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Political Party Financing in Mongolia: Strengthening a Democracy

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ABSTRACT

Mongolia faces several challenges as a developing country and a relatively recent multi-party democracy. These include substantial levels of corporate influence in the country (due to a large and increasingly economically-critical mining sector), historical political turbulence, and recent surveys showing significant public perception of large-scale corruption within political parties. Many of these issues remain linked to the country's political party financing practices, and so this paper aims to provide a potential means of effective review and reform for these systems.

The paper explores key aspects of Mongolia's current context and background, explaining many of the country's unique features which must be kept in mind when developing a robust and appropriate political party financing scheme. These factors are key when exploring the main issues in Mongolia's political party financing, including: negative influences and corruption, ineffective oversight and enforcement, a lack of democratic pluralism, and a lack of nationwide representation. Based on the best practices of other countries, this paper then focuses on solutions in relation to political party financing, not forgetting what is feasible in Mongolia's current context. The paper also looks at alternate reforms outside of political party financing, but still related to the issues and solutions at hand, and provides an overall strategy for reform-prioritisation.

Among the many reforms discussed, the paper primarily proposes that Mongolia could focus on strengthening a single independent, centralised, and self-contained authority for overseeing and enforcing all aspects of political party financing legislation, implementing a dual-system of fixed and proportionate political party public funding (with proportionate subsidies equally weighted between vote-based and seat-based criteria), and conducting a thorough review and reform of the critical vagaries and omissions remaining in their political party financing legislation. Through careful contextual analysis and investigation, this paper hopes to provide a full suite of effective potential solutions for comprehensively and appropriately tackling the most critical and pressing political party financing-related issues facing Mongolia today.

EXECUTIVE SUMMARY

This paper concludes that four key political party financing-related issues, continue to affect Mongolia:

- Negative influences and corruption
- Ineffective oversight and enforcement
- A lack of democratic pluralism
- A lack of nationwide representation

In terms of solutions, this paper suggests that Mongolia could implement the following measures, with regards to:

Negative influences and corruption:

- Review legislation on donations, ensuring consistency, lowering donation limits, and introducing comprehensive legislation thoroughly accounting for ‘pledge money’ traditions and in-kind donations.
- Review legislation on expenditure, ensuring explicit clarity on spending limits, lowering spending limits, and introducing comprehensive legislation thoroughly accounting for third-party expenses on behalf of political parties or candidates.
- Review political party public funding measures, increasing the level of public funding, introducing a dual-system of fixed and proportional public subsidies, ensuring proportional subsidies are equally weighted between vote-based and seat-based measures, introducing an effective minimum threshold for eligibility, and tightening legislation to ensure indirect public funding methods (e.g. subsidised broadcasts) remain effective.
- Index all financial figures in legislation to inflation and average real wage.

Ineffective oversight and enforcement:

- Centralise all political party financing oversight and enforcement authority and responsibilities within a single, independent, and self-contained entity – with clear and sufficient financial, labour, and explicit legislative support.
- Revise legislation on disclosure and review, explicitly clarifying the authority and processes of the relevant oversight authority over receiving, auditing, and publishing financial statements and declarations of income and assets.

- Revise enforcement legislation, increasing the level of fines, introducing more types of available sanctions, and explicitly clarifying legislation to thoroughly ensure cash donations go through the candidates' or parties' election expenses bank accounts.
- Index all financial figures in legislation to inflation and average real wage.

A lack of democratic pluralism:

- Review political party public funding measures, increasing the level of public funding, introducing a dual-system of fixed and proportional public subsidies, ensuring proportional subsidies are equally weighted between vote-based and seat-based measures, introducing an effective minimum threshold for eligibility, and tightening legislation to ensure indirect public funding methods (e.g. subsidised broadcasts) remain effective.
- Review legislation controlling abuses of state power or resources, clarifying legislation to ensure comprehensive enforcement against all such abuses, ensuring such enforcement applies inside and outside of election periods, and explicitly clarifying the authority of a relevant oversight authority in enforcing this.
- Index all financial figures in legislation to inflation and average real wage.

A lack of nationwide representation:

- Review political party public funding measures, ensuring proportional subsidies are equally weighted between vote-based and seat-based measures.
- Index all financial figures in legislation to inflation and average real wage.

Other reforms:

- Consider implementing technological innovations such as electoral bonds and crowdfunding for political party funding methods, blockchain for digital record keeping, and mobile apps for party-citizen interaction.
- Consider implementing measures for a greater political culture such as enhancing education and loosening participation age limits to help foster youth participation.
- Consider implementing structural adjustments to the electoral process such as introducing staggered parliamentary elections, and more extensive referendums or direct democracy.

Overall strategy:

- First priority should be to focus on the implementation and strengthening of a single independent, centralised, and self-contained authority for all political party financing oversight and enforcement – as well as shoring up legislation to effectively support this.
- Next priority should be to implement a dual-system of fixed and proportionate political party public funding (with proportionate subsidies equally weighted between vote-based and seat-based criteria), and introducing an effective minimum threshold for eligibility.
- A similar priority should also be given to conducting a thorough review and reform of the critical vagaries and omissions remaining in Mongolia’s political party financing legislation, discussed in the section on negative influences and corruption – dealing particularly with issues including ‘pledge money’ traditions, in-kind donations, and third-party expenses on behalf of political candidates and parties.

OVERVIEW OF SUGGESTED REFORMS: OVERALL

Legislation on Donations

- *Maintain consistency between trade union and corporate donation bans; either ban both or allow both.*
- *Index donation limits to inflation and average real wages.*
- *Impose lower donation limits on legal entities, following appropriate evaluation.*
- *Account for ‘pledge money’ in legislation as an activity which counts towards individual donation limits.*
- *Mandate in legislation, both inside and outside of election periods, that in-kind donations are valued with reference to external indices (like market value) – and that their valuations are audited by the relevant oversight authority.*

Legislation on Expenditure

- *Make spending limits clearer and more consistent by maintaining an official limit, or a set of protocols used for consistently determining official limits, in the legislation.*
- *Impose lower spending limits, following appropriate evaluation.*
- *Index spending limits to inflation and average real wages.*
- *Account for third-party expenses conducted on a party’s or candidate’s behalf, in legislation, as part of the party’s or candidate’s individual spending limits.*

Public Funding

- *Increase the level of political party public funding, following appropriate evaluation.*
- *Index public funding amounts to inflation and average real wages.*
- *Introduce a dual-system of fixed and proportional political party public funding.*
- *Adjust proportional public funding to be equally weighted between vote-based and seat-based subsidies.*
- *Introduce an effective minimum threshold to qualify for public funding, following appropriate evaluation.*
- *Increase the amount of equally publicly subsidised/provided media coverage for political parties and candidates – and introduce explicitly stipulated enforcement, in legislation,*

for legal caps to private broadcasting fees for political parties and candidates during elections.

Centralisation, Independence, and Self-Containment

- *Centralise all powers, responsibilities, and the full authority of political party financing oversight and enforcement within a single, independent, self-contained institution. These should include, but are not necessarily limited to:*
 - *All responsibilities for collecting financial reports, statements, and declarations of incomes and assets from all political parties, candidates, MPs, and other relevant entities – both inside and outside of election periods.*
 - *Performing audits and investigations (for instance through forensic accounting) verifying the integrity of the submitted financial reports, and compliance of all involved entities with political party financing law.*
 - *Publishing findings publicly following the timeline stipulated in the legislation.*
 - *Enforcing and regulating all legislation concerning political party financing – including, but not limited to, regulations on donations and expenditure.*
 - *Investigating and ensuring that political party public subsidies are being allocated properly, and used correctly (i.e. in accordance with the 50% earmarking for parliamentary unit election areas¹).*
 - *Enforcing proper allocation and scheduling of public radio and television time, and ensuring private broadcaster compliance with fee caps for political parties and candidates during elections.*
 - *Enacting sanctions for contraventions of political party financing legislation.*
- *Ensure this institution is provided with sufficient funding and staffing, as well as the cooperation of other relevant bodies.*
- *Explicitly clarify the authority of this institution over political party financing oversight and enforcement in legislation.*
- *Ideally, establish a new, self-contained independent electoral oversight committee for overseeing and enforcing its political party financing laws.*

¹Law on Political Parties. (Mongolia). 2005, Article 19.2.

- *If this is deemed unfeasible, centralise oversight and regulatory processes into the IAAC, or the NAO.*

Practices for Disclosure and Review

- *Revise legislation to explicitly stipulate that all political party financing-related financial statements, records, and declarations of income and assets are to be collected, reviewed, audited, and published exclusively by the relevant oversight authority.*
- *Explicitly clarify, in legislation, which details (in particular, regarding income sources and expenses) should be disclosed by political parties and candidates in their financial statements.*
- *Explicitly clarify, in legislation, detailed guidelines on how to decide which financial reports to audit, and how they should be reviewed and audited.*
- *Enforce measures, in legislation, explicitly clarifying the investigative rights of the relevant oversight authority during audits, and ensuring cooperation and compliance from the entities under audit.*
 - *For instance, legal mandates for the provision of any required documentation and evidence requested, and signed assent for financial institutions to disclose any assets held by the audited entity to the oversight authority upon request.*
- *Explicitly clarify, in legislation, a specific timeline over which disclosure, review, and publishing needs to take place.*

Enforcement and Sanctions

- *Increase the level of fine-based sanctions for breaches of political party financing law, following appropriate evaluation.*
- *Introduce further types of sanctions for breaches of political party financing law, including revocations and claw-backs of political party public funding, and imprisonment.*
- *Explicitly stipulate, in legislation, that all cash donations are to be transferred into the party's or candidate's election expenses account within a specified timeframe – or that all cash donations must be initiated through the banking system.*

Alternate Considerations

- *Introduce more comprehensive legislation controlling all potential abuses of state powers and resources - both inside and outside of the election period.*
 - *Include a stipulation for one of the relevant oversight authorities (such as the NAO or the IAAC) to enforce these laws.*
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I. INTRODUCTION

Since its adoption of a multi-party democratic political system in 1990, Mongolia has come a long way in developing an effective democracy. A report implemented by the UNDP comments that: “Mongolia’s political system has received well-deserved attention as one of the most successful examples of democratization in the Asian region”², and this is reflected in many of the progressive intentions and measures present in Mongolia’s legislation. However, as a developing nation and a relatively new democracy, Mongolia has faced a myriad of issues in establishing a robust, well-functioning, and enduring democratic process.

With substantial levels of corporate influence in the country (due to a large and increasingly economically-critical mining sector), historical political turbulence, and recent surveys showing significant public perception of large-scale corruption within political parties, there are evidently fundamental issues still present in Mongolia’s political process. Many of the issues arising from such circumstances can be traced back to the political party financing practices in the country, and so this subsequently raises questions concerning the integrity and exhaustiveness of Mongolia’s legislation in that area.

A major policy area, political party financing is particularly crucial for every democratic regime seeking robustness. However, without ensuring comprehensiveness and exhaustiveness, any political party financing policy scheme has significant potential to backfire – remaining ineffective at best, and substantially damaging the integrity of the country’s political process at worst. As a generally progressive country, Mongolia is by no means suffering from insurmountable barriers to effective political party financing practices. In reality, there are just a few key areas in Mongolia’s legislation that need reform, with much of Mongolia’s political party financing legislation representing progressive schemes and processes found in many well-functioning democracies (albeit with varying levels of thoroughness and effective legal implementation).

Playing an important role in multiple areas of a country’s political, economic, and social considerations, however, it can be difficult to effectively formulate a policy scheme that selectively tackles the aspects one desires, without detracting from others. Major issues including corruption, corporate influence, political disenfranchisement, accountability, sovereignty, equitability,

² Ch. Enkhbaatar, D. Solongo, P. Amarjargal, and Tom Ginsburg. *The Role of the Constitution of Mongolia in Consolidating Democracy: An analysis*. (Ulaanbaatar: Munkhiin Useg, UNDP, 2015), p.8.

representation of the electorate, and so on, are all impacted by (and duly impact) political party financing processes – and even the most celebrated democracies today have difficulties locating and manifesting the ideal or perfect political party financing system. However, it is this very reach and potential for political party financing to influence so many critical areas and issues, that makes its investigation and constant improvement such a necessity – especially for a country in the situation Mongolia finds itself in.

Based on this context, this paper has identified Mongolia’s situation as an excellent case study for many of the broader issues in political party financing faced by developing democracies around the world. Significant and potentially debilitating, such issues can substantially interfere with a country’s political processes – particularly in developing nations or recently democratised states. As a result, this paper aims to provide research and conclusions from the Mongolian context that will maintain significant relevance for many of the countries worldwide facing related issues.

As such, this paper will aim to provide a thorough analysis of the current Mongolian political party financing system and issues. Supplemented by comparisons with the systems and outcomes faced by other relevant and comparable nations, this paper then aims to draw conclusions which could help Mongolia to locate and resolve the critical areas in political party financing legislation and practices which may most require improvement and reform. To this end, this paper will aim to provide a comprehensive list of potential solutions that could help tackle Mongolia’s political party financing-related issues, based on the best-practices of well-functioning democracies. Analysing Mongolia’s background and specific conditions, followed by investigations into four key political party financing-related issues that the country faces (negative influences and corruption, ineffective oversight and enforcement, a lack of democratic pluralism, and a lack of nationwide representation), this paper will aim to draw conclusions from this research to build a robust set of potential reforms and improvements for Mongolia’s current system – all of which will be tailored specifically to the unique circumstances and context which Mongolia faces.

II. BACKGROUND

In order to fully understand the political party financing issues that currently affect Mongolia, it is first important to gain a proper contextual understanding of Mongolia's circumstances. Political party financing, though a common factor in every country's political process, is far from a uniform and rigid science. There is no single formula or recipe for a perfect political party financing system, and much of what determines the effectiveness of such a scheme relies heavily upon the specific contextual circumstances of the country in question.

As such, this section will aim to provide a brief overview of some of the relevant aspects of Mongolia's profile. This will include overviews of Mongolia's basic country profile, recent history, political structure, election structure, and political party financing. This will allow the rest of the paper to properly contextualise and explore Mongolia's political party financing issues - as well as the measures which could feasibly be taken to resolve them.

II.I. COUNTRY PROFILE

i. Geography

With an area of 1,564,116 km², Mongolia is the 20th largest country in the world³. Landlocked and encapsulated between China and Russia⁴, Mongolia is often the focus of some level of international scrutiny due to its strategic positioning between two of the world's major international players. In recent history, this has also been exacerbated by the discovery of Mongolia's large deposits of natural minerals and resources such as oil, coal, copper, molybdenum, tungsten, phosphates, tin, nickel, zinc, fluorspar, gold, silver, and iron⁵.

Possessing a natural terrain of primarily grassy steppes, desert, and vast semidesert and desert plains⁶, Mongolia remains largely untouched by urbanisation – outside of the capital, and a couple of much smaller cities, Mongolia has little in the way of urbanised development, despite its relatively large size. Combined with large land borders 8,082 km long⁷, this has historically created issues for Mongolia in terms of border enforcement and regulation.

ii. Population

With some two people per square kilometre, Mongolia is one of the least densely populated countries in the world⁸. As of July 2018, its total population was just over 3.1 million⁹. The country still has high trends of sparse population, with many nomadic population groups present in the country. However, around half of its population resides in the capital, Ulaanbaatar. The cities of Darhan and Erdenet, both in the country's north, are also relatively densely populated with around 100,000 inhabitants each¹⁰. Overall, just under 70% of Mongolia's population live in urban areas and the country's expected urbanization rate from 2015-20 is some +1.63% annually¹¹.

³ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ World Population Review, 'Population of Cities in Mongolia (2018)'. [Website], (n.d.), World Population Review. <<http://worldpopulationreview.com/countries/mongolia-population/cities/>> accessed 06 January 2019.

¹¹ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

The population is a relatively young one with 27% of Mongolians aged 0-14, 15.67% aged 15-24, 45.49% aged 25-54, 7.34% aged 44-64 and 4.42% aged 65+¹².

Mongolian is the country's official language, with 90% of the population speaking this. In particular, the Khalkha dialect is predominant as are Turkic and Russian languages¹³.

In terms of ethnic groups, the country's composition is approximately as follows: Khalkh 81.9%, Kazak 3.8%, Dorvod 2.7%, Bayad 2.1%, Buryat-Bouriates 1.7%, Zakhchin 1.2%, Dariganga 1%, Uriankhai 1%, Other 4.6%¹⁴. In terms of religion, around 53% of Mongolians are Buddhists, 38.6% identify with no religion, 3% Muslim, 2.9% Shamanists, 2.2% Christian, and 0.4% Other¹⁵.

iii. Economy

Overall, there is a general international consensus that Mongolia's economic prospects remain positive – with organisations like the World Bank even declaring that: “Mongolia's long-term development prospects are bright”¹⁶.

The country experienced a slowdown in the two years from 2014 driven by falling commodity prices and foreign direct investment¹⁷. However, 2017 and the first half of 2018 saw recovery with GDP growth rates of around 5% and 6% respectively¹⁸.

In 2017-dollar terms, Mongolia's GDP per capita (PPP) remains currently around \$13,000¹⁹. Unemployment sits around 8% and inflation (consumer price) stood at 4.6% in 2017²⁰. The country's 2017 GINI Coefficient was 34, a slight decrease from 36.5 in 2008²¹.

Mongolia's service sector makes up the largest part of its economy at 49.7%²². Industry is a relatively close second at 38.2%²³. Within this, it is worth noting the country's dependence on

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ The World Bank, 'The World Bank in Mongolia'. [Website], (n.d.), The World Bank. <<https://www.worldbank.org/en/country/mongolia/overview>> accessed 09 January 2019.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ Ibid.

the mining sector. This industry alone forms 20% of GDP²⁴ – whereas agriculture, meanwhile, only represents some 12.1% of the economy²⁵. Indeed, the country’s growth is particularly driven by mining exports, especially those of coal and copper²⁶. This heavy dependence on a single industry is particularly dangerous, and leaves much of the country’s economic and political processes particularly vulnerable and tied to the fate and whims of the mining sector. This can be seen in a 2015 report implemented by the UNDP, which notes that the discovery of Mongolia’s abundant mineral resources “completely changed Mongolia’s economic structure and ... challenged the governance system”²⁷. Combined with the events of April 2018, when the country’s anti-corruption authority arrested two former prime ministers who presided over key negotiations with Rio Tinto over its investments in the giant Oyu Tolgoi copper mine²⁸, it is clear that such strong ties to corporate mining interests serve as an innate danger to the integrity of Mongolia’s political process.

In terms of international trade, China and the UK are Mongolia’s largest export partners, receiving 8.5% and 10.7% respectively. Key exports include: copper, apparel, livestock, animal products, cashmere, wool, hides, fluorspar, other nonferrous metals, coal, and crude oil²⁹.

China is Mongolia’s largest import partner, with almost a third of all imports originating from here. Russia is not far behind at 28.1% whilst Japanese imports account for 8.4% of total imports, the US for 4.8% and South Korea for 4.6%. Key imports include: machinery and equipment, fuel, cars, food products, industrial consumer goods, chemicals, building materials, cigarettes and tobacco, appliances, soap and detergent³⁰.

²⁴ The World Bank, ‘The World Bank in Mongolia’. [Website], (n.d.), The World Bank. <<https://www.worldbank.org/en/country/mongolia/overview>> accessed 09 January 2019.

²⁵ Central Intelligence Agency, ‘The World Factbook: Mongolia’. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

²⁶ The World Bank, ‘The World Bank in Mongolia’. [Website], (n.d.), The World Bank. <<https://www.worldbank.org/en/country/mongolia/overview>> accessed 09 January 2019.

²⁷ Ch. Enkhbaatar, D. Solongo, P. Amarjargal, and Tom Ginsburg. *The Role of the Constitution of Mongolia in Consolidating Democracy: An analysis*. (Ulaanbaatar: Munkhiin Useg, UNDP, 2015), p.8.

²⁸ Financial Times, ‘Mongolia arrests 2 former PMs linked to mining probe’. [Website], (11 April 2018), Financial Times. <<https://www.ft.com/content/b46ae610-3d5e-11e8-b7e0-52972418fec4>> accessed 09 January 2019.

²⁹ Central Intelligence Agency, ‘The World Factbook: Mongolia’. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

³⁰ Ibid.

The World Bank lists the key risks to Mongolia's economy as including political uncertainty, poor handling of money laundering issues, commodity shocks, and border bottlenecks³¹. The first two of these issues remain of particular relevance to this paper.

³¹ The World Bank, 'The World Bank in Mongolia'. [Website], (n.d.), The World Bank. <<https://www.worldbank.org/en/country/mongolia/overview>> accessed 09 January 2019.

II.II. RECENT HISTORY

Situated between Russia and China, Mongolia has a political history which has been marked by various struggles for control over its vast and sparsely populated, but mineral rich land.

A key starting point for Mongolia's contemporary history is marked by its December 1911 declaration of independence from China which happened amidst the collapse of the Qing dynasty³². This marked the beginning of what is often described as the 'Autonomous Period' of the country's history.

Actual independence from the Republic of China was achieved in 1921³³. However, shortly thereafter, the country came under the control of the Soviet Union, which had aided its independence from China³⁴. In 1924, the Mongolian People's Republic was founded as a socialist state and the name of the capital was changed from Ih Hūree to Ulaanbaatar, meaning Red Hero³⁵.

Due to repeated threats of a veto by the Republic of China, Mongolia did not join the UN until 1961 when the Soviet Union agreed to lift its veto on the admission of Mauritania (and any other newly independent African state), in return for Mongolia's admission³⁶. Mongolia was thus admitted to the UN on 27 October 1961³⁷.

The last few decades of socialism saw increasing industrialization in Mongolia, visible in the expansion of the capital, Ulaanbaatar, and the 1975 establishment of the Erdenet copper mine³⁸.

In 1990, Mongolia abandoned its 70-year-old Soviet-style one-party system in favour of political and economic reforms and multiparty elections³⁹. Since then, the ex-communist Mongolian People's Revolutionary Party (originally abbreviated as the MPRP but known as the MPP or Mongolian People's Party since 2010) has competed for political power with the Democratic

³² Encyclopaedia Britannica, 'Mongolia: Independence and Revolution' [Website], (n.d.), Encyclopaedia Britannica, <<https://www.britannica.com/place/Mongolia/Independence-and-revolution>> accessed 12 January 2019.

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid.

³⁶ United Nations Department of Public Information. *Questions Relating to Organs of the United Nations, Membership, and the United Nations Charter*. (New York: United Nations Department of Public Information, 1961), pp.166-168.

³⁷ Ibid.

³⁸ Encyclopaedia Britannica, 'Mongolia: Reform and the birth of democracy' [Website], (n.d.), Encyclopaedia Britannica, <<https://www.britannica.com/place/Mongolia/Reform-and-the-birth-of-democracy>> accessed 12 January 2019.

³⁹ Ibid.

Party (DP) and several other smaller parties. This includes a new party formed by former President Enkhbayer, which gave itself the MPRP name⁴⁰. The original Mongolian People's Revolutionary Party (MPRP, then MPP) was the first party to take power in Mongolia's multi-party democracy, and remained in power until 1996⁴¹.

For a full breakdown of Mongolia's modern electoral history, see Appendix I⁴².

It is important to note though, that Mongolia's 1990 conversion to a multiparty democracy was conducted through a process of shock therapy. Without a gradual, incremental transition, virtually all laws, regulations, and government processes had to be rewritten and reworked immediately to facilitate the conversion. This led to several significant hurdles and challenges as lawmakers, political agencies, and all agents affected by the changes had to rapidly adapt to the distinctly new and different situation to what they had grown used to over the previous decades. For instance, there was no tradition of a permanently sitting parliament before 1990, and the MPs elected following the conversion were therefore all relatively inexperienced – despite being responsible for passing many of the initial laws and practices that would define the groundwork for Mongolia's multiparty democratic culture. With agents on both sides of the new legislation having to react accordingly almost immediately, this proved to be a tremendous challenge for all involved, playing a significant role in the rise of a concentrated financial and political elite (typically comprised of those who could adapt and take advantage of the new system faster than the majority), and could explain many of the issues and detrimental practices that still exist in Mongolia's political processes today.

In the country's most recent parliamentary elections in June 2016, the MPP won overwhelming control of Parliament, largely pushing out the DP which had overseen a sharp decline in Mongolia's economy during its control of Parliament in the preceding years⁴³.

⁴⁰ Ibid.

⁴¹ Ibid.

⁴² See Appendix I.

⁴³ Encyclopaedia Britannica, 'Mongolia: Toward a new society' [Website], (n.d.), Encyclopaedia Britannica, <<https://www.britannica.com/place/Mongolia/Toward-a-new-society>> accessed 12 January 2019.

In July 2017, populist former martial arts star and businessman Khaltmaagiin Battulga was sworn in as President⁴⁴. Prior to becoming an MP in 2004, he founded Genco, one of Mongolia's largest holding companies⁴⁵.

⁴⁴ Ibid.

⁴⁵ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

II.III. POLITICAL STRUCTURE

Mongolia is a semi-presidential republic. The basic fundamentals of Mongolia's political system are as follows: executive power is exercised by the President and the Government, and legislative power is vested in both the Government and Parliament. The Judiciary completes the primary trinity in Mongolia's political process, and is independent of both the executive and the legislature⁴⁶.

i. Executive Branch

The Executive branch includes the Office of the President, the Office of the Prime Minister, and the Government.

The Mongolian President is the Head of State and serves as a symbol of the unity of the Mongolian people. Presidential terms last for four years and a president can stay in office for a maximum of two terms⁴⁷. The powers of the President include nominating a candidate for Prime Minister (though this must be approved by Parliament), calling for the Government's dissolution, initiating legislation, vetoing all or part of a piece of legislation (though this can be overruled with a 2/3 majority in Parliament), issuing decrees, approving judicial appointments, appointing the Chief Judge of the Supreme Court of Mongolia, chairing the National Security Council, and acting as the Commander-in-Chief of the armed forces⁴⁸. President Khaltmaagiin Battulga has been Head of State since 10 July 2017⁴⁹.

The Prime Minister leads the Government as the Head of Government, as appointed by the President. Prime Minister Ukhnaa Khurelsukh, has been in place since 4 October 2017⁵⁰. The Cabinet consists of thirteen ministries, with ministers nominated by the Prime Minister in consultation with the President, as confirmed by the State Great Khural (Parliament)⁵¹. The

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ President of Mongolia: Office of the President, 'President's Full Powers' [Website], (13 January 2010), President of Mongolia: Office of the President, <<https://president.mn/en/president-full-powers/>>. accessed 12 January 2019.

⁴⁹ Encyclopaedia Britannica, 'Mongolia: Toward a new society' [Website], (n.d.), Encyclopaedia Britannica, <<https://www.britannica.com/place/Mongolia/Toward-a-new-society>> accessed 12 January 2019.

⁵⁰ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

⁵¹ Ibid.

Government is dismissed upon the Prime Minister's resignation, simultaneous resignation of half the Cabinet, or after the passing of a motion of censure in Parliament⁵².

There is currently some concern about the political stability of Mongolia's Executive Branch. The country has had some 15 different Cabinets post-independence, each lasting an average of 1.5 years – despite the intended term of a Cabinet being four years⁵³.

ii. Legislative Branch

The State Great Khural (or Ulsyn Ikh Khural) serves as the Mongolian Parliament, and is the highest organ of state power and legislative body. The State Great Khural has a unicameral structure with 76 seats. Its members are currently directly elected from 76 single-seat constituencies by simple majority vote, with each constituency requiring at least 50% voter participation for the poll to be valid. Each member serves a four-year term⁵⁴. Parliamentary sessions take place every six months and are either 'autumn' or 'spring' sessions⁵⁵.

iii. Legal System

Mongolia possesses a civil law system influenced by Soviet and Romano-Germanic traditions. In accordance with the most recent Constitution, the Judicial General Council (JGC) was formed and empowered to select the judges, and maintain the independence of the judiciary.

The Supreme Court is the highest judicial body, and its Justices are nominated by the JGC, confirmed by Parliament, and appointed by the President. The Supreme Court comprises of a Chief Justice and 24 subordinate Justices. The Chief Justice serves for a single six-year term. The Supreme Court holds jurisdiction over all laws outside of the Constitution⁵⁶.

The Constitutional Court (or Constitutional Tsets) is the highest court in Mongolia responsible for interpreting the Constitution. As such, the Constitutional Court has supreme power over the implementation of the Mongolian Constitution, and all governmental action is subject to this

⁵² Ibid.

⁵³ Agence France-Presse, 'I am not a dictator': Mongolian PM survives attempted ousting'. [Website], (01 December 2018), The Guardian. <<https://www.theguardian.com/world/2018/dec/01/i-am-not-a-dictator-mongolian-pm-survives-attempted-ousting>> accessed 12 January 2019.

⁵⁴ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

⁵⁵ Discover Mongolia, 'Political system of Mongolia' [Website], (n.d.), Discover Mongolia, <<https://www.discovermongolia.mn/about-mongolia/people-society/political-system-mongolia>> accessed 12 January 2019.

⁵⁶ Ibid.

Court. The Constitutional Tsets includes nine members, one of which additionally serves as Chairman. Each member serves a six-year term, with three members each being nominated by Parliament, the President, and the Supreme Court⁵⁷.

iv. Constitution

Mongolia's current constitution was enacted in February 1992. Constitutional Amendments can be proposed by either the Parliament (State Great Khural), the President, the Government, or by a petition submitted to Parliament through the Constitutional Court. Holding a referendum on proposed amendments requires at least $\frac{2}{3}$ majority vote whilst a passage of amendments by the Parliament requires $\frac{3}{4}$ of the vote. A passage by referendum requires majority participation of qualified voters as well as a majority of the votes⁵⁸.

v. Administrative Divisions

Mongolia is divided into 21 *aimags* (provinces) and one provincial municipality – each of which is further subdivided into districts⁵⁹. The provinces include Arkhangai, Bayankhongor, Bayan-Ölgii, Bulgan, Darkhan-Uul, Dornod, Dornogovi, Dundgovi, Govi-Altai, Govisumber, Khentii, Khovd, Khövsgöl, Ömnögovi, Orkhon, Övörkhongai, Selenge, Sükhbaatar, Töv, Uvs, and Zavkhan⁶⁰.

The capital Ulaanbaatar forms a provincial municipality which is governed separately and independently from the province, Töv, which it is situated in.

vi. Political Parties

There are currently 31 registered political parties active in Mongolia⁶¹. However, the Mongolian People's Party (MPP, MPRP before 2012), the Democratic Party (DP), and the Mongolian People's Revolutionary Party (MPRP), remain the largest by a wide margin. Of these, the MPP and the DP remain the most established parties and, as such, the Government is usually formed by one of these two parties. Each party requires a minimum of 801 members to qualify for registration⁶², but many remain relatively small and do not exceed this minimum by much.

⁵⁷ The Law of Mongolia on the Constitutional Court (Tsets). (Mongolia). 1992, Chapter 1.

⁵⁸ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

⁵⁹ Ibid.

⁶⁰ Ibid.

⁶¹ Supreme Court of Mongolia, 'Political Party Registration' [Website], (n.d.), Supreme Court of Mongolia, <<http://www.supremecourt.mn/nam>> accessed 20 March 2019.

⁶² Law on Political Parties. (Mongolia). 2005, Article 9.3.7.

Difficulties in achieving party stabilisation

It is important to note, however, that as a result of certain trends and traditions, Mongolian political parties have had historical difficulty in stabilising themselves in traditional political structures. Contrasting with many well-functioning democracies in Asia and the West, this has resulted in a loss of faith in many of the political parties of Mongolia, and has hindered the entrenchment of democracy in a more durable form.

This is primarily because, due to strong trends of corporate influence in elections and politics at large, Mongolian political figures have come to be associated with businesses. As demonstrated by recent ethnographic research in Mongolia, it is commonly considered that “to do politics in contemporary Mongolia is to become a businessperson; someone who can demonstrate mastery over the economy”⁶³. This has led to the inculcation of business-like attitudes to politics, many of which may go against what might be considered favourable for political stability and governance. One of the clearest examples of this is in the high levels of corruption that much of the Mongolian public believe remain present in Mongolia’s political parties, according to the Asia Foundation’s 2017 annual survey on corruption perception in Mongolia⁶⁴.

Furthermore, the main political parties have not developed any real sense of ideology, and politicians and businessmen have been known to switch party affiliation based purely on electoral chances⁶⁵. Indeed, there have been instances of family members (for example sister and brother Batsukhyn Saranchimeg and Batsukhyn Narankhuu) representing both the MPP and DP respectively in the 2012-2016 parliament⁶⁶. This demonstrates that Mongolia’s political parties act more as conglomerates of a variety of business and patronage interests, than as the representative political bases for any long-term areas of ideology or support. In turn, this has led to relatively loose affiliations, volatile election results, and ultimately a fundamental instability in Mongolia’s party systems.

This is perhaps best demonstrated by the creation of the MPRP, in many ways the child of former speaker Enkhbayar – a leading figure within Mongolian politics since the 1990s. After a series of

⁶³ Lauren Bonilla, and Tuya Shagdar, 'Electoral Gifting and Personal Politics in Mongolia's Parliamentary Election Season', *Central Asian Survey*, 37/3 (2018), p.470.

⁶⁴ The Asia Foundation, *Survey on Perceptions and Knowledge of Corruption: Strengthening Democratic Participation and Transparency in the Public Sector in Mongolia Project*. (The Asia Foundation, 2017), p.35.

⁶⁵ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), pp.1040-41.

⁶⁶ *Ibid.*, p.1041.

corruption scandals in the MPP, Enkhbayar formed the new MPRP out of the MPP in 2010⁶⁷. Over the course of the 2012 parliament, his party steadily grew in standing commensurate with his personal popularity. However, this was revealed as an elaborate means to secure a more prominent place in the MPP. In April 2016, he secured the personal pick of 25 out of 76 candidates to Parliament, and the two parties agreed to rotate the positions of speaker and Prime Minister⁶⁸. While this deal eventually fell through, it is a clear demonstration that political parties in Mongolia are far from the more consistent, stable, and ideologically-driven political parties of prominent democracies like the UK and the USA - and are instead more typically used as personal vehicles by various stakeholders. Indeed, after the deal fell through, a number of senior MPRP politicians jumped to the MPP to run in the elections. “Ideological differences...are rarely so deep as to outweigh considerations of power”⁶⁹ seems a fitting conclusion, and one that shows Mongolia’s continuing inability to develop strong party cultures, unmoored from business and personal considerations.

Mongolia’s political position according to contemporary political theory

As a result of current financing laws and this fragmentation of the party system, a relatively unorganized democracy has arisen in Mongolia. This outcome is in fact in line with some of the leading theories on political parties - particularly the work of Bernard Manin.

Manin posits that political parties first emerged as groupings of local “notables”⁷⁰, who competed for parliamentary supremacy. While the original example he uses is Britain - and the conflict between Whigs and Tories - his exposition resembles the current situation in Mongolia. Parties are relatively loose, candidates do most of the fundraising themselves and are attached in clientelistic relationships to business and societal interests. A party itself is relatively impotent in the face of outside forces, which bear a considerable amount of influence on politicians - a situation which is reciprocated insofar as the politicians are often leaders in the very businesses that seek to influence political parties.

Crucially, Manin clarifies that this system of ‘notables’ was far from mass democracy - the franchise was limited and only the upper classes could reliably and directly influence politics. It

⁶⁷ Ibid., p. 1049.

⁶⁸ Ibid.

⁶⁹ Ibid.

⁷⁰ Bernard Manin, *The Principles of Responsible Government* (3rd edn, Cambridge: Cambridge University Press, 2010).

was only the advent of mass suffrage that created the strong party structures we see today in many well-functioning democracies.

In this sense, Mongolia seems to operate in an uncomfortable half-way house. While political parties must respond to the needs of mass democracy, political financing and circumstantial trends are such that local notables tend to create miniature fiefdoms and hamper the development of stable party organization, as demonstrated by the rapid rise and fall of the MPRP.

II.IV. ELECTION STRUCTURE

In Mongolia there are three types of elections: parliamentary, presidential, and local government elections. However, of these, only parliamentary and presidential elections are of interest to this paper, since these are the main elections which political parties, and thus political party financing, are most involved with.

i. Voter Registration

In Mongolia, suffrage is universal for all those aged 18 and above. In both parliamentary and presidential elections, Mongolia's voting system works by passive voter registration on regional voter lists (with one voter list assigned to each polling station)⁷¹. These vote lists are drawn up from the National Civil Registration and Information Database (NCRID)⁷², which includes personal identification data, as well as self-declared areas of residence, to allow for appropriate geographic voter distribution to the various voter lists. The voter lists are released publicly online and at the polling stations prior to the elections, and voters are able to scrutinise them for errors and formally request changes⁷³. Voters are also allowed to transfer to another polling station outside of their area of residence prior to elections, and such a transfer can be either permanent or temporary⁷⁴.

On election day, voters are required to physically attend their respective polling stations, with mobile voting only allowed for individuals who have a verifiable physical ailment preventing them from physically attending⁷⁵.

ii. Parliamentary Elections

Parliamentary elections for the State Great Khural are open to voting by all citizens of Mongolia who are entitled to vote and, as of the recent parliamentary election, who are staying in Mongolia on the day of voting⁷⁶. Candidates can be party-nominated, coalition-nominated, or independent, and campaign for a single constituency⁷⁷.

⁷¹ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.9.

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Ibid., p.10.

⁷⁶ Ibid., p.9.

⁷⁷ Ibid., pp.10-11.

Historically, victory conditions have changed from election to election. In the 2012 election, and until right before the 2016 election, Mongolia operated on a mixed system of 48 members being elected directly from 26 multi-mandate constituencies, and 28 members being elected from a nationwide constituency based on proportional representation (seats were awarded to parties based on the proportion of the total vote they had obtained)⁷⁸. However, right before the 2016 election, the Constitutional Court invalidated the proportional part of the parliamentary elections, amended the 26 multi-mandate constituencies to 76 single-mandate constituencies, and ultimately ensured a fully majoritarian system with candidates winning seats solely through first-past-the-post direct voting in each of the 76 constituencies⁷⁹.

iii. Presidential Elections

In the presidential elections, Mongolia operates off of a two-round, majoritarian voting system⁸⁰. Presidential elections for the State Great Khural are open to voting by all citizens of Mongolia who are entitled to vote, and who are staying in Mongolia on the day of voting⁸¹. Parliament announces the date of election at least 75 days before the day of election⁸².

A presidential candidate must be an indigenous citizen of Mongolia, at least 45 years old, and must have permanently resided for at least 5 years in Mongolia⁸³. A single candidate can be nominated by each non-independent parliamentary party - of which, at the time of the last election, there were only three⁸⁴.

The candidate able to win an over-50% majority of the total votes cast wins the Presidency. If no candidate is able to win the majority vote, then a new round of voting is held, under the same conditions, between the two candidates who netted the most votes in the first round. If no

⁷⁸ Ibid., p.5.

⁷⁹ Ibid.

⁸⁰ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.5.

⁸¹ Ibid., p.8.

⁸² Discover Mongolia, 'Political system of Mongolia' [Website], (n.d.), Discover Mongolia, <<https://www.discovermongolia.mn/about-mongolia/people-society/political-system-mongolia>> accessed 12 January 2019.

⁸³ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.10.

⁸⁴ Ibid.

candidate gains the majority vote here (this is possible through a high enough proportion of blank votes) then a new election would be scheduled⁸⁵.

The last presidential election was held in June 2017 with a runoff held in July. The next will be in 2021⁸⁶.

iv. Election Commission

The General Election Commission of Mongolia (GECM or GEC) serves as the impartial, and independent, central election body. Created on 10 April 1992, the GEC is mandated to hold the Mongolian parliamentary (State Great Khural) elections, presidential elections, and referendums nationwide. The GEC also supports the organization of the elections for local governments, i.e. the Citizens' Representatives' Khurals⁸⁷.

The GEC is comprised of a Chairman, a General Secretary, and nine Commissioners. Five Commissioners are appointed by Parliament, two by the President, and two by the Supreme Court. All Commissioners serve six-year terms on the GEC⁸⁸.

Current priorities of the GEC include implementing election reforms in order to improve the legal environment, ensuring the enfranchisement of citizens living abroad and disabled people, and introducing automated election systems⁸⁹.

⁸⁵ Ibid., p. 5.

⁸⁶ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

⁸⁷ General Election Commission of Mongolia, 'Duties and Functions'. [Website], (n.d.), General Election Commission of Mongolia. <<http://gec.gov.mn/en/index.php?page=mandate>>. accessed 06 January 2019.

⁸⁸ Ibid.

⁸⁹ General Election Commission of Mongolia, 'Chairman's message'. [Website], (n.d.), General Election Commission of Mongolia. <<http://gec.gov.mn/en/index.php?page=greeting>> accessed 06 January 2019.

II.V. POLITICAL PARTY FINANCING

i. Overview of Current Political Party Financing Legislation

The current political party financing system, at face value, appears similar to those of other democratic regimes, with many practices and measures set in legislation seeming to reflect the standards upheld by many progressive, well-functioning democracies. However, upon further investigation, many of these similarities can be found to be relatively superficial, as critical vagaries and ineffective enforcement render many areas of the legislation tenuous and weak. A report funded by the European Union even noted that, currently, Mongolia “does not meet international guidelines and best practice recommendations on party funding”⁹⁰. Broadly speaking, both the law as currently written, as well as electoral practices, make it very easy for political party financing restrictions to be bypassed – and for electoral outcomes to be unduly influenced.

This widespread phenomenon is also reflected in polling data. Mongolian political parties tend to remain intentionally vague and obfuscate and conceal information on their sources of funding. As a result, specific details on how the political parties raise funds remain largely unclear. Some, but not all parties, are known to maintain official membership fees (the details of which are concealed), and both the MPP and the DP own large buildings and can rent out space. However, for the most part, Mongolian political parties are known to mainly rely on donations and the candidates themselves to raise funds for their candidacies. This has significantly raised both the likelihood that parties are dominated by business-people, and that corporate interests wield a perceived undue influence in elections. This is borne out in recent polling: according to one 2014 estimate, 86% of Mongolian respondents reported that the “political finance system needed major reforms”⁹¹. This has bled into beliefs about political parties. In a 2017 poll, 35% of Mongolians asked stated that “no party”⁹² was best able to solve political problems in the country.

Despite this, it is important to recognise the areas in which Mongolia’s political party financing legislation does match up with the practices of many well-functioning democracies. For example, Mongolia currently bans political donations from foreign entities, interests and non-profit

⁹⁰ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.15.

⁹¹ Ibid.

⁹² The Economist, 'Herd it all before: Mongolians prepare to elect a new president'. [Website], (22 June 2017), The Economist. <<https://www.economist.com/asia/2017/06/22/mongolians-prepare-to-elect-a-new-president>>. accessed 12 January 2019.

bodies⁹³. Furthermore, anonymous donations are fully prohibited, a restriction more stringent than even most western democracies⁹⁴. Government-owned businesses (both partially and fully owned ones) are prohibited from making donations to political parties or candidates⁹⁵, and state resources are not allowed to be used for the purposes of campaigning⁹⁶. There is also a maximum ceiling for donations: a legal entity may give up to 20 million tugrik per year, and a citizen may give up to 2 million per year, to political parties outside of election periods⁹⁷. In elections, a legal entity may give another 15 million tugrik, and an individual may give 3 million tugrik, to a political party or candidate⁹⁸. As explored further in this paper, these are all measures that match up well to the best practices of many other countries.

However, implementation is an entirely different story, and there are still plenty of areas where Mongolia's political party financing legislation could use improvement. For instance, it is unusual that individuals and corporations have different donation limits. The fact that corporations may donate greater amounts creates a greater likelihood for the electoral process to be skewed towards corporate influences. Furthermore, the fact that trade unions are prohibited from donating, when corporations are not⁹⁹, is striking. This does not adhere to general norms and is not followed in the vast majority of other democratic jurisdictions. In most countries, either union donations and corporate donations are both banned, or they are both permitted to compete on an equal footing.

Additionally, a particularly questionable aspect of Mongolia's political party financing environment, is the practice of 'pledge money' – wherein individuals are expected to donate sizeable sums of money to political parties in order to run as one of their candidates for elections. This infringes on the individual's right to passive suffrage (i.e. the inherent right to stand for office). This also particularly disadvantages those with fewer resources in society, notably youth and women. The restrictions this places on women is especially curious, given the outsized role Mongolian women have played in the entrenchment of democracy and the growth of civil society in Mongolia¹⁰⁰. Furthermore, as discussed further in this paper, this custom also creates significant

⁹³ Law on Political Parties. (Mongolia). 2005, Article 18.7.

⁹⁴ Ibid.

⁹⁵ Law on Election. (Mongolia). 2015, Article 52.1.3.

⁹⁶ Ibid., Articles 52.1.7 and 70.5.

⁹⁷ Law on Political Parties. (Mongolia). 2005, Article 18.3.

⁹⁸ Law on Election. (Mongolia). 2015, Article 50.1.

⁹⁹ Law on Election. (Mongolia). 2015, Article 52.1.9.

¹⁰⁰ Oyungerel Tsevdamba, 'The Secret Driving Force Behind Mongolia's Successful Democracy', *PRISM*, 6/1 (2016), p.143.

loopholes in Mongolia's current political financing framework, undermining the effectiveness of existing legislation.

These issues are likely some of the reasons that have contributed to the fact that 60% of Mongolians in March 2017 stated that corruption had increased a little or a lot – and only 10% declared that corruption had decreased a little¹⁰¹. Political parties were also ranked the second most corrupt institutions in Mongolia in the same survey, and have been perceived in the top five most corrupt institutions since 2010¹⁰².

ii. Political Party Financing Regulatory Authorities

Mongolia's legislation incorporates a system for enforcing political party financing law, through a process of financial disclosure and audit. The responsibility for executing this currently lies spread between several entities – namely, the General Election Commission of Mongolia (GEC), the National Audit Office (NAO), the Mongolian Tax Administration (MTA), the General Authority for State Registration (GASR), the Independent Authority Against Corruption of Mongolia (IAAC), and the Ethics Committee in Parliament.

To accomplish this, financial reports are submitted by parties first to the GEC¹⁰³. The GEC then sends a copy out to both the NAO and the MTA – whereupon, in principle, the NAO should then audit them and investigate for any discrepancies and contraventions of political party financing law. For declarations of assets and income, a similar process occurs with the declarations being submitted to the IAAC for review – save for the case of MPs, whose declarations are reviewed by the Ethics Committee in Parliament instead¹⁰⁴. Any potential offences highlighted by the Ethics Committee or IAAC, would then be investigated by the IAAC¹⁰⁵. However, unfortunately, a lack of sufficient coordination between these institutions tends to make the regulatory process unnecessarily cumbersome, hindering efforts to enforce political party financing law.

In addition, the measures in place for enforcement in Mongolia's political party financing legislation give the relevant authorities a patchy framework with which to impose them. For

¹⁰¹ The Asia Foundation, *Survey on Perceptions and Knowledge of Corruption: Strengthening Democratic Participation and Transparency in the Public Sector in Mongolia Project*. (The Asia Foundation, 2017), p.35.

¹⁰² *Ibid.*, p.56.

¹⁰³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

¹⁰⁴ *Ibid.*, pp.23-24.

¹⁰⁵ *Ibid.*

instance, the NAO is named as the institution responsible for setting spending limits, however, neither a fixed limit, nor a guideline for determining a limit, is included in legislation¹⁰⁶. As a result, the 2016 parliamentary elections saw various constituencies possessing widely different campaign finance limits, despite several of these constituencies being of uniform size¹⁰⁷. Furthermore, as a result of a lack of measures accounting for the ‘pledge money’ system, the total contributions to candidates and political parties could not be verified that year¹⁰⁸. As a result, as shown by occurrences like these, the system of political party financing regulation in Mongolia remains rather nebulous and scattered.

¹⁰⁶ Law on Election. (Mongolia). 2015, Articles 41.1-41.2.

¹⁰⁷ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.15.

¹⁰⁸ *Ibid.*

III. KEY ISSUES AND POTENTIAL SOLUTIONS

Political party financing is a deeply fundamental and wide-reaching arm of democratic policy that has influences and relationships to most areas of a country's political, economic, and social factors. As a result, many of the issues related to it are similarly wide-reaching and fundamental, and are thus typically debilitating in their effect. Such has been the case in Mongolia since, despite possessing a fairly progressive set of democratic legislation and practices, the country remains caught in the midst of various serious issues - ranging from significant public belief in the presence of substantial corruption of the country's political parties, to continuing political turbulence related to the heavy corporate interests of Mongolia's mining sector.

As such, this section will focus on analysing Mongolia's political party financing-related issues, investigating the most critical and debilitating of these problems with an aim to provide contextually viable solutions for Mongolia to implement. To this end, this paper identifies and focuses on four key political party financing-related issues: negative influences and corruption, ineffective oversight and enforcement, a lack of democratic pluralism, and a lack of nationwide representation.

Split into four sections, with one for each key issue, each of the following sections is meant to be able to serve as a self-contained, stand-alone article on the policy review and reforms relevant to each key issue. Starting with a listed summary of the total reforms suggested for each one, each section then delves into the detailed background, causes, and implications of the issues, as well as thorough explanations and discussions on the range of feasible and appropriate political party financing-related solutions available - based on the contextualised best-practices of other well-functioning democracies.

It is important to note that the stand-alone nature of the four sections does result in some superficial overlap in the discussion of some of the policy suggestions for different issues, as there are some political party financing-related reforms that help tackle multiple key issues. However, these reforms are explored in the differing contexts of the key issues in each section, and each of the different key issues provides vastly differing considerations for any policy reforms suggested (even over the same reform). Therefore, though superficially similar, the discussions of such reforms in each section remain fundamentally distinct.

III.I. NEGATIVE INFLUENCES AND CORRUPTION

OVERVIEW OF SUGGESTED REFORMS: NEGATIVE INFLUENCES AND CORRUPTION

Legislation on Donations

- *Maintain consistency between trade union and corporate donation bans; either ban both or allow both.*
- *Index donation limits to inflation and average real wages.*
- *Impose lower donation limits on legal entities, following appropriate evaluation.*
- *Account for ‘pledge money’ in legislation as an activity which counts towards individual donation limits.*
- *Mandate in legislation, both inside and outside of election periods, that in-kind donations are valued with reference to external indices (like market value) – and that their valuations are audited by the relevant oversight authority.*

Legislation on Expenditure

- *Make spending limits clearer and more consistent by maintaining an official limit, or a set of protocols used for consistently determining official limits, in the legislation.*
- *Impose lower spending limits, following appropriate evaluation.*
- *Index spending limits to inflation and average real wages.*
- *Account for third-party expenses conducted on a party’s or candidate’s behalf, in legislation, as part of the party’s or candidate’s individual spending limits.*

Legislation on Public Funding

- *Increase the level of political party public funding, following appropriate evaluation.*
- *Index public funding amounts to inflation and average real wages.*
- *Introduce a dual-system of fixed and proportional political party public funding.*
- *Adjust proportional public funding to be equally weighted between vote-based and seat-based subsidies.*
- *Introduce an effective minimum threshold to qualify for public funding, following appropriate evaluation.*

- *Increase the amount of equally publicly subsidised/provided media coverage for political parties and candidates – and introduce explicitly stipulated enforcement, in legislation, for legal caps to private broadcasting fees for political parties and candidates during elections.*
-

i. Overview of the Key Issue

The threat of negative influences and corruption is one of the most prominent issues in any political party financing system, as it represents the potential for the system to be used or abused to benefit certain individuals or groups, at the expense of the wider populace and country.

On the Asia Foundation's 2017 annual survey on corruption perception in Mongolia¹⁰⁹, political parties ranked second in terms of where Mongolian citizens most perceived corruption to exist in their public bodies. Indeed, overall, 60% of Mongolians stated that they believed corruption had increased a little or a lot, and only 10% declared that they believed corruption had decreased a little¹¹⁰. Combined with the evidently strong corporate influences from Mongolia's prosperous mining sector, it is clear that corruption and negative influences within political parties remains one of the major issues plaguing Mongolia's political process.

A large part of this stems from the fact that in Mongolia, despite a weak culture and ability for grassroots fundraising, there is no lack of funds available in politics thanks to the involvement of business and private donors. However, the power of such select individual stakeholders and donors within party structures bring with them their own problems relating to stability and accountability. Critically, this can result in individual stakeholders having excessive (and potentially negative) influences on political processes. Given the present weaknesses in Mongolia's political parties' stability, if parties are to play their traditional integrative role(s) – such as embedding themselves within civil society, strengthening grassroots processes, and channelling public desires – they need to be strong enough to stand without the integral support of a few key individuals. As such, only by curbing the excessive influence of a few key individuals, will political parties in Mongolia be able to play their proper function. To address such issues, Mongolia needs to mould and reform their political financing system – to curb the ability of

¹⁰⁹ The Asia Foundation, *Survey on Perceptions and Knowledge of Corruption: Strengthening Democratic Participation and Transparency in the Public Sector in Mongolia Project*. (The Asia Foundation, 2017), p.56.

¹¹⁰ *Ibid.*, p.35.

individual stakeholders to unaccountably and excessively influence or take control of party organizations, while still recognising the reliance and necessity that political parties' currently have for such private funds.

Therefore, since most political party financing considerations remain intertwined and concerned with controlling and minimising such negative influences, this issue remains a key focal point that this paper will attempt to tackle.

However, despite this being a very real issue in Mongolia, a review of Mongolia's current legislation concerning negative influences and corruption within political party financing shows that, on the whole, Mongolia's political party financing legislation remains largely theoretically and contextually appropriate at face value. On the whole, much of Mongolia's legislation in this area compares well with the best practices of other countries, for the purposes of combatting negative influences and corruption. That is not to say, however, that Mongolia's legislation on the issue is perfect - there are certainly areas in which much improvement is needed. This includes issues relating to certain overlooked political party traditions, potential adjustments needed for certain figures and limits, the lack of important specificity in certain areas, and potential reforms needed for the public funding of political parties. However, overall, Mongolia's issue with negative influences in political party financing seems to stem predominantly instead from the lack of effective enforcement and regulation measures, which are critical factors in supporting any country's political party financing laws. Once effective enforcement is ensured, current legislation would be able to actually take effect and automatically address many of the issues that currently plague Mongolia's political system - including any negative influences and corruption in political parties. However, enforcement, oversight, and regulation are separate issues, with different considerations, that will be tackled exclusively in the next section. This section will instead focus on reviewing and refining Mongolia's existing political party financing laws, with reference to the best practices of other countries, to be able to effectively manage negative influences and corruption with appropriate legislation - once suitable enforcement measures are in place to support them.

ii. Legislation on Donations

In terms of legislation concerning donations, it is important to note that, though there are certain areas which may require revision (and inclusion), many of Mongolia's political financing laws remain generally sensible and in-line with the best practices of other countries.

Foreign interests

For instance, donations are currently banned from foreign countries, foreign organisations (or foreign parties of a joint organisation), and international organisations¹¹¹. This is a common law in many countries, and consistent with many others such as the UK, Canada, and the US which all have very strict legislation on foreign donations¹¹², to protect sovereign interests and maintain the independence of elections and political parties from international influences. With large, powerful neighbours (i.e. China and Russia) and international interest in Mongolia's natural resources, it would be recommended for Mongolia to maintain its strictness on donations from foreign entities.

In a similar vein though, there is currently no official protocol concerning donations from any citizens who may have excessive ties to foreign interests, which may be used as a workaround to the ban on direct donations from foreign interests. However, this would be understandably difficult and costly to screen for and investigate for every donation. Ideally it may be appealing to eventually find a way to screen every donation for excessive foreign ties, however, this poses certain logistical and subjective issues, and contextually it may be currently more sensible for Mongolia to focus on other areas of regulation (e.g. spending limits, oversight, and disclosure) to control for these potential workarounds. It may, however, bear merit to conduct such screening for larger donations (with a threshold to be appropriately set by a regulatory body like the General Election Commission of Mongolia or National Audit Office). This is because such donations would have greater chances to have more sizeable impacts and significance to political proceedings, and would likely occur less frequently, making their screening much more valuable and feasible. This would therefore help hamper efforts to subvert such legislation on donation sources, while also allowing such screening to remain more achievable.

Corporations and trade unions

Though corporate interests are particularly strong in Mongolia, owing to the strength of Mongolia's mineral wealth and mining sector, corporate donations are currently allowed by Mongolia's political party financing laws¹¹³. However, this remains a fairly common practice across

¹¹¹ Law on Political Parties. (Mongolia). 2005, Article 18.7.

¹¹² Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.262.

¹¹³ Law on Election. (Mongolia). 2015, Article 52.1.

an overwhelming majority (80%) of countries in the world¹¹⁴. This is likely because corporations, though potentially powerful in Mongolia, do arguably represent valid stakeholders in a country's political process. These are also, importantly, notoriously difficult to comprehensively ban or limit, given the potential to surpass such limitations by simply routing corporate donations through individuals instead. As such, given Mongolia's position, it may be more effective for Mongolia to maintain a permissive stance towards corporate donations, as opposed to attempting the costly venture that trying to enforce a corporate donation ban would be, and instead focus on other areas of regulation (e.g. spending limits, oversight, and disclosure) to manage any concerns of undue corporate influence on political parties via financing.

However, in the same vein, just as it may be better to allow corporate donations to remain unbanned, Mongolia may be better served revising their political party financing legislation banning donations from trade unions¹¹⁵. Although this ban is more common worldwide¹¹⁶, the ban on trade union donations represents somewhat of an inconsistency when corporate donations are allowed. This is because, the same reasons that can be argued for corporate donations can be similarly maintained for trade unions: they arguably represent valid stakeholders in a country's political process just as corporations do, and banning donations from them would certain face the same logistical enforcement issues as corporations. As such, in the interest of contextual enforcement feasibility and consistency, Mongolia may be better served revising this particular donation ban – focusing instead on other areas of regulation (e.g. spending limits, oversight, and disclosure) to manage any concerns of undue trade union influence on political parties via financing.

State-owned and state-related organisations

Mongolia also bans state-owned and state-related organisations and companies from donating to political campaigns¹¹⁷. This is generally in line with what is enforced in other democracies in Asia¹¹⁸ and around the world, as such donations could represent the abuse of government and public

¹¹⁴ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), pp.21-22.

¹¹⁵ Law on Election. (Mongolia). 2015, Article 52.1.9.

¹¹⁶ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.22.

¹¹⁷ Law on Election. (Mongolia). 2015, Article 52.1.7.

¹¹⁸ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.90.

resources to support a particular party or candidate – thereby skewing the integrity of the democratic process. In the same vein, Mongolia also bans state resources from being directly used in favour of any particular party or candidate¹¹⁹, or directly donated to political parties or candidates (outside of regulated political financing public subsidies)¹²⁰. Remaining consistent with international practices preventing government and public resources and funds from being unfairly used to advantage any particular party or candidate, and more easily enforceable since public sector finances and resources would be far more accessible and auditable for a public oversight entity like the General Election Commission or National Audit Office, it is recommended that such legislation remain unchanged.

It is important to note though, that Mongolia does not currently regulate donations from companies with government contracts. These are sometimes banned with the objective of preventing the incumbent party from being abusing their influence over government resources to elicit donations and support from such companies, in exchange for awarding them government contracts. Given the importance of the mining sector, and therefore the consequent importance of contracts related to mineral deposits, in Mongolia, this may seem like an area which could benefit from revision. However, just as with any donation restriction for the private sector, logistically and contextually such donations would be difficult to regulate and enforce (particularly as there is no blanket corporate donation ban in place), as determined entities could simply route their donations through shell companies, individuals, and other means to subvert such restrictions. For example, in South America, despite there being bans on donations from companies that have contracts with the state in 67% of countries, they are generally considered unsuccessful¹²¹. As such, though an eventual goal may be to limit or phase out donations from companies with government contracts, currently Mongolia may be better served focusing instead on strengthening other, more contextually feasible, areas of regulation (e.g. spending limits, oversight, and disclosure) to contain issues concerning donations from companies with government contracts.

¹¹⁹ Law on Election. (Mongolia). 2015, Article 70.5.

¹²⁰ Ibid., Article 52.1.3.

¹²¹ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.133.

Donation limits

Mongolia also imposes limits on the amount that can be donated to parties and candidates per donor. This is defined in the Law on Political Parties' Article 18.3 as one million tugrik for individuals and ten million tugrik for legal entities per donation, and a maximum of two donations per year (making that a maximum annual donation of two million tugrik for individuals and 20 million tugrik for legal entities), to political parties outside of elections¹²². For donations to parties and candidates during elections, the Law on Election's Article 50.1 stipulates the maximum as three million tugrik for individuals and 15 million for legal entities¹²³. Donation limits are common in many countries around the world and are usually instated with the intention of reducing negative influence and corruption, by placing a limit on the amount that any one individual or entity can financially influence a party or candidate. As with any restriction on private donations though, these can be very easy to circumvent¹²⁴ – as has been the case for many Asian countries in general¹²⁵, including Mongolia. However, despite the difficulty in enforcement, such donation limits are still highly beneficial and could definitely be maintained, if only for the purposes of placing clear boundaries for what is legally allowed. This at least creates some formal obstructions to hamper any activities inciting negative influences and corruption through political party financing, as well as defining what can be formally punished by law.

In terms of the specific limits, it is difficult to comment on the appropriateness of the limits, given that such limits can vary drastically between countries based on contextual circumstances (ranging from GDP per capita to cultural traditions and political ideologies). One clear potential recommendation that can be made though, would be to index any limits to changing economic circumstances like inflation and average real wage, in order to maintain spending power consistency and continually appropriate limits – particularly given Mongolia's historical susceptibility to inflationary pressures, and the typical volatility of average real wages in developing nations. Additionally, there may be merit to adjusting the donation limit for legal entities (i.e. corporate donations) downwards, as a means of controlling the influence that corporate interests are allowed to have in the political and electoral processes of the country. This is because, though arguably representing valid stakeholders in the country's political system,

¹²² Law on Political Parties. (Mongolia). 2005, Article 18.3.

¹²³ Law on Election. (Mongolia). 2015, Article 50.1.

¹²⁴ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.30.

¹²⁵ *Ibid.*, p.91.

corporations (and by extension trade unions) represent non-personal, vested interests. Therefore, donations from such entities are far more likely to be issued in expectation of a return (whether financial, legislative, or otherwise), which goes against the ideal for donations to represent an expression of support from the electorate to their preferred party; and instead leans far more towards the realm of excessive negative influences via political party financing. As such, decreasing legal entity donation limits (and potentially increasing individual donation limits to counterbalance this), would diminish potentially negative corporate political influences and increase the influence of the voting electorate over electoral proceedings and party finances. At the same time, this would allow legislation to remain contextually viable and achievable, particularly compared to trying to manage the slew of issues that would arise from any attempts to outright ban corporate donations. This is because such legislation would still recognise that corporate interests are valid political stakeholders to some extent, and the reality that much of Mongolia's current political party and candidate financing relies heavily on corporate donations. To attempt to abruptly and forcibly change this would likely bode poorly for Mongolia's political process, however, a downward revision of specific limits would be far more realistically feasible. However, beyond this, it would likely be more appropriate to leave any further reviews of specific limit levels to the evaluation of an oversight body like the General Election Commission of Mongolia or National Audit Office, which would be able to better contextually recommend effective limits based on local assessments of the country's nuanced politico-economic circumstances.

Candidate and political party self-financing

Mongolia currently does not place a limit on the amount that candidates and parties are able to self-finance their campaigns and their parties¹²⁶, and this has become an important facet of many elections in Mongolia. Indeed, the election of the current President, “Genko” Battulga, was facilitated by his ability to “underwrite [his] faction’s needs”¹²⁷ in the Democratic Party, which eventually allowed for his nomination as President. This is a common trend, given the lack of a strong grassroots fundraising culture or capacity in Mongolia – in many cases wealthy, self-funded candidates are the only ones who are viably able to politically campaign. However, this can create issues as it can lead to individual candidates having excessive, uninhibited influence over their

¹²⁶ Law on Election. (Mongolia). 2015, Article 47.

¹²⁷ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), p.1032.

campaigns and political decisions (or even those of their entire party), without needing to necessarily factor in considerations of public desires. This is because, such allowances can theoretically lead to the isolation of candidates and parties from the needs of the people, as a self-sufficient political party or candidate may be less reliant on representing a balance of public desires to secure funding from a range of sources, since such candidates and parties would already possess all the funding they need. Therefore, this could allow such individual candidates excessive influence and control over political processes as they would be free of financial restraints, and so would be able to exclusively pursue personal agendas.

However, it is important to understand that financial self-sufficiency would not completely isolate a party or candidate from having to channel the needs of the people; channelling such public desires remain necessary and critical to secure support and votes to actually win elections, regardless of a party's or candidate's financial disposition. Additionally, in Mongolia's current context, the lack of a limit on candidate and party self-financing makes more sense, given the country's lack of a strong grassroots fundraising culture or capacity. As such, many political parties and candidates would only be able to feasibly campaign through self-financing, as otherwise there simply would not be enough capacity to raise the necessary funds from grassroots donations. Indeed, forcing parties and candidates to rely on donations to campaign would more likely simply result in a heavier incidence of donations from corporate and business interests – which would simply be swapping one set of stakeholders holding potentially excessive influence over political processes, for another.

As such, maintaining a limit on how much candidates and parties can self-finance remains an aspirational goal, more appropriate for more stable and mature democracies where this could help ensure that political processes are representative of channelled public desires. However, in Mongolia, current contextual circumstances would probably mean that political processes would benefit more from the maintenance of the current lack of such a limit, as opposed to any change towards one.

'Pledge money' traditions

One of the major issues, however, that continues to have significant negative implications for Mongolia's efforts to reduce negative influences and corruption in political party financing, would be persistence of the 'pledge money' tradition within Mongolia's political parties; in particular, the lack of any legislation concerning it. 'Pledge money' refers to the money that is traditionally

required of candidates to donate towards their party in order to run for office – the higher the office and position on the party list that a candidate desires, the larger the sum of ‘pledge money’ required from the candidate¹²⁸. The amount of ‘pledge money’ required from candidates has continued to grow annually, from 20 million tugrik in 2008, to 100 million tugrik in 2016. For top candidates in the party lists, this amount was higher and could reach 500 million tugrik¹²⁹. In recent times, this tradition has grown increasingly pervasive in Mongolian political, and has even allegedly spread to the sale of government offices – according to the 2016 scandal where a group of politicians were accused of conspiring to sell government offices to raise 60 billion tugrik¹³⁰.

This provides a serious setback for attempts to reduce negative influences and corruption (and specifically, for attempts to enforce donation limits), since such payments are not addressed at all in the law. For instance, Mongolia’s political parties use the ‘pledge money’ system to bypass the legal limits to individual donations that they should be able to receive from each candidate. The amount candidates are required to pledge is completely flexible and set at will by the political parties, enabling them to receive donations from their candidates far in excess of the official limits, by however much they want. Additionally, political parties have also found ways to channel corporate donations, masked as private individual donations, to their candidates by crediting such donations against the ‘pledge money’ that the party demands from them¹³¹ – ultimately reducing the amount of ‘pledge money’ that such candidates would need to pay. This therefore creates an unregulated method by which political parties and candidates can easily bypass legal donation limits.

As such, though the immediate elimination of the ‘pledge money’ tradition may be unfeasible, given its current entrenchment in Mongolian political culture, it certainly should be a long-term goal for Mongolia to mitigate and phase out. At the very least, revising Mongolia’s political party financing law to account for the tradition could definitely be a priority. For instance, this could be done simply by accounting for ‘pledge money’ as an activity which counts towards the candidates’ individual donation limits towards their parties.

¹²⁸ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.16.

¹²⁹ Ibid.

¹³⁰ Peter Bittner, 'Mongolia's Crisis of Democracy Continues'. [Website], (31 January 2019), The Diplomat, <<https://thediplomat.com/2019/01/mongolias-crisis-of-democracy-continues/>> accessed 20 March 2019.

¹³¹ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.16.

In-kind donations

Mongolia also has legislation referencing in-kind donations, requiring such donations to have a mutually-established price value between the donor and recipient, which would then count towards the donor's donation limit towards the candidate¹³². This tackles a common way in which political parties and candidates often attempt to circumvent the aforementioned donation limits, as non-monetary gifts can otherwise be used to influence parties and candidates outside of the formal donation limits. Indeed, many countries, including well-functioning Asian democracies like Japan¹³³ and Taiwan¹³⁴, incorporate legislation tackling in-kind donations in some form.

However, allowing these donations to be valued internally by mutual agreement between donor and recipient, provides a structural flaw in Mongolia's legislation. This may allow for intentional downplaying of the value of in-kind donations, providing a way by which donation limits may be circumvented. It may therefore be better to insert conditions into the legislation requiring such valuation to be done with reference to external indices like the in-kind donation's market value, and requiring that all such in-kind donation declarations are audited by the relevant oversight entity responsible for reviewing the financial reports and donation disclosures of political parties and candidates. Additionally, the legislation on in-kind donations seems to be solely contained within election law¹³⁵, meaning that such donations are not necessarily regulated outside of election periods, providing a method by which donation limits outside of election periods can be easily circumvented. To maintain consistency, and the integrity of donation limits outside of elections, it could therefore be recommended to include similar measures regarding in-kind donations in legislation outside of elections as well.

Like the enforcement of donation limits, enforcing such legislation on in-kind donations could run into issues making them potentially difficult to enforce due to the ease of evading or inaccurately reporting in-kind donation disclosures. However, like the donation limits, such legislation still provides value in acting as a formal obstruction to attempts to subvert donation limits, as well as defining what can be legally punished. Therefore, it could be highly

¹³² Law on Election. (Mongolia). 2015, Article 51.4.

¹³³ International IDEA, 'Japan'. [Website], (n.d.), International IDEA. <<https://www.idea.int/data-tools/country-view/155/55>> accessed 06 January 2019.

¹³⁴ Political Donations Act. (Taiwan). 2015, Article 2.

¹³⁵ Law on Election. (Mongolia). 2015, Article 51.4.

recommended for Mongolia to maintain and implement the legislation regulating in-kind donations, as discussed above.

iii. Legislation on Expenditure

In terms of legislation concerning political party and candidate expenses, Mongolia continues to remain fairly in-line with the best practices of many democracies.

Vote-buying

For instance, in the Law on Election's Article 70.1 Mongolia clearly bans vote-buying, and provides a comprehensive list of practices that could constitute vote-buying, which parties and candidates are prohibited from (including distributing free cash or goods, making promissory offerings for future jobs, dealings, or agreements, offering goods or services at lower prices, and so on)¹³⁶. As vote-buying is one of the clearest forms of negative influences and corruption in political party financing, its prohibition in Mongolian political party financing legislation remains in line with almost every country globally.

It is important to note though, that while this is generally followed in major urban centres, there have been trends of concerningly lax attitudes towards vote-buying in some of the more remote regions of Mongolia. This is compounded by the fact that local and business networks play an important role in Mongolian society. These are closely linked to donations to and from political parties, since bilateral support between individuals and connections to their, and their forebears', place of birth and upbringing are often perceived as a moral duty. This frequently results in cultural pressures encouraging network members to give and seek gifts between themselves. Often extending to political parties, these cultural practices could therefore feasibly influence voting preferences, which create complications for any efforts to categorise and halt vote-buying practices since such network gifting cultures remain deeply embedded in Mongolia. For instance, according to a report by the Bertelsmann Stiftung's Transformation Index (BTI) in 2018, funds from Mongolia's Human Development Fund which were intended for investment into education and infrastructure, were instead used for cash handouts prior to the 2008 and 2012 elections by the MPP¹³⁷. Regardless of what the official purpose of such handouts may have been, such gifts could have quite feasibly influenced the voting inclinations of their recipients and therefore could

¹³⁶ Ibid., Article 70.1.

¹³⁷ Sabine Donner, Hauke Hartmann, Robert Schwarz, and Sabine Steinkamp, *BTI 2018 Country Report: Mongolia* (Gütersloh: Bertelsmann Stiftung, 2018), p.29.

have generated vote-buying influences. These cultural considerations complicate the situation, and certainly indicate that efforts to excise vote-buying influences and traditions completely will have to take place over time as such cultural practices are gradually phased out.

However, in the short-run, vote-buying remains a much more tangible issue in many of the more rural regions of Mongolia. Efforts to significantly reduce manifested vote-buying influences could therefore be focused in such areas to produce palpable results. This is because, in such regions, the relatively more stringent regulation and concentrated modern political pressures of the capital and major urban centres, which help counterbalance such cultural pressures, are far less present. For instance, in the province of Uvs (far from Ulaanbaatar), candidates used their corporate connections – or indeed their own businesses to cultivate votes. One candidate, Tsogtgerel, used his company to supply a calendar and a winter relief box to every household in the constituency through his company¹³⁸. While studies show that this is, in no small part, a pattern of life to be expected in rural, nomadic communities, it still raises questions about the integrity of Mongolian democracy regarding vote-buying, broadly speaking. While the Winter was harsh in 2016 (hence the relief boxes), and gift-giving is a crucial “show of respect to [the candidates’] homeland territory”¹³⁹, such practices could have significantly widespread and damaging effects – or indeed on a much larger scale. One could very easily imagine a foreign company using similar loopholes to unduly influence elections, despite ostensible restrictions. However, as touched upon earlier, this form of gift-giving is derided in the capital (closer to much larger corporate interests). Labelling such practices as “voting with their stomachs”¹⁴⁰, this indicates that vote-buying is certainly not universally accepted in Mongolia.

As such, it could certainly be recommended for Mongolia to maintain its prohibitive stance towards vote-buying, as this is clearly a dangerous means by which the integrity of political processes could be undermined. Furthermore, Mongolia could consider revising its legislation, to provide a more comprehensive and all-encompassing definition of vote-buying, following appropriate evaluation by relevant oversight authorities (like the General Election Commission of Mongolia or National Audit Office), that could help diminish such instances of vote-buying in Mongolia’s more remote regions (at least when supported with effective enforcement measures).

¹³⁸ Lauren Bonilla, and Tuya Shagdar, 'Electoral Gifting and Personal Politics in Mongolia's Parliamentary Election Season', *Central Asian Survey*, 37/3 (2018), p.462.

¹³⁹ *Ibid.*, p.458.

¹⁴⁰ *Ibid.*

In the long run, it may be necessary to universally enforce more stringent definitions, enforcement, and consistent political practices which clearly delineate between what is acceptable for cultural network traditions and what crosses the line into vote-buying, across all regions in Mongolia – to help overcome the underlying cultural practices which may be fuelling persistent vote-buying influences. However, such revisions of the legislation tackling vote-buying, coupled with empowered enforcement measures certainly could be the necessary first steps in achieving this, and could help to directly address any residual blatant vote-buying practices immediately.

Expenditure limits

Mongolia also maintains legislation imposing spending limits on political parties and candidates during elections. Though spending limits are not too common in Asia¹⁴¹ (which may also explain why spending in the region is generally very high during elections), countries which are generally seen as more successful democracies in the region do have set spending limits; for example, South Korea and Bhutan¹⁴². This is because spending limits help minimise the potential influence that any abuse of donations can incur. With an effective spending limit, candidates and parties are less able to use (and thus have lesser need of) the large sums that donations made with intentions to influence political proceedings typically take the form of. Parties and candidates may therefore be less willing to place themselves under the debt and influence of such donors given the limited legal use they would have for such funds – thereby curbing the influence of such donor entities. Spending limits are also much easier to regulate and enforce compared to donation limits, as effective financial disclosure, auditing, and oversight protocols allow spending limit contraventions to be far more easily identified and sanctioned (e.g. through forensic accounting) than donation limit contraventions. Therefore, combined with such effective disclosure, oversight, and enforcement measures, which would also make taking donations for personal gain far riskier for parties and candidates, spending limits significantly help to contain the influence that any one donor can have on a political party or candidate. It could therefore be recommended for Mongolia to maintain these spending limits.

However, the spending limits stipulated in Mongolia's political financing law are conspicuously vague and open to extreme volatility. The only legislative stipulation present, in fact, is that all limits (for parties and candidates) will be set by the state central audit office at least 120 days

¹⁴¹ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.101.

¹⁴² *Ibid.*

before the polling day; candidate limits also have the added qualification that such limits will take into consideration the size, location, and population size of the constituency they are nominated for¹⁴³. As a result, the 2016 parliamentary elections saw various constituencies possessing widely different campaign finance limits, despite several of these constituencies being of uniform size¹⁴⁴.

While the inclusion of an expense limit at all is beneficial, it would be far more useful to maintain an official limit, or a set of protocols used for consistently determining official limits, in legislation – for instance like those set in the legislation of South Korea¹⁴⁵, the UK^{146,147}, and many other relatively well-functioning democracies. Given the vastly divergent natures of the different constituencies in Mongolia (ranging from the small and extremely densely populated constituencies of Ulaanbaatar, to the vast, sparsely populated constituencies that the rest of the country is comprised of), as well as Mongolia’s volatile economic conditions, it is understandable that such limits may need to vary between constituencies and elections in accordance with these conditions. However, it would be far more beneficial to lay out in legislation, a clear set of protocols for consistently determining the spending limits for parties and candidates, regardless of the constituency they represent, that is indexed to the economic indicators that cause Mongolia the most volatility – like inflation and average real wages. This could take the form of a list of fixed limits for each constituency like the UK uses¹⁴⁸, or a set protocol for consistently calculating candidate spending limits based on the size, location, and population size of their constituency like South Korea uses¹⁴⁹. However, the most important thing would be to have those protocols formally set in Mongolia’s political party financing law, to ensure their consistency, transparency, and freedom from any external influences.

Expenditure limit levels

In terms of specific limits, ensuring an appropriate level for spending limits is important, as going to the extremes either way would be counterproductive and detrimental to the political process. For instance, setting too high of a limit would render the exercise pointless, and provide essentially no obstruction to parties engaging in increasingly more expensive campaigns during

¹⁴³ Law on Election. (Mongolia). 2015, Articles 41.1-41.2.

¹⁴⁴ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.15.

¹⁴⁵ Public Official Election Act. (South Korea). 2016, Articles 119-122.

¹⁴⁶ Representation of the People Act. (United Kingdom). 1983, Article 76.

¹⁴⁷ Political Parties and Referendums Act. (United Kingdom). 2000, Schedule 9.

¹⁴⁸ *Ibid.*

¹⁴⁹ Public Official Election Act. (South Korea). 2016, Articles 119-122.

periods of electoral competition. However, the strict enforcement of too low of a spending limit would also be counterproductive, as it would damage the quality of democratic discourse, campaigning, and outreach to the voting electorate – as well as inflating incentives for parties and candidates to attempt circumvention. For example, the spending ceiling in the Philippines is so low that it is well acknowledged, even by the Government itself, that in practice nobody obeys the rules¹⁵⁰. Conversely, in the Maldives, the spending limit in presidential elections amounts to around MVR 312 million – an excessively high amount¹⁵¹. This completely negates any effect that an expenditure limit may have meant to have, as such a high ceiling places no pressure on parties and candidates to react to it. This is similarly seen in the UK, as the Political Parties, Elections and Referendums Act of 2000 largely negated any potential significant impact that a spending limit could have been intended for, as it imposes an exceptionally high spending limit¹⁵². As a result, it is important to ensure that the spending limit set remains contextually reasonable and feasible.

However, in Mongolia's case, it is difficult to comment on whether Mongolia's current limits are too high or low, considering the legislation that governs them is left without any clear guidelines on how such limits are determined for each election. Though, given that the parliamentary elections between 2012 and 2016 averaged a total expenditure of 36 billion tugrik across all parties¹⁵³ (a sum which would have been spent predominantly between the largest three parties), this figure can be divided in three to provide an estimate of the spending permitted for the largest parties; considering that the largest two parties are far larger in scale and financial power than the third, this actually generates a particularly conservative estimate. Resulting in an average of 12 billion tugrik, this converts to approximately 4.5 million USD as of January 2019 – a far larger sum than the maximum expenditure limit that a party campaigning in the UK for English constituencies can reach, which is listed as £810,000¹⁵⁴. Combined with the UK's comparatively higher GDP per capita, and recognition for having particularly high spending limits already¹⁵⁵, this

¹⁵⁰ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.101.

¹⁵¹ EU Election Expert Mission (EU/EEM), *Republic of the Maldives – Presidential Election, 8 and 28 October 2008. Final Report*. (EU/EEM, 2008), p.22.

¹⁵² B. Clift, and J. Fisher, 'Party Finance Reform as Constitutional Engineering? The Effectiveness and Unintended Consequences of Party Finance Reform in France and Britain', *French Politics*, 3 (2005), pp.234–57.

¹⁵³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.19.

¹⁵⁴ Political Parties and Referendums Act. (United Kingdom). 2000, Schedule 9.

¹⁵⁵ B. Clift, and J. Fisher, 'Party Finance Reform as Constitutional Engineering? The Effectiveness and Unintended Consequences of Party Finance Reform in France and Britain', *French Politics*, 3 (2005), pp.234–57.

significant surplus that Mongolian parties are permitted to spend beyond their English counterparts in elections likely indicates that Mongolian campaign expenditure limits that are set too high.

Implying that a significant downward revision may be needed to effectively help contain the influence that any single donor can have on political candidates, parties, and proceedings, it is however also important to consider such results with the country's particular politico-economic and cultural context in mind. This is because, the historical presence of high political party financing expenditure limits in Mongolia and Asia has likely created cultural norms and traditions related to, or dependent upon, these high campaign spending limits. For instance, in Japan, high spending limits are viewed as necessary as cultural gift-giving traditions from political candidates to their supporters at various auspicious occasions (e.g. weddings, holidays, and birthdays) are so deeply ingrained within the culture¹⁵⁶. Attempts to simply force a large abrupt decrease in expenditure limits would therefore likely fare poorly. Therefore, any such revisions to general spending limits should be conducted following extensive research and evaluation by a relevant body, like the General Election Commission or National Audit Office, to determine a contextually appropriate balance for the spending limit's revision, between effectiveness and feasibility for implementation.

Third-party spending limits

Spending limits on third parties for activities related to political parties and candidates are also important to consider, and this remains a topic that current Mongolian political party financing legislature fails to account for. Providing a potentially significant and detrimental method by which political parties and candidates can circumvent political party and candidate spending limit legislation, such third-party activities and expenditure related to political parties and candidates are important to control. This is because, failing to cover third-parties under spending limit legislation enables political parties, individuals, and corporate interests to set up or benefit from shell companies or entities which are legally distinct from the political parties or candidates, yet still able to contribute funding towards campaign efforts (e.g. via paying for media coverage, venues, etc.) or paying off candidate and party expenses. As such, without effective controls on such third-parties, this makes spending limits essentially useless for hindering any entity

¹⁵⁶ Peter Ferdinand, *Party Funding and Political Corruption in East Asia: The Cases of Japan, South Korea and Taiwan*. [PDF], 2003, <<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN019149.pdf>> accessed 12 January 2019.

determined to subvert them – drastically diminishing their capacity to be effectively enforced. Therefore, Mongolia could introduce legislation accounting for and controlling such third-parties. For instance, Mongolia could simply list any activities and financing conducted by third-parties on a party or candidate's behalf, as part of the party's or candidate's individual spending limits – in a manner similar to how the UK¹⁵⁷ and South Korea¹⁵⁸ have accounted for them.

iv. Legislation on Public Funding

The public funding of political parties is an often-debated topic in many countries. However, overall, it does appear true that measures of public funding can help reduce negative influences and corruption – primarily through reducing the reliance that parties and candidates may be forced to have on private donors. As such, most of the countries which are considered to have generally well-functioning democracies (from South Korea¹⁵⁹, to the UK¹⁶⁰, to Bhutan¹⁶¹) include public funding measures in their political party financing legislature in some form, though the specifications of each scheme may differ significantly. It is important to note that, as public funding is also a key factor in different political party financing-related efforts such as encouraging democratic pluralism, many aspects of political party public funding (and Mongolia's specific legislation on political party public funding) related to democratic pluralism, will be discussed in-depth in that section. As such, this section will specifically only cover the areas and facets of public funding political party financing legislation that relate to mitigating negative influences and corruption.

Public funding and current measures

Mongolia currently does include public funding measures in its political party financing laws. This is enacted for registered parties (and not independent candidates) in two ways: through quarterly payments of ten million tugrik per parliamentary seat held subsidised for each political party, and a one-time payment of one thousand tugrik per vote won in the previous election paid three months after each parliamentary election to each political party¹⁶². This helps mitigate negative influences on the political system, as such subsidies help parties and candidates maintain a greater financial independence from any entities that may attempt to use large donations to

¹⁵⁷ Political Parties and Referendums Act. (United Kingdom). 2000, Articles 85 and 94.

¹⁵⁸ International IDEA, 'Korea, Republic of'. [Website], (n.d.), International IDEA. <<https://www.idea.int/data-tools/country-view/163/55>> accessed 06 January 2019.

¹⁵⁹ Political Funds Act. (South Korea). 2016, Article 25.

¹⁶⁰ Political Parties and Referendums Act. (United Kingdom). 2000, Schedule 7 (4) and Article 54.

¹⁶¹ Election Act of the Kingdom of Bhutan. (Bhutan). 2008, Article 278.

¹⁶² Law on Political Parties. (Mongolia). 2005, Article 19.

influence political outcomes and proceedings through these candidates and parties. Every tugrik paid by the state potentially replaces one that might otherwise have been paid for by such donors, and so this public funding legislation could definitely at least be maintained by Mongolia. It is important to note though, that such public funding measures would only be effective in reducing negative influences and corruption, if enacted alongside effectively enforced spending limits. Without an effective upper ceiling on expenses, political parties and candidates could feel pressured to accept more donations anyways to match the ever-increasing expenses that opposing parties would be incurring to campaign.

Public funding levels

Despite offering public subsidies for its political parties, according to the most accurate estimates available, the public subsidies that Mongolia offers to its political parties remain grossly insufficient – making up less than 20% of most parties’ revenues¹⁶³. This would be far lower for the remaining parties since, historically, an overwhelming majority of seats in Parliament (on average, 73 out of 76) have been held by the largest two parties, and the majority of Mongolia’s current public subsidy scheme is parliamentary seat-based. Critically, research has demonstrated that these subsidies are insufficient to cover even ordinary party expenses. During election campaigns, many parties are forced to resort to fundraising to try and cover campaign expenses alongside their general operating expenses¹⁶⁴.

As such, this indicates a failure of the current Mongolian political party public subsidy system in mitigating negative influences from potential donation abuse. The inability for such public funding to cover even basic party expenses, means that such parties would still have to remain excessively financially reliant on donations, rendering them particularly exposed to external donor influences. Indeed, the combined four-year subsidy for all 76 seats in Parliament amounts to 12.16 billion tugrik, which is less than a third of the 36.863 billion tugrik spent on elections in 2012¹⁶⁵. As such, in order to effectively provide a buffer against such potential negative donor influences, Mongolia may need to significantly increase its level of public funding for political parties – as well as potentially enforcing lower spending limits.

¹⁶³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.19.

¹⁶⁴ *Ibid.*, p.20.

¹⁶⁵ *Ibid.*, p.19.

However, it is important to recognise that such measures would bear heavily on Mongolia's public budget. Therefore, large increases may not be contextually feasible for Mongolia to facilitate; an evaluation would likely have to be conducted by a relevant authority, such as a body like the General Election Commission or National Audit Office, to strike a balance between effectiveness and affordability. However, it is clear that an upward amendment of some form to such public subsidies may certainly be necessary for them to have any impact on mitigating undue excessive donor influences on political parties and candidates at all.

Additionally, Mongolia's current political party public funding measures are stipulated as subject to change based on exchange rates¹⁶⁶. However, it could be more effective to index these amounts to economic factors like inflation and the average real wage that would have more of a direct impact on purchasing power, allowing such public subsidies to remain far more consistently and contextually appropriate.

Public funding structure: Proportional subsidies

It is also important to note that the current system of public subsidies leaves many smaller parties which do not have many (or any) seats in Parliament extremely susceptible to negative donor influences, as such parties would receive little to no public contribution towards their party expenses. This is because Mongolia's current system distributes the majority of its public funding via parliamentary seat-based criteria, funding parties by the number of parliamentary seats they hold. In contrast, public subsidies for parties based on the votes they won in the previous election take the form of a relatively smaller, one-time payment.

This excludes many political parties which may wield significant popularity, but simply did not win many or any parliamentary seats, from receiving much public funding at all. As such, this renders them potentially excessively reliant on any donations that are offered to them, in order to cover their party and campaign expenses. Therefore, it may be more effective to empower the vote-based aspect of Mongolia's political party public funding. This would include increasing the level of funds distributed on a vote-based basis, and incorporating vote-based subsidies into the system of regular subsidies for parties as well – as opposed to just having them as a one-time subsidy shortly after elections. With regards to combatting negative influences and corruption,

¹⁶⁶ Law on Political Parties. (Mongolia). 2005, Article 19.3.

such vote-based proportional public subsidies are used in countries like Taiwan¹⁶⁷ and South Korea¹⁶⁸, as they allow for a more nuanced distribution of funds based on the total popularity of each party, as opposed to just the number of seats won (of which, relatively speaking, there are comparatively very few). This therefore allows many smaller, yet active and popular, political parties to benefit from some form of substantial public subsidy, even if they were unable to win many of the few parliamentary seats available. Providing a buffer against unmanageable political party operational and campaigning expenses, this would, by extension, therefore help to contain the risks posed by excessive external donor influences.

However, given that Mongolia's current parliamentary election system is a wholly majoritarian one, with 76 constituencies and MPs elected on a first-past-the-post basis within each one¹⁶⁹, parliamentary elections in Mongolia have become almost entirely candidate-centric. This is because of factors like the lack of strong political party ideologies defining and distinguishing each party, the lack of political party unity (as evidenced by the common cross-over of candidates between parties¹⁷⁰), and the elimination of the proportional parliamentary seats prior to the 2016 parliamentary elections. As such, voters are far more likely to vote based on preferences for the individual candidates running in their constituencies, as opposed to because of any considerations of preference for the political parties they represent.

Therefore, there is a good argument for maintaining seat-based proportional public subsidies, as these may better represent the will of the electorate. This is because seat-based subsidies reward candidates and their parties based on an assumption that each constituency demonstrates their overall preference in candidate with the allocation of a parliamentary seat. Vote-based subsidies on the other hand, reward (to some degree) based on the assumption that the cumulative votes in a parliamentary election represent each party's ability to win national popularity for the party as a whole. This contextually seems particularly unlikely to be the case in Mongolia, particularly for parties with efforts spanning multiple constituencies, since voters in each constituency would likely be just voting for their favourite candidate, with little regard for the parties they represent. Therefore, cumulative national parliamentary votes would have a limited ability to represent each

¹⁶⁷ Political Parties Act. (Taiwan). 2017, Article 22.

¹⁶⁸ Political Funds Act. (South Korea). 2016, Article 27.

¹⁶⁹ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.5.

¹⁷⁰ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), pp.1040-41.

party's overall popularity, and would provide a better representation of the cumulation of each candidate's isolated popularity within a constituency, for each of the 76 individual constituencies instead.

Therefore, with both systems having individual merits and shortcomings, it could be recommended to reform Mongolia's proportional subsidies to be equally weighted between the two systems. This would allow Mongolia to effectively provide public funding to political parties based on two different, yet arguably equally valid, methods of gauging the strength and potential of each party, in a manner similar to countries like South Korea¹⁷¹.

Public funding structure: Fixed subsidies and a dual-system

Additionally, political party public funding could also come in the form of fixed stipends paid to all qualifying political parties. As discussed in greater depth later in this paper, though a system of such fixed stipends may give rise to various issues on their own, a combined dual-system of a fixed stipend and the aforementioned proportional subsidy methods could provide significant value, while automatically compensating for many of the deficiencies that each individual system would pose on its own – as can be seen in the dual-system used by South Korea¹⁷². In terms of reducing negative influences and corruption, this is because, given that an appropriate level is set, a fixed stipend would ensure that the basic operating costs (and potentially even the most basic, critical campaign costs) of a political party could be met by all qualifying political parties, without having to take on excessive or dangerous levels of donation exposure.

Given that such a scheme could incur significant costs for Mongolia's public budget, the specific level of such a scheme would certainly have to be evaluated between effectiveness and affordability, by a relevant body like the General Election Commission or National Audit Office, to maintain contextual feasibility and be set appropriately. However, this system would allow all qualifying political parties an equal starting capacity to operate meaningfully as a functional political party – just without the burden, risk, and exposure of having to rely on excessive donations to do so.

Public funding structure: Minimum thresholds

It is important to note though, that such forms of subsidies require effective minimum thresholds to be set to control which parties receive any public funding. This is because, allowing any

¹⁷¹ Political Funds Act. (South Korea). 2016, Article 27.

¹⁷² Ibid.

registered political party to claim a fixed stipend, or proportional subsidies based on their votes, could engender cases of bogus political parties, with no real political potential, being registered by individuals attempting to defraud the Government for public subsidies. Such a threshold can vary across countries, however the average sits roughly around the threshold of 3% imposed by Taiwan¹⁷³, with larger thresholds like the 10% minimum in Bhutan¹⁷⁴ being considered significantly exclusive. However, this can be left up to the assessment of a relevant body, like the General Election Commission or National Audit Office, to perform suitable assessments and evaluations to set a contextually appropriate threshold.

Public funding timelines

The timeline of such public subsidies in Mongolia should also be considered. Currently, Mongolia offers a one-time vote-based subsidy three months after parliamentary elections, along with a regular system of seat-based subsidies every quarter¹⁷⁵. Should the aforementioned suggestions for the conversion of the current public funding scheme, to an equally weighted system of regular subsidies take place, Mongolia's use of a regular timeline of public subsidies would actually match the theoretically ideal timeline for public subsidies.

This is because subsidies paid too late before an election would have understandably significantly lesser utility to the parties, providing parties with ineffective defences against excessive donation reliance and negative external influences in their absence. However, subsidies paid too early may instead provide support for each party's election campaign efforts based on outdated representations of their popularity. Furthermore, this would incur greater risks of such funds being used prematurely, out of a lack of spending discipline within parties, leaving less to insulate the party's budget during campaigning from requiring an excessive reliance on donations and external influences.

As such, a regular system of subsidies theoretically accounts for the shortcomings of both situations. This would provide a consistent stream of funding that would ensure that qualifying political parties are able to remain consistently and relatively independent from excessive donation reliance and influences. It would also ensure that subsidies remain continually up-to-

¹⁷³ Political Parties Act. (Taiwan). 2017, Article 22.

¹⁷⁴ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.23.

¹⁷⁵ Law on Political Parties. (Mongolia). 2005, Articles 19.1-19.2.

date with popularity rankings, and reduce the opportunity for subsidies to be spent excessively and wastefully in advance of campaigning seasons.

However, in reality, Mongolia's system of regular subsidies still suffers from issues that impede the country's efforts to combat negative influences and corruption. This is because Mongolia currently operates parliamentary elections once every four years, with all candidates finishing their terms and standing for election at the same time. As such, in between parliamentary elections, there is relatively little for the majority of Mongolia's political parties to work towards – resulting in many parties ceasing much meaningful activity in the interim period. Therefore, a system of regular subsidies, would still pose significant risks of being used prematurely by parties for purposes outside of campaign and general party expenses – though this would be diminished compared to the risks from a singular excessively early subsidy. This could therefore leave too little to buffer against excessive exposure to donations and external influences during campaigns. However, Mongolia's official earmarking that 50% of all such regular subsidies must be spent on parliamentary election unit areas¹⁷⁶ does help with this issue. This effectively imposes foresight on political parties, ensuring that they do not spend excessively before these subsidies can be used to help buffer their campaign expenses against the requirement for excessive donations. However, achieving this requires effective disclosure, oversight, and enforcement measures to ensure that this stipulation is indeed followed by all relevant political parties.

Indirect public funding

Additionally, Mongolia's political party public funding legislation provides free public radio and television broadcasting for each valid political party participating in the election, based on a schedule and time allotment set by the central election authority¹⁷⁷. This should also theoretically help mitigate the extent to which external forces can exert undue influence over political parties, candidates, and proceedings. This is because, mirroring measures enforced by countries considered well-functioning Asian democracies like South Korea^{178,179} and Taiwan¹⁸⁰, media coverage and advertising serves as one of the main areas for party campaign expenditure. Therefore, a lack of provisions to control or subsidise media access could lead to media corporations charging excessive prices for political party and candidate media coverage. This

¹⁷⁶ Law on Political Parties. (Mongolia). 2005, Article 19.2.

¹⁷⁷ Law on Election. (Mongolia). 2015, Article 82.2.

¹⁷⁸ Political Parties Act. (South Korea). 2015, Article 39.

¹⁷⁹ Public Official Election Act. (South Korea). 2016, Article 82-83.

¹⁸⁰ Civil Servants Election and Recall Act. (Taiwan). 2019, Article 48.

would allow them to extort excessive influence over such parties and candidates, in exchange for significant discounts for critical media coverage. For instance, in Uruguay, a discount of 95 percent can often be offered to some parties by the media consortium¹⁸¹ – presumably in exchange for significant influence or political favour.

However, Mongolia’s legislation only ensures a campaign coverage of 60 minutes per day per private media network, with 15 minutes per political party or candidate¹⁸²; following this, political parties and candidates are forced to independently secure their own media coverage. This is ostensibly assisted by legislation requiring that private broadcasters charge political parties and candidates no more than the average fee over the last six months¹⁸³. However, in reality, such broadcasters ignore such stipulations and continue to charge many political parties and candidates extortionate fees for media coverage¹⁸⁴, fostering the need for dangerous levels of donation reliance for parties and candidates to effectively campaign, and allowing such media corporations to leverage undue influence over such parties and candidates in exchange for discounted coverage. This is worsened by the fact that many of the media outlets in Mongolia are owned or controlled by politicians, or individuals close to them – leading to further incentives for media outlets to charge such extortionate fees to benefit their preferred candidate or party. Therefore, schemes for greater amounts of publicly provided media coverage, or stricter enforcement for legal caps on private broadcasting fees for political parties and candidates during elections, may need to be introduced by Mongolia. This would ensure that qualifying candidates and parties are able to effectively access media coverage to campaign, without risking undue exposure to excessive donations and external influences to do so, regardless of who may own or control the media.

¹⁸¹ Organization of American States (OAS), *Politics, Money and Power: A Dilemma for Democracy*. (Mexico: FCE, OAS, 2011), p.99.

¹⁸² Law on Election. (Mongolia). 2015, Article 82.6.

¹⁸³ *Ibid.*, Article 82.7.

¹⁸⁴ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.23.

III.II. INEFFECTIVE OVERSIGHT AND ENFORCEMENT

OVERVIEW OF SUGGESTED REFORMS: INEFFECTIVE OVERSIGHT AND ENFORCEMENT

Centralisation, Independence, and Self-Containment

- *Centralise all powers, responsibilities, and the full authority of political party financing oversight and enforcement within a single, independent, self-contained institution. These should include, but are not necessarily limited to:*
 - *All responsibilities for collecting financial reports, statements, and declarations of incomes and assets from all political parties, candidates, MPs, and other relevant entities – both inside and outside of election periods.*
 - *Performing audits and investigations (for instance through forensic accounting) verifying the integrity of the submitted financial reports, and compliance of all involved entities with political party financing law.*
 - *Publishing findings publicly following the timeline stipulated in the legislation.*
 - *Enforcing and regulating all legislation concerning political party financing – including, but not limited to, regulations on donations and expenditure.*
 - *Investigating and ensuring that political party public subsidies are being allocated properly, and used correctly (i.e. in accordance with the 50% earmarking for parliamentary unit election areas¹⁸⁵).*
 - *Enforcing proper allocation and scheduling of public radio and television time, and ensuring private broadcaster compliance with fee caps for political parties and candidates during elections.*
 - *Enacting sanctions for contraventions of political party financing legislation.*
- *Ensure this institution is provided with sufficient funding and staffing, as well as the cooperation of other relevant bodies.*
- *Explicitly clarify the authority of this institution over political party financing oversight and enforcement in legislation.*
- *Ideally, establish a new, self-contained independent electoral oversight committee for overseeing and enforcing its political party financing laws.*

¹⁸⁵ Law on Political Parties. (Mongolia). 2005, Article 19.2.

- *If this is deemed unfeasible, centralise oversight and regulatory processes into the IAAC, or the NAO.*

Practices for Disclosure and Review

- *Revise legislation to explicitly stipulate that all political party financing-related financial statements, records, and declarations of income and assets are to be collected, reviewed, audited, and published exclusively by the relevant oversight authority.*
- *Explicitly clarify, in legislation, which details (in particular, regarding income sources and expenses) should be disclosed by political parties and candidates in their financial statements.*
- *Explicitly clarify, in legislation, detailed guidelines on how to decide which financial reports to audit, and how they should be reviewed and audited.*
- *Enforce measures, in legislation, explicitly clarifying the investigative rights of the relevant oversight authority during audits, and ensuring cooperation and compliance from the entities under audit.*
 - *For instance, legal mandates for the provision of any required documentation and evidence requested, and signed assent for financial institutions to disclose any assets held by the audited entity to the oversight authority upon request.*
- *Explicitly clarify, in legislation, a specific timeline over which disclosure, review, and publishing needs to take place.*

Enforcement and Sanctions

- *Increase the level of fine-based sanctions for breaches of political party financing law, following appropriate evaluation.*
 - *Introduce further types of sanctions for breaches of political party financing law, including revocations and claw-backs of political party public funding, and imprisonment.*
 - *Explicitly stipulate, in legislation, that all cash donations are to be transferred into the party's or candidate's election expenses account within a specified timeframe – or that all cash donations must be initiated through the banking system.*
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i. Overview of the Key Issue

Though improvements are possible across the rest of Mongolia's political party financing legislation, the origin of many of Mongolia's current political party financing issues stems largely from the lack of effective measures for oversight, enforcement, and regulation of these laws. Given that Mongolia's current legislation, while imperfect, compares fairly well in many areas to well-functioning democracies, the implementation of effective measures of oversight and enforcement would help to immediately resolve many of these issues. Given that this involves simply strengthening and refining the intent of many pre-existing laws to achieve their original intention, this makes tackling the issue particularly feasible. Additionally, improvements to other areas of Mongolia's political party financing legislation will likely see limited realisation or impact without first addressing oversight and enforcement. As such, this makes oversight and enforcement the most critical political party financing problem currently facing Mongolia, and the one that should be prioritised first for resolution.

The issue of effective oversight and enforcement in Mongolia's political party financing legislation lies largely in the lack of clarity in the legislation defining it. For instance, the responsibility of political party financing oversight and regulation lies spread between too many different entities - namely, the General Election Commission of Mongolia (GEC), the National Audit Office (NAO), the Mongolian Tax Administration (MTA), the General Authority for State Registration (GASR), the Independent Authority Against Corruption of Mongolia (IAAC), and the Ethics Committee in Parliament. Combined with a lack of sufficient coordination between these institutions, this makes the execution of oversight or regulatory protocols unnecessarily complex and confusing. This leads to redundancy, overlap, and inefficiency in their implementation. For instance, while the NAO is theoretically responsible for reviewing and auditing financial reports submitted by political parties, such reports are sent instead to the GEC¹⁸⁶. The GEC then sends a copy out to both the NAO and the MTA; however, it is unclear what the MTA is then meant to do with its copy¹⁸⁷. Additionally, reviewing declarations of assets and income are the jurisdiction of the IAAC - except for the case of MPs, which are to be reviewed by the Ethics Committee in Parliament instead¹⁸⁸. This is, however, in spite of the fact that any potential offences highlighted by the Ethics Committee are still meant to be investigated by the IAAC instead¹⁸⁹. This excessive

¹⁸⁶ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

¹⁸⁷ Ibid.

¹⁸⁸ Ibid., pp.23-24

¹⁸⁹ Ibid.

scattering of protocols and processes among different institutions leads to greater inefficiency, ineffectiveness, and potential for negative interference with the oversight and enforcement processes.

Additionally, this lack of clarity also extends to Mongolia's political party financing oversight and enforcement legislation. For instance, vagaries in Mongolia's oversight protocols exist, such as how Mongolia's Law on Political Parties' Article 20.3 simply dictates that party finances shall be audited annually, but fails to provide any further detail¹⁹⁰. In election periods, the Law on Election's Articles 57.4 and 58.2 similarly just mandate parties and candidates to ensure their statement on election expenses is audited and given an opinion¹⁹¹. The Law on Election's Article 57.3 also states that parties and coalitions are to deliver their financial reports to the central election authority (the GEC) within 45 days after polling ends¹⁹², even though the NAO is meant to be responsible for reviewing and auditing them. This means that there are no clear official stipulations to enforce who should be auditing the party finances, or how they should be reviewed. This has meant that the authority of the institution intended for these tasks (currently the NAO) is often undermined, with many parties arguing that the wording of the legislation allows them to simply have their finances privately audited for the NAO to publish¹⁹³.

Furthermore, despite this use of private auditors to bypass proper oversight practices, the NAO makes no attempt to follow through with additional reviews or audits of the reports' veracity¹⁹⁴. A clear conflict of interest also exists in having the Ethics Committee in the Mongolian Parliament (a body of MPs) review the asset and income declarations of the rest of the MPs - particularly as there have been, to date, a conspicuous lack of irregularities declared by the Ethics Committee¹⁹⁵.

Additionally, though Article 60.3 of the Law on Election states that statements on election finances are to be published 90 days after their receipt¹⁹⁶, and Article 20.3 in the Law on Political Parties states that party finances are to be published annually¹⁹⁷, the reality is that this is rarely followed through with. Though all political party financing reports should be published publicly

¹⁹⁰ Law on Political Parties. (Mongolia). 2005, Article 20.3.

¹⁹¹ Law on Election. (Mongolia). 2015, Articles 57.4 and 58.2.

¹⁹² Ibid., Article 57.3.

¹⁹³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

¹⁹⁴ Ibid.

¹⁹⁵ Ibid., p.24.

¹⁹⁶ Law on Election. (Mongolia). 2015, Article 60.3.

¹⁹⁷ Law on Political Parties. (Mongolia). 2005, Article 20.3.

by the NAO, the lack of specificity in the law (only stipulating the publishing of financial statements, as opposed to the audits, reviews, and reports on such statements) has led to heavy reticence from the NAO in publishing their reports¹⁹⁸. To date, the NAO has only published summaries of the annual reports and audits submitted by the parties¹⁹⁹, and electoral asset declarations were only published for the three presidential candidates in the 2017²⁰⁰ election out of the IAAC's proactivity²⁰¹. Asset declarations from the 2016 parliamentary elections and prior remain unpublished²⁰².

These occurrences bring the reliability, and independence from external influence, of Mongolia's oversight protocols and institutions for political party financing into further question. Heavy pressure from political parties (as well as potentially from the incumbent Government), for the oversight and enforcement authorities to lighten their regulation of political party financing law could be serving as strong external influences, diminishing the purpose and activities of such authorities. Therefore, this would negate the ability, and authority, of such institutions to effectively maintain the proper oversight and enforcement protocols necessary for political party financing.

However, it is important to note that a large part of this may be the result of insufficient resources and powers being allocated towards the relevant institutions for such oversight and enforcement. In Mongolia, there are a large number of political and electoral candidates, parties, and coalitions (498 candidates²⁰³, 12 parties, and 3 coalitions in the 2016 parliamentary elections²⁰⁴). Combined with a lack of clarity in the law on how to conduct the necessary reviews for political party financial reports, and a lack of clarity on how to pick which reports to audit, it may prove logistically difficult for the relevant oversight authorities to currently challenge the current system to enact proper oversight and enforcement – even if they intended to.

¹⁹⁸ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

¹⁹⁹ Ibid.

²⁰⁰ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.13.

²⁰¹ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.24.

²⁰² Ibid.

²⁰³ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.11.

²⁰⁴ Ibid.

Additionally, the law grants limited powers to the relevant oversight and enforcement entities for sanctioning contraventions of political party financing legislation. Currently the only sanctions allowed are disbarment from elections, and fines²⁰⁵. However, these fines only comprise of one month's minimum wage (240,000 tugrik) for a citizen, eleven to sixteen times the monthly minimum wage (2.64 to 3.84 million tugrik) for a legal entity, and six to eight times the monthly minimum wage (1.44 to 1.92 million tugrik) for media personnel²⁰⁶. 'Pledge money' requirements alone for each candidate were at least 100 million tugrik in the 2016 parliamentary elections²⁰⁷, and the parties were able to spend a combined total of about 34 billion tugrik in the parliamentary elections that year²⁰⁸. As such, the fines stipulated are likely too low and may be considered as a non-critical expense for parties and candidates, as opposed to a significant deterrent. This further undermines the ability of the relevant oversight and regulatory institutions to command any authority over the various candidates and parties and to enforce adherence to Mongolia's political party financing laws. As a result, this has led to many of these laws going unenforced and unregulated.

ii. Centralisation, Independence, and Self-Containment

In order to resolve Mongolia's issues with political party financing oversight and regulation, one of the most important solutions could be to centralise all of the powers, responsibilities, and full authority of political party financing oversight and enforcement within a single, independent, and self-contained institution.

Centralising oversight and enforcement

In order to achieve this, Mongolia would need to revise its legislation and practices, to bring together the many political party financing oversight and enforcement responsibilities and powers (currently scattered amongst numerous institutions) within a single, cohesive authority. This could include, but would not necessarily be limited to:

1. All responsibilities for collecting financial reports, statements, and declarations of incomes and assets from all political parties, candidates, MPs, and other relevant entities - both inside and outside of election periods.

²⁰⁵ Law on Election. (Mongolia). 2015, Articles 70.15 and 129.1.

²⁰⁶ Ibid., Article 70.15.

²⁰⁷ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.16.

²⁰⁸ Ibid., p.19.

2. Performing audits and investigations (for instance through forensic accounting) verifying the integrity of the submitted financial reports, and compliance of all involved entities with political party financing law.
3. Publishing findings publicly following the timeline stipulated in the legislation.
4. Enforcing and regulating all legislation concerning political party financing – including, but not limited to, regulations on donations and expenditure.
5. Investigating and ensuring that political party public subsidies are being allocated properly, and used correctly (i.e. in accordance with the 50% earmarking for parliamentary unit election areas²⁰⁹).
6. Enforcing proper allocation and scheduling of public radio and television time, and ensuring private broadcaster compliance with fee caps for political parties and candidates during elections.
7. Enacting sanctions for contraventions of political party financing legislation.

It would be recommended that this institution be provided with sufficient funding and staffing, as well as the cooperation of other relevant bodies whose political party financing-related responsibilities cannot feasibly be separated and centralised. This is particularly important as the lack of funding and staffing to cope with the high volume of financial statements for audit during election periods (from 498 candidates²¹⁰, 12 parties, and 3 coalitions in the 2016 parliamentary elections²¹¹), is likely one of the main reasons why the NAO is currently largely unable to prevent political parties and candidates from submitting privately audited financial reports and statements²¹². Regardless of whether they would like to prevent such activities, the NAO probably also simply lack the current capacity to review and audit all of the reports necessary themselves. Along with explicitly clarifying the authority of such an institution over political party financing oversight and enforcement in legislation, rectifying this deficiency of funding and manpower would help ensure their effective independence and insulation from any political influences and external interference – particularly from the entities under investigation.

²⁰⁹ Law on Political Parties. (Mongolia). 2005, Article 19.2.

²¹⁰ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.11.

²¹¹ Ibid.

²¹² Ibid., p.21.

Methods of centralisation

Centralisation could be achieved in several ways. For instance, in South Korea, all political party financing oversight and enforcement is conducted by the National Election Commission²¹³, the independent electoral branch responsible for electoral administration and political party financing. This method of centralisation would be equal to shifting all enforcement and oversight responsibilities to the GEC for Mongolia. This could be beneficial for Mongolia, as it would allow the self-containment of all things electorally related in one institution, which would streamline some current procedures. For instance, in the current system, the GEC receives financial reports from parties and candidates, which are then forwarded to the National Audit Office for review if needed²¹⁴. By centralising the oversight process with the GEC, this process could be much more effective by having disclosure reports received, published, and audited by the same entity. This self-containment in most political party financing oversight and enforcement processes would allow greater efficiency and independence from external influence.

However, currently the GEC is not involved with any auditing, investigative, or regulatory roles, as it is mainly focused solely on electoral administration. Additionally, the scope of political party financing oversight and regulation, extends beyond just elections – the financial oversight of political parties and candidates outside of the election period is equally as important (if not more so) as it is during elections. Therefore, shifting these oversight and enforcement roles away from entities like the NAO and IAAC, which are government entities specialised in investigation and auditing in general, and into the GEC may lead to inefficiencies and redundancies. This is because such a restructuring would result in lower efficiency, arising from allocating such a task to a saturated department without prior experience. Additionally, adding further, new responsibilities to a division which currently manages completely separate roles and timeframes, would waste resources in training the GEC to complete tasks other agencies are already specialised in. Furthermore, centralising the administration and oversight of electoral processes could lead to a conflict of interest. In particular, as the GEC's Commissioners are nominated predominantly by Parliament (5 of 9 Commissioners)²¹⁵, centralising duties of oversight for the

²¹³ Republic of Korea: National Election Commission, 'Duties and Responsibilities'. [Website], (n.d.), Republic of Korea: National Election Commission. <http://www.nec.go.kr/engvote_2013/01_aboutnec/01_03.jsp> accessed 07 February 2019.

²¹⁴ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

²¹⁵ General Election Commission of Mongolia, 'Duties and Functions'. [Website], (n.d.), General Election Commission of Mongolia. <<http://gec.gov.mn/en/index.php?page=mandate>>. accessed 06 January 2019.

asset and income declarations of MPs to the GEC could raise issues regarding the entity's independence and impartiality as well.

Alternatively, Taiwan centralises their political party financing oversight and enforcement processes within the Control Yuan²¹⁶ – an independent government branch, acting as a government performance auditor and political ombudsman, monitoring the other branches of government. For Mongolia, this would equate to centralising the political party financing oversight and enforcement responsibilities within the IAAC or the NAO. Like with the GEC, centralising the oversight and enforcement processes within either of these institutions would allow for greater efficiency and insulation from external influences. However, this method would have the added benefit of centralising the responsibilities and roles of political party financing oversight and enforcement, within independent entities which are already focused entirely on auditing and investigation – thereby increasing efficiency and resource allocation.

However, as with any institution that is already involved with other tasks, centralising all of the political party financing oversight and enforcement processes within either of these entities could lead to certain issues. For instance, the NAO is responsible for all government-mandated audits, including assignments which are given by Parliament²¹⁷. As such, Parliament is able to exercise supervision over the NAO. This could potentially lead to opportunities for undue interference and political pressure on the institution. However, with sufficient funding, manpower, and clear legislation detailing the authority of the centralised entity in political party financing oversight and enforcement (and mandating the cooperation and compliance of the entities under review), these issues are much more feasible to overcome.

Mongolia could also instate a completely separate, independent entity for political party financing oversight and enforcement. With sufficient funding, manpower, and supporting clarity of legislation, this would allow for a near-complete insulation against any external influences and interference. Therefore, this would allow the self-contained effective and efficient regulation of all political party financing legislation, without any conflicting interests or liabilities from responsibilities over additional, separate processes.

²¹⁶ Political Donations Act. (Taiwan). 2015, Articles 4 and 22.

²¹⁷ Mongolian National Audit Office, 'Description of Mongolian National Audit Office (MNAO) Duty'. [Website], (n.d.), Mongolian National Audit Office, <<https://audit.mn/en/description-of-mongolian-national-audit-office-mnao-duty/>> accessed 12 January 2019.

However, though this would be theoretically ideal, such a process would suffer from the same issue that would affect the centralisation of oversight and enforcement within the GEC. This is because this process essentially involves creating a new institution specifically for political party financing oversight and regulation, when entities specialised in investigation and audit (the NAO and IAAC) already exist. In exchange for greater independence and self-containment, this may therefore incur greater inefficiency and resource wastage. This largely originates from the fact that the creation of an entirely new entity would likely be significantly more complicated and costly compared to simply reshuffling and centralising the various political party financing oversight and regulation processes into a single, pre-existing, independent body. This therefore brings into question the contextual feasibility of such a process, and would require further investigation and evaluation to meaningfully decide which method would be the most contextually appropriate and feasible for Mongolia.

Overall, if contextually feasible, the most ideal solution could be for Mongolia to establish a new, self-contained independent electoral oversight committee for overseeing and enforcing its political party financing laws. However, if this is deemed too complex and costly, then the centralisation of such oversight and regulatory processes into one of the aforementioned independent, self-contained, pre-existing institutions would instead be recommended - with a preference for the IAAC, followed by the NAO. Though there have been a variety of plausible candidate solutions presented, all of which may be effective in overseeing and enforcing laws on political party finance, ensuring independence and centralisation is seen as the primary key to success for any of these²¹⁸. As such, as long as they are combined with a sufficient level of enhanced funding, manpower, and clarified supporting legislation, any of the solutions mentioned above would have the potential to be effective for Mongolia's needs - as long as an emphasis is placed on centralisation, self-containment, and independence.

Ensuring independence

It is important to remember though, that regardless of the method chosen for centralisation, one of the most important aspects to ensure would certainly be the maintenance of the independence of the agency once established. This is particularly critical for a regulatory authority since, without

²¹⁸ Transparency International, *Political Finance Regulations: Bridging the Enforcement Gap*. (Transparency International, 2009), p.2.

effective (or near-effective) independence, a regulatory authority cannot be necessarily trusted to effectively regulate what they are meant to, due to conflicts of interest.

This remains a particularly salient issue in Mongolia due to the historically close ties that exist between business interests and politics. As explored earlier in this paper, corporate interests are heavily represented in Mongolian politics, through the critical economic significance of certain industries, large allowances and tendencies for corporate donations in political party financing, and the direct connection between politicians and many of the large business interests in the country. Due to the lack of a strong grassroots fundraising culture or capacity, or strong public subsidies for political parties, personal financing remains one of most important sources of political party financing for many of the political parties in Mongolia. As such, many of the prominent politicians and members of various parties have been businessmen with significant personal wealth they can use to fund their campaigns and party activities. For instance, Badarchiin Erdenebat, owner of the Erel Group mining and construction conglomerate, directly founded and led The Motherland Party, winning several parliamentary seats and a position for himself as Minister of Fuel and Power in 2006-2007²¹⁹. Additionally, the current President Battulga is rumoured to be a dollar billionaire²²⁰, and is the owner of the large Genco Group in Mongolia; his election was facilitated by his ability to “underwrite [his] faction’s needs”²²¹ in the Democratic Party, which eventually allowed for his nomination as President. Even if politicians formally relinquish their business roles upon entering politics, many of these businesses remain within their families or networks of confidants. Inherited by individuals with such direct connections to them, these businesses often continue to directly support such politicians anyways.

As a result, with many political parties, parliamentary seats, and even positions within the Executive Branch linked so directly with business and corporate interests, the independence of a regulatory authority designed to oversee and enforce political party financing laws becomes paramount. This is because, among other things, such an authority would be responsible for enforcing strict guidelines and limitations on the amount of financial involvement and influence businesses are allowed to have within the political process; thereby potentially curtailing the agency which such groups may have grown accustomed to operating with. As such, there would

²¹⁹ David Sneath, 'What's Next for Mongolia's Troubled Oasis of Democracy?' [Website], (13 February 2019), The Globe Post, <<https://theglobepost.com/2019/02/13/mongolia-democracy/>> accessed 20 March 2019.

²²⁰ Ibid.

²²¹ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), p.1032.

be significant incentive for such groups to attempt to influence such a regulatory authority to achieve leniency, or even additional punitive measures against rivals. Given the significant influence wielded by certain parties and corporate interests in Parliament, and elsewhere in Mongolian politics, the independence of several agencies in Mongolia have already come under suspicion. For instance, as discussed earlier, the GEC and NAO both have structures that could potentially allow Parliament to exercise undue influence over them. As such, it would be important to implement measures to ensure the independence of the centralised oversight and enforcement agency ultimately used. However, it is important to note that there is no singular solution to ensure regulatory independence. This remains a pressing issue that countries all over the world are still attempting to manage, but taking measures to curtail this as much as possible would allow Mongolia to mitigate the detrimental impacts that a compromised oversight and enforcement agency would have on the country's political party financing system.

On a basic level, clarifying the agency's authorities, responsibilities, and clear protocols for operation would be one of the most critical measures that could be undertaken; specifically what such an agency would be allowed to do, and how they should be doing it, could be clearly stated in legislation. Ensuring that such aspects include significant emphasis on transparency and are written directly and unambiguously into legislation would ensure that the agency would be able to be held accountable for its actions, providing significant obstacles preventing their authority from being misused. Additionally, as mentioned earlier, ensuring that the agency is provided with significant (and sufficient) financial and manpower resources, along with the self-contained legal mandate necessary to conduct their role, would also play a significant role in ensuring their independence. Along with provisions to ensure that such resources would not be able to be easily revoked by any single stakeholder, the lack of such handicaps would allow an independent agency to avoid having to come under the undue influence of Parliament, the Executive, or any other singular political stakeholder just to complete their mandate.

Additionally, another aspect that could be considered would be the appointment process of the agency. If, for instance, the agency had all committee members appointed by Parliament, then the agency could feasibly fall under the influence of whichever political party maintains controlling influence over Parliament at the time. The same issue arises when considering appointments by any other singular political stakeholder, such as the Presidency. As such, a better solution may be to distribute the appointments equally between multiple organisations. For

instance, having two committee members selected by Parliament, two by the Presidency, and two by the Judiciary. Alternatively, technocratic institutions (such as the Mongolian equivalent of the legal bar association) could also be used to provide appointments instead of, for instance, the Presidency or the Judiciary. The specific organisations used to appoint committee members would have to be selected following further analysis for suitability, relevancy, and sufficient independence of their operations and interests from one another. However, ultimately, the idea would be to ensure that no singular political stakeholder would be able to obtain controlling or majority influence over the independent oversight authority through appointment of its committee.

Placing limitations on the tenure of the committee could also be useful to minimise the influence that any biased appointments could have. For instance, given that the MPs and the Presidency operate on four-year terms, maintaining a four-year term for the committee members could also be effective, scheduling their appointment to fall in the middle of the parliamentary and presidential terms to ensure that the agency would be fully operational and settled in by the time the next set of parliamentary and presidential elections occur. Capping their tenure to a maximum of one re-election, akin to the Presidency, could also help the agency avoid falling into the continued control of a particular committee or set of interests.

However, regardless of the appointment method used, ultimately it remains an extremely difficult task to completely excise the influence of Parliament, the Presidency, and by extension the interests of any factions that may be influencing those groups, from a government agency. Even the most successful and well-functioning democracies today continue to seek better ways to ensure the independence of their government regulatory agencies, without compromising accountability. As such the most important thing Mongolia can do, would be to ensure the agency's self-sufficiency in its finances, manpower, and legal authority – as well as clearly specifying the precise allowances, bounds, and specific protocols of the agency's operations in legislation. This would allow the agency to be held accountable for its actions by all affected political stakeholders, thereby mitigating the potential abuses that a compromised oversight agency may be able to enact on the political party financing system as much as possible.

iii. Practices for Disclosure and Review

One of the largest issues impeding effective oversight and enforcement within Mongolia's political party financing legislation would be the poor specificity and clarity in practices for

disclosure and review. As previously described, this impedes the appropriate entities from being able to effectively investigate and audit political party financing – of which much of the enforcement of political party financing legislation relies upon. As such, Mongolia’s political party financing legislation could be revised to improve clarity over several areas of disclosure and review, to provide clear, indisputable guidelines that allow the letter and spirit of the law to be effectively carried out. This would leave minimal room for attempts to interfere and obfuscate such processes of disclosure and review, and would allow all relevant entities to be held more accountable.

Clarifying responsibilities for financial review and audit

First and foremost, Mongolia may need to introduce clear stipulations for who financial statements should be disclosed to – i.e. which entity should be ultimately responsible for collecting, reviewing, auditing, and publishing all financial statements, records, and declarations of income and assets. As previously mentioned, though the NAO is meant to be responsible for auditing all financial reports, Mongolia’s Law on Political Parties’ Article 20.3 simply dictates that party finances shall be audited annually, but fails to provide any further detail²²². As such, this has led to many parties arguing that the wording of the legislation allows them to simply have their finances privately audited for the NAO to publish²²³. This evidently contravenes the spirit of the law, and so should be one of the first things revised. Therefore, the legislation could be revised to explicitly stipulate that all political party financing-related financial statements, records, and declarations of income and assets are to be collected, reviewed, audited, and published exclusively by the relevant oversight authority. This would be either the centralised, independent, self-contained political party financing oversight and enforcement entity recommended above, or the NAO currently.

Clarifying content for disclosure

Additionally, further clarity may need to be specified in legislation for what needs to be disclosed. In Articles 57.5 and 58.3 in the Law on Election, some focus is given to what parties and candidates need to be disclose in terms of their income sources during election periods²²⁴. However, this still lacks detail and, in particular, lacks any clear stipulations describing what

²²² Law on Political Parties. (Mongolia). 2005, Article 20.3.

²²³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

²²⁴ Law on Election. (Mongolia). 2015, Articles 57.5 and 58.3.

parties and candidates should disclose regarding their expenses²²⁵. As a comparative example, Taiwan has legislation that specifies exactly which expenditures need to be disclosed and how these should be categorised. This includes requirements for expenditures on personnel expenses, expenditures on propaganda, expenditures on leasing propaganda vehicles, expenditures on leasing campaign offices, expenditures on gathering, expenditures on transportation and trip, miscellaneous expenditures, expenditures of returning the donations, expenditures for deposition donations into the national treasury, and expenditures of PR expenses²²⁶. This list is by no means perfect or exhaustive, but it should be able to serve as an illustrative example of how clearer legislation could be framed with regards to disclosure on spending. This is important as such clarity in expenditure disclosure allows the relevant oversight institution a much greater ability to investigate and locate discrepancies and attempted obfuscation, and ultimately enforce political party financing laws. This would be particularly relevant for Mongolia, considering that public subsidies are involved, and it is highly important to ensure that they are being used for their intended purposes (at least to ensure that parties are complying with the 50% earmarking for parliamentary unit election areas, as specified in the legislation²²⁷). Additionally, for parties and candidates, the provision of a clear, official format for disclosure reports could increase their ease in completing them. This could therefore actually improve the general willingness to follow through with reporting.

Clarifying protocols for review and audit

Furthermore, Mongolia's political party financing legislation requires greater detail on how such financial reports and statements could be reviewed by the relevant oversight institution. Currently, Mongolia's Law on Election's Article 60.4 simply states that the NAO should monitor election donation, financing, and disbursement, and obtain information related to election expenses statements from the relevant parties, candidates, and coalitions²²⁸. This is particularly sparse and lacks any explicit instruction on the process by which the relevant oversight institution should review and audit these reports, as well as lacking any explicitly detailed process to decide

²²⁵ Ibid., Articles 57 and 58.

²²⁶ Political Donations Act. (Taiwan). 2015, Article 20.

²²⁷ Law on Political Parties. (Mongolia). 2005, Article 19.2.

²²⁸ Law on Election. (Mongolia). 2015, Article 60.4.

which reports are to be audited. It is critical that the process of disclosure and review is as clear and easy to follow as possible, both for the parties and the enforcing agency²²⁹.

This is because, for the enforcing agency, it would provide a clear set of official guidelines to make the process of evaluation more cost and labour efficient, as well as ensuring consistency in review standards, which would help prevent any potential interferences with the auditing and review process. This is also important, since one argument against a self-contained, independent political party financing oversight and regulatory institution could be that they may be able to abuse their position, acting with bias and discrimination without being answerable. However, through clarifying the format of disclosure and review, this would therefore not only help with transparency and enforcement, but also with the relevant oversight authority's accountability to the parties, candidates, Government, and public. As such, greater specification in the precise process that the relevant oversight institution needs to follow for review and audits could help ensure that they effectively, and non-discriminatorily fulfil their purpose, while still maintaining their independence.

Clarifying compliance with investigative measures

Additionally, to assist with the oversight and regulatory functions of the relevant institution, further clarity should be included in Mongolia's legislation for compliance with the relevant institution's investigative processes. Currently, Mongolia's Law on Election's Article 60.4 simply states that the NAO should monitor election donation, financing, and disbursement, and obtain information related to election expenses statements from the relevant parties, candidates, and coalitions²³⁰. This provides a very weak legal mandate for parties and candidates to cooperate with the relevant oversight institution's investigative efforts - namely because it lacks any reference to what activities such an institution should be allowed to engage in, during the process of their investigation.

For instance, Taiwan's law states that their oversight agency may request the submission of relevant vouchers and evidential documents supporting income and expenses declarations, as well as maintaining the right for the agency to send inspectors or use professionals to examine

²²⁹ Transparency International, *Political Finance Regulations: Bridging the Enforcement Gap*. (Transparency International, 2009), p.2.

²³⁰ Law on Election. (Mongolia). 2015, Article 60.4.

their authenticity or conduct audits of any declarations²³¹. Critically, Taiwan also stipulates that the object audited may not evade, encumber, or refuse the audit²³² – clearly enforcing compliance with the relevant oversight institution. South Korea is even more thorough, and states that the relevant oversight authority may also check accounting books and disbursement and receipt documents, and investigate various specific people (such as the candidates, individuals in charge of political party accounting, individuals entitled to receive any election funds, and so on) to confirm the electoral revenue and expenditure declarations²³³. Additionally, if there is political party financing misconduct suspected, the relevant oversight authority receives further rights to enter the place of any political party and any supporters' association to question and investigate a wider range of individuals (such as any National Assembly member, any candidate, and so on in addition to the individuals investigable previously), in addition to the measures previously available to them²³⁴. This creates a clear guideline solidifying the authority of the relevant oversight institution in legislation, describing explicitly what they are and are not entitled to do in pursuit of an investigation.

As such, Mongolia could include a similar explicit specification in its legislation, mandating measures such as cooperation and compliance from the parties under audit, with the relevant oversight authority, to provide any required documentation and evidence requested, as well as signed assent for financial institutions to disclose any assets held by the audited entity to the oversight authority upon request. This would allow the relevant oversight authority to effectively carry out any necessary investigations and audits without impediment – enabling them to more effectively access information needed to locate discrepancies and attempted obfuscation in financial reports and statements, and ultimately enforce political party financing laws. This would also help clarify the boundaries of the powers held by the relevant oversight institution. Combined with clear guidelines for when investigation is necessary, and how to pick which reports to audit, this would allow the oversight institution to be held accountable for their actions – ensuring that they effectively, and non-discriminatorily fulfil their purpose, while still maintaining their independence.

²³¹ Political Donations Act. (Taiwan). 2015, Article 22.

²³² Ibid.

²³³ Political Funds Act. (South Korea). 2016, Article 43.

²³⁴ Ibid., Article 52.

Clarifying timelines

Furthermore, greater clarity may need to be provided for the timeline that disclosure and review takes place over. Currently Mongolia's Law on Political Parties' Article 20.3 simply dictates that party finances shall be audited annually²³⁵. However, a more consistent system of disclosure and oversight would be more effective and useful, and the legislation should offer a more clear and annual time frame for when parties and candidates need to disclose their financial information. Taiwan, for example, explicitly states that all political parties must submit their annual property and financial statements to the competent authority before May 31 each year²³⁶. For the UK, the treasurer of each registered party is required to prepare and submit a report on finances in January to March, April to June, July to September, and October to December each year²³⁷. The more frequent the disclosure and review, the more effective, as this allows a more continuous ability for the relevant oversight authority to locate discrepancies and attempted obfuscation in financial reports and statements, and ultimately enforce political party financing laws.

However, given the historical reluctance for disclosure in Mongolia²³⁸, and the potential limitation of financial and labour resources, it would likely be more contextually feasible to adopt legislation similar to Taiwan's for now. Overall, what is most important is that steps are actively taken to create consistency with disclosure, so that enforcement is more easily enabled. This could eventually be improved and refined over time as the process progresses. Introducing a specific time frame would help create accountability for the parties and candidates involved, as well as for the enforcing agency itself, to be held accountable to the general public.

Additionally, these revisions concerning timelines and explicitly stated processes in the legislation could also be applied to processes for publishing reports to the public. Article 60.3 of the Law on Election states that statements on election finances are to be published 90 days after their receipt²³⁹, and Article 20.3 in the Law on Political Parties states that party finances are to be published annually²⁴⁰. However, overall, this provides very little clarity on what specifically to publish, and especially for periods outside of elections, when to publish. As such, to date, the

²³⁵ Law on Political Parties. (Mongolia). 2005, Article 20.3.

²³⁶ Political Parties Act (Taiwan). 2017, Article 21.

²³⁷ Political Parties and Referendums Act (United Kingdom). 2000, Article 62.

²³⁸ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

²³⁹ Law on Election. (Mongolia). 2015, Article 60.3.

²⁴⁰ Law on Political Parties. (Mongolia). 2005, Article 20.3.

NAO has only reluctantly published summaries of the annual reports and audits self-submitted by the parties²⁴¹. Electoral asset declarations were only published for the three presidential candidates in the 2017²⁴² election out of the IAAC's proactivity²⁴³, with asset declarations from the 2016 parliamentary elections and prior remaining unpublished²⁴⁴.

Therefore, the legislation could be revised to specifically name the relevant oversight institution as responsible for publicly publishing financial reports, summaries, and audits results. Additionally, this should include a clear outline of what should be published, and the specific timeline to do so in – similar to the legislative reforms discussed for disclosure and reviews above. This would help encourage a system of accountability in parties and candidates, to comply with political party financing legislation, and to maintain positive financial behaviour (e.g. not taking excessive donations from corporations to avoid any accusations of excessive corporate influence), as their audited and reviewed financial statements would be made public. Additionally, this would also create accountability for the relevant oversight authority, as there now be a clear set of stipulations dictating their responsibilities and timeline for them; thus, they could be held accountable for a failure to follow through and publish such reports and statements.

Mongolia could also, ideally, aim to set up a public database for all political party finance disclosures. This would help ensure transparency, which could then facilitate enforcement²⁴⁵. This database could include financial reports, auditing reports, as well as reports on sanctions. There are several examples of developed democracies which have easy ways to access political party financing disclosures, for instance the UK. Publishing financial reports and audit reports is generally common for developed democracies, but the UK is quite unique in publishing reports on their sanctions as well, which they have been doing since 2016²⁴⁶. Though a similar system may be costly and difficult to set up in the current technological context of Mongolia, eventually this level of transparency in oversight is what could be ideally aimed for – even if it is not contextually viable at the moment.

²⁴¹ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.21.

²⁴² OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.13.

²⁴³ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.24.

²⁴⁴ Ibid.

²⁴⁵ Transparency International, *Political Finance Regulations: Bridging the Enforcement Gap*. (Transparency International, 2009), p.7.

²⁴⁶ The Electoral Commission, 'Enforcement Sanctions' [Website], (n.d.), The Electoral Commission, <<https://www.electoralcommission.org.uk/our-work/roles-and-responsibilities/our-role-as-regulator-of-political-party-finances/sanctions>> accessed 12 January 2019.

iv. Enforcement and Sanctions

As previously mentioned, Mongolia's lack of effective enforcement capabilities for its political party financing legislation is the largest cause of many of the issues that currently affect it. As such, ensuring an effective means of enforcement remains potentially one of the most important goals for Mongolia's political party financing laws. An important part of that, in combination with the previous reforms suggested in this section (i.e. ensuring a solid system of disclosure, review, and publishing), could be ensuring that the relevant oversight and enforcement authority is able to impose effective sanctions for any contraventions of political party financing law that they are able to locate. This is because, without effective sanctions available to the relevant oversight authority, they may not be able to command the effective authority necessary from political parties, candidates, and relevant entities to deter any breaches in political party financing law.

Sanctions

Currently, the only sanctions allowed in relation to political party financing, are disbarment from elections, and fines²⁴⁷. However, these fines only comprise of one month's minimum wage (240,000 tugrik) for a citizen, eleven to sixteen times the monthly minimum wage (2.64 to 3.84 million tugrik) for a legal entity, and six to eight times the monthly minimum wage (1.44 to 1.92 million tugrik) for media personnel²⁴⁸. 'Pledge money' requirements alone for each candidate were at least 100 million tugrik in the 2016 parliamentary elections²⁴⁹, and the parties were able to spend a combined total of about 34 billion tugrik in the parliamentary elections that year²⁵⁰. As such, the fines stipulated are likely too low and may be considered as a non-critical expense for parties and candidates, as opposed to a significant deterrent.

Therefore, the level of fines could likely be raised to pose a more significant, critical threat to any entities considering breaching political party financing law. However, in terms of specific limit levels, it is difficult to provide a specific recommendation for the level that fines should be raised to. In order for them to serve as effective deterrents, further information on party and candidate earnings and expenditure levels would be needed to make an appropriate and effective decision. However, with the previous reforms in this section ensuring that the relevant oversight authority can regularly and effectively obtain and validate candidate and party financial statements, the

²⁴⁷ Law on Election. (Mongolia). 2015, Articles 70.15 and 129.1.

²⁴⁸ Ibid., Article 70.15.

²⁴⁹ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.16.

²⁵⁰ Ibid., p.19.

relevant oversight authority would be able to effectively evaluate an appropriate level of financial sanctions which would pose a justifiable threat to strongly encourage adherence to political party financing law.

Additionally, the implementation of public subsidies provides an additional avenue for sanctions. Allowing the relevant oversight entity to revoke or clawback public subsidies given out to political parties could help the oversight entity to maintain authority over the parties, to ensure they adhere to political party financing legislation. Particularly if public subsidies are increased in level, and changed in structure to be available to a wider range of political parties, this would help ensure that more political parties remain in line. This is because, if public subsidies are able to comprise a larger, more significant portion of more parties' funding, then their revocation or clawback would serve as a more serious threat and deterrent for a larger number of parties – allowing the relevant oversight authority to dissuade more parties, more strongly, from breaching political party financing laws.

Mongolia could also implement imprisonment as a sanction for breaching the laws on political party financing. Current legislation prescribes merely prescribe fines and disbarment – however, these have not historically had much effect. Financial penalties only go so far, and in the case of political parties, any effect this has on the party would be largely detached from significantly personally impacting most of the party members. This is because political parties often have separate accounts, which are typically very healthy, given the Mongolian tradition of 'pledge money', from which party-level sanctions are paid from. However, imprisonment directly and personally affects those targeted, and thus can serve as a much stronger deterrent to breaching political party financing laws than fines or disbarment.

Introducing imprisonment in addition to fines is a common practice which can be seen in other well-functioning Asian democracies such as South Korea²⁵¹ and Taiwan²⁵², but also in Western democracies such as Canada²⁵³ and the UK²⁵⁴. All of these countries have different frameworks and regulations for determining when and how imprisonment is enacted as a sanction, as they have different cultural and legal traditions. Mongolia could thus strive to create a framework which clearly makes sense in its own context after appropriate evaluation at a local and national

²⁵¹ Political Funds Act. (South Korea). 2016, Articles 45 and 57.

²⁵² Political Donations Act. (Taiwan). 2015, Articles 22 and 28.

²⁵³ Elections Canada Act. (Canada). 2016, Articles 496-502.

²⁵⁴ Political Parties and Referendums Act. (United Kingdom). 2000, Schedule 20 (Section 150).

level. However, imprisonment of some form as a punitive sanction for contravening some level of political party financing laws should certainly be implemented. The possibility of imprisonment should target all entities (donors, politicians, candidates, etc.), and the conditions of these need to be clearly stipulated in law to allow effective implementation, but also to prevent any possible misuse. It is important to emphasise that this would not be effective if it is only present as a formality in legislation – it is important that imprisonment is actively enforced in appropriate cases to ensure it serves as an effective deterrent that the relevant oversight authority can wield.

Enforcing political party financing legislation

As a result, the reforms suggested in this section ensure a solid system of disclosure, review, and publishing for a strong, independent political party financing oversight authority, with a credible authority and ability to place justified sanctions. This ensures that an effective means of political party financing legislation enforcement is available to the relevant oversight authority. This is because, with such a system in place, contraventions to political party financing laws could effectively be identified and punished, to ensure that such laws remain regulated.

For instance, spending limits laws could be enforced with relative ease. With such a system, the relevant oversight authority would be able to track declared expenses through the financial statements, reports, and declarations of incomes and assets from political candidates, parties, and all relevant entities, submitted on a regular basis inside and outside of elections. Combined with legally-mandated investigative and auditing protocols and powers, the relevant oversight authority would be able to identify and locate any inconsistencies or attempts to obfuscate financial records to identify any breaches in political party financing spending regulations through forensic accountancy. With effective sanctioning measures available, the relevant oversight authority would then be able to suitably punish the offending entity, deterring further attempts to breach such spending regulations – thereby enforcing political party legislation. This is a common process in many countries that is often used to identify instances of corruption and embezzlement, which can be additionally employed in the context of political party financing legislation. For instance, in Pakistan, such measures were used to effectively jail a former Prime Minister for corruption based on attempts to obfuscate ownership records of a steel mill in Saudi Arabia, and his inability to prove a legitimate source of income for the steel mill upon its

investigation²⁵⁵. This therefore demonstrates the strong capacity of a functioning oversight entity, with a credible ability to conduct forensic account and enact sanctions, to effectively enforce political party financing legislation.

Expenditure legislation is naturally far easier to enforce compared to donation regulations. This stems from the very nature of a party's or candidate's expenditure, which (supposedly) originates completely from a singular source (i.e. the party or candidate under investigation), while donations instead all originate from multiple, external sources that all just ostensibly end up with the singular recipient. However, a functioning, independent oversight authority with access to regular financial records and the credible capacity for forensic accountancy could similarly help ensure the enforcement of donation regulations as well. This is because, at the very least, donation limits for each individual donation could be enforced, as through financial records, individual donations could all be tracked and verified in size fairly easily by the relevant oversight authority.

Furthermore, the public publishing of financial reports, along with the relevant oversight authority's review, would allow any distinct trends in donations to be publicly reported, allowing the voting electorate to effectively hold the parties and candidates accountable for the donations they take. For instance, a disproportionate level of donations accepted from corporations or individuals related to corporate interests may indicate a dangerous level of corporate influence over the candidate or party; upon publishing, this may serve to (or be used by opponents to) dissuade voters from supporting such a candidate. Therefore, this could help to encourage parties and candidates to avoid appearing unduly reliant on any particular donor (or type of donor) in their financial records as much as possible. This would also make attempts to bypass donation regulations even riskier. As such, this at least provides some meaningful impediment for any attempts to subvert the donation regulations.

Furthermore, given that Articles 58 and 59 in the Law on Election stipulate that the donor's first name, last name, place of residence, and citizen identification card number are to be recorded with their donation (in the case of a legal entity, these details would be for the entity's Executive Director)²⁵⁶, the relevant oversight authority would be able to identify any patterns and

²⁵⁵ Fergus Shiel, 'Former Pakistan prime minister sentenced to imprisonment again on corruption charges' [Website], (26 December 2018), International Consortium of Investigative Journalists, <<https://www.icij.org/blog/2018/12/former-pakistan-prime-minister-sentenced-to-imprisonment-again-on-corruption-charges/>> accessed 12 January 2019.

²⁵⁶ Law on Election. (Mongolia). 2015, Articles 58-59.

discrepancies in donations just from the financial reports. This would make attempts to contravene these donation regulations far riskier, even without taking further measures to investigate the individual donors themselves. However, if combined with such investigations and audits into the individual donors (which may require cooperation with entities like GASR that have access to registration records), this would allow for a far more thorough capacity to identify and punish attempts to subvert such donation regulations.

However, it is important to note, that such investigations into individual donations are a far more involved, lengthy, and costly process that may not be as feasibly carried out as often as investigations into spending limit contraventions can be; even if, ideally, they eventually would be. As effectively enforced spending limits, when paired with effective oversight, disclosure, and publishing, can help contain most attempts to subvert donation regulations (or at least the extent of their impact), it may therefore be recommended to spend more resources focusing on enforcing spending regulations instead, to maximise what can be feasibly enforced in context.

Enforcement via the banking system

Mongolia also currently has legislation implying that all donations should go through the banking system. This is indicated in the Law on Election's Article 43 and Article 47 stipulating that political parties and candidates must open a specific election expenses account, to be used to accumulate personal funds and donations²⁵⁷. Additionally, in the Law on Election's Article 50.4, it states that all in-cash donation should have the donor's state registration number on the bank slip, else the donation should be returned²⁵⁸. In Article 50.8 the law further stipulates that any valid in-cash donation is to be transferred to the election expenses account on the donor's behalf after the donor's details have been booked²⁵⁹. This mirrors several well-function democracies, such as Canada²⁶⁰ and Bhutan²⁶¹, wherein candidates or parties must set up separate bank accounts for their campaigns. This is useful as it allows for a trail of financial records through the election expenses account that can help track expenses, donations, and any attempts to bypass their regulations.

²⁵⁷ Ibid., Articles 43 and 47.

²⁵⁸ Ibid., Article 50.4.

²⁵⁹ Ibid., Article 50.8.

²⁶⁰ Elections Canada Act. (Canada). 2016, Article 477.46.

²⁶¹ Election Act of the Kingdom of Bhutan. (Bhutan). 2008, Chapter 5 (Sections 43, 45, and 46).

However, notably, there is a conspicuous lack of a specific mandate explicitly stipulating that all donations must be made through the banking system. Instead, donations are merely mandated to be transferred to the election expenses account without a specific timeframe attached. This is problematic since one of the largest obstacles to enforcing donation regulations in Mongolia, is the capacity for donations to be passed to candidates and parties without a paper trail or official record. Though an independent, functional oversight authority with access to financial statements, records, and investigative powers could potentially catch such donation contraventions on the basis of discrepancies in financial reports through forensic accounting, this is somewhat difficult, costly, and time-consuming. Vagaries in the law relating to donations and the election expenses account could then allow parties and candidates some scope for obfuscation in their records, making this process of investigation and enforcement even more difficult.

Adding a timeframe stipulation to the transfer of donations into the expenses account, as well as a clearly specified mandate in the legislation for all donations to go through the banking system to reach the candidate or party, could help by simply eliminating many of the vagaries that could be used in attempts to bypass the donation regulations. Ideally, the legislation would eventually specify that all donations must be initiated through the banking system to eliminate all possible vagaries, and allow for greater oversight and forensic accounting capacity. However, this may not be contextually feasible given Mongolia's sparse population density, and low levels of urban density outside of the capital. Many potential donors in regions outside Ulaanbaatar may not have easy access to established banking services, making such a legal stipulation possibly unfair to many potential individual donors, without widespread infrastructural (and specifically banking infrastructural) development across the country.

III.III. LACK OF DEMOCRATIC PLURALISM

OVERVIEW OF SUGGESTED REFORMS: LACK OF DEMOCRATIC PLURALISM

Public Funding

- *Increase the level of political party public funding, following appropriate evaluation.*
- *Index public funding amounts to inflation and average real wages.*
- *Introduce a dual-system of fixed and proportional political party public funding.*
- *Adjust proportional public funding to be equally weighted between vote-based and seat-based subsidies.*
- *Introduce an effective minimum threshold to qualify for public funding, following appropriate evaluation.*

Alternate Considerations

- *Increase the amount of equally publicly subsidised/provided media coverage for political parties and candidates – and introduce explicitly stipulated enforcement, in legislation, for legal caps to private broadcasting fees for political parties and candidates during elections.*
- *Introduce more comprehensive legislation controlling all potential abuses of state powers and resources – both inside and outside of the election period.*
 - *Include a stipulation for one of the relevant oversight authorities (such as the NAO or the IAAC) to enforce these laws.*

i. Overview of the Key Issue

A common issue with many developing democratic countries is that democratic pluralism tends to suffer in such early democracies. In nations where the country and democratic process are still developing, and where there are few mechanisms in place to correct for this, political and democratic activity tends to see a natural, yet disproportionate, concentration within the first few political parties to establish themselves. This is because, as initial parties establish themselves in Parliament, a compounding effect occurs, with greater publicity, wider recognition, and visibility from their positions allowing them to become entrenched within the democratic process and

considerations of the public. Conversely, smaller parties coming later into democratic development process face larger difficulties in gaining sufficient recognition against incumbent parties which may have already establish 'brand loyalty' among the populace, which may be thus less willing to take a risk on newer parties as opposed to the established ones they already know.

Furthermore, having been present earlier in the democratic development process, larger incumbent parties may have face lower initial election spending trends, which may have made entry more feasible. However, as is the trend especially in Asia, as democratic development continues, so too does electoral spending typically. Larger incumbent parties may have had the opportunity to develop (and in particular, develop their sources of donations and income) alongside such trends so that they remain feasible; indeed, their growth likely is what allows them to facilitate this spending increase, as the main political parties increase their electoral efforts annually.

However, newer entrant parties looking to enter may not have these benefits, and may find the electoral spending required to effectively campaign, a relatively much more difficult initial barrier to overcome than such incumbent parties may have previously found. This is also because the 'pledge money' tradition gives incumbent parties access to large amounts of income from their established candidate pool, whereas smaller and newer parties would likely have less of an ability to benefit from these. This is compounded with the greater recognition that established parties benefit from, which generally makes companies and donors more willing to donate to their campaign (since attempts to influence them would likely have a greater payoff for such donors). As such, without effective and well-defined spending limits, this naturally has led incumbent parties to continually spend more on elections, as they can afford more and would be constantly seeking to outdo their opponents (who would behave similarly). Therefore, this adds to the difficulties that newer entrant parties face in being able to effectively campaign, and to even comparably access the electorate.

As this impairs the ability of newer entrant parties to support their candidates and participate effectively in elections, this can also drive promising candidates away from the smaller parties and towards the larger incumbent parties to gain a stronger chance of political success. This is a trend echoed in many countries, even in the USA where political scientists have recognised the

low quality of challengers in US congressional elections²⁶². It is opined that the deterrent effect of the political and financial advantages established parties tend to enjoy has contributed to the relative low number of high-quality candidates among small parties. This is particularly prevalent for Mongolia, as its parties lack a significant amount of ideological distinction, making transition between them relatively easy²⁶³. As such, this naturally further concentrates political strength in the incumbent parties, and gives newer parties a lower ability to effectively campaign and access the electorate. As Mongolian parliamentary elections are particularly candidate-centric, especially following the removal of the proportionally-distributed seats prior to the 2016 elections, this has an especially damaging impact on the level of democratic pluralism present in the country.

This is problematic as it severely limits the variety of choice available to the electorate in the democratic process – effectively creating significant restrictions on the ideas and ideologies that are able to enter into political system. Additionally, it may create issues of accountability to the public, as lower effective levels of competition within the democratic process may lead to parties becoming less driven to remain responsive and attentive to the will and needs of the people to raise support for their party, given the realistically limited choices the people would have anyways.

As such, ensuring that all realistically viable parties (i.e. those with demonstrated support or potential for a serious political following, achievement, and activity) are equally able to at least access the electorate and campaign, and thus feasibly have at least a chance to prove themselves and build their own support on their own merit, would be recommended for Mongolia.

It is important to note that the incumbent parties may also be popular and strong, purely out of merit for their performance, and so their strong position may serve as a fair representation of the electorate's will. However, ensuring that all viable parties have an equal starting ground does not take away from this – a genuinely strong party would still remain successful on the basis of their own merit, as opposed to their starting position. The reforms suggested in this section only intend to ensure that those newer parties that have the potential to gain real, warranted support and contribute meaningfully to the Mongolian political environment, at least have the access and opportunity to try and do so, on the basis of their own merit.

²⁶² K. Ariga, *Comparative Analysis of Incumbency Advantage Across Different Electoral Systems*. [PhD Thesis]. (Michigan: University of Michigan, 2010), pp.89-90.

²⁶³ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), pp.1040-41.

ii. Public Funding

One of the main ways that Mongolia could help promote democratic pluralism, is through the strengthening of its public funding system. This is because a well-executed system of public subsidies to political parties could equally provide all viable parties with demonstrable potential, the opportunity and capacity to at least access the electorate properly and campaign. This thus allows them to then try and build up their own support and success based on their own merit. If tailored effectively, this could also remain responsive to the will of the electorate and to the relative requirements of different sized parties. Indeed, many of the countries which are considered to have generally well-functioning democracies, from South Korea²⁶⁴ to Bhutan²⁶⁵, include public funding measures in their political party financing legislature in some form, though the specifications of each scheme may differ significantly. As such, continuing and reinforcing Mongolia's current political party public funding systems would be recommended to help improve the nation's level of democratic pluralism.

It is important to note though, that political party public funding could also be used as a significant tool in tackling several different political party financing issues. These include issues such as negative influences and corruption, nationwide representation, and to some extent oversight and enforcement. These issues fall within the scope of this paper, and as such, the use of public funding in relation to these problems is discussed in-depth exclusively in those sections. This section will therefore just focus on the aspects of political party public funding that apply to democratic pluralism.

Public funding and current measures

As mentioned earlier in the paper, Mongolia currently does include public funding measures in its political party financing laws. This is enacted for registered parties (and not independent candidates) in two ways: through quarterly payments of ten million tugrik per parliamentary seat held paid to each political party, and a one-time payment of one thousand tugrik per vote won in the previous election paid three months after each parliamentary election to each political party²⁶⁶. Having such public subsidies is a good start, as it provides a form of public funding to parties that is linked to the will of the electorate. It also rewards party efforts to promote voter inclusion and campaign effort - thereby theoretically encouraging a more active democratic

²⁶⁴ Political Funds Act. (South Korea). 2016, Article 25.

²⁶⁵ Election Act of the Kingdom of Bhutan. (Bhutan). 2008, Article 278.

²⁶⁶ Law on Political Parties. (Mongolia). 2005, Article 19.

process. It also could somewhat enable newer political parties, as they would be able to obtain at least some funding through any votes and seats won.

Public funding levels

However, despite offering public subsidies for its political parties, according to the most accurate estimates available, the public subsidies that Mongolia offers to its political parties remain grossly insufficient – making up less than 20% of most parties’ revenues²⁶⁷. This would be far lower for the remaining parties since, historically, an overwhelming majority of seats in Parliament (on average, 73 out of 76) have been held by the largest two parties, and the majority of Mongolia’s current public subsidy scheme is parliamentary seat-based. Since most of this would go to the largest few political parties, this just serves to illustrate the insufficiency of such public funds for newer parties, relative to the cost of campaigning in each election.

However, more critically, research has demonstrated that these subsidies are insufficient to cover even ordinary party expenses. During election campaigns, many parties are forced to resort to fundraising to try and cover campaign expenses alongside their general operating expenses²⁶⁸. This represents a serious inability for Mongolia’s current political party public subsidy scheme to effectively promote democratic pluralism. This is because such funds are demonstrably unable to even cover the day-to-day basic operating costs for newer parties – let alone allowing such newer parties to feasibly afford even the most basic campaign expenses. As such, this could mean that, even if newer parties with actual demonstrable viability and potential wish to contribute meaningfully to Mongolia’s political process, the financial restraints imposed by the system may make it such that they never even have the chance to feasibly try and do so – even after receiving public funding. Therefore, democratic pluralism may suffer as such parties may lack the financial capacity to even properly begin meaningfully accessing the electorate, leaving them unable to effectively contribute and provide choice variety to Mongolia’s democratic process.

As a result, in order to effectively promote democratic pluralism, Mongolia may need to significantly increase its level of public funding for political parties. These could ideally be raised at least to a level which ensures that all qualifying political parties are equally able to at least afford their basic operational costs (and perhaps even the most basic, critical campaigning costs). This is because such a level of funding would ensure that the financial cost required to act as a

²⁶⁷ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.19.

²⁶⁸ *Ibid.*, p.20.

substantive and non-trivial political party remains attainable for all qualifying parties possessing demonstrable potential – thereby meaningfully improving Mongolia’s democratic pluralism.

However, it is important to recognise that such measures would bear heavily on Mongolia’s public budget, and thus large increases may not be contextually feasible for Mongolia to facilitate. Additionally, an overzealous public funding scheme could break the link between politicians and constituencies, as the strength of political parties would be much less determined by the donations and support that political parties are able to collect from their voter base – leaving them potentially more disinclined to actively campaign to encourage such donations. However, given the high intensity of electoral competition in Mongolia, and Asia in general, it would require an extremely high level of public subsidies to come close to reaching such a stage. Additionally, given the low GDP per capita in Mongolia, donations are much less likely to come from a grass-roots coalition of individual voter donors, and much more likely to simply come from corporate interests seeking to influence or curry favour with the political party – thereby diminishing the severity of this issue. Regardless, it is important to strike a balance to maintain an effective level of public subsidies without risking such negative side-effects. Therefore, an evaluation would likely have to be conducted by a relevant authority, such as a body like the General Election Commission or National Audit Office, to strike a balance between effectiveness, side-effects, and affordability.

However, it is clear that an upward amendment of some form to such public subsidies is necessary for them to have any impact at all on encouraging democratic pluralism. Additionally, Mongolia’s current political party public funding measures are stipulated as subject to change based on exchange rates²⁶⁹. However, it may likely be more effective to index these amounts to economic factors like inflation and the average real wage that would have more of a direct impact on purchasing power, allowing such public subsidies to remain far more consistently and contextually appropriate.

Public funding structure: Proportional subsidies

The actual structure of Mongolia’s political party public funding is also another important factor that plays heavily into a public subsidy system’s effectiveness in improving democratic pluralism. Currently, the current system of public subsidies leaves many smaller parties without numerous (or any) seats in Parliament little to no public contribution towards their party expenses. This is

²⁶⁹ Law on Political Parties. (Mongolia). 2005, Article 19.3.

because Mongolia's current system distributes the majority of its public funding via parliamentary seat-based criteria, funding parties by the number of parliamentary seats they hold. In contrast, public subsidies for parties based on the votes they won in the previous election take the form of a relatively smaller, one-time payment. This excludes many political parties which may wield significant popularity, but simply did not win many or any parliamentary seats, from receiving much public funding at all. This then perpetuates the cycle of poor democratic pluralism, as state funding is then largely channelled towards incumbent parties – leaving newer, smaller parties financially constrained. This therefore leaves many smaller parties which demonstrate political potential, effectively blocked from the opportunity to ever even realistically attempt to achieve it.

As such, it may be more effective to empower the vote-based aspect of Mongolia's political party public funding. This could include increasing the level of funds distributed on a vote-based basis, and incorporating vote-based subsidies into the system of regular subsidies for parties as well – as opposed to just having them as a one-time subsidy shortly after elections. Such vote-based proportional public subsidies are used in countries like Taiwan²⁷⁰ and South Korea²⁷¹, as they allow for a more nuanced distribution of funds based on the total popularity of each party, as opposed to just the number of seats won (of which, relatively speaking, there are comparatively very few). This therefore allows many smaller, yet active and popular, political parties to benefit from some form of substantial public subsidy. This would allow them to more feasibly afford to campaign and build themselves into meaningful parties and contributors in Mongolia's political process – even if they were unable to win one of the few parliamentary seats available.

However, though vote-based public subsidies have their merits, it may be important to maintain both forms of proportional political party public funding in Mongolia's system – ideally in a roughly equally balanced system. This is because the current Mongolian parliamentary system is a wholly majoritarian one, with 76 constituencies and MPs elected on a first-past-the-post basis within each one²⁷². As a result, parliamentary elections in Mongolia have become almost entirely candidate-centric. This is due to factors such as the lack of strong political party ideologies defining and distinguishing each party, the lack of political party unity (as evidenced by the

²⁷⁰ Political Parties Act. (Taiwan). 2017, Article 22.

²⁷¹ Political Funds Act. (South Korea). 2016, Article 27.

²⁷² OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.5.

common cross-over of candidates between parties²⁷³), and the elimination of the proportional parliamentary seats prior to the 2016 parliamentary elections. As such, voters are far more likely to vote based on preferences for the individual candidates running in their constituencies, as opposed to because of any considerations of preference for the political parties they represent.

As such, there is a good argument for maintaining seat-based proportional public subsidies, as these may better represent the will of the electorate. This is because seat-based subsidies reward candidates and their parties based on an assumption that each constituency demonstrates their overall preference in candidate with the allocation of a parliamentary seat. Vote-based subsidies on the other hand, reward (to some degree) based on the assumption that the cumulative votes in a parliamentary election represent each party's ability to win national popularity for the party as a whole. This contextually seems particularly unlikely to be the case in Mongolia, particularly for parties with efforts spanning multiple constituencies, since voters in each constituency would likely be just voting for their favourite candidate, with little regard for the parties they represent. Therefore, cumulative national parliamentary votes would have a limited ability to represent each party's overall popularity, and would provide a better representation of the cumulation of each candidate's isolated popularity within a constituency, for each of the 76 individual constituencies instead.

Therefore, with both systems having individual merits and shortcomings, it could be recommended to maintain a system of proportional subsidies equally weighted between the two systems, to effectively provide public funding to political parties based on two different, yet arguably equally valid, methods of gauging the strength and potential of each party.

Public funding structure: Fixed subsidies

Another important option to consider though, would be carrying out political party public funding through a system of equal fixed stipends for all qualifying, non-trivial political parties. This could be beneficial as, when implemented at an appropriate level, it could serve as a direct solution to the disparity in the financial situations facing political parties. This is because it would ensure that all political parties with demonstrable potential and commitment, would be able to start from the same equal publicly-funded point - allowing the basic costs of operating and campaigning as a substantive, meaningful party, to remain equally and feasibly attainable for all

²⁷³ Sergey Radchenko, and Mendee Jargalsaikhan, 'Mongolia in the 2016–17 Electoral Cycle: The Blessings of Patronage', *Asian Survey*, 57/6, (2017), pp.1040-41.

such parties. This would allow all qualifying parties to at least have effective access to the electorate, giving them the opportunity to subsequently work to build up support and meaningfully contribute to democratic pluralism, on the basis of their own merit. Such an approach was adopted by Colombia in 2006²⁷⁴, and this has significantly improved the opportunities and substantive impact of smaller parties. This is because such a public funding scheme detaches a party's viability for meaningful electoral participation and subsequent progress, from merely just the pecuniary resources they may be able to recruit²⁷⁵. This would then allow parties with the potential to serve as serious voting choices for the electorate, the opportunity to develop this potential, enhancing the level of democratic pluralism available for the nation's voting population.

However, while both proportional and fixed systems of public funding have their merits, both also have potential trade-offs which are important to consider when deciding what system a country should use. For instance, proportional systems suffer from the risk that, given their pre-established level of support and presence, incumbent traditional parties would still absorb most of the public subsidies allocated by parliamentary seat or vote. As such, this may still impede smaller parties with strong potentials, as they may not even have the resources to effectively capture a large enough voter-base or sufficient parliamentary seats. This means they may still be unable to qualify for enough proportional subsidies from such a system, to make the cost of operating and campaigning as a non-trivial party feasibly attainable. Instead, most of the public funding issued would continue to be concentrated within the parties which arguably need it the least – thereby contradicting the goal of promoting democratic pluralism. This has occurred in several regions – for example, in Europe, the over-concentration of public funding to only the few major political parties is believed to have contributed to the creation of cartel parties, which stifled democratic pluralism²⁷⁶.

Conversely, however, a system of fixed stipends for all qualifying parties may be problematic as it disengages the system of political party public funding from popular opinions, as it disregards any measure of electorate popularity and support. Instead, such a system distributes funds equally to all parties, regardless of any prior indication of the people's preference. This may be

²⁷⁴ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.146.

²⁷⁵ Ibid.

²⁷⁶ R. S. Katz and P. Mair, 'The Cartel Party Thesis: A Restatement', *Perspectives on Politics*, 7(4), (Washington: American Political Science Association, 2009), pp.753–66.

considered unfair, as it would be the taxed income from the electorate which would be used to fund these parties, and so the choice of the people should arguably play a role in determining their distribution.

Furthermore, such a fixed system of subsidies risks political fragmentation, as parties may split in an attempt to obtain more funding from the Government. Such tactics waste resources as they effectively double the amount paid to a single, larger party, as there is a high chance that the split parties continue to cooperate and collude in the political process. As such, this can also damage democratic pluralism, as such divisions reduce the integrity of the political parties involved, increasing the triviality of the fragmented parties. This is because they would make much less of a meaningful contribution to the democratic process, considering the contrived motive for their fragmentation.

Additionally, the implementation of fixed political party public subsidies ignores the reality that parties of different sizes and scales have inherently different basic operating and campaigning costs. As a result, a completely equal, fixed system of subsidies may not be effective or fair in ensuring that all parties are equally able to feasibly afford the costs of operating and campaigning as meaningful political parties, on the basis of the subsidies alone, since these costs would differ for parties of different size and scope.

Public funding structure: A dual-system

As a result, given the disadvantages presented by both forms of exclusively fixed or proportional public subsidies, it may not be effective for Mongolia to model their system of political party public funding solely on one type. Instead, adopting a combined dual-system of fixed stipends and proportional subsidies could provide significant value, while automatically compensating for many of the deficiencies that each individual system would pose on their own. This is because such a system would ensure that there is a fixed, equal floor that supports all serious parties with the potential to develop as meaningful contributors to the democratic process, giving them all equal access to the opportunity to effectively access the electorate and campaign as non-trivial parties, regardless of their initial financial situation. However, the inclusion of a proportional aspect also prevents the disconnection between the public subsidy system (and to some extent, the strength of the parties) and the will of the electorate. This would therefore allow the dual-system to still reward parties for effective campaigning and the maintenance of a strong voter-base. Consequently, since the largest parties are typically some of the most popular parties (as

they would have had to be popular to justify their growth to such a size), this would also address the issues of different operating and campaign costs for different sized parties. The proportional subsidy aspect of the dual-system would thus allow public subsidies scope for scalability based on a party's support base (which serves as a justifiable representation of what their size should be).

This dual-system of public funding is similar to the Dutch and South Korean systems. In the Netherlands, political party public funding works through a fixed amount which is distributed to all eligible parties crossing the threshold, with additional funding issued based on the number of seats the party won in the last election, as well as based on the number of contributing party numbers²⁷⁷. This is an effective dual-system of fixed and proportional subsidies; however, it omits the vote-based proportional subsidies which would particularly be useful for Mongolia's contextual circumstances. As a result, it may be better to emulate the South Korean system of annual public funding more closely. In this system, out of a fixed budget for political party public funding, half of the subsidies are first equally distributed among the qualifying political parties that meet a particular threshold in Parliament. 5% of the subsidies are then paid to each party that holds at least five seats in Parliament, yet do not meet the previous threshold. 2% of the subsidies are then paid to each of the parties that hold no single seat in Parliament, yet still meet a separate pre-set threshold. The rest is then divided equally for allocation based on the number of seats held, and the number of votes won in the previous election²⁷⁸.

In addition to the dual-system of fixed and proportional (including both vote-based and seat-based) subsidies, South Korea also includes a separate section in their considerations for parties that fail to obtain seats, but still qualify at a particular threshold²⁷⁹. This could be worth considering as a means of accounting for the disparities suffered by the newest of parties in Mongolia. However, it is important to remember that South Korea's National Assembly consists of around 300 seats²⁸⁰, a far larger magnitude than Mongolia's, indicating a far larger scale of democratic process, political party activity, and thus potential disparity range for all of the political parties. Given the number of seats, such a situation where a party with demonstrable potential holds no seats but still meets a particular threshold would be much rarer in South Korea, and issuing such

²⁷⁷ Law on Financing of Political Parties. (Netherlands). 2016, Article 8.

²⁷⁸ Political Funds Act. (South Korea). 2016, Article 27.

²⁷⁹ Ibid.

²⁸⁰ Central Intelligence Agency, 'The World Factbook: Korea, South'. [Website], (04 February 2019), Central Intelligence Agency. < <https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html> > accessed 07 February 2019.

funding particularly for such parties would be more justifiable as a means of accounting for exceptional disparity for the newest, yet promising, and serious parties. However, as this situation is much more commonly the case in Mongolia (and is actually the norm for smaller parties outside of the few, main incumbent parties), not holding any seats may be arguably considered less of a separate, exceptional disparity suffered by the newest parties. Instead, it may be considered simply part of the general disparity in starting opportunities suffered by almost all smaller, non-incumbent parties, which other measures such as the vote-based and fixed stipend public subsidies may already be accounting for.

However, it is true that the structure of Mongolia's democratic pluralism and political environment may of course evolve over time, and may eventually reach a similar situation as South Korea. As such, it would be important to continue to observe this to continually ensure that the correct structure of political party public subsidies for Mongolia's context is maintained.

Public funding structure: Minimum thresholds

Another important consideration when structuring Mongolia's political party public funding system, could be the implementation of effective minimum thresholds to qualify for such subsidies. The purpose of such public funding is to ensure that all serious and viable parties (i.e. those with demonstrable potential to develop into significant and meaningful contributors to democratic pluralism) are allowed a feasibly accessible opportunity to fulfil their potential. As a result, it is important to implement a mechanism for determining which parties qualify as serious and viable, with a demonstrable potential.

Without this, or with a threshold that is too permissive, Mongolia could run the risk of bogus political parties, with no real political potential, being registered by individuals attempting to defraud the Government for public subsidies. This could cause significant resource wastage, and could actually negatively impact the integrity of the democratic process. This is because this may provide opportunities to access the electorate and serve as significant parties and contributors to the democratic process, to parties which hold no potential for meaningful contribution – or even ones that may use their opportunity to access the electorate for negative purposes. For instance, in El Salvador and Panama, their political party public funding approaches have been criticized for being too permissive and imposing too much of a burden on the state resources²⁸¹.

²⁸¹ Magnus Ohman, *Political Finance Regulations Around the World*. (Stockholm: International IDEA, 2012), p.24.

The most common form of eligibility threshold attempts to measure the popularity and support a party could have (or already has), and requires parties to obtain a minimum of popular support. This is usually either measured through the number of seats a party holds in Parliament, or the number of votes a party won in the last election. The exact threshold varies significantly between different countries, and must take into account various factors such as the nation's population size.

However, setting too high of a threshold could render public funding too difficult to attain for newer and smaller political parties – thereby disadvantaging them and failing to address the inherent disparities causing Mongolia's lack of democratic pluralism, which public funding is meant to resolve. Such is the case in Bhutan, Chad, and Malawi where the threshold is set at 10% of the votes in the last election²⁸². The other extreme, setting the threshold too low (e.g. 100 votes in Denmark²⁸³), would render the purpose of requiring a minimum meaningless and ineffective, and as previously discussed, this could lead to significant resource wastage and damage to the integrity of the democratic process.

As such, an appropriate middle ground may therefore be required. Among the countries which use a threshold for public funding, this average has been found to be around 3.5%²⁸⁴, with countries like Taiwan setting a threshold of 3%²⁸⁵. However, this could be left up to the assessment of a relevant body, like the General Election Commission or National Audit Office, to perform suitable assessments and evaluations to set a contextually appropriate threshold.

Public funding timelines

It is also important to consider the timeline of such public subsidies in Mongolia, in order to determine how best to improve democratic pluralism. This is because, subsidies paid too late before an election would have understandably significantly lesser utility to the parties. Taking an extreme example, a subsidy paid right before election day would be next-to-useless for a political party, in terms of being able to use the funds to support their operational and campaigning costs during the election period. In such a situation, such a subsidy may as well have not been

²⁸² Ibid., p.25

²⁸³ Ibid.

²⁸⁴ Elin Falguera, Samuel Jones, and Magnus Ohman, eds. *Funding of political parties and election campaigns: A handbook on political finance*. (Stockholm: International IDEA, 2014), p.24.

²⁸⁵ Political Parties Act. (Taiwan). 2017, Article 22.

distributed, as it would not have been usable by the party to facilitate electoral access or meaningful campaigning.

On the other extreme however, subsidies paid too early may also incur issues. This is because, the support they provide, especially if based on a proportional system, may be based on outdated representations of their popularity and accrued electoral support. For instance, if political party public subsidies are distributed half a year before elections, then a relatively minor party may receive little to no public funding – a new party will likely receive none at all. However, if in the run-up to the election period, such parties manage to cultivate a strong following, or events occur which see the public throw their support behind them, then such a timeline of public subsidies would be inappropriate. This is because the funding provided would not accurately represent the demonstrable potential and strength of the party during elections, and would therefore handicap them and misrepresent the will of the electorate.

Similarly, if a party that was considered strong and highly popular a year before elections loses the electoral support of most of its voter base (perhaps due to a scandal or a rapid movement within the electorate), then a public subsidy given out a year before elections would be highly inappropriate. This is because such a subsidy would provide the party with far more funding than their election-period popularity should warrant, and may provide the party with a disproportionate level of financial support to maintain an inflated party strength and victory potential that misrepresents the will of the electorate.

Additionally, the earlier that public subsidies are distributed, the greater the risk incurred that the political parties might use such funds prematurely (and for purposes outside of their intended use) out of a lack of spending discipline. This would serve as a waste of resources and leave less financial support for such parties during election periods. This would diminish the support available for such parties' feasible access to the electorate, as well as hampering their opportunity to work towards establishing themselves as a meaningful party.

As a result, a regular system of subsidies theoretically accounts for the shortcomings of both situations – making it seemingly the ideal schedule for political party public funding. This is because it would provide a consistent stream of funding that would ensure that qualifying political parties are constantly supported, ensuring that the basic operational and campaigning costs necessary to contribute as a meaningful political party always remain feasibly attainable by such parties. This would also ensure that subsidies distributed remain continually up-to-date with

popularity rankings and the will of the electorate, as well as reducing the opportunity for subsidies to be spent excessively and wastefully in advance of campaigns. Currently, Mongolia offers a one-time vote-based subsidy, three months after parliamentary elections, along with a regular system of seat-based subsidies every quarter²⁸⁶. Therefore, the regular, quarterly component of the Mongolian public funding system matches the theoretically ideal timeframe for public subsidies, and as a result, any system of political party public funding that Mongolia adopts should be consistently issued over a similarly regular schedule.

However, given Mongolia's context, even a system of regular subsidies has some issues that may need to be addressed, to make them effective for improving democratic pluralism. This is because Mongolia currently operates parliamentary elections once every four years, with all candidates finishing their terms and standing for election at the same time. As such, in between parliamentary elections, there is relatively little for the majority parties to work towards – resulting in many parties ceasing much meaningful activity in the interim period. Therefore, a system of regular subsidies, could still pose significant risks of being used prematurely by parties for purposes outside of campaign and general party expenses – though this would be diminished compared to the risks from a singular excessively early subsidy. This could therefore leave too little to support parties' opportunities to effectively campaign and access the electorate during elections. However, Mongolia's official earmarking that 50% of all such regular subsidies must be spent on parliamentary election unit areas²⁸⁷ does help with this issue, as it essentially imposes foresight on political parties, ensuring they do not spend excessively before these subsidies can be used to help buffer their campaign expenses against the requirement for donations. Nevertheless, this requires effective disclosure, oversight, and enforcement measures to ensure that this stipulation is indeed followed by all relevant political parties.

iii. Alternate Considerations

Though public funding is the primary method through which Mongolia (and indeed, many countries around the world) is able to improve democratic pluralism, there are also several other alternate considerations, related to political party financing, which may be important to take heed of when attempting to encourage democratic pluralism.

²⁸⁶ Law on Political Parties. (Mongolia). 2005, Articles 19.1-19.2.

²⁸⁷ Law on Political Parties. (Mongolia). 2005, Article 19.2.

Expenditure limits

For instance, it is important to note that, while potentially very effective, such public funding measures would likely only generate significant results in improving democratic pluralism if enacted alongside effectively enforced spending limits. Without a meaningful upper ceiling on expenses, the base costs required for a political party to effectively access the electorate, enter the political process, and ultimately contribute as a meaningful party could be continually shifted upwards. This would be due to the ever-increasing trends of campaign and party expenditure present in many Asian democracies, as the strongest parties engage in ever-intensifying competition. As a result, this adds additional motive behind potentially imposing effective (and effectively enforced) expenditure limits and regulations, the details of which were discussed earlier in this paper. This would ultimately help the Government ensure that the base cost (i.e. the cost needed to access the opportunity to serve as a meaningful party) facing all qualifying political parties remains at a stable level. As such, this ensures that Mongolia's system of public subsidies implemented would be effective, and would remain reliably effective, for improving Mongolia's democratic pluralism.

Indirect public funding

Countries may also provide indirect public funding to political parties as a means of improving democratic pluralism. This is because such offerings typically involve key aspects of the campaigning process, that the public sector has the capacity to render equally available for all qualifying parties. This may include access to public buildings for campaign purposes, subsidized access to media, free transport facilities, tax reliefs, and so on. One key example of this in Mongolia's political party public funding legislation, is the free provision of public radio and television broadcasting for each valid political party participating in the election, based on a schedule and time allotment set by the central election authority²⁸⁸. Though only providing limited fully-subsidised broadcasting for each party and candidate, the Government also mandates that private broadcasters must cap the fees they charge parties and candidates, equal to the average fee charged over the last six months²⁸⁹. This is the most common form of indirect public funding undertaken by many countries, such as well-functioning Asian democracies like South Korea²⁹⁰²⁹¹

²⁸⁸ Law on Election. (Mongolia). 2015, Article 82.2.

²⁸⁹ Ibid., Article 82.7.

²⁹⁰ Political Parties Act. (South Korea). 2015, Article 39.

²⁹¹ Public Official Election Act. (South Korea). 2016, Article 82-83.

and Taiwan²⁹². This is because media coverage and advertising serve as one of the main areas for party campaign expenditure. Therefore, ensuring free access to these services allows the Government to ensure that all qualifying parties have equal opportunities to access the electorate and campaign.

However, ensuring media access can often prove particularly tricky. This is because, the media (since it is such an integral aspect of the political, democratic, and campaigning process), can often be exploited by media tycoons during election periods. This could be for profit - e.g. charging parties which rely on media access extortionate amounts for broadcasting. However, this could also be for political manipulation. This can be seen clearly in Guatemala, where one businessman's monopoly over media in the country has given him significant clout over politics and elections²⁹³. In Mongolia, this is worsened by the fact that many of the media outlets are owned or controlled by politicians, or individuals close to them - leading to clear incentives for such channels to be used to provide unequal services or fees to support their preferred candidates or parties. Either way, this represents a serious issue, and could lead to the hindrance of a country's political process. In Mongolia, this could be particularly problematic since the large, sparse nature of the majority of the country (save for Ulaanbaatar) can make media the most effective method by which political parties are able to access the electorate - making the election process potentially especially dependent on it. However, given the stark contrast in urban density between the capital and the rest of the country, it is also equally likely that traditional electoral media (e.g. television and radio airtime) may not actually have as large of an influence on Mongolia's democratic process as might be expected, compared to other countries, given the historical nomadic culture of much of the population.

Overall though, it is true that the exploitation of these services serves as a basic impediment that could significant block many parties' access to necessary campaigning tools and the electorate. In fact, the reality in Mongolia is that many private broadcasters ignore the Government's mandates and continue to charge many political parties and candidates extortionate fees for media coverage²⁹⁴. Therefore, schemes for greater amounts of publicly provided media coverage, or stricter enforcement for legal caps on private broadcasting fees for political parties and candidates

²⁹² Civil Servants Election and Recall Act. (Taiwan). 2019, Article 48.

²⁹³ Organization of American States (OAS), *Politics, Money and Power: A Dilemma for Democracy*. (Mexico: FCE, OAS, 2011), pp.99-100.

²⁹⁴ Catalina U. Burcher, and Fernando C. Bértoa, *Political Financing in Mongolia*. (Stockholm: International IDEA, 2018), p.23.

during elections, may need to be introduced by Mongolia. This would guarantee that all qualifying candidates and parties would be able to effectively access media coverage to campaign - ensuring that this indirect public funding of media access for political parties would be able to maintain its positive impact on democratic pluralism.

Abuse of state resources

One other important consideration that could significantly impact a country's democratic pluralism, is the potential for incumbent parties (namely those forming the Government or holding the Presidency at any time) to unfairly use their position and state resources to selectively benefit their own party's election chances, or to disadvantage and undermine the election campaigns of their competitors. This could be accomplished through altering legislation or controlling state functions to negatively impact opposition parties or positively benefit their own. For instance in Serbia, public funding was withheld by the then-incumbent President Slobodan Milosevic explicitly for the purpose of starving opposition parties²⁹⁵. Alternatively, government powers could be wielded to influence or pressure voting populations to vote for a particular party (usually that of the incumbent). For instance, this could be accomplished by prioritizing infrastructural upgrades in constituencies that have historically supported the incumbent party. As the Government is in a unique position to exercise power and influence over the country as a whole, this creates a distinct impediment to achieving democratic pluralism. This is because this could allow the incumbent party to effectively block newer parties from even having the opportunity to meaningfully campaign and develop, as well as potentially artificially propping up their own party.

As such, it may be important for Mongolia to establish a set of effective legislative stipulations to enforce the separation of selective state powers and resources from the electoral process. Article 70.5 in the Law on Election already sets out a comprehensive set of rules for the electoral administration entity (i.e. the GEC), which prevents them from conducting any biased or partial activities to benefit or disadvantage any one party - particularly through the use state resources²⁹⁶. This includes preventing any civil servant (aside from political ones) from engaging in the election campaigns²⁹⁷. This could broadly be interpreted as a mandate to prevent government interference

²⁹⁵ Chicago Tribune 'To Keep Power, Milosevic Switches Jobs' [Website], (24 July 1997), Chicago Tribune, <http://articles.chicagotribune.com/1997-07-24/news/9707240217_1_slobodan-vuksanovic-slobodan-milosevic-serbian.> accessed 06 January 2019.

²⁹⁶ Law on Election. (Mongolia). 2015, Article 70.5.

²⁹⁷ Ibid.

with election campaigns – however, this remains largely insufficient. A more comprehensive set of regulations controlling all potential abuses of state powers and resources, both inside and outside of the election period, could be drawn up and passed into legislation. In particular, the stipulation for one of the relevant oversight authorities (such as the NAO or the IAAC) to enforce these laws could also be passed into legislation, to avoid any vagaries allowing the circumvention of the law. Combined with the suggested reforms discussed earlier in this paper (strengthening the oversight and enforcement capabilities of such agencies), this could allow for the effective control over such potential abuses of state power. As such, this would allow non-incumbent parties to remain relatively unhampered by an overreaching Government – thereby encouraging democratic pluralism.

III.IV. LACK OF NATIONWIDE REPRESENTATION

OVERVIEW OF SUGGESTED REFORMS: LACK OF NATIONWIDE REPRESENTATION

Proportional Subsidies

- *Index public funding amounts to inflation and average real wages.*
 - *Adjust proportional public funding to be equally weighted between vote-based and seat-based subsidies.*
-

i. Overview of the Key Issue

The issue of nationwide representation in Mongolia's voting system stems from the fact that, as of 2018, around half of Mongolia's 3.1 million population²⁹⁸ currently resides in the capital, Ulaanbaatar.²⁹⁹ Mongolia's current electoral system designates 28 constituencies in Ulaanbaatar alone (compared to the 48 designated for the rest of the country)³⁰⁰, and in addition, the total size of the capital is only 0.3% of that of Mongolia³⁰¹ (despite accounting for half of the total population). Since only 39 seats are required to win a majority in Government, this has meant that, historically Mongolia's political parties have strategically placed a disproportionate focus on the capital during elections.

From a tactical point of view, the extremely compact nature of the capital compared to the rest of the country, and high percentage of constituencies located in the capital alone, do make Ulaanbaatar the most cost-effective swing state for campaign focus in Mongolia's elections. However, from a democratic point of view, this still raises the issue of the other half of Mongolia's population outside of the capital being potentially ineffectively represented by the parties and candidates in the elections, with their needs and desires being conceivably marginalised by parties in favour of consolidating support in Ulaanbaatar's highly concentrated voter base.

²⁹⁸ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

²⁹⁹ World Population Review, 'Population of Cities in Mongolia (2018)' [Website], (n.d.), World Population Review. <<http://worldpopulationreview.com/countries/mongolia-population/cities/>>. accessed 06 January 2019.

³⁰⁰ B. Khuder, 'Constituencies and number of mandates for 2016 parliamentary elections fixed'. [Website], (13 May 2016), Montsame, <<https://montsame.mn/en/read/124913>> accessed 06 January 2019.

³⁰¹ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

However, in terms of political party financing, the options for solving such an issue remain somewhat limited. The majority of the issue is determined by the structure of the electoral system itself, in both how voting and voters are organised, and how elections are won, which also determines the extent to which political party financing can contribute to improving nationwide representation in elections. In terms of how voting and voters are organised, in both parliamentary and presidential elections, Mongolia's voting system works by passive voter registration on regional voter lists (with one voter list assigned to each polling station) drawn up from the National Civil Registration and Information Database (NCRID)³⁰², which includes personal identification data, as well as self-declared areas of residence, to allow for appropriate geographic voter distribution to the various voter lists. The voter lists are released publicly online and at the polling stations prior to the elections, and voters are able to scrutinise them for errors and formally request changes. Voters are also allowed to transfer to another polling station outside of their area of residence prior to elections³⁰³.

Given that, on election day, voters are required to physically attend their respective polling stations, with mobile voting only allowed for individuals who have a verifiable physical ailment preventing them from physically attending³⁰⁴, this ensures at least that each constituency and polling station must be individually targeted in campaigns by political parties. As compared to countries which register their voters to their district of origin, as opposed to their district of residence, this ensures that political parties cannot simply campaign in the capital (where half the population resides, and where many individuals choose to move to from their districts of origin) to gain votes in different far-flung constituencies – thereby helping to contain some of the nationwide representation issue.

In terms of election victory conditions, Mongolia's process differs from parliamentary to presidential elections. In the presidential elections, Mongolia operates off of a two-round, majoritarian voting system by direct suffrage³⁰⁵. Candidates must be nominated by a non-independent parliamentary party (of which, currently, there are currently only three)³⁰⁶, and the

³⁰² OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p.9.

³⁰³ Ibid.

³⁰⁴ Ibid., p.10.

³⁰⁵ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.5.

³⁰⁶ Ibid., p.10.

candidate able to win an over-50% majority of the total votes cast wins the presidency. If no candidate is able to win the majority vote, then a new round of voting is held, under the same conditions, between the two candidates who netted the most votes in the first round. If no candidate gains the majority vote here (which is possible through a high enough proportion of blank votes), then a new election would be scheduled³⁰⁷. As the victor is determined purely by the total proportion of votes obtained, and Ulaanbaatar holds approximately 50% of the population, there is a clear incentive to focus disproportionately on the capital, compared to the rest of Mongolia – particularly given the much higher cost of campaigning in the non-capital regions, which are much larger and have a much lower population density than the capital.

In the parliamentary elections, victory conditions have changed from election to election. Candidates can be party-nominated, coalition-nominated, or independent, however in the 2012 election, and until right before the 2016 election, Mongolia operated on a mixed system of 48 members being elected directly from constituencies, and 28 members being elected from a nationwide constituency based on proportional representation (seats were awarded to parties based on the proportion of the total vote they had obtained)³⁰⁸. However, before the 2016 election, electoral law was changed to remove the proportional component of the parliamentary voting, increase the number of constituencies to 76 to match the number of seats, and ultimately ensure a fully majoritarian system with candidates winning seats solely through first-past-the-post direct voting in each of the 76 constituencies³⁰⁹. Though enacted for different reasons, this actually had the effect of increasing nationwide representation in the electoral system. Under a mixed system, parties had 28 seats that could be proportionately won through the percentage of the total vote obtained. With the capital holding around half of the population, this would have made a compelling case for parties to disproportionately focus on the capital far more compared to the rest of the country. However, under the changes in 2016, the purely majoritarian system makes the electoral process much more candidate-centric, and purely reliant on the candidates' ability to win votes in each of the individual constituencies. This removes the potential for winning proportional seats based on party-wide efforts to win over large parts of the population (e.g. through disproportionate focus on the capital), and instead forces candidates to cater specifically to the needs of each constituency to win their seat. However, with 28 constituencies located in

³⁰⁷ Ibid., p.5.

³⁰⁸ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Parliamentary Elections 29 June 2016 OSCE/ODIHR Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2016), p. 5.

³⁰⁹ Ibid.

the capital alone, and only 39 seats needed for a party to claim majority in Government, parties are still likely to focus their campaign funding towards their candidates in the capital. This is especially because, with all 28 combined constituencies in the capital occupying a smaller geographical region than any of the out-of-capital constituencies, this still makes campaigning in the capital far more cost-effective than any alternative.

ii. **Proportional Subsidies**

As such, a potential political party financing solution could be to strengthen proportional public funding for political parties, based on the number of votes and number of seats obtained in the previous election.

International best practices

In essence, this would allow Mongolia to emulate countries like Taiwan and South Korea, which successfully use such methods to ensure that parties are more directly incentivised to reach out and treat with rural sections of society to overcome voter apathy and include as much of their nations as possible in the democratic process. For instance, in Taiwan, for any political party that won over 3% of the vote in the latest national legislative elections, an annual subsidy is provided of NT\$50 for each vote won³¹⁰. In South Korea, the system is more complex, with an annual budget being allocated for a mixed system of fixed and proportionate subsidies to each qualifying political party. However ultimately, once all fixed subsidies have been paid out, 50% of the remainder is proportionally distributed between political parties based on the total number of votes won in the last election for National Assembly members (i.e. if a party won 30% of the total vote, they would receive 30% of this amount), and the other 50% is proportionally distributed between political parties based on the total number of seats held³¹¹. With such systems demonstrably facilitating the development of a nationally inclusive democratic process in both countries (as the proportional public funding systems incentivise political parties to campaign in rural regions to overcome voter apathy and obtain as many votes as possible), such a system may be an effective model for improving nationwide representation in Mongolia's electoral system.

In particular, South Korea's proportional subsidy system, involving a scheme based equally on total votes and seats won in the last vote, may be particularly useful for Mongolia. This is because, a proportional public subsidy system based solely on the total number of votes achieved may still

³¹⁰ Political Parties Act. (Taiwan). 2017, Article 22.

³¹¹ Political Funds Act. (South Korea). 2016, Article 27.

result in a disproportionate political party financing focus on the capital, since the capital holds approximately 50% of the total population. However, conversely, a system based solely on the total number of seats held, in addition to potentially marginalising smaller parties and impacting democratic pluralism, could also result in a disproportionate focus on the capital from political parties. This is because the capital holds 28 constituencies (compared to the 48 available in the rest of the country combined)³¹² and parties may thus expend only the minimal effort to fund and support their candidates in constituencies outside of the capital, preferring to focus instead on the 28 seats available and concentrated in the capital. Therefore, candidates outside of the capital may have a comparatively lower incentive to campaign and fully include their constituency in the democratic process.

A system mixed between these two schemes though, could ensure that political parties and their candidates, while still drawn to the capital, are also far more incentivised than before to extensively campaign in non-capital constituencies and fully represent them in the democratic process. This is because they would be rewarded with subsidies based, not only on winning the seat, but on the total number of votes they can win from their constituencies as well.

Potential reforms

As such, Mongolia's current system of proportional public political party funding is already moving in the right direction, with quarterly payments of 10 million tugrik per parliamentary seat held paid to each political party, and a one-time payment of one thousand tugrik per vote won paid three months after each parliamentary election to each political party³¹³. However, Mongolia could strengthen this by revising the system for proportional vote-based subsidies, from a one-time payment to a system of regular payments (albeit likely with a lower amount subsidised per vote per payment), making this consistent with the system for seat-based subsidies. This could ensure a more equal weighting between the two proportional subsidy systems, and would emulate measures taken in countries such as South Korea³¹⁴.

Additionally, Mongolia could increase the amount subsidised in both proportional subsidy systems, and index the funds for each to inflation and average real wage. The latter would at least ensure that the value of such payments remains stable, since both economic factors have

³¹² B. Khuder, 'Constituencies and number of mandates for 2016 parliamentary elections fixed'. [Website], (13 May 2016), Montsame. <<https://montsame.mn/en/read/124913>> accessed 06 January 2019.

³¹³ Law on Political Parties. (Mongolia). 2005, Article 19.

³¹⁴ Political Funds Act. (South Korea). 2016, Article 27.

historically fluctuated strongly in Mongolia and induced significant volatility in the currency's purchasing power. The former would also enhance the priority given by political parties to increasing nationwide representation in the parliamentary elections, since this would increase the reward for winning more votes and seats outside of the capital.

Potential issues

However, there is a question of feasibility for such an increase in proportional public subsidies, since these of course, must be funded by the Government's budget. Therefore, a trade-off exists between affordability and tackling this issue of nationwide representation, which may need to be contextually evaluated to set an appropriate level for proportional public subsidies.

Additionally, as Mongolia's term for parliamentary seats is four years long and elections only occur once every four years, in between parliamentary elections, there is relatively little for the majority parties to work towards – resulting in many parties ceasing much meaningful activity in the interim period. As such, this raises concerns about the use and value of the public subsidies distributed. From the perspective of the Government, the ideal use for these subsidies by the would be mostly for funding campaigning efforts, and relevant political party activity. However, combined with Mongolia's turbulent political history, and historical lack of continuity and stability in Government³¹⁵, a historical concern exists that such subsidies may be prematurely used by parties for purposes outside of campaign and general party expenses. As such, parties may lack the foresight to independently save such subsidies in preparation for the next election period four years down the road, this would render such public subsidies more of a drain on the Government budget, with less derivable utility for the Government in their provision.

As such, in addition to the aforementioned political party financing solutions, it may be necessary to look at potential further improvements to solve this problem. One method could be maintaining Mongolia's current method of mandating that at least 50% of the proportional subsidies provided must be spent on parliamentary election unit areas³¹⁶. This legally forces political parties to save half of their subsidies for electoral purposes, essentially imposing foresight on them. However, for this to be effective, thorough enforcement, transparency, and disclosure protocols must be adhered to, in order to verify and ensure that all parties actually adhere to this

³¹⁵ Agence France-Presse, 'I am not a dictator': Mongolian PM survives attempted ousting'. [Website], (01 December 2018), The Guardian. <<https://www.theguardian.com/world/2018/dec/01/i-am-not-a-dictator-mongolian-pm-survives-attempted-ousting>> accessed 12 January 2019.

³¹⁶ Law on Political Parties. (Mongolia). 2005, Article 19.2.

regulation. As such, the aforementioned empowerment of an independent electoral oversight committee to reinforce transparency, disclosure, and enforcement protocols through investigation, audits, and sanctions may also be required to effectively enact this method of enhancing nationwide representation.

Presidential elections

It is important to note, however, that the aforementioned solutions relate exclusively to the parliamentary elections. For Mongolia's presidential elections, the employment of a purely majoritarian voting system does give rise to issues of disproportionate focus on the capital by the candidates, and in turn, by the political parties backing them. However, given that the only candidates in the presidential elections are those nominated by non-independent parliamentary seat-holding parties³¹⁷, the popularity of each candidate would be linked (at least in part) to that of their political party. As such, this could actually help encourage parties to facilitate more nationwide representation during and following the parliamentary elections, since the presidential elections take place a year after the parliamentary elections. Political parties would likely be therefore incentivised to gather as much popularity as possible across the entire country during the parliamentary elections, and to maintain this representation post-election, in order to create the greatest possible goodwill towards their presidential candidate.

In terms of political party financing, the only potential method of improving nationwide representation within the presidential elections themselves could be to potentially introduce additions to the regular party subsidies, based on the total number of votes and number of constituencies won by each party's presidential candidate. Alternatively, those subsidies could be implemented for the presidential candidates themselves, to motivate them outside of their parties. The net effect of this would be the same as discussed for the parliamentary elections – however, the same issue of affordability and feasibility arises here as well. Yet, in terms of political party financing, this is the only significant contribution that can be made towards the solution of the issue, as the presidential election would be predominantly affected by the actual electoral system employed by Mongolia – i.e. whether to maintain a majoritarian, direct voting system, or to incorporate a more proportional system, such as the United States' electoral college system.

³¹⁷ OSCE Office for Democratic Institutions and Human Rights, *Mongolia Presidential Election 26 June and 7 July 2017 OSCE/ODIHR Limited Election Observation Mission Final Report*. (Warsaw: OSCE/ODIHR, 2017), p.10.

However, each electoral system poses its own challenges towards nationwide representation (as well as towards the other issues covered in this paper) and changing the entire structure of the presidential electoral system would be a significantly complex and involved process for Mongolia. As this falls outside of the realm of political party financing anyways, such solutions related to changing the fundamental presidential electoral system remain outside of the scope of this paper, and so will not be discussed.

IV. OTHER REFORMS

Political party financing is a key area of policy that can have significant impacts on several issues for Mongolia, as this paper has demonstrated. However, these issues are hardly ever affected by political party financing in isolation – many other factors and considerations play a role in determining their outcome and manifestation in Mongolia.

As such, this section is concerned with additional avenues of potential reform relevant to political party financing in Mongolia. It can be read as a distinct section from the preceding parts of this paper as it is more general and speaks less directly to the key areas of reform outlined above in the way that the preceding sections do. However, discussion of these other, broader, areas of innovation and reform are crucial for a robust and enduring political process, and there is ample scope for Mongolia to investigate their potential. Indeed, though outside the scope of this paper, many of these suggestions could serve as effective catalysts for enhancing and complementing several of the political party financing-based solutions recommended earlier in the paper.

This section is split into three broad sections. The first one deals directly with innovation and technology. Firstly, how new technologies can enhance existing political funding methods, as well as potentially providing entirely new modes. Secondly, how technology can improve accountability – a fundamental tenet of political financing systems. Next, some broader thoughts on democratic participation and cultivating a robust political culture in Mongolia are offered, particularly with regard to youth participation. Finally, potential structural changes to the electoral process are discussed, and their possible merit to the political party financing-related issues Mongolia faces.

IV.I. INNOVATION AND TECHNOLOGY

i. Enhancing Political Party Funding

There are various technological solutions which are worth considering in the context of Mongolian political party financing. On the whole, the reforms discussed previously in this paper ought to be a first priority – however, the following suggestions are worth considering and could be earmarked as ventures to be pursued in the future; especially as Mongolia’s democracy and infrastructure continue to develop over time.

The overall thesis of the following section is as follows: technological developments make the transfer of funds easier and more seamless. A lessening of the gap between citizen and political party is a key outcome of this. With regard to this idea, two key technology-enabled methods will be considered: innovative loans and crowdfunding. The former will be discussed in relation to party financing in India, whilst the latter is equally applicable to such scenarios, but also to broader campaign-based politics. Some general comments on Mongolia in relation to these developments will also be offered.

Electoral Bonds and Loans

Electoral Bonds are an innovative method of party financing that have recently been used in India. Here, the goal of this system was to better account for all donations made to major political parties, and this formed part of the Indian Government’s drive towards a cashless society. The system was announced in the 2017 Budget³¹⁸.

Essentially, the idea proposed in India for electoral bonds was similar to the structure and purpose of the common bank note: they were payable to the holder on demand, and free of interest. They were also issued in several denominations and were available to purchase through select state banks by any Indian citizen or legal entity incorporated in the country³¹⁹.

It is worth noting though, that commentators have argued that the incumbent party, the BJP, was by far the most favoured by this process, claiming some 95% of the funding raised in 2017-18³²⁰. For incorporation elsewhere, it may be therefore advised that further evaluation and assessment

³¹⁸ Navmi Krishna, ‘The Hindu Explains: What is an electoral bond and how do we get one?’. [Website], (04 January 2018), The Hindu. <<https://www.thehindu.com/news/national/the-hindu-explains-what-is-an-electoral-bond-and-how-do-we-get-one/article22367124.ece>> accessed 12 January 2019.

³¹⁹ Ibid.

³²⁰ Anubhiti Vishnoi, ‘Electoral bonds: Ruling BJP bags 95% of funds’. [Website], (29 November 2018), The Economic Times. <<https://economictimes.indiatimes.com/news/politics-and-nation/electoral-bonds-ruling-bjp-bags-95-of-funds/articleshow/66858037.cms>> accessed 12 January 2019.

is conducted, to ensure that the electoral bond system is being implemented in an environment with a healthy dynamic of democratic pluralism and competition. Otherwise, if implemented in an environment where only one or a few key parties disproportionately dominate, this may lead to these dominant parties being the disproportionate beneficiaries of the implementation of such electoral bonds – potentially damaging other key political goals, such as improving democratic pluralism.

Furthermore, the development of electoral bonds in India was very particularly tailored to tackle the challenges of its particular national context. For instance, a key context was India's desire to move away from donations taken in cash, which are anonymous and thus subject to fraud and opaque processes³²¹.

As such, even if this system is not seen as appropriate for adoption in Mongolia, it still serves as a reminder that there is still ample scope to innovate with regard to the methods of political party funding.

Crowdfunding

In Western Europe from (broadly speaking) the early 20th century, new labour-based movements were able to challenge the status quo of politics. These movements raised the funds to do so via small donations from large numbers of workers to represent their interests. Political crowdfunding in the early 21st century operates on a similar principle. In essence, large groups of individuals each donate small amounts to fund particular parties or causes.

It is, arguably, a viable vision that such citizen-funded movements, that can draw disparate individuals together behind a single issue, will grow to be a key aspect of politics in the future – indeed in many places it already is. Here, technology means that people can fund a cause and discuss and unite behind it without necessarily having to meet together in person, which may be particularly pertinent to the sparsely populated territories of Mongolia.

Technology-enabled crowdfunding contains a host of possibilities for the future of political party funding. Some of this is already playing out across the world, but is currently most prominent

³²¹ Murali Krishnan, 'Electoral bonds - boon or bane for India?'. [Website], (12 February 2018), DW. <<https://www.dw.com/en/electoral-bonds-boon-or-bane-for-india/a-42304773>> accessed 12 January 2019.

with regards to charitable causes – for example, through individuals raising money for charities or particular campaigns via websites such as GoFundMe³²².

Crowdfunding has also been used by political parties in many well-functioning democracies to produce better co-ordinated and more overtly professionally political campaigns. A key case worth considering here is the UK's More United, a cross-party group set up in the wake of the murder of the Labour Member of Parliament Jo Cox in 2016 to get British politicians to work together cross-party on issues that fall within the remit of their values³²³. Around the 2017 General Election alone, they were able to raise half a million pounds (a considerable amount in the context of UK politics) and help in the election of 34 different MPs to parliament. Notably, More United-backed MPs received a 2-6% higher swing than those who were not backed by the group³²⁴.

Beyond More United, various other campaigns in the UK have also successfully used crowdfunding methods, such as The People's Vote Campaign (especially its youth wing)³²⁵. Equally in Ireland, during the recent referendum on the 8th Amendment (abortion), the winning Yes campaign crowdfunded much of its political messaging³²⁶.

Crowdfunding has also been more increasingly seen in US politics. Obama's campaign, which was a pioneer in this field, used mobile payments provider Square from c.2012 to allow for easy collection of donations by political volunteers out and about in local areas³²⁷.

The ways that this might be implemented in Mongolia include traditional crowdfunding websites and platforms. However, another potentially viable method to consider would be Text-to-Give campaigns, especially where there is widespread smartphone penetration in rural areas.

³²² GoFundMe, 'How It Works'. [Website], (n.d.), GoFundMe. <<https://www.gofundme.com/how-it-works>> accessed 12 January 2019.

³²³ More United, 'Values'. [Website], (n.d.), More United. <<https://www.moreunited.uk/values?rel=sidebar>> accessed 12 January 2019.

³²⁴ More United, 'Impact so far'. [Website], (n.d.), More United. <<https://www.moreunited.uk/impact?rel=sidebar>> accessed 12 January 2019.

³²⁵ People's Vote, 'Who we are'. [Website], (n.d.), People's Vote. <https://www.peoples-vote.uk/who_we_are> accessed 12 January 2019.

³²⁶ John Harrington, 'Compassionate, credible, united: how 'Yes' won the Irish abortion referendum'. [Website], (30 May 2018), PR Week. <<https://www.prweek.com/article/1466096/compassionate-credible-united-yes-won-irish-abortion-referendum>> accessed 12 January 2019.

³²⁷ Nick Bilton, 'Obama and Romney Campaigns Adopt Square for Funding'. [Website], (30 January 2012), Bits. <<https://bits.blogs.nytimes.com/2012/01/30/obama-and-romney-campaigns-adopt-square-for-funding/>> accessed 12 January 2019.

ii. Improving Accountability

As well as aiding the flow of funds to political parties, innovation and technology can also be used to enhance the relationship between citizens and political parties, through improving accountability and facilitating an increased number of meaningful interactions between them.

Digital Record Keeping

One potential technological solution would be the use of blockchain technology. In the context of political party financing, one of the most widely discussed uses for blockchain is for robust digital record keeping³²⁸. For example, McKinsey & Company have commented that: “Blockchain technology could simplify the management of trusted information, making it easier for government agencies to access and use critical public-sector data while maintaining the security of this information”. This information could, further, be made visible to the public in some form³²⁹.

The same Digital McKinsey report also gives a useful outline for how this technology works: “a blockchain is an encoded digital ledger that is stored on multiple computers in a public or private network. It comprises of data records, or ‘blocks’. Once these blocks are collected in a chain, they cannot be changed or deleted by a single actor; instead, they are verified and managed using automation and shared governance protocols”³³⁰.

With this in mind, it is possible to envision a future with an online citizen’s record, where there could exist an accessible digital ledger of exactly how much is donated to each party and by how many different people. Of course, privacy concerns ought to be paramount, and so the nature of the information shared would need to be determined after careful scrutiny and evaluation. One potential method to tackle these concerns, for example, might be to partially anonymise individuals donating smaller amounts, assigning each a number instead, and only mandating full transparency where larger donations (which would be more likely to require greater scrutiny) are concerned.

³²⁸ Chris Sheedy, ‘Blockchain: the future of record keeping’. [Website], (22 March 2018), INTHEBLACK. <<https://www.intheblack.com/articles/2018/03/22/blockchain-future-record-keeping>> accessed 12 January 2019.

³²⁹ Steve Cheng, Matthias Daub, Axel Domeyer, and Martin Lundqvist, ‘Using blockchain to improve data management in the public sector’. [Website], (February 2017), McKinsey&Company: Digital McKinsey. <<https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/using-blockchain-to-improve-data-management-in-the-public-sector>> accessed 12 January 2019.

³³⁰ Ibid.

Blockchain technologies as discussed above, could also act as a safeguard around any concerns of fraud or corruption, with regard to political party financing.

Blockchain could increase transparency and thereby accountability with regards to political party financing. It would, though, likely require considerable economic investment and also robust policies around individual privacy. As blockchain technology continues to develop, and its ramifications further explored around the world, Mongolia may be well-served in waiting awhile longer while the technology (and Mongolia's own circumstances) continues to develop. However, it may certainly be a good idea to continue to keep an eye on this potential opportunity for future implementation.

Party-Citizen Interaction

Beyond combating fraud and record keeping, technological developments (like in the case of crowdfunding) can also provide a way to reduce the distance between politicians and citizens.

One way of doing this could be to create a kind of 'Citizen's App'. This could contain key government and political party information for citizens, and could be used to provide public updates on their activities and areas of expense. Through such an app, there could be an option implemented to allow for direct donations to parties or candidates, as well as a potential function allowing citizens to then track how their donations are then spent. This would work well with other mobile-based reforms, such as the aforementioned Text-to-Give crowdfunding scheme.

Julian Dierkes, a sociologist based at the University of British Columbia who has served as an election observer in Mongolia, commented that a "promising" strategy in the Mongolian context might be the "application of tools to facilitate voters' choices, particularly as they have been developed in German-speaking countries. While parties make information about platforms and candidates available, surely making access to this information easier could make a positive contribution"³³¹. This could be aided by the fact that there is relatively widespread adoption of smartphones in Mongolia. He comments further that an "ambitious version of such an app might facilitate a match of voters' policy preferences with party platforms. This is a model that is well-established in German speaking countries by now as the Wahl-O-Mat in Germany, or Wahlkabine in Austria. In English, such apps are known as 'voting advice applications', 'voting aid

³³¹ Julian Dierkes, 'Planning for 2016 [Parliamentary] Election'. [Website], (08 June 2015), Mongolia Focus. <<http://blogs.ubc.ca/mongolia/2015/planning-2016-%D1%83%D0%B8%D1%85-election/>> accessed 12 January 2019.

applications’ or ‘votematch tools’. These applications, mostly web-based until recently, allow voters (anonymously) to fill out a questionnaire on important policy choices and then point to a match or mismatch between these preferences and party/candidates’ platforms”³³². It is further suggested here that such an app might also allow for further interaction between citizens and political parties by offering the ability to donate.

Beyond smartphones, there are various examples from elsewhere in the world of technology facilitating democratic accountability. Many of these do not necessarily encompass political party financing, however, they still remain relevant. This is because such measures enhance political culture and accountability overall, and political party financing itself is enhanced by taking place within this context; such methods could also be extended to include more funding details, which would enhance their impact.

One example worth considering with regards to this, is the UK’s Theyworkforyou. This website trawls through parliamentary records to offer concise and readable summaries of the views and voting histories of particular MPs³³³.

³³² Ibid.

³³³ TheyWorkForYou, ‘TheyWorkForYou makes Parliament easier to understand’. [Website], (n.d.), TheyWorkForYou. <<https://www.theyworkforyou.com/about/>> accessed 12 January 2019.

IV.II. MEASURES TO CULTIVATE A ROBUST POLITICAL STRUCTURE

A robustly accountable and highly participatory political culture is crucial for a healthy democracy. Indeed, the technologies discussed previously in this section should, arguably, only be used in such a setting where there can be no doubts about their fair and legal usage.

Further, the solutions discussed across this section are more likely to emerge from a society where there is strong political culture and interest in engaging in this kind of reform.

There is a vast literature on this topic and the following discussion is, as such, highly selective. This section will thus focus particularly on engaging youth, the political class of the future, and structural adjustments around elections that could aid the health of democracy in Mongolia.

i. Youth Participation

One way in which to foster a more robust culture of democratic participation and accountability in Mongolia could be through the increased education and involvement of the country's younger generations. This would be a longer-term solution, with considerable upfront investment, but arguably with a large pay-off in terms of fostering positive cultural developments.

One way that this could be done is through education in schools, for example by including political education from a young age (perhaps starting from middle/secondary school and onwards) and covering topics such as Mongolia's political history, the key political parties and how young people can get involved, be it through volunteering or through donating to parties.

Beyond educational programmes, extra-curricular activities such as Youth Councils and Parliaments could also be considered.

ii. Participation Age Limits for Votes and Donations

The issue of lowering the voting age is one that many democracies across the world are currently debating, whilst others have already implemented such reforms. It is indirectly related to political party funding in two main ways.

Firstly, there is evidence to suggest that lowering the voting age can increase voter turnout (of both the younger voters and their parents), and inculcate strong participatory habits. This, in turn, helps to support a robust and sustainable political context³³⁴.

Secondly, young people could provide an alternative source of funds for political parties. Youth groups campaigning against Brexit in the UK, such as ‘Our Future, Our Choice’³³⁵ and ‘For our Future’s Sake’³³⁶ are examples of where young people have effectively mobilised themselves and their funds for political ends.

Currently those under the age of 18 in Mongolia cannot vote or donate to a political party^{337,338}. A recommendation from this section would be that in the medium to long term, at least some debate about lowering this limit is introduced to Parliament. Indeed, it is arguable that even opening a debate on the subject could increase the participation of the young, as they are likely to have strong incentives for participating. Such a scheme could generate benefits for political parties, and for Mongolian political culture as a whole. Furthermore, should there be issues or reservations concerning this, caveats could be introduced to assuage most concerns – for example, Mongolia could allow individuals younger than the voting age to vote, but only if they have undertaken an additional political training course beforehand.

³³⁴ Jens Olav Dahlgaard, ‘The surprising consequence of lowering the voting age’. [Website], (01 March 2018), The Washington Post. <https://www.washingtonpost.com/news/monkey-cage/wp/2018/02/28/the-surprising-consequence-of-lowering-the-voting-age/?noredirect=on&utm_term=.3f6409c08301> accessed on 12 January 2019.

³³⁵ Our Future, Our Choice, ‘Our Future, Our Choice’. [Website], (n.d.), Our Future, Our Choice. <<https://www.ofoc.co.uk/>> accessed 12 January 2019.

³³⁶ For our Future’s Sake, ‘About FFS’. [Website], (n.d.), FFS. <<https://ffsakes.uk/about-for-our-futures-sake/>> accessed 12 January.

³³⁷ Law on Election. (Mongolia). 2015, Article 52.1.6.

³³⁸ Law on Political Parties. (Mongolia). 2005, Article 18.7.1.

IV.III. STRUCTURAL ADJUSTMENTS TO THE ELECTORAL PROCESS

Another key aspect that could be considered when debating the merits of various political party financing reforms, is the structure of the electoral process that such reforms would take place in. While reforms and revisions discussed in this section would necessarily be of a fairly grand scale, and thus may pose potential issues for implementation in the near-future, it is important to understand the role that fundamental structures play in the issues and successes experienced in more pressing, immediate subjects (i.e. that of political party financing).

i. Staggered Parliamentary Elections

Currently, Mongolia' operates parliamentary elections once every four years³³⁹, with all candidates finishing their terms and standing for election at the same time. Presidential elections typically then occur a year after each parliamentary election. However, as these two elections are the main focuses that many of Mongolia's political parties (and thus the majority of their funding and campaigning efforts) direct themselves towards, this electoral structure leaves a three to four-year interim between elections, where the majority of Mongolia's political parties have relatively few or no significant electoral activities occurring (at least relative to the scale and magnitude of the parliamentary and presidential elections). This electoral structure could therefore compound on several of the political party financing-related issues explored in this paper.

Issues with the current system

For instance, in between parliamentary elections, there is relatively little for parties to work towards, resulting in many parties ceasing most meaningful activity in the interim period. This can create issues with political party public funding scheduling, as it generates a greater risk that any subsidies distributed post-election (whether in a one-time or regular system of subsidies) could be used prematurely by parties for purposes outside of campaign and general party expenses. This creates particular problems for resolving the issues of negative influences and corruption, and the lack of democratic pluralism, since solutions for both issues often incorporate the use of public subsidies – in order to insulate parties from needing excessive donations to mitigate negative influences, and to ensure all qualifying parties can feasibly afford the opportunity to effectively campaign as meaningful contributors to democratic pluralism.

³³⁹ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

Additionally, the system of parliamentary elections occurring once every four years, allows the creation of somewhat of a disconnect between the campaigns of parties and candidates during electoral periods, and the accountability faced by such entities to live up to promises made. This is because the typical route by which such elected officials and parties are held accountable would be during election periods, when the integrity of parties' and candidates' past promises factor into their election chances. However, this still leaves four years in which candidates and parties may not live up to the promises of their campaigns. Furthermore, four years is a long time – long enough for the electorate to potentially forget to hold parties and candidates accountable. This is particularly a problem for the issue of nationwide representation since, though parties can be encouraged to campaign in a manner which includes and represents the needs and desires of the entire nation, this means nothing if such parties subsequently disregard such campaign promises post-election.

Furthermore, having all parliamentary seats go up for election every four years, can encourage an all-or-nothing mentality within the electoral process. This is because, with only one period every four years to concern themselves with for parliamentary elections, parties are more likely to treat parliamentary electoral strategy in terms of each election serving as a standalone focal point for their efforts – as opposed to in terms of consistent, continuous, long-term strategies for generating support and winning electoral seats. Combined with the previously mentioned general lack of accountability post-election from such a system, this can lead to higher tendencies for parties to take more extreme measures to win each election, with less regard for the future ramifications of such measures.

For instance, this could be one of the key contributing factors leading to the extremely high electoral spending trends in Mongolia. With an all-or-nothing mentality at each parliamentary election, parties and candidates may be far more willing to spend excessively in an attempt to win an election. This can enhance issues hindering democratic pluralism, as this creates a culture of increasing campaign expenses for parties to remain viable, which may prevent newer, yet promising, parties from accessing any opportunities to meaningfully participate in the democratic process. Additionally, this can exacerbate issues of negative influences and corruption, since higher campaign expenses can pressure parties and candidates to take on more donations – exposing themselves to increased and excessive external, and potentially negative, influences. Furthermore, the all-or-nothing mentality may also encourage unscrupulous behaviour, or

attempts to subvert political party financing legislation, from parties and candidates in order to win an election – thereby enhancing this issue of negative influences and corruption.

Staggered elections

As such, one potential solution could be to enact staggered parliamentary elections, with half of Parliament standing for election every two years. Such systems are maintained in countries like the United States, where US Senators have six-year terms, but a third of them stand for election every two years³⁴⁰. Adopting this system would enable Mongolia to break up the four-year interim period between each parliamentary election, with parties having to attend to elections every two years – even though individual candidates still maintain four-year terms. With elections occurring every two years, this could provide a much more immediate and constant pressure on the political parties, as opposed to only having to really mobilise every four years. This could help solve the issue of public subsidies being used prematurely outside of campaign or general party expenses, as a staggered parliamentary election system would mean that the different parties would constantly have to remain active between elections. Since there would always be an immediately upcoming election to prepare for, parties would be far more inclined to spend such public subsidies towards election-related efforts.

Furthermore, the introduction of a staggered parliamentary election system could help reduce the lack of accountability that parties and candidates have to face, regarding the promises and issues they campaigned on. Instead, this could force political parties, and their candidates, to follow through with the promises of their campaigns since, in a staggered election system, the promises made by candidates to their constituencies in one election would have a greater impact on their party by the next election. Though resulting in no direct consequences for the individual candidates by the next election (since they would not be standing for election), promises made by a party member would affect the image of the party and thus the chances of their party colleagues by the next election. After all, it is much easier for a party to be held accountable over a two-year period than a four-year period. As such, political parties would have to continually ensure that they were living up to the promises made by their candidates in representing the different constituencies, in order maintain the longer-term positive inter-election image that a staggered election system would mandate from each political party – thus helping political parties

³⁴⁰ United States Senate, 'What Happens When a New Congress Begins?' [Website], (n.d.), United States Senate, <https://www.senate.gov/general/Features/Opening_day_110.htm> accessed 06 January 2019.

move away from focusing on the short-term positive image that they may currently rely on during the election fervour to win seats. This therefore could help strengthen nationwide representation in Mongolia's electoral process, as campaign efforts promoting nationwide inclusion to win votes, would not be able to be simply disregarded post-election.

Additionally, a staggered parliamentary election system may help reduce any all-or-nothing mentality present during Mongolia's parliamentary elections. With the previously mentioned increased accountability for parties and candidates from a staggered election system, and the much more frequent schedule for elections from such a system, parties would be far less able to view parliamentary elections as standalone events that can justify excessive, immediate measures. Instead, the pressing nature of the next stage of parliamentary elections being only two years away would likely pressure parties into adopting more consistent, continuous, and sustainable long-term strategies, since now they would be planning for victories over multiple elections, over a longer time-span, as opposed to just the next election in a four-year cycle.

This could have several positive effects. For instance, parties may be less likely to make rash, extreme decisions to win parliamentary elections (many of which can involve attempting to contravene political party financing law), since this would be far less justifiable and sustainable over a more regular system of elections. This may make such ventures far riskier gambles for the sake of elections only covering half of the parliamentary seats, particularly when the party would then have to campaign for the next half of the parliamentary seats within two years. As such, this could help diminish the likelihood of negative influences and corruption.

Additionally, with a more regular system of elections, and with the parliamentary seats being split in half between subsequent elections, this could make it far less effective and sustainable to pour excessive resources and expenses into parliamentary election campaigns. Such a strategy would be far less affordable and cost-effective in such circumstances, and the longer-term viewpoint that a staggered election system could encourage many parties to take would likely encourage a trend of lower campaign expenses across a more frequent set of elections. Therefore, this could help resolve issues of negative influences and corruption, and encourage democratic pluralism, since there would be less pressure to fund extremely expensive campaigns for each election. As such, there could be less pressure for parties and candidates to take on donations – thereby reducing their exposure to external donor influences. This lower trend of campaign expenses could also

make it more feasible for newer, promising parties to viably access opportunities to campaign and contribute meaningfully to democratic pluralism.

ii. Referendums

Beyond staggering elections, another way to foster a robust democratic culture (as well as facilitating greater citizen involvement in channelling of political party funds) may be through the increased use of referendums – or even some form of direct democracy. Switzerland is perhaps the most famous example of such a system. The country’s legal framework is unique in its permission for all of its of-age citizens to regularly vote on how the country is run³⁴¹.

Switzerland’s direct democracy revolves around three different types of referendums: mandatory, popular initiative and optional. Referendums are particularly pertinent where the constitution is involved: for example, a popular vote is required on any amendment to the constitution resulting in a mandatory referendum. In order for a constitutional amendment to pass, a double majority is needed. This entails the consent of the majority of Swiss Citizens as well as that of the country’s cantons³⁴².

Moreover, individual citizens (so long as they are eligible to vote) can also launch a popular initiative to demand change to the constitution. For a vote to be held, they must simply collect 100,000 signatures supporting the change within a year and a half³⁴³. As a result of many of these schemes, some 65% of Swiss citizens report satisfaction with their government³⁴⁴.

There are, of course, many complexities involved in introducing such a system, not least given Mongolia’s size and sparsely distributed population. One potential solution to such issues may be the use of technology to facilitate greater ease in frequent voting. But again, as with much of this section, the primary purpose of the example is to highlight that there are various innovative ways that a robust political culture could be cultivated, which could, in turn, aid accountable and transparent political party financing.

³⁴¹ Micol Lucchi, ‘This is how Switzerland’s direct democracy works’. [Website]. (31 July 2017), World Economic Forum. <<https://www.weforum.org/agenda/2017/07/switzerland-direct-democracy-explained/>> accessed 12 January 2019.

³⁴² Ibid.

³⁴³ Ibid.

³⁴⁴ Ibid.

V. OVERALL STRATEGY AND CONCLUDING REMARKS

OVERVIEW OF SUGGESTED REFORMS: OVERALL

Legislation on Donations

- *Maintain consistency between trade union and corporate donation bans; either ban both or allow both.*
- *Index donation limits to inflation and average real wages.*
- *Impose lower donation limits on legal entities, following appropriate evaluation.*
- *Account for ‘pledge money’ in legislation as an activity which counts towards individual donation limits.*
- *Mandate in legislation, both inside and outside of election periods, that in-kind donations are valued with reference to external indices (like market value) – and that their valuations are audited by the relevant oversight authority.*

Legislation on Expenditure

- *Make spending limits clearer and more consistent by maintaining an official limit, or a set of protocols used for consistently determining official limits, in the legislation.*
- *Impose lower spending limits, following appropriate evaluation.*
- *Index spending limits to inflation and average real wages.*
- *Account for third-party expenses conducted on a party’s or candidate’s behalf, in legislation, as part of the party’s or candidate’s individual spending limits.*

Public Funding

- *Increase the level of political party public funding, following appropriate evaluation.*
- *Index public funding amounts to inflation and average real wages.*
- *Introduce a dual-system of fixed and proportional political party public funding.*
- *Adjust proportional public funding to be equally weighted between vote-based and seat-based subsidies.*
- *Introduce an effective minimum threshold to qualify for public funding, following appropriate evaluation.*

- *Increase the amount of equally publicly subsidised/provided media coverage for political parties and candidates – and introduce explicitly stipulated enforcement, in legislation, for legal caps to private broadcasting fees for political parties and candidates during elections.*

Centralisation, Independence, and Self-Containment

- *Centralise all powers, responsibilities, and the full authority of political party financing oversight and enforcement within a single, independent, self-contained institution. These should include, but are not necessarily limited to:*
 - *All responsibilities for collecting financial reports, statements, and declarations of incomes and assets from all political parties, candidates, MPs, and other relevant entities – both inside and outside of election periods.*
 - *Performing audits and investigations (for instance through forensic accounting) verifying the integrity of the submitted financial reports, and compliance of all involved entities with political party financing law.*
 - *Publishing findings publicly following the timeline stipulated in the legislation.*
 - *Enforcing and regulating all legislation concerning political party financing – including, but not limited to, regulations on donations and expenditure.*
 - *Investigating and ensuring that political party public subsidies are being allocated properly, and used correctly (i.e. in accordance with the 50% earmarking for parliamentary unit election areas³⁴⁵).*
 - *Enforcing proper allocation and scheduling of public radio and television time, and ensuring private broadcaster compliance with fee caps for political parties and candidates during elections.*
 - *Enacting sanctions for contraventions of political party financing legislation.*
- *Ensure this institution is provided with sufficient funding and staffing, as well as the cooperation of other relevant bodies.*
- *Explicitly clarify the authority of this institution over political party financing oversight and enforcement in legislation.*
- *Ideally, establish a new, self-contained independent electoral oversight committee for overseeing and enforcing its political party financing laws.*

³⁴⁵Law on Political Parties. (Mongolia). 2005, Article 19.2.

- *If this is deemed unfeasible, centralise oversight and regulatory processes into the IAAC, or the NAO.*

Practices for Disclosure and Review

- *Revise legislation to explicitly stipulate that all political party financing-related financial statements, records, and declarations of income and assets are to be collected, reviewed, audited, and published exclusively by the relevant oversight authority.*
- *Explicitly clarify, in legislation, which details (in particular, regarding income sources and expenses) should be disclosed by political parties and candidates in their financial statements.*
- *Explicitly clarify, in legislation, detailed guidelines on how to decide which financial reports to audit, and how they should be reviewed and audited.*
- *Enforce measures, in legislation, explicitly clarifying the investigative rights of the relevant oversight authority during audits, and ensuring cooperation and compliance from the entities under audit.*
 - *For instance, legal mandates for the provision of any required documentation and evidence requested, and signed assent for financial institutions to disclose any assets held by the audited entity to the oversight authority upon request.*
- *Explicitly clarify, in legislation, a specific timeline over which disclosure, review, and publishing needs to take place.*

Enforcement and Sanctions

- *Increase the level of fine-based sanctions for breaches of political party financing law, following appropriate evaluation.*
- *Introduce further types of sanctions for breaches of political party financing law, including revocations and claw-backs of political party public funding, and imprisonment.*
- *Explicitly stipulate, in legislation, that all cash donations are to be transferred into the party's or candidate's election expenses account within a specified timeframe – or that all cash donations must be initiated through the banking system.*

Alternate Considerations

- *Introduce more comprehensive legislation controlling all potential abuses of state powers and resources – both inside and outside of the election period.*
 - *Include a stipulation for one of the relevant oversight authorities (such as the NAO or the IAAC) to enforce these laws.*
-

Political party financing remains a complex and issue to tackle in many countries, and Mongolia is no exception. Indeed, Mongolia's background and specific political party financing circumstances have created a particularly interesting situation: one wherein its political party financing legislation remains relatively progressive and commendable in its intent and direction; yet one which also remains, due to a few critical shortcomings and vagaries, largely ineffective and tenuous. Intrinsicly linked to these frailties in Mongolia's political party financing, large issues still exist in Mongolia, which all serve as significant limitations to the country's political process. Namely, excessive negative influences and significant levels of perceived corruption in politics, ineffective oversight and enforcement, a lack of democratic pluralism, and a lack of nationwide representation, still impede the progress and integrity of the nation's politics and political party financing measures. Efforts should therefore be put towards reinforcing the relevant weaknesses in Mongolia's political party financing practices and legislation to tackle these issues, which the solutions presented in this paper remain dedicated towards.

While all of these issues are pressing, given Mongolia's particular political party financing context, this paper suggests a potential initial focus towards reinforcing oversight and enforcement in Mongolia's political party financing legislation. Though issues, and solutions, exist for the other issues discussed in this paper, without an effective system to oversee and enforce them, any progress made towards resolving them would be met by the same lack of feasibility and authority that has handicapped much of Mongolia's current political party legislation. For all its shortcomings, Mongolia's existing political party financing legislation actually remains fairly progressive, much of which remains representative of many of the best practices of other well-functioning democracies. While there are certainly still key areas that require review and improvement, it may be recommended to give priority first to efforts which help to bring the intent of current legislation into effect. In order to make any further progress, reforms would likely first need to ensure that Mongolia has an effective system through which they are able to regulate political party financing at all. To this end, this paper suggests that restructuring the

oversight and enforcement processes into a single, centralised, independent, and self-contained authority, which has sufficient financial, labour, and legislative support could be Mongolia's first course of action. With proper legislative reform ensuring the unambiguous authority, processes, and accountability of such an entity, this would allow much of Mongolia's current political party legislation a chance to effectively function - automatically undermining many of the other pressing political party financing-related issues facing the country.

Following this, the other three issues of negative influences and corruption, democratic pluralism, and nationwide representation could then be effectively tackled. Though there are numerous important measures that could, and should, be taken to resolve these (particularly in the case of negative influences and corruption), this paper finds that there is one particular area of reform that could significantly improve all three issues. Reforming Mongolia's system of public funding and subsidies for political parties to a regular dual-system of fixed stipends and proportional subsidies (linked equally to vote-based and seat-based criteria), may help compensate for the majority of the shortcomings in democratic pluralism and nationwide representation, and would make no small headway into eroding many of the political system's vulnerabilities to negative influences and corruption. As such, in the pursuit of practicality and efficiency, this could be the next priority to resolve the greatest number of issues facing Mongolia as possible.

Tackling the remaining flaws in Mongolia's political party financing legislation, as discussed in the section on negative influences and corruption, could also be a close subsequent or simultaneous priority. Mongolia's current political party financing legislation, in many ways, remains progressive and commendable in its scope, intent, and many of the areas which it tackles - particularly compared to many other relatively young democracies in Asia. However, Mongolia's legislation is not watertight yet. Several critical vagaries and omissions still exist that enable practices and loopholes which subvert many of Mongolia's current measures, and severely undermine the country's ability to effectively insulate its political process from negative influences and corruption (arguably the direst political party financing-related issue facing Mongolia). Including explicitly outlining expenditure limits, accounting for 'pledge money' traditions and third-party expenses, and making legislation concerning in-kind donations more robust, the reforms suggested by this paper for this issue could help ensure the consistent strength and integrity of Mongolia's political party financing legislation, across all of its processes to help mitigate any negative influences and corruption in the country's political processes.

Ultimately, however, political party financing remains a complex and nuanced policy issue. This paper recognises that there are multiple ways to tackle problems within it, and that the issues that Mongolia faces will inevitably change as the country and its democracy evolve over time. As part of the innately interlinked politico-economic structure of a country, it is also important to note that political party financing and its impacts will naturally be influenced by changing conditions in other policy areas. As such, there are several indirect reforms outside of political party financing, that could complement many of the solutions presented in this paper – some of which, including staggered election processes, technological innovations, and youth participation, are discussed in this paper.

However, though there are undoubtedly many more dynamic political party financing considerations outside of the scope of this paper and the timeframe of Mongolia's current circumstances, the research and conclusions drawn from this paper could potentially serve as an effective initial guideline for possible political party financing reforms in Mongolia. Based on the best practices of other democracies, this paper's findings are aimed at helping Mongolia tackle the most pressing and critical issues that can be feasibly dealt with, given Mongolia's current context. The implementation of the suggestions discussed in this paper should therefore help to provide the most immediate and significant utility, for both Mongolia and the Mongolian people.

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APPENDIX I: TIMELINE OF MODERN MONGOLIA

1990

Amidst the collapse of the USSR, demonstrations force the resignation of the communist MPRP Politburo.

Mongolia holds its first democratic multiparty elections.

Elections to parliament (State Great Khural / MGK) are won by the Mongolia People's Revolutionary Party (Communist Party / MPRP), but 38% of seats in a new standing legislature go to non-communists.³⁴⁶

1992

New constitution in effect from February sees power divided between independent legislative, executive, and judicial branches. There is an emphasis on freedom, and human rights are guaranteed by law.³⁴⁷

1993

The first direct presidential elections are won by Punsalmaagiin Ochirbat, nominated by the coalition of National and Social Democrats.³⁴⁸

1996

The coalition of National and Social Democrats win 50 seats in the State Great Khural elections, but the MPRP can deny a quorum, hindering passage of legislation.³⁴⁹

1997

MPRP candidate Natsagiin Bagabandi wins presidential election.³⁵⁰

2000

³⁴⁶BBC, 'Mongolia profile - Timeline'. [Website], (26 February 2018), BBC. <<https://www.bbc.co.uk/news/world-asia-pacific-15466133>> accessed 02 February 2019.

³⁴⁷ Ibid.

³⁴⁸ Ibid.

³⁴⁹ Ibid.

³⁵⁰ Ibid.

After the democrats form three new governments in two years the MPRP wins 72 seats in the State Great Khural elections.

The National and Social Democrats and three other parties form a new Democratic Party (DP).³⁵¹

2001, May

MPRP candidate Natsagiin Bagabandi re-elected as President.³⁵²

2001

Some amendments to simplify the constitution are supported by the necessary 75% of the State Great Khural members.

These amendments simplify the process for appointing prime ministers and also shorten the minimum length of parliamentary sessions.³⁵³

President Bagabandi signed off on these amendments following his re-election, after refusing to give his approval on them for three years.

2001, October

IMF approves nearly \$40 million in low-interest loans over next three years to help tackle poverty and boost economic growth.³⁵⁴

2004, January

Russia writes off 98% of Mongolia's debts - i.e. all but \$300 million.³⁵⁵

2004, June-August

Parliamentary elections: DP is in alliance with the Motherland Party but neither this alliance or the MPRP win a clear majority, leading to contention over results.

³⁵¹ Ibid.

³⁵² BBC, 'Mongolia profile - Timeline'. [Website], (26 February 2018), BBC. <<https://www.bbc.co.uk/news/world-asia-pacific-15466133>> accessed 02 February 2019.

³⁵³ Encyclopaedia Britannica, 'Mongolia: Government and Society' [Website], (n.d.), Encyclopaedia Britannica, <<https://www.britannica.com/place/Mongolia/Government-and-society>> accessed 02 February 2019.

³⁵⁴ Ibid.

³⁵⁵ Ibid.

Following a coalition deal, Tsakhiagiin Elbegdorj is appointed Prime Minister.³⁵⁶ The deal struck would have had Tsakhiagiin Elbegdorj replaced as Prime Minister by a member of the MPRP two years after his appointment.

2005, March-April

Protesters in the capital demand the government's resignation and an end to poverty and official corruption.³⁵⁷

2005, May

MPRP candidate Nambaryn Enkhbayar wins presidential election.³⁵⁸

2006, January

Coalition government headed by Tsakhiagiin Elbegdorj falls after the MPRP pulls out, blaming the leadership for slow economic growth.

MPRP candidate Miyeegombyn Enkhbold is chosen by Parliament as the new Prime Minister³⁵⁹ some months before Tsakhiagiin Elbegdorj would have naturally stepped down as per the terms of the coalition deal.

2007, November

Prime Minister Miyeegombyn Enkhbold resigns.

He is replaced by MPRP leader Sanjaagiin Bayar.³⁶⁰

2008, July

Outbreak of riots after the opposition accuses governing party of electoral malpractice.

President Enkhbayar declares a state of emergency as a result of riots in Ulaanbataar.³⁶¹

2009, May

³⁵⁶ Ibid.

³⁵⁷ Ibid.

³⁵⁸ Ibid.

³⁵⁹ Ibid.

³⁶⁰ Ibid.

³⁶¹ Ibid.

Former Prime Minister and candidate of the opposition DP, Tsakhiagiin Elbegdorj, wins presidential election, defeating Nambaryn Enkhbayar.³⁶²

As a result, Enkhbayar is the only Mongolian president that served just one term, with all other presidents to date having served the permitted two terms.

2009, October

Prime Minister Sanjaagiin Bayar of the MPRP resigns for health reasons.

Foreign Minister Sukhbaataryn Batbold succeeds him.³⁶³

2010, April

Prime Minister Sukhbaataryn Batbold takes over as head of governing MPRP from former Prime Minister Sanjaagiin Bayar.³⁶⁴

2010, November

Mongolian People's Revolutionary Party (MPRP) reverts to Communist-era name of Mongolian People's Party (MPP).

Ex-President Nambaryn Enkhbayar sets up small breakaway Mongolian People's Revolutionary Party (listed here as New MPRP).³⁶⁵

2011, July

Mongolia selects the US Peabody Energy, China's Shenhua, and a Russian-Mongolian consortium as partners to develop the highly sought-after Tavan Tolgoi coal deposit in the Gobi Desert.³⁶⁶

2011, October

Mongolia and Rio Tinto-owned Ivanhoe Mines reach agreement on stakeholding in the massive Oyu Tolgoi copper mine.

³⁶² Ibid.

³⁶³ Ibid.

³⁶⁴ Ibid.

³⁶⁵ Ibid.

³⁶⁶ Ibid.

Mongolia settles for a 34% share and thereby drops its demand for an equal stake.³⁶⁷

2011, November

Germany releases Mongolian spy chief Bat Khurts ahead of Chancellor Angela Merkel's visit to Mongolia.³⁶⁸

2012, April

Mongolia puts Tavan Tolgoi coal mine deal on hold while it decides whether to go it alone on developing the project.

It had earlier agreed to work with a group of US, Chinese and Russian companies.³⁶⁹

2012, June

Parliamentary elections: DP wins most seats and goes on to form a coalition with the new MPRP.³⁷⁰

2012, August

Former President Nambaryn Enkhbayar is sentenced to four years in jail for corruption.³⁷¹

2012, December

New MPRP threatens to leave governing coalition in protest at its former leader Enkhbayar's jail sentence.³⁷²

2013, June

Tsakhiaigin Elbegdorj, from the DP, wins a second term as President.³⁷³

2014, November

³⁶⁷ Ibid.

³⁶⁸ Ibid.

³⁶⁹ Ibid.

³⁷⁰ Ibid.

³⁷¹ Ibid.

³⁷² Ibid.

³⁷³ Ibid.

Prime Minister Norov Altankhuyag is dismissed by a vote of parliament as a result of purported corruption and poor economic growth.³⁷⁴

2014, November

Parliament elects Chimediiin Saikhanbileg as Prime Minister in a vote boycotted by the opposition MPP.³⁷⁵

2015, January

The opposition MPP agrees to form a coalition government with the DP and the Justice Coalition.³⁷⁶

2015, August

Prime Minister Chimediiin Saikhanbileg removes the MPP from the coalition government by dismissing six of its ministers.³⁷⁷

2016, June

Parliamentary elections: Opposition party, MPP scores a landslide victory in the parliamentary election, winning 65 out of 76 seats.

Prime Minister Chimediiin Saikhanbileg is among the DP incumbents who fail to win re-election.³⁷⁸

Voting breakdown is as follows: MPP 45.1%, DP 33.1%, MPRP 8.0%, Independent 4.8%, Other 9.0%.

Seat breakdown is as follows: MPP 65, DP 9, MPRP 1, Independent 1.³⁷⁹

2017, February

³⁷⁴ Ibid.

³⁷⁵ Ibid.

³⁷⁶ Ibid.

³⁷⁷ Ibid.

³⁷⁸ Ibid.

³⁷⁹ Central Intelligence Agency, 'The World Factbook: Mongolia'. [Website], (29 January 2019), Central Intelligence Agency. <<https://www.cia.gov/library/publications/the-world-factbook/geos/mg.html>> accessed 02 February 2019.

Mongolia reaches an agreement with the IMF and other international partners worth more than five billion dollars, on the proviso that it will strengthen its banking system and implement fiscal reforms.³⁸⁰

2017, July

DP candidate Khaltmaagiin Battulga is elected President.³⁸¹

2020, June

Next parliamentary elections are to take place.

³⁸⁰BBC, 'Mongolia profile - Timeline'. [Website], (26 February 2018), BBC. <<https://www.bbc.co.uk/news/world-asia-pacific-15466133>> accessed 02 February 2019.

³⁸¹ Ibid.