial and activity reports, a requirement imposed by the ECT.

The party is in the process of further decentralizing its operations by creating additional branch offices. According to party leaders, this is a challenge because the party wants to make sure that there is consistency in standards across all the branch offices. As one party official stated, “There is a trade-off between decentralization and cohesiveness.” He also asserted that the party wants to set up branches only when the “fundamentals are there to establish *quality* branches.”

As mentioned, the party is going through a reform process, including restructuring the way in which the party is managed and protecting against possible conflicts of interest. The party has determined that MPs and party leaders should not manage the day-to-day affairs of the party. First, according to one party official, it may present a conflict of interest to be involved in the government and party management. Second, managing the party is a full-time responsibility. The party wants MPs to focus on legislation and not party matters. Instead, the party will select “professionals” to run the party. A special administrative committee is being considered to complement the existing executive committee and board, and this committee would include professionals tasked with handling administrative affairs for the party.

Another part of the reform effort includes holding training seminars across the country to inform members of the new party laws and regulations, discuss policy concerns, and develop an effective platform. The party is trying to develop more responsive policies and has developed working groups of MPs, academics, economists, and others to draft party policy. The party also plans to expand its use of public opinion polling and focus groups.

Money Management and Party Fundraising

Party officials report that one way in which the party has avoided domination by one individual or faction is through the diversification of party funds. The party has never had to rely on one person or source for funding. Moreover, all party MPs must give between 5 and 10 percent of their salary to the party, depending on their salary and position in government. This practice has given people a stake in the party and helped to prevent the domination of one funding source. Diversity of funding, according to party officials, has preserved the independence of party members and enabled the party to survive leadership changes.

Fundraising is conducted at all levels of the party. Branch offices keep the money they raise locally, although they must report revenues to the party headquarters. Branch offices usually inform the headquarters of all fundraising activities in advance, and party officials claim that the headquarters would know if local officials were abusing their positions in this process.

Party leaders claim that the party faces the challenge of raising sufficient funds to conduct activities, although according to ECT figures the party raised more revenue than any other party in the last election. The party currently receives most of its money through fundraising dinners and some contributions. The party has essentially waived its membership fees. Leaders report that they tried a direct mail campaign, but the results were mixed. According to one party leader, people have been “genuinely offended” by requests for money from the party, particularly given the economic slowdown. Individual donations are not only unusual but also not worth it because the sums are small and the party must report all amounts to the ECT, a time-consuming process. Party officials complain, for example, that to follow the law they must collect copies of ID cards for every donor, even on a 100 *baht* donation.

Party officials explain that companies are hesitant to give money to the party under the new disclosure laws. Companies want to maintain their anonymity, because if the party does not win, they fear “retaliation” by the new government. Party officials admit that all parties still take money from companies but keep the donations “off the record.” According to one senior Democrat MP, this has forced parties to operate in a non-transparent manner. He added that party finances in Thailand are still “in the Twilight Zone.”

Party officials acknowledge that donors naturally expect some returns on their investments and add that this is true everywhere in the world. According to one party leader, however, rich businesspersons cannot automatically claim positions in the Democrat Party as they can in other parties. In fact, several new businesspersons who joined the party were forced to the bottom of the party list.

A team of professional accountants manages all party money, and the party conducts an annual audit, which is approved by the general assembly. In the annual budget, the party creates different categories of expenditures based on projections, such as salaries, per diem, supplies, rent, etc. The party leader, with the consent of the executive committee, must approve any expenses that are not included in the annual budget. All accounts of the head and branch offices include a journal indicating revenues and expenditures, receipts from donations, a ledger, and a statement of assets and liabilities. The executive committee manages the party’s bank account.

Ethical Standards and Discipline

Although the party has no official mechanisms to ensure the ethical behavior of its members, such as signed membership contracts, conflict of interest clauses, or internal monitoring procedures, party officials explain that it relies on “trusted individuals” of the party to reflect a positive and clean image. According to one party official, the five party leaders since the party’s establishment have been beyond reproach and have set a good example for the party. Senior party officials assert that party leader Chuan Leekpai plays an active role in emphasizing integrity. Observers outside the party, however, argue that although the party leader may be honest, other powerful party officials do not have similar reputations, such as the former interior minister who was prohibited from engaging in political activity after being convicted of corruption.

The party established criteria for candidate selection, and there is a screening committee at both the regional level and headquarters. The Democrat Party, for example, often rejects candidates who have defected from another party. In particular, the party claims that it refuses defectors *en masse* because it wants to avoid factionalism within the party.

Party officials acknowledge that it is impossible to screen out all dishonest persons. However, corrupt members, allegedly, do not last long because of the party’s emphasis on “working your way to the top.” According to party leaders, there is an unwritten rule in the Democrat Party that everyone must put in their time, learn about the party, and demonstrate their capabilities before being offered a position or candidacy. As one official said, “Patience is required... therefore, corrupt politicians find it easier to go to other parties to guarantee their success.” Others in the party, however, have reported that this process is too slow and old-fashioned and does not give young, ambitious members the opportunity to move up the ladder more quickly based on their merits.

The party has a code of conduct in the party regulations manual,³⁷ although members do not sign this code. There are five main points included in the code:

- Members shall adhere to the principles of the party as they appear in the policies of the party and shall follow the party regulations and the resolutions of the executive committee.
- Members shall not commit any act indicating division in the party or causing a split in the party.
- Members shall not commit any act in pursuit of his or her interests.

- Members shall follow the resolutions and regulations prescribed by meetings of members of the House of Representatives.
- Members shall behave and not hurt the reputation of the party.

The party monitors its members through an informal, “multi-tiered” approach. The regional party representatives look out for the provinces, and the provinces observe the constituencies. In response to any wrongdoing, a member of the executive committee or at least 20 party members can submit a petition to the party leader. The leader then has the power to investigate himself or herself, or assign another member or team of members to investigate. If there is reasonable cause, the leader can make a decision or appoint at least three members to a disciplinary committee to consider the case. The accused has the right to defend himself or herself, and the leader determines the penalties. In the case of termination, the executive committee must approve of the punishment by a simple majority.³⁸ For members of the House, the country’s constitution also provides an appeals process regarding expulsion.

Even though there are defined disciplinary procedures, officials report that the party prefers to handle infractions the informal “Thai way.” According to a senior party official, Thai culture is not confrontational, and therefore the party uses direct discipline “only as a last resort.”

Chart Pattana Party

Background

Chart Pattana was established in 1995 to support Chatichai Chunchavan Choonhaven, former leader of the Thai Nation Party. Since its establishment, the party has been able to gain quickly several seats in the House and has served as an important partner in both government and opposition coalitions. Although Chart Pattana is a relatively small party, it has wielded substantial influence in the parliament. The party’s current leader is Korn Dabbaransi. The party won 29 seats³⁹ in the last election and is currently in the opposition, although it is deliberating on whether or not to join Thai Rak Thai’s ruling coalition.

Party’s Perceptions of the Political Environment and Corruption

In the words of Korn Dabbaransi, the party’s leader, “Corruption is in the hands of 35 plus one.” In other words, the 35 ministers and the prime minister hold the keys to corruption opportunities in the country. The ministers and the bureaucracy have the power to be corrupt because they have the favors to offer, such as licenses, contracts, and concessions. Korn Dabbaransi

argues that although the ministers come from political parties, the political parties themselves are not the source of the problem of corruption, despite having “authorized” it. The Chart Pattana Party Leader asserts that only when a party is in a position of power can corruption take place.

The party believes that the culture of vote buying in the country is changing. The Thai public, according to one party official, is “learning how to vote” and beginning to focus on the policies of parties. Chart Pattana believes that each election will get cleaner as citizens increase their understanding of democracy.

Chart Pattana believes that the independent bodies, such as the ECT and NCCC, are effective, particularly given their infancy. The party feels, however, that these bodies need to be monitored as well and should not wield absolute authority. According to party officials, these bodies are not “above influence” and can be subject to the same dark forces that affect government. In terms of the legislative framework for parties, Chart Pattana reports that the political party law has helped increase transparency, and this, the party leader believes, is a positive trend. The regulations are fair, and no limits on contributions are needed as long as everything is transparent. If voters can see where the money is coming from, they have the right to decide whether they approve or disapprove. According to the party, the laws have put more power in the hands of voters.

Party Structure and Decision-Making

The executive board, the party’s MPs, and the general assembly determine the party’s main platform and agenda. Party members can participate in policy formulation through the branch offices, representatives from which attend the party convention. The party has approximately three million members across the country and is in the process of establishing branch offices in all 400 constituencies. The party claims that it gives significant power to the branch offices. According to Chart Pattana’s leader, for example, branch offices nominate candidates from their constituencies. Although the executive board still must approve these nominations, the party leader asserts that the branches “have the strongest say.”

Overall, the party officials believe that it is critical to have a democratic decision-making process within the party. It acknowledges, however, that often the executive board needs to make quick decisions without consulting members, and there is therefore occasionally a trade-off between efficiency and democratic decision-making. There are also reports both within and outside the party that the deputy leader wields tremendous authority and influences party decision-making.

Money Management and Party Fundraising

The party is funded mostly by contributions from individual donors and corporations, as well as the political party subsidy. Donors, party officials admit, expect a reward in return for their contributions, but, in the words of the party leader, “As long as the party can explain to the voters, there should be no problem.” The party has never turned down any financial contributions. Party MPs do not have to donate part of their salaries to the party, although several members choose to make contributions.

The party conducts an annual audit and completes a financial report for the ECT, including all sources of funding and expenditures. The party posts this report on the bulletin board of the party, allowing any member of the public access, as required by law.

Ethical Standards and Discipline

According to the party leader, Chart Pattana will not tolerate unethical behavior, and the party’s good leadership and track record have been critical in keeping the party clean. The party advises candidates to campaign on the theme of integrity and highlight the lack of scandals in Chart Pattana. In addition, candidates are told to talk about the party’s accomplishments rather than to make specific promises to voters.

Party officials state that the new party and election laws have improved ethical behavior in all Thai parties. Chart Pattana explains that it is strict with its candidates and advises them to comply with the ECT. The party argues that there is no real need to monitor from within the party for corruption because “the ECT is serving that role.”

The party has an internal disciplinary process outlined in the party’s regulations manual, and 20 party members can submit a complaint. The leader then authorizes members of the executive committee to investigate. Following the recommendations of the investigation committee, the leader can appoint not more than five members to hold a hearing. The leader and the executive committee make the final verdict.⁴⁰ The party claims it has not had many problems that have necessitated the use of the committee. In one case, a cabinet minister from the party was captured on tape discussing his planned defection. The executive committee forced him to resign.

To encourage internal discipline, all party members must take a verbal oath to the party: “All members are required to oblige to the party’s principles, policies, and regulations in every way.” However, as one party official pointed

out, the constitution protects MPs who deviate from the party when electing the prime minister. The party also has a code of conduct in the party regulations manual.⁴¹

- All members shall adhere to the principles of the party and shall not violate the regulations and resolutions of the executive committee, including the orders and announcements of the party.
- All members must not commit any act serving his or her own self-interest or for other people's interests against the law.
- All members must not criticize or attack other members or parties in front of people who are not party members.
- All members must not conceal any mistakes or neglect to inform the party of any wrongdoing on the part of members that would ruin the party's reputation.
- All members must not violate state law or commit any performance against the good morality of the people.
- Party officers must not reveal the secrets of the party and resolutions of party meetings to outsiders.
- All members must follow the party resolutions when implementing parliamentary operations.

The party conducts ongoing training activities with party members on the principles of the new constitution, democracy, and the function of parliament. Every morning, when parliament is not in session, over 200 members come to the Chart Pattana office from all over the country to receive training. Party leader, Korn Dabbaransi, leads this training. The party explains that the trainings aim to increase participation and create a more democratic space in which party members can participate.

Chart Thai Party

Background

A military group led by two former generals formed Chart Thai Party in 1974. Although the party maintains its links to the military, businesspersons and influential powerbrokers came to dominate the party. The party's ideology has been conservative and "anti-socialist," with an emphasis on "law and order." Chart Thai Party played an active role in the suppression of democracy protesters in 1991 and 1992 and joined *coup*-leader General Suchinda's government. Banharn Silapa-archa became party leader in 1991 and served as the prime minister of a failed administration in 1995. Chart Thai Party won 41 seats in the last election.⁴²

Chart Thai faces many challenges. The party only won six seats on the party list ballot, demonstrating a decline in the party's strength as an institution. The leadership of the party, too, is in question, as Banharn has decided to play a smaller role in politics. The party is struggling to define itself and identify its leadership. There is discussion within the party of forming a "third movement" to position the party as an alternative to the Democrat Party and the Thai Rak Thai Party. Some have mentioned an alliance between Chart Thai and Chart Pattana.

Party's Perceptions of the Political Environment and Corruption

The party points to corruption as one of the biggest threats to progress in Thailand. Party leaders explain, however, that the "Asian way" of giving gifts to express gratitude can often conflict with modern notions of reform. Supporting the "Asian way" argument, critics of Chart Thai refer to party leader Banharn as, "Mr. ATM" because of the money he allegedly gives to voters. Party officials argue that politicians are not the ones to blame for corruption in Thailand, as politicians are "simply an outcome of society." In many ways, reports one party leader, legislation often "misses the point" by focusing solely on politicians. Instead, one party official argued, massive changes in society at large are needed to reject corruption. He said that people see corruption as a way of life and do not understand its damaging effects.

The Chart Thai Party believes the ECT is a positive and necessary organization. Party representatives add, however, that the ECT has created new problems. The multiple elections, for example, are draining the public's morale as well as the state's resources. Moreover, according to Chart Thai, the ECT is so caught up in focusing on "small problems" that it has lost sense of its true purpose. Like other parties, Chart Thai representatives also believe that the ECT has too much authority and should not be able to develop laws, implement laws, and enforce laws. There need to be checks on the commission.

Party Structure and Decision-Making

Chart Thai describes itself as a "family" rather than an institution. The party prefers an informal, familial atmosphere to one based on regulations and processes. This informal nature influences all aspects of the party's structure and decision-making. Candidates for public office, for example, are chosen informally through discussions among party leaders and MPs. Often, a MP will suggest a friend as a candidate. There is no real election for candidates by the party members. In fact, the party believes that if the branches determined candidates, there would be conflict within the party.

The party's executive committee meets monthly, and the party MPs meet once a week. The party also holds meetings in each of the regions to consult with its 10 branch offices. Although all parties in Thailand are required to have general assembly meetings to bring together the members of the party, Chart Thai reports that this does not really happen in practice.⁴³ According to one official, "Party membership in Thailand is a real misnomer," adding that Thais have little interest in participating in party activities. Furthermore, when the party leadership tries to solicit ideas from party members, they are unresponsive or shy.

The party is going through many changes and trying to develop a more policy-based agenda. The party is drafting a platform that combines old policy commitments, such as strong agricultural programs, executive committee priorities, and issues proposed by the public. The party also plans to decentralize its structure and encourage grassroots party activities and involvement. One party leader suggested that the party tap into the local Jao Pao, or organized patronage networks, to increase contact with communities.

Money Management and Party Fundraising

The party reports that the influence of donors is hard to avoid: "Money cannot buy everything, but it can buy a lot of things." The party explains, however, that the influence of donors is not a significant problem for Chart Thai anymore, as the party is not in a position of power. Party officials state that business donors are looking for rewards and usually do not support parties out of loyalty or ideology. The party has therefore lost support.

Chart Thai receives most of its funding from the party leader and MPs. The top officials give money to the party, although it is not required by party regulations. In addition, branch chairs are expected to take care of and sponsor those in lower positions. To date, it has been difficult for those without financial means to obtain a high party post. The new government subsidy, however, has been cited as a positive development for the party. Party leaders report that the fund is enough to support the day-to-day administrative affairs of the branch offices and sponsor meetings and seminars.

Party spokespersons believe that receiving the bulk of its funding from party leaders has improved transparency, because everyone knows that the funding comes from within. The party claims that it has always preferred to receive money from friends "within the family," people the party knows and trusts, than from sources outside the party. In particular, according to one party leader, the party is hesitant to receive money from contractors for fear of the rewards they will expect.

The party follows the financial and auditing procedures as outlined in the party law. More than one signature is necessary on all withdrawals and deposits to the party. Branch offices must report to the party headquarters and are responsible for deposits and withdrawals made to branch office accounts.

Ethical Standards and Discipline

The party has a disciplinary committee to investigate accusations against members, and the party's executive committee determines the punishment. The grounds for dismissal in the party's by-laws include "violating or not following the resolutions of the party, violating or not following the resolutions of the general assembly, executive committee, or party MPs, or committing any performance that causes serious damage on the reputation of the party."

Although this disciplinary committee is in place, the party admittedly prefers to handle problems informally. When someone has acted unethically, the party usually does not go through a formal disciplinary process but rather treats the situation in a familial way. The behavior in question is discussed with the errant party member, who might also be scolded by friends in the party or by the party leadership.

There are no written contracts for party members, officials, or candidates within the party. However, there is a code of conduct in the party's by-laws.⁴⁴ The code requires all members to:

- Behave reliably and be trustworthy.
- Dress properly.
- Be punctual, especially for meetings.
- Respect and follow the orders or suggestions of the executive committee.
- Maintain the unity between other members of the party and members of other parties.
- Complete any tasks assigned by the leader or the executive committee diligently.
- Speak politely in meetings without aggressiveness, sarcasm, or personal information about other members.
- Conduct the process of moving a motion, questioning, drafting a law, and debate in parliament with politeness and truth. Members must not use the parliament as a tool to attack other people, bureaucrats, or any other governmental department.
- Be concerned with the nation's benefit and the policies and reputation of the party.

In practice, the party reports that there is little attention paid to the party regulations and laws. When someone joins the party, they talk to the leadership and gradually develop a relationship with party leaders and other members. The party believes this informal, familial environment is more effective in preventing unethical behavior. When someone violates the law “they cannot sleep at night because they’ve hurt their family.” As one party official explains, in more structured, impersonal parties it is easier to engage in illegal behavior because there is no social pressure to comply with the requirements of the law.

The party allegedly has links to well-known organized crime figures in Thailand. The party defends its links with *Jao Pao*, claiming that these people have strong ties to rural local governments and understand the situation at the grassroots level. In fact, Chart Thai believes that other parties “should learn from us on how to turn *Jao Pao* into good politicians.”

Internal Party Anti-Corruption Strategies

		Yes	No	Comments
1	Do party members elect national officials?			All parties must comply with the Organic Law on Political Parties, which requires party leadership to be elected.
	Democrat	Y		
	Thai Rak Thai	Y		
	NAP	Y		
	Chart Pattana	Y		
	Chart Thai	Y		
2	Do local party branches participate in candidate selection?			Although in theory most parties allow branch offices to make nomination recommendations, in practice it is reported that the parties’ headquarters determine candidates.
	Democrat	Y		Branch offices recommend candidates, with approval from the party leadership.
	Thai Rak Thai		N	The leadership of the party selects candidates, and there are only a

			few branch offices. In the future, the party plans to have its branch offices participate in the nomination process.	
	NAP	Y	Branch offices recommend candidates, with approval from the party leadership.	
	Chart Pattana	Y	Branch offices recommend candidates, with approval from the party leadership.	
	Chart Thai		N	The party reports that the executive committee conducts candidate selection informally.
3	Are there regularly scheduled party congresses or conventions?			All parties are required by law to have general assembly meetings with members represented. Some parties report, however, that this is not always done in practice.
	Democrat	Y		
	Thai Rak Thai	Y		
	NAP	Y		
	Chart Pattana	Y		
	Chart Thai	Y		
4	Can all members participate in selection of delegates to the party's national congress or assembly?			There are no primaries involving all members in the selection of delegates to the assembly meetings. However, members are involved in choosing local branch offices, representatives from which determine participation at the assembly meetings.
	Democrat	Y		
	Thai Rak Thai	Y		
	NAP	Y		
	Chart Pattana	Y		
	Chart Thai	Y		
5	Are local party offices elected?			
	Democrat	Y		Party members in the local area elect branch offices.
	Thai Rak Thai		N	The party's coordinating centers are appointed, although the party plans to have elections in the future for branch offices.
	NAP	Y		Party members elect branch officials.
	Chart Pattana	Y		Party members elect branch officials.
	Chart Thai	Y		Branch officials are elected by

				party members, but with the influence of the executive committee.
6	Are there term limits for party officials?			No parties have term limits for party officials.
	Democrat		N	
	Thai Rak Thai		N	
	NAP		N	
	Chart Pattana		N	
	Chart Thai		N	
7	Does the party own businesses?			
	Democrat		N	
	Thai Rak Thai		N	The party does not own businesses in the name of the party, but party leader Thaksin's family owns several businesses, including media companies.
	NAP		N	
	Chart Pattana		N	
	Chart Thai		N	
8	Does the party refuse political contributions from certain sources?			The political party law prohibits parties from receiving money from foreign and illegal sources. No party, however, has developed their own restrictions on donations nor do they impose conditions on donors.
	Democrat		N	
	Thai Rak Thai		N	
	NAP		N	
	Chart Pattana		N	
	Chart Thai		N	
9	Do party MPs have to donate part of their salary to the party?			
	Democrat	Y		MPs are required to donate between five to 10 percent of their salary to the party, depending on their position and salary.
	Thai Rak Thai		N	
	NAP	Y	N	Ministers are expected to donate 10 percent of their salary to the party, and MPs five percent.
	Chart Pattana		N	Party MPs often make voluntary contributions.
	Chart Thai		N	Although not required, MPs and party officials donate to the party.
10	Does the party employ professional accountants to manage party funds?			All parties are required by the political party law to employ

			official accountants and auditors.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
11	Does the party conduct an annual audit of its accounts?		The political party law requires all parties to audit their records.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
12	Does the party disclose the sources of its funds and expenditures to members of the party?		The political party law requires all parties to share audit information and sources of funding with members.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
13	Does the party disclose the sources of its funds and expenditures to members of the public?		The political party law requires all parties to declare the sources of their funding and their expenditures, and these records are made public.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
14	Are party leaders required to disclose their personal assets?		The political party law requires all party officials, candidates, and branch office members to declare their assets and liabilities within 30 days of taking office and 30 days after leaving office. However, in practice, officials routinely fail to make these declarations.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
15	Are party leaders required to sign a party code of conduct?		All parties have codes of conduct in their regulations manuals, with

			references to ethical behavior.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	
16	Does the party have a formal disciplinary procedure for members who have engaged in misconduct?		All parties have some disciplinary process, usually implemented by the executive committee or party leader. The party law requires certain electoral procedures to dismiss party leaders or MPs, and the constitution provides an appeal process for MPs to the Constitutional Court.
	Democrat	Y	
	Thai Rak Thai	Y	
	NAP	Y	
	Chart Pattana	Y	
	Chart Thai	Y	

CONCLUSION

Thai parties have implemented few reforms to their internal structures or practices to enhance transparency, accountability, and democracy. Reform mechanisms that exist within parties, such as declaring assets and liabilities, conducting external audits, holding internal elections, and disclosing financial accounts and sources of funding, are required by law. The parties, however, recognize the need to comply with these laws and most party officials acknowledge that the effects of the legislation have been positive for the party system.

With the implementation of the 1997 constitution, political finance, election regulations, and political party laws changed dramatically. Disclosure is the main theme of the new legal framework. Parties are required to report the amount and source of all donations, conduct an annual audit and make the results available to the public, and declare the assets and liabilities of all party officials, including branch officials. Spending limitations are also placed on parties during the campaign period. In addition, the Organic Law on Political Parties requires internal party elections, party decentralization, and a consultative internal decision-making process. The laws also try to discourage factionalism and encourage more ideologically based and cohesive parties by making it difficult to switch parties and providing a public subsidy for institution-building activities. Most important, the 1997 constitution empowered an independent body, the ECT to enforce the new laws, although this body acknowledges its limitations in terms of resources and monitoring ability.

The parties have complained about some of the disadvantages of these laws, claiming that they: are unrealistic and do not take into consideration the reality of the Thai political culture; they demonize parties, making them even less palatable to an already skeptical Thai public; and can create perverse incentives and loopholes. Overall, however, Thai party officials recognize that the laws have engendered some positive changes within the party system. Patrons and wealthy donors, for example, cannot influence internal party practices as they once could because of mandated internal elections and membership participation in decision-making. Members are more aware of their rights and have demanded greater accountability from party leaders. The new laws have educated people about corruption, and empowered citizens to examine the inner-workings of the party system and serve as a check on party corruption. In addition, ECT scrutiny has raised awareness of the damaging effects to a party's reputation if caught violating the law and has forced parties to find other ways in which to appeal to voters.

Although the party reforms that have been initiated are largely mandated by legislation, the Thai parties shared some measures that they have implemented on their own to enhance internal democracy and limit opportunities for corruption. Several of these mechanisms may be helpful to other parties in the region, as well.

- **Party Structure and Decision-Making**

In order to promote decisions that reflect the interests of the public over the interests of donors and patrons, parties have taken some measures to reform their decision-making processes. The Thai Rak Thai Party and the Democrat Party have used public opinion polling to gauge the needs and interests of the public and form policy proposals based on those results. In addition, all Thai parties are going through a decentralization process and are devolving more authority to the branch offices, particularly with respect to the nomination process. The decentralization of the party structure can increase the responsiveness of the party to local concerns and diversify power bases in the party, creating additional checks and balances.

The Democrat Party is in the midst of a reform and restructuring process at the time of writing, inspired in part by its electoral defeat. This process involves hiring more professionals to run the administrative aspects of the party, conducting training and membership outreach activities, and revising and streamlining the policies and platforms of the party. All of these activities aim to institutionalize the party and strengthen its support base. In addition, these reforms aim to limit money politics by reducing opportunities for conflict of interest and by encouraging broader member participation in party decision-making.

- **Money Management and Party Fundraising**

Several Thai parties have made efforts to diversify their funding as one approach to limit the influence of one person or interest group on the party. The Democrat Party and New Aspiration Party require party MPs to donate part of their salary to the party to strengthen their stake in the party and diversify the donor base. However, all parties admit that the ability of the party leaders to finance all activities can have its advantages by making the party less dependent on outside donors and their interests. Chart Thai Party, for example, prides itself on receiving the bulk of its funding internally. The Democrat Party attempts to avoid the influence and demands of wealthy donors by requiring all officials to “work their way up” in the party. This approach purportedly limits the ability of patrons to obtain high-level party positions in return for their support, taking away a potential carrot for the party.

- **Ethical Behavior and Discipline**

To ensure the quality and loyalty of party members, the Democrat Party rejects politicians who have defected en masse from other parties. This tactic, the party reports, has limited factionalism and patron-client relations within the party, which contribute to an unstable party environment by providing room for corrupt practices and opaque decision-making. To promote ethical behavior, all parties have codes of conduct in their by-laws, although most agree that these codes are generally unknown to members and have no real impact on behavior. The Chart Pattana Party has a training process to instill ethical behavior and increase members’ understanding of the proper role of parties and representatives. The New Aspiration Party also has lectured members on ethical conduct and the election laws. All parties have a disciplinary process, but most admit that punishment is not “the Thai way.” The parties prefer to use informal means to reprimand wrongdoers.

Despite these internal initiatives and the country’s rigorous national legislation, Thai party officials have expressed their interest in exploring additional reforms. Party leaders have identified key areas in need of improvement, including: the centralized decision-making processes that persist to some extent in all of the parties; the undue influence of wealthy donors; the continued unethical behavior of candidates and other party members, including the persistence of vote buying; and the need to become more rule-based and less informal organizations. There are reformers in all of the parties who agree that the party system needs enhanced accountability and transparency in order to rebuild public confidence in the democratic process.

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- ¹ For more on the patronage process, see Phongpaichi, Pasuk and Sungsidh Piriyarangsarn, *Corruption and Democracy in Thailand* (Chiang Mai, Thailand: Silkworm Books, 1994).
- ² Laothamatas, Anek, "A Tale of Two Democracies: Conflicting Perceptions of Elections and Democracy in Thailand" in R. H. Taylor, ed., *The Politics of Elections in Southeast Asia* (New York: Woodrow Wilson Center Press, 1996).
- ³ See Kobayashi, Sofia, *Strategies for Success: A study of money politics and electioneering in rural Thailand* (Sweden, Uppsala University, Master thesis, 1999).
- ⁴ Laothamatas (1996).
- ⁵ This number has been changed to 255 as a result of Election Commission disqualifications. Upcoming by-elections may alter the results further.
- ⁶ Crispin, Shawn W., "Thaksin at A Crossroads," *Far Eastern Economic Review*, February 7, 2002.
- ⁷ McCargo, Duncan, "Thailand's Political Parties: Real, authentic and actual," in Kevin Hewison, ed., *Political Change in Thailand: Democracy and participation* (London: Routledge, 1997).
- ⁸ Siwaraksa, Parichart and Chaowana Traimas, "Political Parties in Thailand," Institute of Public Policy Studies, 1997.
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- ¹⁰ Limmanee, Anusorn, "Thailand," in Wolfgang Sachsenroder and Ulrike E. Frings, ed., *Political Party Systems and Democratic Development in East and Southeast Asia*, Friedrich-Naumann-Stiftung (England: Ashgate Publishing, 1998).
- ¹¹ Organic Law on Political Parties, 1998, Section 10.
- ¹² Election Commission of Thailand, as of November 2001.
- ¹³ Interview with the Election Commission of Thailand, February 2002.
- ¹⁴ Interview with the Election Commission of Thailand, July 2001.
- ¹⁵ Records of the Election Commission of Thailand, 2001.
- ¹⁶ Interview with Election Commission of Thailand, February 2002.
- ¹⁷ Interview with the Election Commission of Thailand, July 2001.
- ¹⁸ United States Department of State, Country Reports on Human Rights Practices for 2000, Thailand.
- ¹⁹ For the purposes of this report, we have included parties with a significant number of seats in parliament.
- ²⁰ Quoted in McCargo (1997), p. 114.
- ²¹ Bunbongkarn, Suchit, "Elections and Democratization in Thailand," in R. H. Taylor, ed., *The Politics of Elections in Southeast Asia* (New York: Woodrow Wilson Center Press, 1996).
- ²² Limmanee (1998).
- ²³ Siwaraksa (1997).
- ²⁴ Interview with the Election Commission of Thailand, July 2001.
- ²⁵ Interviews with former Palang Dharma leaders and officials.
- ²⁶ Limmanee (1998).
- ²⁷ This number has currently been changed to 255 as a result of Election Commission disqualifications. Upcoming 2002 by-elections and possible disqualifications may alter the results further.
- ²⁸ Thai Rak Thai Organizational Chart.

²⁹ Thai Rak Thai Regulations Manual.

³⁰ Thai Rak Thai Regulations Manual.

³¹ At the time of writing, the New Aspiration Party (NAP) had just voted to merge with Thai Rak Thai, although the Constitutional Court must approve this merger. For the purposes of this report, however, it will maintain its own section.

³² “The Ten Tenets and the Survival of Thailand,” speech by Party Leader General Chavalit Yongchaiyudh, 2000.

³³ New Aspiration Party Regulations Manual.

³⁴ Naewmalee, Kiratipong, et. al., “Policies of Thai Political Parties in the 1995 General Election,” The Institute of Policy Studies, Bangkok, 1995.

³⁵ These results may change following the 2002 by-elections and possible disqualifications by the ECT.

³⁶ Democrat Party Organizational Chart.

³⁷ Democrat Party Regulations Handbook.

³⁸ Democrat Party Regulations Handbook.

³⁹ These results may change following the 2002 by-elections and possible disqualifications by the ECT.

⁴⁰ Chart Pattana Regulations Manual.

⁴¹ Chart Pattana Regulations Manual.

⁴² These results may change following the 2002 by-elections and disqualifications by the ECT.

⁴³ Chart Thai Organizational Chart.

⁴⁴ Chart Thai Party Rules and Regulations Manual.

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