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Thailand's Malfunctioning Political Party Funding System

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In 1988, Thailand adopted measures to provide state funding for the development of political parties through the Political Party Development Fund. In this picture, candidates and officials from different political parties arrive for registration with the election commission in Bangkok on February 4, 2019. Photo: Romeo GACAD, AFP.

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EXECUTIVE SUMMARY

- In 1988, Thailand adopted measures to provide state funding for the development of political parties through the Political Party Development Fund.
- The fund is a double-edged sword. While it provides subsidies for the development of political parties, it also enables small and new parties to maximize their funding by setting up inactive branches and enrolling fake members.
- Lawmakers have tried to curtail these corrupt practices among small and new parties by amending the formula for financial allocations to parties, most recently under the 2017 Constitution.
- Four years after the implementation of the new formula and regulations on state funding for political parties, these practices still persist.
- There are small parties with no parliamentary seats which have received more than a million baht each from the Political Party Development Fund but have not used the money to develop their organizations.
- Instead, they have allegedly used the allocated funds for party leaders' personal expenses and submitted fraudulent financial reports to the Election Commission of Thailand.

INTRODUCTION

After adopting wide-ranging political reforms in 1997, Thailand introduced a Political Party Development Fund (PPDF) in 1998 under the Organic Law on Political Parties. Parties that met requirements specified in this law would receive subsidies from the Election Commission of Thailand (ECT).¹ The Constitutional Drafting Committee that drew up the country's 1997 charter introduced the PPDF to help parties strengthen their organizations and in the process weaken the role of business interests in them. Stronger organizations, it was thought, would also enable small and new parties to survive successive election cycles.² After 20 years, evidence shows that PPDF funds have neither weakened the influence of business interests over parties nor strengthened party organizations. Moreover, official financial support for parties has exacerbated corruption, particularly where small and new parties are concerned. Small parties, particularly those that have never won parliamentary seats, now consider state funding their financial right. Some parties have used this budget for expenditure such as buying a house or a motorcycle and for travel,³ rather than for party development.⁴

During the period of military rule from 2014 to 2017, political parties and their activities were banned. Parties were required to return unused subsidies to the ECT within 30 days after receiving letters of notification from the ECT. In addition, the military-appointed Constitution Drafting Committee responsible for preparing Thailand's 2017 charter under the leadership of Meechai Ruchuphan introduced a new Organic Law on Political Parties that same year. That law revised many sections in previous legislation relating to the method for calculating PPDF subsidies and the process of allocating funds to parties. Although many new articles covering the criteria for subsidy allocation and financial reporting were introduced in the hope of enhancing the transparency of PPDF operations, corruption involving small parties has continued. More importantly, the complicated processes for applying for state funding and reporting party expenses outlined in the 2017 party law created challenges for many parties, in particular small and new ones. In some cases, it led to the dissolution of parties.

STATE SUBSIDIES AND THEIR CALCULATION FROM 1998 TO THE PRESENT

State subsidies for political parties were first introduced in the 1997 Constitution, a charter widely characterized as the "people's constitution".⁵ In accordance with the terms of this charter, a new Political Party Act was adopted in 1998 with an aim to eliminate corruption, vote-buying and money politics, while promoting party institutionalization. Many provisions seeking to reform parties were included in the act, including some which were related to state subsidies to political parties through the PPDF.

During the early period of the PPDF's operation, lawmakers created a formula for allocating funds to parties. It centred on determining percentages of the maximum budget that the PPDF would provide according to four measures: the number of constituency seats in parliament that a party held, the number of votes that it received for its party-list candidates, the number of local branches that it operated, and the number of party members. In the 1998 Party Act, the PPDF set the maximum budget that the state would provide by assigning a weight of 25 per cent to each of the four measures. The percentage for PPDF distribution and the calculation method were however revised over time; this was in order to limit funds allocated to inactive parties, particularly small and new ones which had no parliamentary

representation. Table 1 shows the revisions in the PPDF allocation formula from 1999 to the present day.

Table 1. Revisions in the PPDF allocation formula, 1999- present.

Measure	Weight 1999	assigned 2000-2006	to measure 2007-2014	2017-Present	
number of party list votes won	25%	30%	40%	Number of votes or annual donations ⁶	40%
number of constituency seats won	25%	35%	40%		
number of party members	25%	20%	10%	Membership fee	40%
number of local branches	25%	15%	10%	Local branches	20%
Total	100%	100%	100%		100%

Note: Data adapted from the Election Commission of Thailand's Announcements on the Political Party Development Fund, 1998, 1999, 2000, 2011 and 2018, and from the 2017 Political Party Act.

In 2017, the formula for PPDF allocation was most revised to enhance the effectiveness of financial allocations to political parties and to eradicate corruption among small parties. PPDF subsidies are now allocated on the basis of the total number of votes that a party wins in elections, the total membership fees that a party receives each year and the total number of local branches that the party has. Between elections, the ECT will allocate financial support for parties based on the annual donations received instead of the votes that they won. This formula increases the chances for small and new parties with no parliamentarians to receive more state subsidies by setting up local branches and collecting membership fees.

These new criteria resulted in 77 political parties receiving state subsidies totalling 117 million baht in 2020. In 2021, 68 parties shared 32 million baht in subsidies. In the former year, major parties received the following amounts: the Democrat Party, 17 million baht; the Phuea Thai Party, 13 million baht; and the Phalang Pracharat Party, 13 million baht. In the latter year, the numbers were 7 million baht for the Democrats, 4 million for Phuea Thai, and 4 million for Phalang Pracharat.⁷

The drafters of the 2017 Constitution and the ECT expected the new regulations to eliminate corruption among small parties; this hope was based on prior experience and on the belief that providing all parties access to state funding would reduce incentives for corruption. In practice, however, the new regulations have proved unable to solve these problems. More importantly, the complex process created by the new laws has caused confusion for the ECT and for parties. This policy failure has resulted in legal prosecutions and party dissolutions.

CHALLENGES RAISED BY THE 2017 PPDF REGULATIONS

Four years after implementing of the new PPDF regulations, the ECT continues to confront various obstacles. First, small and new parties continue to establish large numbers of local branches for the purpose of securing state subsidies. At the time of party formation, many small and new parties first reported a large number of local branches to the ECT. This number was rapidly reduced in the year following the 2019 general elections because of inactivity. It was failure to meet the ECT’s evaluating criteria which resulted in the dissolution of inactive branches. Table 2 shows the numbers of branches established by some small and new parties in 2019, and their remaining branches in May 2021.

Table 2: Number of Local Branches in 2019 and 2021, Selected Minor Parties

Political Parties	Number of Branches ⁸		PPDF Subsidization for Branches (in Baht) ⁹	
	2019	2021	2019	2021
Thai Rak Tham Party	108	5	7,200,000	-
New Democratic Party	22	15	1,600,000	204,000
Thai People Power Party	32	13	2,500,000	133,000
Thai People’s Justice Party	10	6	780,000	72,000
Thai Power Builds the Nation Party	9	4	720,000	-

The Thai Rak Tham Party is an interesting case. The party set up more than 100 branches in 2019 and received a total of 11 million baht from the ECT, with 7 million of the allocation based upon its number of party branches. After the 2019 election, the ECT’s provincial officers visited Thai Rak Tham branches in numerous constituencies and found that many of those registered with the ECT did not exist, while some were not formal offices and were instead located in abandoned houses or buildings with no permanent staff. Branch office-holders in some constituencies did not even know that they had been listed as branch executives.¹⁰ Those branches were closed down, and the party was required to return PPDF subsidies to the ECT. Subsequently, the number of registered Thai Rak Tham branches plummeted to 5 in 2021 — down from 108 in 2019. The party is also facing threat of dissolution pending court prosecution over the next 12 months.¹¹

Many small parties without parliamentary seats have also been recruiting members since their formation. With the exception of the Thai Rak Tham Party, small parties saw their memberships increase from 2019 to 2021. Table 3 shows the number of party members in select small and new parties.

Table 3: Number of Party Members in 2019 and 2021, Selected Minor Parties

Political Parties	Number of Party Members ¹²		PPDF subsidization for membership fees (in Baht) ¹³	
	2019	2021	2019	2021
Thai Rak Tham Party	63,326	50,535	3,800,000	-
Phalang Thai Rak Thai Party	11,464	18,436	440,000	87,000
New Democratic Party	19,421	28,899	607,000	26,000
Thai People's Justice Party	24,517	25,203	880,000	10,300
Thai Power Builds the Nation Party	13,189	-	451,000	-

Although the number of members in some small and new parties increased from 2019 to 2021, PPDF subsidies based on their membership fees decreased. Under the 2017 Party Law, the ECT calculates the total financial support that a party receives on the basis of membership fees instead of the number of members per se. It appears that most members of small and new parties had not been paying membership fees; a large number of members does not itself guarantee large PPDF subsidies.¹⁴

It is also the case that most members of small and new parties are not active, and some of them are claimed as party members without their knowledge. While it is not difficult to determine the level of activity of a party's local branches by evaluating their quarterly reports or by visiting their offices, it is not easy to check the status of their members. This is due to flaws in the ECT's data management system and its membership registration process.

Second, the new party law allows parties to receive funding from the ECT without submitting their activity plans. Under the laws from the 1999-2014 period, parties were required to submit their political activity projections together with their estimated expenses to the ECT in order to secure their subsidies. These submissions enabled the ECT to evaluate the parties' projects and audit their financial reports before and after granting subsidies to them; this process was designed to prevent corruption among politicians and local party leaders.

The 2017 changes, however, allow parties to receive PPDF subsidies without submitting activity plans. Parties can now spend these subsidies without prior ECT approval. Financial reports from them to the ECT are required only on a quarterly basis.¹⁵ This poses new challenges to the ECT's financial monitoring procedures. For example, some political activities reported to the ECT may not be actually carried out. Parties that submit fraudulent reports to the ECT are required to return the total amount of their state subsidies within 15 days of notification. According to the author's interview with the director of the PPDF, "the ECT has to request small parties to return subsidies almost every month".¹⁶

Third, the quarterly financial reporting requirements under Section 89 of the 2017 Party Law are onerous for parties that received only minimal amounts of PPDF funding. More than 20 small political parties received PPDF funding of less than 100,000 baht (or US\$3,200) per year. They are nevertheless required by law to submit financial reports to the ECT every three months, or four times a year, no matter what their situation; they face

financial penalties if they fail to submit these reports on time, including both having to return PPDF money and heavy fines. Party leaders can also be prosecuted, which may result in party dissolution.

The ECT also complains that it lacks sufficient staff to check and evaluate the accuracy of the many regular financial reports that it receives. Under 1999-2014 regulations, the ECT conducted annual audits of party finances. But current rules have led to the ECT receiving approximately 70 reports every three months — a significant increase that overwhelms the ECT's capacity to do its work properly.

Finally, leaders of small parties may use state subsidies for their own benefit rather than for advancing party organization. Many small parties receive more than a million baht each from the PPDF, but do not conduct activities for the development of their organization. They also submit fraudulent reports on their incomes and expenses. Where the ECT discovers misconduct and possibly corrupt practices, they often require the return of the subsidies. In many cases where PPDF funds are missing from the party's bank accounts, the executive committee members of the party are obligated to repay the sums in question, regardless of whether they became committee members without their knowledge or had any idea about their responsibilities. Many party committee members in small and new parties are poor villagers. "We feel sorry for them about their needing to find money to return to us; but we cannot do anything about it", says the director of the PPDF.¹⁷

Although the drafters of the 2017 Constitution attempted to revise the political party law in order to enhance the effectiveness of state subsidies to parties, it seems that the problems of the past persist. Many small and new parties without parliamentary seats have set up local branches and recruited members in order to maximize the state subsidies that they receive. Leaders of some of these small and new parties do not utilize state funding for the institutional development of their parties. Instead, they used this funding for personal expenses. If those small and new parties used state subvention to advance their organization in keeping with the original objectives of the PPDF, they might increase their chances of electoral success and become sufficiently institutionalized to survive in the long term.

CONCLUSION

The reforms of PPDF regulations ideally aim to enhance the transparency of state subsidy allocation and at the same time to eradicate corrupt practices among small and new parties. So far, however, the new regulations introduced under the 2017 Organic Law on Political Parties, have failed. Many small parties that were granted large amounts of state funding have not spent the money on organizational advancement. Rather, their leaders tend to have used the money for their leader's or members' own interests.

Consequently, it is difficult for small and new parties to develop their organizations, to become more institutionalized, and to compete more effectively in future. If the point of the PPDF is to advance the development of political parties and the party system, the ECT should in fact revise the regulations on funding allocation by endorsing budgets to parties based upon their projects instead of granting them lump-sum amounts at the beginning of the fiscal year and allowing them to use that funding without any prior financial plans.

The mandate to monitor the parties' spending every three months without the submission of budget plans limits the ability of the ECT to effectively evaluate parties' reports. In light of such challenges, the ECT is unable to prevent the abuse of state funds.

It may be time to revise the PPDF's regulations once again before the next fiscal year.

¹ Napisa Waitookiat and Paul Chambers, "Political Party Finance in Thailand Today: Evolution, Reform, and Control", *Political Finance Regimes in Southeast Asia* 47, 4 (2015): 611-640.

² Punchada Sirivunnabood, "Understanding Political Party Finance in Thailand: New Regulations but Old Practice", *Asia-Pacific Social Science Review* 17, 3 (2018): 1-14.

³ Author's interview with the Election Commission Officers, 6 May 2021 at the Election Commission of Thailand, Bangkok.

⁴ Punchada Sirivunnabood, "How the Thai State Subsidizes Political Parties", *ISEAS Perspective* 50/2019, 20 June 2019 (<https://www.iseas.edu.sg/articles-commentaries/iseas-perspective/201950-how-the-thai-state-subsidizes-political-parties-by-punchada-sirivunnabood/>, downloaded 5 May 2021).

⁵ Erik Martinez Kuhonta, "The Paradox of Thailand's 1997 'People's Constitution': Be Careful What You Wish For", *Asian Survey* 48, 3 (May/June 2008): 373-392.

⁶ During intervals between elections, the Election Commission of Thailand would allocate subsidies to political parties on the basis of the donations that parties receive each year — rather than on the basis of votes gained in the general election — and of numbers of local branches and membership fees paid.

⁷ "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง ประจำปี 2562" [Data on Financial Allocations to Political Parties from the Political Parties Development Fund, 2019]

and "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง ประจำปี 2564" [Data on Financial Allocations to Political Parties from the Political Parties Development Fund, 2021], Office of the Election Commission of Thailand data.

⁸ "ข้อมูลพรรคการเมืองที่ยังดำเนินการอยู่ ณ วันที่ 13 พฤษภาคม 2562" [Data on Political Parties Currently Operating, updated on 13 May 2019], Office of the Election Commission of Thailand

(https://www.ect.go.th/ect_th/ewt_dl_link.php?nid=5456, downloaded 7 May 2021) and

"ข้อมูลพรรคการเมืองที่ยังดำเนินการอยู่ ณ วันที่ 6 พฤษภาคม 2564" [Data on Political Parties Currently Operating as of 6 May 2021], Office of the Election Commission of Thailand

(https://www.ect.go.th/ect_th/ewt_dl_link.php?nid=10858, downloaded 7 May 2021).

⁹ "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง ประจำปี 2562" and "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง ประจำปี 2564".

¹⁰ Author's interview with the Election Commission Officers, 6 May 2021 at the Election Commission of Thailand, Bangkok.

¹¹ Ibid.

¹² "ข้อมูลพรรคการเมืองที่ยังดำเนินการอยู่ ณ วันที่ 13 พฤษภาคม 2562" and

"ข้อมูลพรรคการเมืองที่ยังดำเนินการอยู่ ณ วันที่ 6 พฤษภาคม 2564".

¹³ "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง ประจำปี 2562" and "ข้อมูลการจัดสรรเงินอุดหนุนให้แก่พรรคการเมือง ที่ได้รับจากกองทุนเพื่อการพัฒนาพรรคการเมือง

ประจำปี 2564".

¹⁴ Punchada Sirivunnabood, "Building Local Party Organizations in Thailand: Strengthening Party Rootedness or Serving Elite Interests?", pp. 163-185 in Dirk Tomsa and Andreas Ufen, eds., *Party Politics in Southeast Asia: Clientelism and Electoral Competition in Indonesia, Thailand and the Philippines* (London: Routledge, 2012).

¹⁵ "พระราชบัญญัติประกอบรัฐธรรมนูญว่าด้วยพรรคการเมือง พ.ศ. ๒๕๖๐" [The Organic Act on Political Parties, 2017], *Royal Gazette* 137(105a), 7 October 2017

(<http://web.krisdika.go.th/data/law/law2/%BB34/%BB34-20-2560-a0001.htm>, downloaded 7 May 2021).

¹⁶ Author's interview with the Election Commission Officers, 6 May 2021.

¹⁷ Ibid.

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