

Regional Consultation on Electoral and Political Reforms – Southern Region

Date and Venue: 30th June, 2018; Indian Institute of Technology - Madras

Background Note

Session: Election expenditure of parties-Election funding and disclosure

In our current electoral and political system, those who are willing and are able to utilize black money dominate politics. The present system of funding and election expenditure laws has driven parties, candidates and politicians to misuse the government's discretionary powers over resource allocation to raise funds for election campaigns and political parties. Parties and candidates tend to use their term of office to fill their coffers for future elections and for nursing their constituencies. Political party's preference for wealthy candidates has also given rise to a new breed of 'political entrepreneurs' who are ready to invest huge chunks of their wealth in contesting elections, in the hope of further enhancing their personal fortune. Given the magnitude of resources that political parties need to raise for election campaigns, they prefer candidates who can raise resources for the party as well as finance their own campaigns.

At present it is very difficult to ascertain the sources of unaccounted /black money. Big enterprises which fund the political parties in turn expect a quid pro quo if the party wins the election. While there is a limit on the candidate's expenditure, there is no cap on the political party's expenditure. Even though black money & money power is being used to subvert the essence of democracy, there is always resistance from the political parties and the government of the day towards reforms in political financing. There is a very lax system of checking over their income and expenditure even though thousand crores of rupees is always in question.

The accounting method adopted by political parties, so far is also not transparent as the parties do not follow the format suggested by the Election Commission of India, and in absence of the law, the Election Commission of India is unable to ensure any compliance. Lack of any effective system of internal democracy, transparency, and accountability within political parties has also reinforced corrupt fund-raising and the lack of financial accountability. In such a state of affairs it is the duty of the legislature to put laws in place but since the same would be to their own detriment, they have not done so till date.

In August 2014, Election Commission issued "***Guidelines on transparency and accountability in party funds and election expenditure matter***" in which the Commission had urged the parties to observe higher standards of transparency and accountability in respect to funds raised and expenditure incurred by them both during elections and in other times. This was the Commission's fourth such attempt in two years (2013 and 2014) in issuing such guidelines aiming at greater financial transparency in working of the political parties.

The nexus between political parties and proliferation of 'black' money has been well documented by various Commission/Committee Reports, Supreme Court judgments. In fact, political parties are the only non-institutionalized body in our country with no law governing them and who have been granted complete tax exemption. Corruption by means of unaccounted, illegal sources of money seriously affects the voters statutory rights as well as the freedom of speech and expression as guaranteed by Article 19(1)(a) of the Constitution. In order to win elections and secure such illegal money, the parties are going to any extent and in such process, the deserving and capable candidates do not get a level playing field and the citizens also do not get appropriate information to be able to exercise their vote effectively.

In order to monitor and regulate the expenditure incurred by the political parties, on and during the election period, ADR filed a writ petition in Delhi High Court in May, 2014. Following points have been made under the petition.

- Implement the recommendations made by the 170th Law Commission of India, with regards to the financial accountability of the political parties;
- Introduce ceiling on the election expenditure of political parties, before and during the Elections;
- Direct the political parties to submit expenditure statements, beginning one year prior to the elections;
- Direct the political parties to submit the Account Statements of Income and Expenditure, periodically, ie. Once a month before the declaration of the election, and at least once a week during the elections.

It is, therefore, essential that the conduct of political parties should be regulated by strict principles. To ascertain expert opinions on political parties election expenditure and to recommend appropriate ways of reporting them, this discussion is aimed at exploring how political parties expenditure can be regulated and monitored and be made more transparent and accountable and what are the most effective financial safeguards which can be introduced.

It is hoped that after a discussion on the above issues, concrete suggestions to remedy the situation would emerge.

- Shivani Kapoor
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