

## **On the issues of the election campaign financing for the political parties**

Presented at the Oct 31, 2003 meeting organised by the Open Society Institute In Mongolia, on "The political parties and election campaigns, " by J.Yadamsuren, professor, Dr, Head of the General Committee for Elections in Mongolia:

Although the elections build up democracy, the elections itself considered a struggle for political leadership, struggle between people and politicians.

We all know that the elections and their campaign are the costly, competitive business. Elections financing come from two major sources. We all have come together here to discuss one of sources, that is funding for the election candidates and funding from the political parties.

Nowadays issues on the election fundings have become major topic of discussion not only in our country but concern of many other countries expecting major due elections. Because, currently, issues on corruption, in particular on the impact of political corruption have become major concern of the whole world and everyone is seeking ways to create open, transparent politics, prevent inflow of dirty money, money laundering in politics.

According to the elections held in the past in mongolia, cost for organising campaigns and holding elections inclined to rise. For instance, political parties have spent 13 708 2 million togrog for parliamentary elections of 1992, tg 209 349,1 for election 1996 and 1 841 679, 8 million fr the elction 2000, these are only estimates.

I could dwell on the reasons for the increasing elections cost, but i'd rather not to do its, as it is obvious. Certain socio-economic groups have started to attach their interests in the elections. Elections have become a kind of business and the role of the money getting stronger. As the elect political positions are seen as the tool for raising economic benefits for the businesses and certain interest groups, elections getting more costly.

Folks in the business world competing with each other in hope of ripping big rewards for claiming their position in the political arena as it has many economic benefits such as receiving special treatment in form of tax exempts, tax breaks among other benefits with support from the politicians who have reached higher positions with their financial assistance. Even some cases for misuse of the state budget have been observed.

Another reason for the increasing elections costs is challenges facing political parties to deliver their message and policies to the voters. Due to failed promises made earlier by the political parties and decreasing reputations make it difficult for them to regain support from voters. In order to regain voter supports parties have to spend more money on conducting public opinion polls, surveys and campaigning.

Adoption of appropriate election management and marketing methods require more financing from political parties to do researches and analysis on the market for

elections. It is hard to cover election campaigning financing issues wholly in 10 minutes, therefore let's us focus on following specific issue on that matter:

**First.** Financing by the political parties both off and on election periods. Law on political parties require parties to present their financial reports on the off election season to the Government.

The next draft of the law, published recently in the papers stipulates the same.

As i see it, it need not to be in the law. Because, we say it is alien experience to have government versee the financial reports of the political parties.

It can be explaining in two ways:

a) During the off political election seasons, parties have their annual financial reports audited by independent auditing organisation and later submit the report to the central election committee or organisation. They don't their financial reports public. In order to ensure the control they submit report to independent election committees. The report may come in use in case of any incidents or controversies that may occur during the election season or during the party to steer the power wheel.

b) Another method for supervising financing for elections is by setting up working group or committee for election financing control once or twice a year on regular basis and have political parties to submit their financial reports. If the committee is to have enough resources it may audit the reports. This method apply for our committee, by setting up such sub-committee during the elections seasons. However this committee lack the resources. For future reference, it is possible for the involving the efforts of specialists from the The General Election Committee, the Central Bank and tax, auditing offices. However the members of the committee need to certified state inspectors.

**Second.** According to the currently enforced law on political parties and elections in Mongolia, political parties, coalitions, independent candidates running for elections required to set up a election fund and open bank account and report to the General election Committee for the public announcement. All the transactions related to the fund raised during the election campaign, budget estimated for the elections bound to be made through the account, according to the law. It is prohibited to fundraise, accept, disseminate and spend funds beyond the account.

The is legal provision is essential but complicated to follow through even difficult to control. All the transactions need to be done through banking procedure, making sure that the appropriate controls are enforced. Separate account for both party and candidates need to be opened to collect the funds..

The general election committee and the central bank can enforce some sort of rules on that matter. In the specific rule the bank can rule such accounts to be exempt from taxes or commissions. Frankly, candidates pay for 90-95% of the real cost of the elections, there is usually to control imposed. Ironically, questions, controversies like, whether candidate spend the all the money collected from fundraising, come up after the elections. Even, there has been rumors about the candidates running for elections not for being elected but to make money.

The accounts for elections can be opened locally, where the candidates are nominated whether it is an aimak centre or smaller administrative units. If the candidate may need cash they can use their local accounts. There are some

incidences for the candidates and parties to misuse their money collected from fundraising, in particular to buy votes, greasing hands of the voters, distributing alcohol etc. Legal provisions and articles need to be discussed to prevent these actions and certain provisions for taking immediate steps following such misdemeanour.

**Third.** It will be appropriate to set limits for all kinds of funds, endowments, contributions for the political elections. But how? It might be right for setting limit not on the amount of the contributions but ensure that they receive funds from as many sources. In reality, the elected politicians who had few sources for big contributions inclined to serve them more. Making candidates to have as many sources for their political fundraising can help them to get rid of the possible pressures to pay off the money and be less influenced. On the other hand the smaller contributors' attempt to affect political decisions may reduce.

Therefore it can be important for law to indicate the maximum amount of the fund and cash from one source. It seems appropriate for the legalising both minimum and maximum for the fund. For instance in America, candidates are allowed to receive \$100 cash.

Some contributors try to stay unidentified and contribute to different parties or candidates.

Our law does not rule parties to report the names of the contributors and amount they gave, however it seems, it needs to be reported.

**Four.** In addition, it is important for the law to specify who is eligible or not to contribute, we have very ambiguous article on that matter in the law: it is ambiguous because it says the funding and property that a candidate can dispose on elections should be either:

- a) Private property
- b) Contributions by private organisation
- c) Or contributions from citizens.

A candidate must specify the sources of the investment or fund he or she is dedicating for the elections upon the registration either at the general election committee or its local offices. That will allow to control what funding from what kind of sources is being spent on the elections.

Contributions by the private organisations refer to the monetary contributions received from private companies, co-operations or unions. However it is vague from what sources, upon whose decision or authorisation the money being contributed. In America, if the private company decide to make contribution for elections they form a political committee and open a special account that keep the money coming not from sources other than the company capital. This is right way, because not anyone can decide to withdraw from the company capital.

Contributions from the citizens: mostly make common properties or capitals. There should be some sort of control over how the citizen contributions are made up, whether it is coming from the sale of their private apartment, houses or vehicles, whether appropriate taxes have been imposed or not, whether the money earned in honest way etc, otherwise controversies bound to follow the election outcomes. In addition, there have been some incidences for the candidates accept monetary

support secretly from individuals or organisations. This should not be allowed according to law.

Candidates should not use bank credits for their political endeavour. Each candidate need to scrutinised for the credit history upon registration for the election. It is indispensible for absolutely banning funding from the state budget, sales of the different humanitarian assistance goods and items.

Five. Is it appropriate to set limit on the amount of the money to spend on the elections by candidates? Some lawyers find it as violation of human rights, but i find it appriate to set limits on the election ficancing in order to:

- a) Protect politicians to be money driven,
- b) Ensure equal competition among candidates
- c) Prevent election to become race for wealth but just to create equal conditions for competition.

In some asian countries certain limits are set as well as in Russia among other developing countries. While in America no limit in the election financing is set. In our country, election financing per candidate wa tg 49. 8 thousnad in 1992 election, tg 693, 2 thousnad in election 1996 and 3 885, 4 in election of 2000. there were no equal competition. Above mentioned figures are only rough figures. If detailed calculation are made, you see interesting picture..

**Six.** On the Openness of the election financing, control and publicity. According to the mongolian election law political parties required to report on the elecion costs to the general election committee within one month after the poll. However this legal provision have never been implemented to full extent. It is hard to see honestly obtained money or dirty money. Certain action need to be taken to that matter. It will be appropriate to publicize the list of the contributors and the amount they contributed.

**Seven.** Law should clearly indicate the possible punishment, reprimand for the violation of the election law, in particular provision refered to election financing. We fail on that issue. Most of the issues, problems settled through the court formally, somewhere after the polls.

**Eight.** Finally, there is new trend for the wealthy countries to pursue policy for financing elections form the budget. It is unlikely for our country to follow in the near future. Eventually, perhaps starting from the presidential elections, this issue needs to be taken into consideration. In addition, there should be some legal regulation on the distribution of benefits from the election campaigns, cause during election seasons media, art and cultural organizations benefit mostly from the elections.

Thank you