

# MALAYSIA<sup>1</sup>

## 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).<sup>2</sup> 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.<sup>3</sup> 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,<sup>4</sup> 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),<sup>5</sup> 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.<sup>6</sup> 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."<sup>7</sup> 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.<sup>8</sup>

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).<sup>9</sup>

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.<sup>10</sup> 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.<sup>11</sup> 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.<sup>12</sup>

## **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.<sup>13</sup> 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.<sup>14</sup>

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,<sup>15</sup> 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.<sup>16</sup> 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.<sup>17</sup> 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 EXPERIENCES<sup>18</sup>

### **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.<sup>19</sup> 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).<sup>20</sup> 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.<sup>21</sup>

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.<sup>22</sup> 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.<sup>23</sup>

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.<sup>24</sup> 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-twinning 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.<sup>25</sup>

### *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.<sup>26</sup>

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.<sup>27</sup> 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.<sup>28</sup>

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.<sup>28</sup> 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. Noor<sup>30</sup>. 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.<sup>31</sup>

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.”<sup>32</sup> 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.”<sup>33</sup>

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.<sup>34</sup>

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."<sup>35</sup>

### *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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- <sup>1</sup> 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.
- <sup>2</sup> United States Department of State, Malaysia: Background Notes, October 2000.
- <sup>3</sup> United States Department of State, Malaysia Country Report on Human Rights Practices, 2000.
- <sup>4</sup> 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.
- <sup>5</sup> For the purposes of this study, the East Malaysian Sabah and Sarawak parties are not included.
- <sup>6</sup> 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).
- <sup>7</sup> Case, William, "Malaysia's Resilient Pseudodemocracy," *Journal For Democracy*, Volume 12.1 (Washington, DC: National Endowment for Democracy, 2001).
- <sup>8</sup> 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.
- <sup>9</sup> 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).
- <sup>10</sup> Chin, James, "Malaysia in 1997," *Asian Survey*, Vol XXXVIII, No. 2, February 1998.
- <sup>11</sup> "Dr. Mahathir's One-Man Show," *The Economist*, June 9, 2001.
- <sup>12</sup> Jayasankaran, S., "Final Sacrifice: Daim Bows Out," *The Far Eastern Economic Review*, June 14, 2001.
- <sup>13</sup> With the exception of Articles 18A, 18B, and 18C, which apply to parties only. Societies Act 1966 (Act 335) and Regulations.
- <sup>14</sup> 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.
- <sup>15</sup> Rahman, Rashid A., *The Conduct of Elections in Malaysia* (Kuala Lumpur, Malaysia: Berita Publishing, 1994).
- <sup>16</sup> Chin (1998).
- <sup>17</sup> Anti-Corruption Act of Malaysia, 1997, Act 575.
- <sup>18</sup> 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.
- <sup>19</sup> 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).
- <sup>20</sup> UMNO Headquarters document.
- <sup>21</sup> Case (2001).
- <sup>22</sup> Gomez (1998).
- <sup>23</sup> Case (2001).
- <sup>24</sup> Membership Orientation Booklet: An Introduction to Parti Gerakan Rakyat Malaysia.

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

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# NEPAL<sup>1</sup>

## 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 *panchayat* - *ats* (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"<sup>2</sup> 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 Context<sup>3</sup>

#### *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*<sup>4</sup> 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 Representatives<sup>5</sup>, 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.”<sup>6</sup> 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.”<sup>7</sup> 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)<sup>8</sup> 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*

<b>The House of Representatives</b>	<b>Number</b>	<b>Percentage</b>
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
<b>TOTAL</b>	<b>205</b>	<b>100 %</b>
<b>National Assembly</b>	<b>Number</b>	<b>Percentage</b>
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
<b>TOTAL</b>	<b>*59 (of 60)</b>	<b>** 101 %</b>

\* 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.<sup>9</sup> 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;<sup>10</sup>
- 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.<sup>11</sup> 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.<sup>12</sup>

### *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.<sup>13</sup> 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.

	<b>Expenditure</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
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
	<b>Total Expenses</b>	<b>\$3,667</b>	<b>\$3,134</b>	<b>\$2,200</b>	<b>\$1,534<sup>14</sup></b>

### *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.<sup>15</sup> 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.<sup>16</sup>

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.<sup>17</sup> 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.<sup>18</sup> 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.<sup>19</sup>

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.  Currently, at the party conventions, delegates select some of the leadership positions.
	Nepali Congress	Y		
	CPN-UML	Y		
	RPP	Y		
	CPN- ML	Y		
	Nepal Sadbhawana Party	Y		
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.

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<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> See United States Department of State, Background Note: Nepal, January 1995.

<sup>4</sup> 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.

<sup>5</sup> The House of Representatives is the lower chamber in Nepal's bicameral system. The National Assembly is the upper chamber.

<sup>6</sup> US Department of State, Background Note: Nepal, January 1995

<sup>7</sup> Lawson, Alastair. "Nepal's power struggle set to continue." BBC, Friday, November 6, 1998.

<sup>8</sup> This party did compete in the 1991 elections under the banner of the United Peoples Front.

<sup>9</sup> The King can only act on the recommendations of the Council of Ministers or in his capacity as a constitutional monarch.

<sup>10</sup> 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.

<sup>11</sup> 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.

<sup>12</sup> The unofficial English translation of this legislation can be found in the Addendum.

<sup>13</sup> According to one report, a NC activist donated a house to the party last year, and she has since become a MP.

<sup>14</sup> 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.

<sup>15</sup> The communist parties are, to some extent, an exception to this.

<sup>16</sup> The NC was engaged in armed struggle in their fight for democracy prior to 1990.

<sup>17</sup> The proposed "Regulating Political Party Law" further specifies that this accountant be externally chartered.

<sup>18</sup> There are at least ten parties subscribing to communism.

<sup>19</sup> 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.<sup>1</sup> 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 Democracy<sup>2</sup>*

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.<sup>3</sup> 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 Pilipino<sup>4</sup> (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,<sup>5</sup> Probinsya Muna Development Initiatives Party (PROMDI),<sup>6</sup> and Partido para sa Demokratikong Reporma (REPORMA)<sup>7</sup> 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.<sup>8</sup> 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 Philippines*<sup>9</sup>

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.<sup>10</sup>

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.<sup>16</sup>

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)<sup>17</sup> 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*.<sup>18</sup> 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.<sup>19</sup> 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 organizations<sup>20</sup> contested the party-list seats, but among the political parties, only 24 are recognized as national political parties.<sup>21</sup>

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.<sup>22</sup>

### *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.<sup>23</sup> 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.”<sup>24</sup> 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.<sup>25</sup>

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.<sup>26</sup> 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.<sup>27</sup> 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.<sup>28</sup> 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.<sup>29</sup>

<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) <sup>30</sup>	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) <sup>31</sup>	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

<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.”<sup>32</sup> 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<sup>33</sup>

### 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 EXPERIENCES<sup>34</sup>**

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.’”<sup>35</sup> 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.”<sup>36</sup>

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)<sup>37</sup>**

#### *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). Kabalikang 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,<sup>38</sup> 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,<sup>39</sup> 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,<sup>40</sup> 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)<sup>41</sup> 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 council<sup>43</sup> 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.

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<sup>1</sup> 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).

- <sup>2</sup> 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).
- <sup>4</sup> Agoncillo, Teodoro, *History of the Filipino People* (Quezon City, the Philippines: R.P. Garcia Publishing Company, 1990).
- <sup>4</sup> *Lakas* means Power. *Kabalikat ng Malayang Pilipino* means Partner of the Free Filipino.
- <sup>5</sup> *Aksyon Demokratiko* means Democratic Action.
- <sup>6</sup> *Probinsya Muna* means Province First.
- <sup>7</sup> *Partido para sa Demokratikong Reporma* means Democratic Reform Party.
- <sup>8</sup> 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.
- <sup>9</sup> 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.
- <sup>10</sup> Lopez, Antonio, "Philippine Deja Vu: Yet Another Anti-Graft Body, But Will it Really Help?" *Asiaweek*, 21 July 2000, p.53.
- <sup>11</sup> 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).
- <sup>12</sup> Parreno, 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).
- <sup>13</sup> Leones and Moraleda (1998), pp. 314-315.
- <sup>14</sup> Leones and Moraleda (1998), p. 331.
- <sup>15</sup> Lopez (2000), p.53
- <sup>16</sup> Leones and Moraleda (1998), p. 295.
- <sup>17</sup> *Laban ng Demokratikong Pilipino* means Struggle of the Democratic Filipino.
- <sup>18</sup> Leones and Moraleda (1998), p. 292.
- <sup>19</sup> Interview with Former COMELEC Commissioner Teresita Flores, Paranaque City, 28 November 2001.
- <sup>20</sup> 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.
- <sup>21</sup> According to COMELEC records as of 23 January 2001.
- <sup>22</sup> Leones and Moraleda (1998), pp. 313-314.
- <sup>23</sup> 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).
- <sup>24</sup> 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.
- <sup>25</sup> Magno (1991), p. 9.
- <sup>26</sup> Leones and Moraleda (1998), p. 322.
- <sup>27</sup> Interview with Former COMELEC Commissioner Teresita Flores, Paranaque City, 28 November 2001.
- <sup>28</sup> 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.
- <sup>29</sup> 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.

<sup>30</sup> *Laban ng Makabayang Masang Pilipino* means Struggle of the Nationalist Filipino Masses.

<sup>31</sup> *Partido Bansang Marangal* means Dignified Nation Party

<sup>32</sup> Florentino-Hofilena, Chay, *News for Sale: The Corruption of the Philippine Media* (Quezon City: Raintree Publishing Inc., 1998), p. 77.

<sup>33</sup> Florentino-Hofilena (1988), pp. 3-21.

<sup>34</sup> This section is based on interviews conducted with political party officials from the Lakas-National Union of Christian Democrats-United Muslim Democratic Party-Kabalikang 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).

<sup>35</sup> Rocamora, Joel, *Philippine Political Parties: Continuity and Change*, paper presented to the National Democratic Institute for International Affairs (NDI), Washington D.C., 1996.

<sup>36</sup> David, Randolph, cited in Rocamora, p. 2.

<sup>37</sup> KAMPI is now a separate party entity but still closely linked with Lakas-NUCD-UMDP.

<sup>38</sup> 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.

<sup>39</sup> 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.

<sup>40</sup> 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.

<sup>41</sup> *Pwersa ng Masa* means Strength of the Masses.

<sup>42</sup> 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.



<sup>43</sup> 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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