



## Financing of Political Parties in Mongolia

by Ch. Tamir<sup>1</sup>

Political parties in Mongolia belong to a party system that enforces strict membership and discipline.<sup>2</sup> Even so, with branches located throughout the country such parties face constant financial problems. At present, there are three sources of party finance –the membership fees, support from government support, and direct contributions. Membership fees are supposed to be the main income for political parties, in practice, they are insufficient for financing the activities of political parties. With low incomes common in Mongolia, political parties are unable to collect adequate membership fees and, in most parties, fee collection mechanisms are undeveloped. Put simply, party members are not used to paying fees. As to the second type of funding, only those parties with seats in the Parliament can receive government support. Therefore, the main financial source for present political parties is contributions from business sector. Unsurprisingly, business sponsors have a deep and significant influence on the current political parties.

The Law on Political Parties and the Election Law do not contain any subtle regulations concerning on party financing. The law says nothing about financial sources, their differences, and the amount of donations that are permitted. Several chapters did not even define the relevant legal subjects. In practice, the financing of political parties has remained a closed issue. It is an open secret that sponsors contribute to political parties out of economic interest and their donations can be closely equated with bribery. Politicians are unable to neutralize economic interests of sponsors and in some respects, act as a front for certain groups. There are cases when politicians shamelessly express the interests of sponsors.

The consequence of this business/party nexus is that politicians lose their ability to make independent decisions in the public interest, instead becoming pledges of sponsors. Conflicts between economic groups are aggravated because of political decisions. Political parties assume inappropriate responsibilities leading, in the past, to resignations from Government. Such conflicts can lead to government crises no matter who is the ruling party. Considering the prevalence of these problems, there is no guarantee that the Parliamentary election of 2004 will be free of such problems.

I would argue that, in light of the difficulties discussed, financing of political parties could be better regulated in the following ways:

### 1. Political inequality or money politics?

Many studies demonstrate that the amount of money spent on election campaigns is increasing worldwide. Mongolia is no different in this. Although it is not possible to say that such increased campaign expenses are direct disadvantages, the lack of any appreciable distance between politicians and businessmen means that it is easy for one to change the other in Mongolia. Politicians are able to make money by taking advantage of their influence, at the same time businessmen are able to increase their profits by being involved in politics. Mongolian society is a comparably small, there are not many active politicians in and the number of leading businessmen is relatively small. There are 'connections' between many of them and most live in Ulaanbaatar. In most cases, politicians and businessmen are friends, relatives, classmates, or from the same birthplace.

<sup>1</sup> Professor, Sociology Department, Mongolian National University. This article was sponsored by the Open Society Forum in Mongolia and was part of a series of activities organised in the run up to the recent elections. Translation was by Ya.Borchuluun.

<sup>2</sup> Ch.Tamir, 'Some political, governmental and business relation aspects in Mongolian society'. Shine Toli: Scientific magazine of the Academy of Political Education, Number 43.

With such proximity between politicians and businessmen, the inequalities in economic relationships eliminates the supposed equality between political relationships. Although the existence of citizens with different economic potentials is a common phenomenon in a democratic society with market economy, equal rights in politics is an important factor of democracy.

Furthermore, Mongolian politicians and parties are unprotected from the influence of contributors. In order to overcome this problem, one should attempt to secure small money donations from as many people as possible, offsetting the chance that those who give the most get the most. Political parties could also try to cover their own management expenditures and involve more citizens to fundraising.

## **2. Financing of political parties causes corruption**

We need to answer the question whether corruption influences the financing of political parties or vice versa. If one assumes that existing corruption in society influences party financing, our discussion will be tangled because the Government has so far achieved little in the fight against corruption so far. In any case, both sides of the question are interrelated and have a systematic character.

## **3. Government forgets its duty to serve its citizens**

The current financing system of political parties in Mongolia encourages the Government to forget its duty to serve its citizens and not the narrow group of politics and economics. Contributors consistently find a way to take advantage from the 'winning party policy'. It should be noted that is a common phenomenon not only in Mongolia but also in other countries. The financing of election campaigns is not a widely debated topic. It causes conflict between public, political and economic groups. On the theoretical level, it could be formulated as a conflict between government and citizens. A systematic analysis of government policy shows how the government expresses the interests of narrow groups of politicians and businessmen, and not of its citizens. It surely has some relation to this question of how parties are financed. For a country like Mongolia with a small population, scarce economical resources and a tiny market, conflict between government and citizens is serious.<sup>3</sup>

## **4. The current system of party finance reduces the value of economic competition**

Economic and business groups who contributed to the winning party have a habit of often being successful in tenders for public contracts. Although this problem may not appear too serious now, in the long term, it might undermine the economy. Fair competition is a key element of the market economy and rigged or restricted allocation of scarce public funds does harm to the future development of the country.

## **5. Political involvement of citizens is declining and voter behavior is changing**

The skyrocketing of election campaign costs and its unregulated and hidden character exacerbates money-driven competition. One can see clear indications in everyday life of how this affects citizens' attitude towards election. As election time approaches, citizens become more interested in the material side of campaign such as various services and distribution of free products. Such trends diminish the fundamental ideas of real democracy giving elections a trade character and undermine citizens' participation in state affairs.<sup>4</sup> It is hard to deny that such phenomena will only have negative effects on the development of Mongolian democracy.

<sup>3</sup> PCh.Tamir, 'Changes and types of political involvement of Mongolians,' Conference presentation at the Mongolian National University, June 2002. See also Ch.Tamir, 'Political involvement of Mongolians' Presentation at conference dedicated to the 12th anniversary of Mongolian Revolution, April 2003

<sup>4</sup> Ch.Tamir, D.Ganhuyag, 'Political involvement of Mongolians is declining,' Unuudur Aug 2nd 2002