

# Political Parties Financing of Mongolia

ISSN: 2688-836X



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**Submission:** 📅 July 24, 2023

**Published:** 📅 August 14, 2023

Volume 15 - Issue 2

**How to cite this article:** Erdenedalai Bat Ulzii\*. Political Parties Financing of Mongolia. *Nov Res Sci.* 15(2). NRS.000857. 2023.  
DOI: [10.31031/NRS.2023.15.000857](https://doi.org/10.31031/NRS.2023.15.000857)

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## Opinion

Countries around the world have been focusing on legal regulation of political party financing in order to reduce their excessive dependence on politics and money, and as much as possible keeping parties aloof from them.

The International IDEA Political Finance Database includes information about the regulations of political party and candidate finance in 180 countries around the world and how the finances are utilized. (Source: IDEA. "Funding of Political Parties and Election" A Handbook on Political Finance. Sweden.,2014. p.3) The study reveals that the level of political finance regulation is the highest (72%) in Eastern Europe, Central Europe, Eastern Europe and Central Asia countries. While the level of political finance regulation is the weakest or lowest (55%) in Asia, which is related to the poor legal regulation and Mongolia comes under this category.

The majority of the countries have been systematically lowering the level of donations by legal entities and instead there is a growing trend towards public funding schemes. Public support to political parties, exemptions, ceiling on party finance, bans, reporting procedures, and accountability are all designed at boosting the capacity of the political parties, promoting democratic maturity and contributing to improving the political education of the people.

In Mongolia, non-election party finance is regulated under the Law on Political Parties, and the election financing is regulated through the Law on Elections.

Heavy investment is required in financing the daily operations of the party and its numerous local branches, as well as developing and implementing the party program platform. All this funding takes its source from income generated through the leasing of party's building(s), interest on party's bank saving, membership dues, non-election donations by individuals and corporate to the party, pledge money by party members, public finance etc.

As regards the Mongolian People's Party (MPP) and the Democratic Party (DP) that have their own building, they are making money by renting out their assets which is not possible for parties other than these two. Therefore, parties other than the MPP and DP, are relying on their membership dues and donations, as well as public funding.

But election financing comes from the private and personal assets of the party and the nominated candidates, donations by individuals and corporate, as well as public funding support for carrying out election campaigns.

One of the mistakes being committed by political parties in Mongolia is that when a party member wants to run for election from his or her own party, the party requires the interested candidate to put up a so-called "pledge money".

In 2008, for example, party members who wanted to run for election had to put up a pledge money to the party amounting to MNT20 million (equal to 7604 USD). This amount grew to MNT50 million (equal to 19011 USD) and even MNT200 million (equal to 76045 USD) for

the Parliamentary election in 2016. This is but a violation of the Constitutional right to elect and be elected. Given such a state of affairs, even today there is no guarantee that a candidate, in order to obtain the right to be nominated, will not stop at seeking funding support for himself or herself even before raising election campaign funding.

87.5% of the respondents in a public opinion poll on party finance, conducted in 2014 by the Open Society Forum and Sant Maral Foundation, were in full agreement with the provision that “large donors have a very strong influence on politicians.” Subsequently, the elected representatives, instead of serving the voters serve the interests of the donors. There are many alternatives for overcoming this wrongful action such as accepting small donations and contributions from as many donors as possible so that no preference is given to anyone, involving many citizens in financing, and banning donations and contributions by legal entities.

The Parliament passed the Law on Elections in December 2015. The law incorporates a number of positive changes and one of them is the ceiling on the amount of cash an individual candidate can put up from his or her own pocket. In 2008, this amount by an individual candidate was almost MNT22 million (equal to 8365 USD), which grew almost 5 times in 2012 to reach MNT104 million (equal to 39543 USD). This means that election campaign was conducted using fund raised from large business companies, instead of fundraising from many small donors. Emanating from this, a candidate with amassed fund took the upper hand instead of candidates who were genuinely educated and at least had some ethical moral.

Additionally, the highest-spending candidate in the 2020 parliamentary elections spent MNT651,553 million tugrik (USD 188,856 USD). This compares with the minimum wage of Mongolia’s labor costs MNT550,0005 (USD 159 USD), which cost 1,184 times as much as the candidate’s election.

Legal regulation of political party financing is poor in Mongolia can be evidenced by the following. The Law on Political Parties does not have clear-cut provisions on the form of financing, its monitoring, accountability and compliance of law, whereby the accountability level of political parties has waned, they resort to illicit funding, abuse public funding, and do not report on their income and expenditure.

What’s more, the above Law has failed to include regulations spelling out the requirements for the annual financial reporting of a political party. What needs to be done to ensure that the financial report is transparent and accessible to party members, supporters and researchers. Thus, the Law has overlooked the issue of financial reporting and accountability by political parties, which have been given the sole right to internal audit by the party itself. The public opinion poll conducted by the Open Society Forum and Sant Maral Foundation in 2014 further revealed that 91% of the respondents have said they have not seen the financial report of political parties during the non-election year. This is yet another proof that internal party audit is lax.

Laws and legislation related to elections contain regulations appertaining to election spending statements, and the General Election Commission and the National Audit Agency have been accorded the right to audit and evaluate the authenticity of such a financial statement. However, numerous quality research conducted in this regard reveal that financial statements of parties during elections, income and expenditure, their authenticity and their reporting procedures are vague, there are either no or insufficient legal regulations for their audit and accountability.

Finally, it must be noted that the country needs to carry out a number of measures such as ensuring that political parties strictly comply with the laws, involve governmental and non-governmental organizations and the general public when political parties propose suggestions and recommendations, and make them accountable in the event they violate the above provisions, and also mobilize research teams to monitor the compliance of laws and legislation.