



Kumpulan Rentas Parti Parlimen Malaysia (KRPPM) mengenai Pendanaan Politik

All-Party Parliamentary Group Malaysia (APPGM) on Political Financing

Political Financing Bill 2022 (Amended 8.11.2023)

Summary of the Presentation to the Parliamentary Special Select Committee, PSSC on Human Rights, Election and Institutional Reform

Thursday, 9 November 2023

- The bill was drafted by the **All- Party Parliamentary Group Malaysia (APPGM) on Political Financing** considering the views of political parties and the public.
- IDEAS as the secretariat, and other CSOs who are members of APPGM have organized meetings and discussions with members of several political parties and the public in several states throughout 2023.
- This bill is an amendment to the Political Financing Bill 2022 (Private Bill) which was submitted to the Dewan Rakyat Secretariat on 13 July, 2022 through YB Ahmad Fadhli, the previous APPGM chairman.
- After GE15, APPGM was re-established with YB Wong Chen as the new chairman and amended the bill after a few rounds of consultations that were organized by IDEAS and other CSOs.
- Objectives of the APPG Political Financing Bill:
 - To regulate political parties' sources of funding either through **public funding** or **private donations** as a way **to curb corruption** and provide a level playing field during elections.
 - Strengthen transparency and make the process of financing politics more accountable.

Key Provisions of the APPG Bill:

1. **Political Funding must be regulated by an independent and accountable body to ensure accountability, fairness and equity**
 - The APPGM bill recommends the establishment of a new regulatory body: Political Financing Commission
 - **Appointment:** The Chairman and the members of the Commission are appointed by the Yang di-Pertuan Agong on the recommendation of the Parliamentary Committee on Political Financing (Section 24(2)). The selection by a Parliamentary Committee would ensure a more independent Commission than selection by the Prime Minister or any Executive.
 - **Power:** The Commission must have power to obtain information from political parties and candidates (Section 25) and investigation powers (Section 26). The Commission is also empowered to issue regulations (Section 27), but these regulations need approval from the Parliament.
 - **Composition:** Chairman, Deputy Chairman, five members of the Commission (Section 24(2)). They are appointed for a period of 6 years (Section 24(2)).
 - **Accountability mechanism:**
 - The Commission is responsible to the Parliamentary Committee on Political Financing.
 - The Commission must present two reports to the Committee (Section 29):
 - Political Party Fund report (No.2)
 - Reports of donations received by political parties
 - The Commission must publish both reports to the public. Donation disclosure (amount and donor name) is limited to donations exceeding RM 10,000 (Section 29).
 - The Commission must send the Annual Financial Statement to the Auditor General (Section 29)
 - **Example:** US' Federal Election Commission, South Africa's Independent Electoral

2. Part of the National Annual Budget should be allocated for political parties (Public Funding)

- **Why?**
 - Provide regular resources for political parties. The party's dependence on private donations can be reduced. Corruption can be controlled.
 - Implemented in 123 of the 174 countries studied (International IDEAS)
- **Eligibility:** (Section 14(1): Only political parties get 2% of the total number of valid electoral votes in the election or one state assembly or one parliamentary seat are eligible for funding allocation.
- **Total annual allocation:** 0.05% of the annual budget or RM 130 million (Section 13).
- **Distribution formula:** RM 120 million is given to political parties based on the number of valid votes and RM 10 million is given based on the number of female elected representatives (Table 1-3)
- **Management:** The budget allocation for this purpose will be channelled to the Political Party Fund established through this Bill. The Political Party Fund will be regulated by the Political Financing Commission which will appoint a Chief Executive Officer to manage the funds (Section 24(10) (a).

3. Political parties and election candidates are free to collect funds without seeking permission from the Commission. Donations to political parties and election candidates must be regulated through donation limits, reporting to the Political Financing Commission and public disclosure.

- **Donation Recipients:** Political parties and election candidates can receive donations either in the form of cash, money transfer (bank transfer) or 'in-kind' donations. Election candidates (section 9): only during the election campaign period and only into designated accounts (not personal savings accounts)
- **Types of donation (Section 3):**
 - Transfer: donation made through bank transfer
 - Cash (section 8): only allowed during 'ceramah', cannot be more than RM1,000, must be disclosed to the Commission within 3 working days.
 - In-kind (which include third party media promotion): any money lent other than on commercial terms, paid on behalf of the party, provision of assets or services, sponsorship.
- **Who can donate (section 4(2)):**
 - Malaysian citizen, 18 years and above
 - entities registered under Societies Act 1966
 - a Malaysia-controlled company
- **Prohibited donors (section 5(1))**
 - Government-linked entities (GLEs)
 - Foreign government, agencies, persons or entities
 - Organized criminal group
 - entities established for charity
 - Religious associations
 - Entities that have signed government procurement contracts
 - Businesses or foundations operated or invested by political parties
- **Donation cap (section 7(1))**
 - For bank transfer and cash donation, every financial year (s7(1))
 - RM50,000 from individual donors

- RM100,000 from companies
 - RM500,000 from group of companies
 - For cash donation at one time: RM1,000
 - For in-kind donation: limit determined by the Commission
 - **Political parties must identify donors:** The amount of unidentified donations cannot exceed 30% of donations received by a political party in a financial year (section 7(2))
4. **To ensure strong accountability, transparency and checks and balances, stakeholders in political funding must provide reports to regulators**
- **The following are the reports that need to be prepared according to the APPG Bill on Political Financing**

From	To	Report
Election candidates (only during the campaign period)	Political Financing Commission	Donation report (31 days after the end of the campaign period)
Political parties that receive public funding	Political Financing Commission	An audited report on the use of public funds
State headquarters of political parties	National headquarters of political parties	Donation reports, financial statements and audited financial accounts
National headquarters of political parties	Political Financing Commission	Report of donations received. Donor identity details are mandatory for all donations that exceed RM1,000. All state headquarters donation reports
Political Financing Commission	Public	● Political Party Fund annual report ● Report on donations received by political parties. Donation disclosure (amount and donor name) limited to donations exceeding RM 10,000 (Section 29)
Political Financing Commission	Parliamentary Committee on Political Financing	● Annual Report of Political Party Funds ● Report on donations received by political parties.
Political Financing Commission	Auditor General	Annual Financial Statements

5. In order to ensure compliance with the principles of transparency and governance, offences related to the collection of donations and the use of public funding must be punished.

- Proposed offenses and penalties in the APPG Bill on political financing:

Offence	Penalty	Provision
- Received prohibited donation - Receive donation more than limit - Receive donation outside of electoral period (for electoral candidate) - Provide false information to Commission	- Fine of 10 times prohibited donation - Forfeit prohibited donation	<i>Section 10</i>
Commission may impose any of the following penalty for the purposes of this Act	- Warning letter - Fine - Forfeiture	<i>Section 25(3)</i>
Refuse to provide information or give evidence to Commission	- RM10,000 fine 6 months prison	<i>Section 30</i>

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Further reading:

Ooi, K.H. (2021). Public Funding of Political Parties in Malaysia: Debates, Case Studies and Recommendations. Bersih 2.0.

<https://bersih.org/download/bersih-policy-research-public-funding-of-political-parties/>

Azhari, A. and Yeoh, T. (2021). Political Financing in Malaysia: Recent Developments and Plugging Potential Gaps. IDEAS.

<https://www.ideas.org.my/publications-item/brief-ideas-no-33-political-financing-in-malaysia-recent-developments-and-plugging-potential-gaps/>

Azhari, A. (2021). Political Financing in Malaysia: Aligning Reforms With Voters' Expectations. IDEAS.

<https://www.ideas.org.my/publications-item/brief-ideas-no-34-political-financing-in-malaysia-aligning-reforms-with-voters-expectations/>

Melnik, S. (2016). The Principles of Political Finance Regulations. IDEAS.

<https://www.ideas.org.my/publications-item/policy-paper-no-29-the-principles-of-political-finance-regulations/>

Videos:

IDEAS and the Fourth video mengenai kepentingan pembiayaan awam bagi parti politik di Malaysia
(<https://www.youtube.com/watch?v=cQSUxlQ2Aok>)

IDEAS and the Fourth video mengenai kepentingan pengawalan pembiayaan politik di Malaysia
<https://www.youtube.com/watch?v=OCkPiE3gCZY>

Video mengenai kepentingan pembiayaan awam untuk parti politik
(<https://www.youtube.com/watch?v=aGDddTzjFtQ>)

