

## **Regional Consultation on Electoral and Political Reforms – Northern Region**

**Date and Venue: 17<sup>th</sup> August, 2017; IIC (Annexe), New Delhi**

### **Background Note**

#### **Session: Electoral Bonds and increasing opacity – what next?**

In a major move aimed at promoting transparency in political funding, Finance Minister Mr. Arun Jaitley had in his Budget speech this year announced capping of anonymous cash donations to political parties at Rs. 2,000 and introduction of “electoral bonds”. However with the tabling of the Finance Bill, it became absolutely clear that the Govt intended to keep the donor identity anonymous through electoral bonds. Section 13A of the Income Tax Act, Section 29 of The Representation of the People Act and Section 31 of the Reserve Bank of India Act, were amended accordingly.

A corporate house now can buy these time-limited bearer bonds from scheduled banks and transfer those bonds to the registered bank accounts of political parties, without disclosing their identity. Though these funds will flow through the banking system, corporations are neither obliged to disclose their purchases in their annual reports nor are parties required to report their deposits.

In an interview to The Indian Express, before relinquishing office, the former CEC, Dr. Zaidi had said that electoral bonds would impact transparency negatively and that the Election Commission had not been consulted on this issue by the government.

The Election Commission, in its reply to a question on electoral bonds by the Parliamentary Standing Committee on Personnel, Public Grievances, Law and Justice, said: “These bonds can only be bought through cheque\e-transfer and therefore clean tax paid money could be used for political funding through electoral bonds... However, the amendment in Section 29 C of the Representation of the People’s Act, 1951, making it no longer necessary to report details of donations received through electoral bonds, is a retrograde step, as transparency of political funding would be compromised...”

Reiterating similar sentiments, Dr. Milan Vaishnav writes, “The big loser here is the public. With the stated intention of improving “transparency in electoral funding”, the government has accomplished precisely the opposite objective. Consider the fact that corporations can now legally give unlimited sums to political parties which, in turn, can accept unlimited sums of money—all without having to disclose a single rupee. This money will now be subject to a digital paper trail, but this is explicitly meant to be off-limits to the media, civil society and the general public.”

According to media reports, the Finance Ministry has kick-started the first round of external consultations on the Budget announcement of electoral bonds, by holding a meeting with the officials of the Election Commission (EC) on 19<sup>th</sup> July, wherein the EC officials flagged concerns related to transparency in the proposed structure of electoral bonds.

In this light, we hope that the discussion would help in formulating possible suggestions to the Finance Ministry to ensure flow of clean money in political financing and transparency to the extent possible. It is also hoped that the discussion would throw light on the role of political parties in the opposition, media and civil society in highlighting this issue.

- Vaishali Rawat  
Program Associate