

MEDIA STATEMENT

IDEAS: Political financing law must include commitment to public funding and complemented by holistic institutional reforms

Saturday, 17 June 2023: The Institute for Democracy and Economic Affairs (IDEAS), Secretariat of the All-Party Parliamentary Group (APPG) on Political Financing held a joint workshop on Political Financing with the office of our APPG Chairman, MP for Subang YB Wong Chen, and Transparency International Malaysia (TI-M). The main objectives for this workshop is to raise public awareness on the importance of political financing legislation and the need for strong asset declaration and beneficial ownership laws.

This workshop marks the end of the APPG engagements for this week, which included the 3rd official meeting, a briefing session on the Political Financing Private Member's Bill for Member of Parliaments (MPs) and a meeting with Dato' Seri Azalina Othman Said, Minister for Law and Institutional Reform. Dr Fernando Casal Bértoa, Associate Professor at the School of Politics and International Relations in the University of Nottingham, United Kingdom and expert on political financing reform, joined the engagement meetings this week and provided insights from experiences of other countries in regulating party finances.

The APPG meeting has reiterated their commitment to include two critical provisions in future financing legislation. First, the state should allocate funding for political parties. The APPG proposes the state to allocate 0.05% of the national budget for public funding. By allocating a mere 0.05% portion of the budget to political parties' finances, public funding can help counterbalance the existing reliance on private funding, which is susceptible to corrupt influence and policy capture. This funding will be distributed to parties that secure at least 1 seat or at least 2% of total valid votes cast nationwide.

"The political financing regime in Malaysia is one of the least regulated in the Asian region. In a nation where political instability of frequent government changes dominates the scene, incorporating public funding within a political financing legislation may strengthen the political party system in Malaysia. While the Anti-Hopping Law may deter politicians from switching parties, enacting a Political Financing Act can address the underlying issue of party hopping driven by the desire to gain greater resources from more financially capable parties. Ultimately, this may further bolster the health of Malaysian democracy. I remain available to offer my expertise to stakeholders in Malaysia, whenever it is needed," stated Dr Fernando.

Second, there should be an independent commission that oversees political financing. The best options are to establish a new independent commission, or to grant the authority to the Electoral Commission (EC). International IDEA's [recent database](#) shows that best practices from nearly 50% of 180 countries in the world entrust the oversight of the flow of public and private funding to political parties to the electoral management body. However, in the context of Malaysia, there should be reforms made to the EC to ensure it enjoys public confidence and trust to carry out this role.

The APPG members conveyed these two provisions to the Minister of Law and reiterated their offer to work with the government to produce political financing legislation.

Aira Azhari, Senior Manager at IDEAS, commented, "As the APPG secretariat, IDEAS is encouraged by the recent comments made by the prime minister on the importance of regulating political financing. However, we also want to state that Political Financing legislation's effectiveness hinges on the existence of independent institutions, especially an independent commission that is in charge of overseeing the transparency and accountability of party finances. This further underscores the significance of institutional reform. While regulating political financing is a low-hanging fruit and a first step towards curbing corruption, Malaysia must also undertake a comprehensive institutional reform agenda to ensure that the Political Financing Act doesn't become another toothless law."

Previous governments have had their own drafts of political financing legislation, such as the Political Donation and Expenditure Act under Dato' Sri Najib Razak's administration in 2016 and a Political Funding Bill under Datuk Seri Ismail Sabri Yaakob that was planned to be tabled in November 2022. None of these drafts saw the light of day. Should a new Bill on political financing be tabled in the near future, it is essential that the government includes civil society and experts in the drafting process from the get go.

Dr Fernando Casal Bértoa is an Associate Professor at the School of Politics and International Relations in the University of Nottingham, United Kingdom. He collaborates with International IDEA, the United Nations Development Program, the Venice Commission and the Council of Europe as an expert in party finance regulation.

--- END ---

For enquiries, please contact:

Aira Azhari

Senior Manager

Democracy and Governance Unit

aira@ideas.org.my

About IDEAS

The Institute for Democracy and Economic Affairs (IDEAS) is a nonprofit research institute, dedicated to promoting solutions to public policy challenges, focussing on three overarching missions – advancing a competitive economy, ensuring trust in institutions and promoting an inclusive Malaysia. IDEAS is Malaysia's first independent think tank, free of personal interests and partisan influences. For more information, visit www.ideas.org.my.