

# PERSPECTIVE

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## **How the Thai State Subsidizes Political Parties**

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### **EXECUTIVE SUMMARY**

- Thailand introduced the Political Party Development Fund in 1998 as a means of providing state subsidies for political parties.
- Law makers hoped that such financing would be an effective means of curbing illicit fundraising and vote buying. More importantly, subsidization would support small and new parties and promote their organizational development.
- The Political Party Development Fund proved a double-edged sword, however. While it provided resources for the development of parties, it also encouraged small parties to set up numerous branches and to increase their membership for the purpose of maximizing their shares of subsidies.
- The 2017 Organic Law on Political Parties introduced a new method of allocating Political Party Development Fund subsidies to political parties, with the goal of solving corruption problems associated with the existence of many small parties.

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## INTRODUCTION

An overwhelming consensus found in academic literature on politics in Thailand is that Thai parties are weak and in need of improvement.<sup>1</sup> Political parties are ranked among the most corrupt institutions in the country, and a large number of corruption cases brought against party politicians both confirm and reinforce this impression. The term “money politics” has become an everyday phrase in Thailand, used to depict the moral degradation of party politicians, to describe their dual practices of accepting bribes from patrons and distributing money to gain or maintain office. Such practices among party politicians have often provided a dubious pretext for military coups, including the military overthrow of elected politicians in May 2014.

To increase transparency and accountability in political parties as well as to strengthen the party system in Thailand while preventing the return of money politics, during the past quarter-century the drafters of Thai constitutions have designed versions of an Organic Law on Political Parties with sections related to party development. The 2017 Organic Law on Political Parties contains many important provisions to strengthen party organization, including those on primary elections, membership fees, membership recruitment, the establishment of party branches and party representatives at the provincial level. More importantly, the drafters were determined to retain the Political Party Development Fund (PPDF) as a means of providing funding for political parties. This was despite the fact that reports from the Election Commission of Thailand (ECT) had found the processes of the PPDF dysfunctional. The allocation formula in the new law, however, differs from that of previous organic laws. Under the 2017 organic law, parties that win the elections will receive more state subsidies than small and new parties. Many critics argue that allocating subsidies to winning parties would limit opportunities for small and new parties that do not initially win seats to secure state funding for their organizational development.<sup>2</sup>

The Political Party Development Fund, the first state subsidy scheme for parties in Thai political history, was promulgated under the 1998 Organic Law on Political Parties after political reforms introduced in 1997. Political parties that fulfilled the requirements under that law would receive financial assistance from the ECT annually. The drafters of the 1997 Constitution drafters hoped that the PPDF would have two impacts on parties: first, it would increase transparency and accountability while limiting money politics and, second, it would reinforce the ability of political parties, particularly smaller, poorer parties—even those without a seat in legislature—to compete more effectively against major parties in elections. State subsidies for parties would provide budgets for small and new parties to strengthen their organization and to survive in successive election cycles. The drafters also hoped that the PPDF’s financial support would replace the patron-client structure of party financing and diminish the influence of business on party organizations.

After 20 years of the PPDF’s operation, evidence shows that this means of state financial support for parties has neither weakened the role of business conglomerates over the parties nor strengthened party internal structures.<sup>3</sup> More importantly, these state subsidies have exacerbated corruption, particularly among small and new parties. For one thing, small parties, especially those that have never won parliamentary seats, consider this state funding

their financial privilege. Some have utilized these resources for their leaders' or members' own interests, including for personal expenses, rather than for the development of party organizations.<sup>4</sup> Where the ECT discovered illegal spending by those small parties, it would report them to the court. On failing to return the subsidies to the ECT, these parties' these parties faced Constitutional Court charges. The court dissolved many of them for fraudulent activities. These included the People Seeking Debt Relief Party, the new shell of the National Agro Political Party; the Thai Pen Thai Party, the new shell of Thai is Thai Party; the Former Force Party; the Siam Party; and the Better Life Party.<sup>5</sup> Some small parties, however, re-established themselves under new names and with new executive committees, applied for financial support from the ECT once again, and spent state subsidies for their founders' own purposes and not on improving their party organizations. Although lawmakers were aware of the corruption involving small parties, they nevertheless included state subsidies or the PPDF in the 2017 Organic Law on Political Parties. In preparing this new law, however, the drafters revised the PPDF's methods for allocating money and other related regulations, with a hope of enhancing the effectiveness of political parties.

### **HOW DID THE STATE FINANCE PARTIES BEFORE THE 2014 COUP?**

The idea of state subsidies for political parties was first initiated by the Democratic Development Committee under the leadership of Dr Prawase Wasi, which was set up in 1994 under Prime Minister Chuan Leekpai's government. It resurfaced during the drafting of the 1998 act on political parties, and was later endorsed by the 1997 Constitution Drafting Assembly. According to the 1998 law, political parties would be allocated subsidies on the basis of four measures: constituency seats won in parliament, electoral votes in the party list system, numbers of branches, and number of party members. During the first year of PPDF's operation, the ECT gave equal weight to each of these measures in allocating subsidies to parties. Small parties that had not won any seats would be eligible to secure funding on the basis of the numbers of their local branches and party members.

During 1998-2004, many small parties set up large numbers of local branches or energetically recruited members. Some small parties set up more than 200 branches and had up to a million members, despite never having won seats in parliament.<sup>6</sup> By increasing the number of branches and members, political parties would receive an increasing amount of PPDF funding. This was especially true of small parties such as the Thai is Thai Party, which received 16 million baht from the fund in 2002. To solve this problem, the ECT revised the allocation formula, changing the weight given to the various measures, as a means of cleansing the parties of rent-seeking elements, as seen in Table 1.

**Table 1**
**Revisions in PPDF Allocation Formula 1999-2014**

<b>Measure</b>	<b>Weight 1999</b>	<b>assigned 2000-2006</b>	<b>to measure 2007-2014</b>
Number of party list votes won	25%	30%	40%
Number of constituency seats won	25%	35%	40%
Number of party members	25%	20%	10%
Number of local branches	25%	15%	10%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Note: Data adapted from the Election Commission of Thailand's Announcements on the Political Party Development Fund, 1998, 1999, 2000 and 2011.

Although the ECT revised the allocation formula to limit the allocation of funds to inactive parties, particularly small parties without parliamentary representation, many parties continued to acquire PPDF funding by setting up more branches and recruiting more members.<sup>7</sup> After the 2014 military coup, political parties and their local branches were not permitted to operate. Both local branches and party member status were terminated. Only with the promulgation of a new Organic Law on Political Parties in 2017 did political parties begin to set up local branches, to select party representatives in constituencies and recruit more party members again in order to prepare themselves for the 2019 Election.

**SUBSIDIES FOR POLITICAL PARTIES UNDER THE 2017 PARTY LAW**

The 2017 Organic Law on Political Party revised the allocation method for party subsidization. Now, political parties are allocated financial support on the basis of three main measures: the total amount of annual membership fees (with 40 per cent weightage in the determination of subsidies from the PPDF), the number of votes won in elections (40 per cent weightage) and the number of party branches (20 per cent weightage). In addition, parties receive financial support on the basis of the third measure only during election years. During other years, the ECT allocates subsidies on the basis of the donations that parties receive each year, rather than on the basis of votes received, along with the number of party branches and the total membership fees paid. However, calculating the distribution of subsidies on the basis of vote totals and donations favours major parties.

Learning from the past, the drafters of the constitution revised Article 83 in the 2017 Organic law such that subsidies are now allocated on the basis of total membership fees received each year rather than on the basis of total number of members. This provision is designed to ensure that party members are willing to support their party financially. The

minimum annual membership fee as required by law is 100 baht. Members can also apply for lifetime party membership for a minimum fee of 2,000 baht. In theory, this regulation enhances the sense of party ownership among members. In practice, however, the amount of 100 baht is relatively high for many Thais, particularly those who live in rural areas.<sup>8</sup> Many party members are not willing to pay this fee. To fulfill this requirement, parliamentarians or parties therefore often pay membership fees for their members. Hence, the total membership fees reported to the ECT do not necessarily come from members themselves, but rather from politicians and candidates.<sup>9</sup>

The ECT continues to allocate subsidies to parties on the basis of the number of their local branches. According to Article 51 of the 2017 Organic Law on Political Parties, parties are required to set up local branches or party representatives in all constituencies in which they run candidates in elections. In February 2019, the ECT ruled at least 506 candidates in the following month's elections ineligible. The majority of those rejections involved candidates or parties failing to meet administrative requirements on minimum number of branches or party representatives in the provinces.

While the organic law encourages parties to set up local branches as a mean to nominate candidates and receive subsidies, the law does not include regulations for monitoring branches' activities. Small parties can therefore continue to increase the PPDF allocations that they receive by setting up more branches, as they did previously. To prevent problems arising from branches existing only on paper, the ECT needs therefore to put in place regulations concerning the activities of local branches. Since parties are required to set up branches in every geographic region of the country within one year after being established, we can expect to see more local branches in the next several years. The difficulties for the ECT lie in judging whether branches are real or not, and in evaluating the capacity and quality of party branches. As of May 2019, at least 337 branches of 88 parties had registered with the ECT.<sup>10</sup>

## **OTHER SOURCES OF INCOME?**

Aside from the PPDF, the current Organic Law on Political Parties also allows parties to raise funds for their campaigns and political activities through means such as organizing gala dinners and selling party souvenirs. In December 2018, the Phalang Pracharat Party organized such a fundraising dinner. To reserve one of the 200 banquet tables at the event, called "One, United Thailand", cost 3 million baht, and the party raised at least 600 million baht for its election campaign from the dinner.<sup>11</sup> The Future Forward Party raised funds by selling many kinds of souvenirs, both online and offline. These included cups, bags, umbrellas, and T-shirts. The Democrat Party sells party souvenirs.

Parties can also accept donations from Thai donors. Donors can donate directly to parties, up to a maximum of 10 million baht per year, and they may also donate a share of their taxes up to a maximum of 100 baht (Article 69 of Organic Law on Political Party). According to the ECT, from January to May 2019, major parties received a large amount of donations: Phalang Pracharat received 13 million baht, Phuea Thai 55 million baht, the

Future Forward Party 10 million baht, and the Democrat Party a whopping 155 million baht.<sup>12</sup>

## WHAT'S NEXT?

Ideally, the PPDF aims to provide financial support for the development of party organizations, but it is in practice a double-edged sword. While it has provided resources for the development of parties, it also encourages small parties to set up a great number of branches and increase membership merely to maximize their PPDF allocations. To overcome these problems, the 2017 Organic Law on Political Parties introduced a new calculation system. This may however benefit major parties. Large parties with a great number of MPs will receive more funding than small parties. Most of these major parties can also rely on other financial sources such as donations and fundraising programmes of their own, and support from the PPDF is thus of marginal importance to them. PPDF subsidies after the 2019 elections included 12.7 million baht for Phalang Prachrat, 12.7million baht for Phuea Thai, 12.6 million baht for the Future Forward Party and 17 million baht for the Democrat Party.<sup>13</sup> In comparison, small parties received less than one million baht. If the point is to advance the development of political parties and the party system, the ECT should in fact provide larger subsidies to small and new parties to help them in conducting campaigns, strengthening their local networks, and recruiting effective members. When subsidizing small parties, however, the ECT will need to monitor them to ensure that they function effectively, will be able and can survive.

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<sup>1</sup> See also Ockey James (2003), "Change and continuity in the Thai political party system", *Asian Survey*

43 (July/August): 663-680; Napisa Waitoolkiat and Paul Chambers (2015), "Political finance regimes: Political party finance in Thailand today: Evolution, reform and control", *Critical Asian Studies* 47 (4): 611-640.

<sup>2</sup> Interview with the director of Political Party Development Fund, Election Commission of Thailand, Bangkok, 20 April 2019.

<sup>3</sup> King Prajadhipok Institute (2006), "The evaluation on expenses of political party development fund" Bangkok: King Prajadhipok Press.

<sup>4</sup> Punchada Sirivunnabood (2013), "Building local party organizations in Thailand". Pp. 163-185 in Dirk Tomsa and Andreas Ufen, editors, *Party politics in Southeast Asia: Clientelism and electoral competition in Indonesia, Thailand and the Philippines* (New York: Routledge).

<sup>5</sup> "Pit tamnan phak khon kho plotni san raththammanun sang yup phak-baen ko k obo ho 5 pi" [The end of the story of the People Seeking Debt Relief Party: constitutional court orders dissolution of party, bans members of the executive committee for 5 years], In *Manager Online*, 30 March 2016 (<https://mgronline.com/politics/detail/9590000032908>, accessed 2 June 2019).

<sup>6</sup> Krit Auewong (2004). *Sakha phak kanmueang: khotetching lae panha*. [Party Branches: Facts and Problems]. *Warasan phak kanmueang* 3 (9) February-March 2004:14-19.

<sup>7</sup> "Khaeng tang phak ha kin" [Competing to form parties for their self-interest] *Post Today*, 15 May 2011 (<https://www.posttoday.com/politic/report/88903>, accessed 7 June 2019).

<sup>8</sup> Interviews with participants in workshop on drafting the Organic Law on Elections, Bangkok, 4 February 2017. The Democrat Party formerly collected 20 baht from members, but only a small number of its members paid their fees.

<sup>9</sup> Interviews with candidates and members of various parties, February 2019.

<sup>10</sup> Report on Political Parties of the Election Commission of Thailand.

<sup>11</sup> “TAT denies spending Bt9m at Phalang Pracharat fundraiser”, *The Nation* 21 December 2018 (<http://www.nationmultimedia.com/detail/breakingnews/30360899>, accessed 7 June 2019).

<sup>12</sup> Party donation reports to the Political Party Development Fund, May 2019. The Democrat Party received the largest amount of donations, mostly from donor contributions when paying taxes.

<sup>13</sup> These amounts are unofficial. The ECT will recalculate the totals after determining the final number of votes for each party.

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