

Financing Election and Electoral Reforms in Nepal

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1.0 Introduction

The funding of elections for campaign purposes is a major issue both in democratic and non-democratic regimes. It widens the scope of entrance of "money-in-politics." In this context, Richard Bissell, a senior official of the Central Intelligence Agency of the United States had identified four types of political payment that the Agency made for covert action to influence the internal power balance of a country – the subsidies to an individual, the financial and technical assistance to political parties, support to private organizations like the labour unions, business firms and cooperatives, and covert propaganda.¹ Such action also included activities like direct bribery of politicians, lobbying, propaganda, and support to various interest groups.

Foreign political contributions to political parties or candidates are quite distinct in times of elections, though such funds are banned. Secret money comes in favour of certain political parties and candidates. During the First World War, Germany provided clandestine funds to Bolsheviks in its bid to weaken its enemy, Czars in Russia. During the Cold War, secret services of certain countries bribed client politicians, parties, interest groups, journalists and newspapers to win their favour. Religious groups and foreign corporations are also involved in such a deal. However, it is difficult to regulate the inflow of political money coming from abroad, particularly when it comes in the form of "training," "technical assistance," "voters and civil education" or "opinion poll survey."

But this does not mean that funding of election is an evil. Election campaign cannot be possible until the candidates are able to convey their messages to the voters. If the political parties (an integral part to the working of modern democracies) lack funds for election campaigns, they cannot operate and help people choose their representatives. The democratic process in a country grows only when political contributions are raised and spent in a proper manner.

2.0 Financial Abuses and Code of Conduct

Expenses on elections is not voluntary, but more a compulsion for a party or a candidate. Each political party or candidate wants to outwit and overtake the other through the use of money. There is maximum misuse of the government manpower and resources during the elections. Even the administrative machinery, educational institutions, policy and other security agencies are misused. It gives leverage to the haves over the have-nots. The haves can afford to pay for major media and other groups in catching their sentiments in their favour.

As it is increasingly becoming difficult for the ordinary people to contest the elections, the code of conduct is introduced to regulate the election expenses and thereby avoid financial abuses. Each political party is expected to observe the code of conduct during the elections. It is intended that the political party or parties in power get no chance to misuse their official position for electoral gain.

¹ Michael Pinto-Duschinsky. 2001. "Political Finance and Democracy: Major Challenges for Reformers and Scholars." paper for presentation at a conference organized and cosponsored by the Sejong Institute, Sungnam, Korea, and the National Endowment for Democracy, Washington, D.C., USA on June 28-30, 2001. p. 3.

Each candidate contesting the elections is expected to maintain the statement of expenses and then handover the details of such expenses to the Election Commission (EC).² Also, each political party and candidate contesting the elections is expected to make expenses within the fixed ceiling by the EC.

In Nepal, the districts have been divided into four categories and accordingly a candidate is expected to spend within the stipulated ceiling fixed by the EC. In the districts in "Ka" category, a candidate in total is expected to spend upto NRs. 275,000; whereas in districts in "Kha" category a candidate is allowed to spend upto NRs. 235,000. In category "Ga," the limit of a candidate to spend is NRs. 165,000 and in category "Gha," such a limit is NRs. 135,000.³

The EC fixed the limit of expenses to control the flow of money in campaign. But the EC could not receive election expenses reports from all the 2238 candidates who contested 1999 general elections for the HoR.⁴ It is expected that the candidates not submitting their election expenses spent much more in excess of the limit prescribed for election campaigns.

One of the weaknesses of the EC was the lack of action in regard to the election expense returns. There were least of efforts to verify the account of election expenses submitted by a candidate and determine if such expenses were above the ceiling fixed by the EC. It cannot be negated that the real statement of expenses was not submitted by a candidate simply because the ceiling prescribed by the EC was unrealistic. There is hardly any system in the EC to scrutinize the statement of expenses.

In fact, the ceiling fixed by the EC in regard to election expenses has become a mockery. Until there is transparency about the amount of donation and the donor,⁵ the ceiling on election expenses has no meaning.

The recent *Nirbachan Ayog Ain*, 2063 stipulates that the EC might fine a candidate not submitting the details of election expenditure within the prescribed time period.⁶ But it is too early to comment on the effectiveness of the Ain.

There is a lack of commitment of many of the candidates in the code of conduct and so to say in the election system. As a result, they are least interested in producing an account of expenses. This is also one of the reasons for the growth in the number of dummy candidates in the elections.

² Election Commission. 2053 Vikram Sambat. "Nirbachan Acharsanhita." (Nepali). Kathmandu: 2059 Vikram Sambat.

³ Election Commission. 2055 Vikram Sambat. *Nirbachan Kharch Sambandhi Anugaman Prakriya*. (Nepali). Kathmandu.

⁴ Dwarika N. Dhungel. 2007. *Inside Out Political Parties of Nepal*. Kathmandu: Institute for Integrated Development Studies (IDS).

⁵ Krishna Khanal. 2057 Vikram Sambat. "Nirbachan Sudhar Tatha Suddhikaranka Kehi Pakshharu." (Nepali). Interaction Programme organized in Kathmandu on "Nirbachan Kharch Ra Sudhar."

⁶ GoN. 2063 Vikram Sambat. *Nirbachan Ayogko Kam, Kartyabya Ra Adhikar Sambandhi Kanunma Sanshodhan Ra Ekikaran Garna Baneko Bidheyak*. Kathmandu

3.0 Donation from Business Community

In each country, the business community makes certain donations to the political parties and candidates during the elections. But it has been found that they are least transparent about the donations that they make. Therefore, such amount often goes to the wrong persons and wrong parties. Even the political parties are not interested in receiving donations openly. In Nepal, there is a provision whereby a political party is expected to submit lists of persons or organizations making donations over NRs. 20,000,⁷ but this provision is hardly enforced.

5.0 State's Financing

There is hardly any state in South Asia where there is a mechanism of state funding or partial funding to political parties for elections. Sri Lanka is perhaps the only country where parties receive a nominal reimbursement on the basis of votes cast to them. This, however, is a pittance as it covers only a part of the total costs. In India, a committee formed to examine the issue of state funding of elections made recommendations for only partial funding of the election campaigns to the political parties.

There is a debate on the desirability of state funding and its modalities. Yet there is a growing feeling that the state should do something to control unnecessary and extravagance during the elections. In Pakistan, all the three parties i.e. the PML-N, the Jamaat and Tehrik-i-Insaf advocate for state funding for election campaign.⁸

In Nepal, the government owned television and radio broadcast the election manifesto of the political parties. It is also a kind of funding by the state as the political parties do not have to pay anything for this. It is the state that bears the cost and, thus, it is kind of grant to the party. The government once proposed that the political parties securing at least 3% votes cast and fielding minimum 21 candidates in the election of House of Representatives (HoR) should be given annual grants from the state at the rate of Re. 1/vote cast to them in the last general elections,⁹ but this bill could not be passed.

If the state provides certain financial support to the political parties on the basis of the percentage of the votes cast to them in the previous elections, this could reduce the dependence of the political parties on the business sector. In India, the Tata is learnt to have provided each political party certain amount based on the percentage of votes polled to them during the elections. In India, there is a provision whereby an individual or a company receives 100% tax exemptions on contributions of IRs. 20,000 and above provided the treasurer or other authorized person of the party reports about such contribution to the EC.

6.0 Election Expenditure

Since the introduction of multi-party democracy in Nepal in 1990, the electorates were able to exercise their political choice in national elections in 1991, 1994 and in 1999, apart from the two local elections - one held in 1992 and the other in 1997. But

⁷ IDEA. 2007. Political Parties in South Asia: The Challenge of Change. Stockholm. p. 86.

⁸ Ibid. p. 87.

⁹ Dwarika N. Dhungel, no 4, p. 79.

information is lacking on the total funds spent during the elections by the political parties, candidates and other seen and unseen players. The only information on election expenditure that was available was from the EC, which is only a partial picture of the total funds disbursed for conducting elections. But even the partial information on EC's election expenditure clearly demonstrates the rising costs of elections.

Table 1 indicates that the national election of 1991 was simple and least costly, but in the subsequent elections the costs began to increase phenomenally. In conducting the first election for the HoR (1991), the EC incurred expenditure amounting to NRs. 109,400,000; while in conducting the next election for the HoR (1994) it had to incur expenditure of NRs. 24,441,1597 – an increase by 123%. EC's expenditure in conducting election of HoR (1999) further increased to NRs. 360,619,350 i.e. by 48%.

EC's expenditure in conducting local level elections in 1992 was NRs. 132,198,749, which increased by 73% to NRs. 229,060,013 in 1997.

In Nepal, it is for the first time that the Constituent Assembly (CA) Election is going to be held on November 22, 2007. The CA election was due in June 2007, but due to the lack of adequate preparations it could not be held. Available information shows that the CA Election is going to be most costly if compared to the HoR elections or the local level elections conducted in the country in the past. The budget allocated for CA election is NRs. 1,880,522,000, which is five fold more than the expenditure incurred in holding HoR election (1999) and eight fold more than the expenditure incurred by the EC on holding the local level elections (1997).

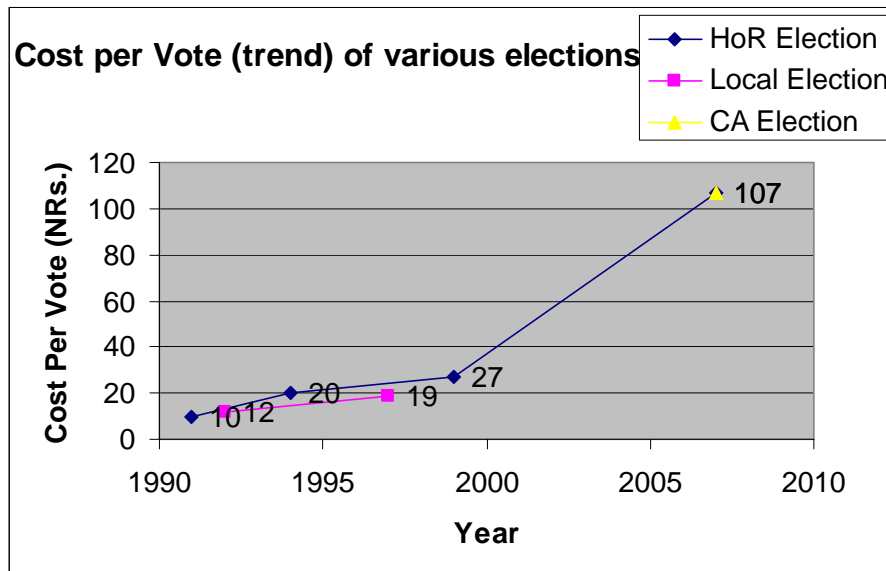
The cost-per-vote recorded merely NRs. 10 in HoR election in 1991, which doubled to NRs. 20 in 1994 and finally to NRs. 27 in 1999. Likewise, the cost-per-vote of holding the local level elections grew phenomenally from NRs. 12 in 1992 to NRs. 19 in 1997. As against the HoR election or local level election, the cost-per-vote in CA election is likely to shoot up to NRs. 107.

EC is also learnt to have spent NRs. 78,110,482 in making preparation for conducting Election of HoR (2003), but the election was not held. Also, the EC incurred expenditure of NRs. 86,315,759 for conducting local level elections in 2005, but the election was partial as only municipal level election was conducted. These expenditures, in fact, were futile exercise and a loss to the national exchequer.

Table 1: Expenditure of EC in Conducting Elections

Description	Voters in total	Expenditure/ Budget (NRs.)	% Change	Cost Per Vote (NRs.)
<u>Election for HoR</u>				
Election for HoR (1991)	11,191,777	109,400,000	-	10
(1990)				
Election for HoR (1994)	12,327,329	244,411,597	123	20
(1993)				
Election for HoR (1999)	13,518,839	360,619,350	48	27
(1999)				
<u>Local Level Election</u>				
Local Election (1992)	11,191,777	132,198,749	-	12
(1991)				
Local Election (1997)	12,327,329	229,060,013	73	19
(1993)				
<u>CA Election</u>				
CA Election (2007)	17,500,000	1,880,522,000	-	107

Source: Compiled on the basis of data provided by EC



7.0 Electoral Reforms and its Challenges

In many countries, electoral reforms have become a major challenge for the government, election management bodies and other stakeholders. The problem in electoral reforms is not so much due to the lack of laws, but more due to the lack of their proper implementation. It is assumed that the legislation in itself is enough to produce the desired result, but it hardly happens like that.

Statistics show that in 80% of the free democracies, there are regulations requiring political parties or candidates to make public disclosures of certain parts of their financial accounts.¹⁰ Yet disclosure rules are overlooked as there is a lack of political will in most of the democracies to enforce them and so they are evaded. In France, such disclosures are treated as works of fiction; whereas in Italy no disclosures of the sort are made. In Japan and South Korea, public accounts are mere tip of the iceberg. In the United States, disclosure rules are treated as joke.

In Nepal, the EC has specified ceiling on the expenses made by a candidate, but not on the expenses of the political parties. The political parties are not expected to reveal their sources of income and expenditure. Therefore, it can hardly be expected from parties and their candidates to present their financial transactions in a transparent way. Some of these anomalies have led to the rise in expenses on elections.

8.0 Conclusion

Some of the following suggestions have been made to keep the electoral expenditure at the minimum and to ensure electoral reforms in Nepal:

EC

- Only a strong election commission can reduce election expenses.
- The EC should be empowered for effective supervision and monitoring of funding of parties and campaigns.
- The EC should come out with realistic ceiling for election expenses. In each new election, the EC needs to review the election expenses limit so as to adjust it to the market price. But care should be taken that such a ceiling does not only serve the interests of rich, but also the interests resource-starved candidates.

Transparency

- Transparency has to be ensured in election expenses. After the election is over, the EC should not only make its own expenses on elections public, but it also needs to publicize the expenses made by each candidate during the elections.

Ban against particular contributions

- The government should effectively regulate or restrict political payments by business corporations, trade unions, foreign organizations and foreign citizens.

¹⁰ Michael into-Duschinsky, no.1, p. 17.

Code of Conduct

- A candidate not obliging the rules of Election Code of Conduct may be debarred from contesting elections at least for two times.
- Code of conduct is not only essential for the political parties, but equally to the business sector.
- EC should have power to conduct investigations of parties or candidates in regard to Code of Conduct so that that the candidates are careful enough to calculate the severity of the penalties. The nature of such a penalty should be like the nuclear weapon, which is hardly ever used but then makes most powerful presence as deterrent.

Political Parties and Businesspersons

- The name of the person or business person/institution donating an amount above NRs. 25,000 to a candidate/party should be made public.

Financial Deposits

- There should be an increase in the financial deposits from NRs. 3,000 at present to NRs. 20,000. The number of dummy candidates in the elections could be reduced if there is an increase in the amount of financial deposits required for contesting the elections. In India, the number of dummy candidates declined perceptibly once there was an increase in the financial deposits.¹¹

Public Subsidies

- All parties represented in the HoR should be provided financial support by the state based on the percentage of vote caste to them in the last general elections.
- Subsidies might also be encouraged in kinds, like in free postage for election literature, free or subsidized facilities to political parties for broadcasting on television and radio.

Tax Relief

- The government might make a provision of tax relief or remission on political donations.

Role of Civil Society

- The civil society, including the groups of intellectual and social workers should work as watchdog. It needs to be strong to pressurize the political parties to keep their expenses at the minimum.

¹¹ Birendra Prasad Mishra. 2057 Vikram Sambat. "Nirbachan Sudhar: Kehi Sujhao." (Nepali). Interaction Programme organized in Kathmandu on "Nirbachan Kharch Ra Sudhar."

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