



# FOUNDATION *for* RESTORATION of NATIONAL VALUES

ॐ सर्वे भवन्तु सुखिनः। सर्वे सन्तु निरामयाः॥  
सर्वे भद्राणि पश्यन्तु। मा कश्चिद्दुःखभागभवेत्॥

f <https://www.facebook.com/frnvindia/>  
t <https://twitter.com/ValuesandUs>  
e [frnv@outlook.com](mailto:frnv@outlook.com)  
011-26686630

## NEWSLETTER

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### Message from CEO

*Modern democracies require strong party organisations that compete for political power in fair elections. To keep the system functioning, political parties must have the resources to run successful campaigns and support political machines. But parties and their candidates also must reconcile the drive for resources with the risks of distorting political competition and corrupting elected officials. Depending on where they come from, how they are distributed and what they are spent on, resources given to parties and candidates can corrupt elections and democracies.*

*There are three interconnected levels across which increased transparency can be promoted to reduce corruption risks related to political finance:*

□ **Accountability within parties:** the requirement to use proper internal bookkeeping and accounting systems and keep party members properly informed.

□ **Accountability to the state:** the requirement of parties and candidates, donors and service providers to report on political finance transactions to state agencies.

□ **Accountability to the public:** the requirement to disclose publicly all information on campaign finance.

*These internal and external dimensions of accountability are essential to ensure that electoral processes and elected officials are not compromised by uncontrolled and unaccountable campaign funding.*

*In this issue of newsletter, we bring to you the current state of political finance in our country.*

**Anupama Jha**

### Unknown donors fund Major Political Parties

- Anupama Jha, CEO, FRNV

Association for Democratic Reforms (ADR)s' recent report on failure of Indian political parties to reveal the source of funding received by them, is a grim reminder of the scale of political corruption that exists in our country. According to this report, in the 11 years between 2004-5 and 2014-15, political parties of all hues, including those who swore by integrity and transparency, got contributions worth more than \$1 billion, from unknown sources. It is little wonder that TI's polling suggests that Indians see political parties as the most corrupt institution in the country.

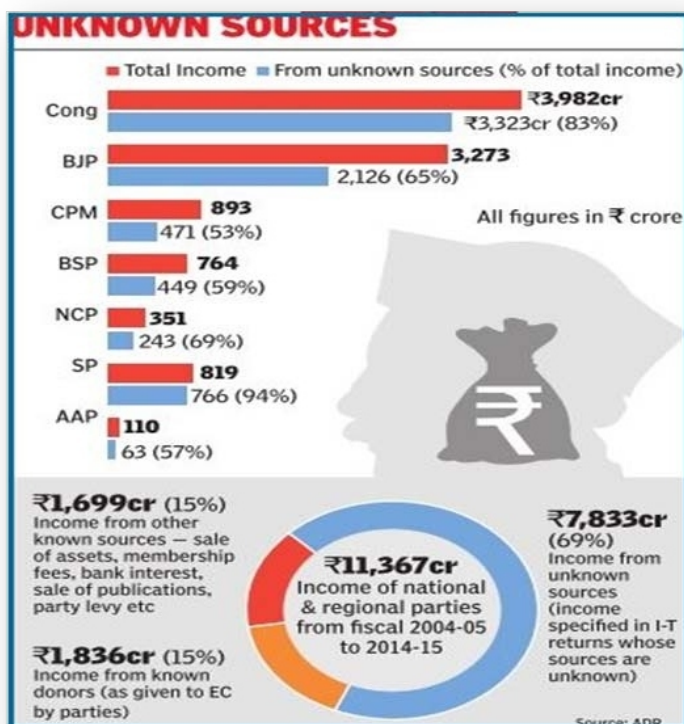
Various reports by ADR indicate that political parties either do not disclose complete information about their donors or provide insufficient information about the donations received. For example, between FY 2012-13 and 2014-15, BJP failed to mention the mode of payment for any of its donations. The Congress also has not disclosed PAN details for any donations received in FY 2013-14.

Political parties are also required to state the medium or mode (cheque/DD/cash) through which donations are received. But most of the times they provide incomplete information – like cheque/DD would not be specified or cheque/DD number would be missing or bank details would not be mentioned or date on the cheque would be unavailable. This, hampers the process of verifying these donations.

According to the International Institute for Democracy and Electoral Assistance (IDEA) Handbook 2003 and its current website, in nearly 60 countries, which include the United States, the United Kingdom, Japan, Canada, France, Germany and Thailand, political parties are bound to disclose all contributions beyond a specified threshold. India is not among them. Alongside there exists a ban on making anonymous donations to political parties in more than 45 countries which include all the above countries. Again India is not among them. Happily, India does have a provision for public disclosure of expenditure by political candidates but even so, there is no ceiling on party election

expenditure — only candidates' expenses. That leaves enormous scope for gargantuan indirect spending on elections.

While there are ample laws and guidelines governing the disclosure of finances of political parties, it becomes increasingly apparent through the analysis of the parties' disclosure that there is an inherent resistance or a lack of political will to be more transparent, and thus accountable.



As political parties are not legally bound to submit their income tax returns annually under Section 13A of the Income Tax Act, 1961, it has been noticed that some of them do not submit their returns on time — by October 31. None of the major national political parties like the BJP, Congress and the NCP have submitted their ITRs on time in the last five financial years.

Interestingly, Section 29C of the Representation of the People Act also does not provide for any penalty against political parties delaying the submission of their Contributions Report.

Political parties have a lot of responsibility vested in them to ensure that they lead by example. The Government's recent move to demonetise high-value currency notes, to fight the problem of black or untaxed money will not cut any ice with the common people, if they do not even disclose the names of donors. This disclosure is important because at stake behind the demand for public disclosure of political finances are two

important considerations: prevention of abuse (by using tainted money); and the need to promote healthy political competition which requires sharing the sources and quantum of funding of each party with the voter.

Political finance disclosure combined with adequate enforcement capacities have been recognised by international standards as a key policy instruments for promoting effective transparency and integrity in party and campaign financing. Disclosing donations made to parties and candidates also promotes informed voting by citizens who have all the necessary information they need to make informed choices. Information disclosed must be comprehensive, timely and easily understandable in order to promote enforcement of sanctions by the relevant authorities on one hand and monitoring by the society at large on the other.

*Will Political parties take note of this?*

## NEWS AND EVENTS

□ Community meetings at Sangam Park and Hauz Rani were conducted to trigger a thought process among the parents and participating community members about the importance of Values on Jan 3, and Jan 20 respectively .

□ FRNV in collaboration with Delhi University Social Science Secondary School, together observed a Republic Day on January 25, at Maurice Nagar. Poem recitation and painting competition were organised to sensitize the children about the importance of Republic Day. A meeting was also held exclusively with the teachers of the school to sensitize them about Values Based Education .

□ On January 20, a meeting was held with Anganwadi Workers, Opinion Leaders and Youth of Hauz Rani to understand Health and Sanitation issues in this area.





**Let's clean political cesspool: When parties take money in cash from 'unidentified' donors, they work for tax evaders**

*-Pavan K Varma, January 7 , Times of India article*

The recent demonetisation decision may have its supporters and detractors, but no political leader or political party can convincingly speak about the need to eliminate corruption without resolving to pass the comprehensive electoral reforms bill that has been pending before Parliament for the last two decades. This is so because the pernicious nexus between politicians and political parties on the one hand, and black money on the other, is the principal cause of all corruption in India.

If those who are supposed to make laws against corruption are themselves the products of a corrupt system, how can the rest of society be clean? When parties take money in cash from 'unidentified' donors, they work for tax evaders. When candidates illegally spend many times the prescribed limit on elections, their first priority is to milk the state to recoup their 'investments'.



India is among the lowest scoring countries on political finance regulation according to the Global Integrity Report. India scored zero out of hundred on implementation and disclosure of political party and candidate financing. It also scored a zero on the effectiveness of its party financing regulations. By contrast, if there is an international reward for lip service on the need to bring greater financial transparency to transactions of political parties, India would probably be at number one!

Starting with the Goswami Committee on Electoral Reforms in 1990, the Vohra Committee in 1993, the Indrajit Gupta Committee in 1998, Law Commission Report on the Reform of Electoral Law 1999, Election Commission of India Report on Proposed

Electoral Reforms 2004 and the 2nd Administrative Reforms Commission 2008, scores of committees have spewed out voluminous reports but all of them have largely remained confined to proposals, ideas and intentions.

The truth quite bluntly is that most political parties and politicians have no reason to change the current system because they are the biggest beneficiaries of it.

The time has thus come to turn the spotlight on politicians, who speak about eliminating corruption the most. Several immediate steps can be taken. Firstly, the current practice which allows parties not to identify donors contributing less than Rs 20,000 must be scrapped, as recommended by the Election Commission (EC). This is the principal channel for parties to collect vast amounts of undeclared funds.



The EC has recommended that existing limits for cash donations should be lowered to Rs 2,000, but, frankly, there is no reason why every paisa given to a political party cannot be accounted for and transacted through auditable and transparent financial channels.

Secondly, all payments made by political parties must be made digitally or through banking channels. This has been recommended by the Core Committee on Electoral Reforms sponsored by the EC, and the ministry of law and justice. The EC's order that all candidates must open separate bank accounts for cheque payments is the right step, but given the current digital emphasis, there is no reason why all payments, and not only those above Rs 20,000, should not be made by cheque or digitally.

Thirdly, all political parties must compulsorily make public their audited accounts every year. Currently, candidates are required to disclose their assets and liabilities but not political parties.

As far back as 2004 the EC recommended that, “Political parties should be required to publish their accounts annually for information and scrutiny of the general public for which purpose the maintenance of such accounts and their auditing to ensure their accuracy is a prerequisite. The audit may be done by any firm approved by the Comptroller and Auditor General (CAG). The audited accounts must be made public.” Further, once made public, the audited accounts should be brought under the RTI Act.

Fourthly, the CEC and the CAG must be given powers to scrutinise and monitor a party’s financial transactions. Currently, political parties merely obtain a certificate from the EC that they have submitted their annual audited statements of accounts.

Fifthly, the EC should have powers to take action against parties that are found culpable of illicit financial transactions, including deregistering those that are repeat offenders. Similar powers should be available against politicians who verifiably flout regulations. Any judicial appeal from an action by the EC should be with a fast track court or special election tribunal. This too has been specifically recommended by the EC.

Sixthly, all candidates for elections must show, as the EC has now directed, the source of their incomes, and not merely their assets and liabilities under Form 26 of the Conduct of Election Rules 1961. It is common knowledge that Form 26 declarations hide more than they reveal and are in fact a tribute to the ingenuity of chartered accountants. Effect should also be given to the EC’s recommendation that Section 125 (A) of the Representation of the People Act be amended to provide for more stringent punishment of imprisonment for two years to those who conceal or provide wrong information.

*There is a Hindi saying: Diya tale andhera: darkness below the lamp.* In the case of corruption and black money, the real darkness is below the glow of political rhetoric. It is time that our politicians stop pointing the finger at others and look at the cesspool in their own backyards.



### **FRNV Post Budget 2017 Press Release on Political Funding**

“The Government’s decision to limit anonymous cash donation from Rs 20,000 to Rs 2,000 from any

one source, is a welcome move towards cleansing the electoral process, although much more still needs to be accomplished,” said Dr. E. Sreedharan, the President of the Foundation for Restoration of National Values (FRNV), in Kochi today.

He was reacting to the Budget announcement made by the Finance Minister.

He further added that transparency in political funding was much needed to curb black money, and this would be possible if political parties worked collaboratively together to completely stop receiving donations from unknown sources.

The Foundation for the Restoration of National Values (FRNV), is a registered NGO dedicated to raising the consciousness of citizens, especially those in the leadership positions, so that everyone – irrespective of their role in society– serves the greater, national good. The Foundation has been active since its inception in 2008. It works in the area of electoral reforms (among others) and has been advocating measures, such as to bar persons with criminal record from contesting elections.

***Dear Readers,***

***FRNV invites stories from its readers on deep-rooted values that have helped us in our everyday lives. Some of these stories will be featured in the next issue of our newsletter. So put your thinking caps on, recall the values integral to your life which you cherish and write to us at [shilpi@valuefoundation.in](mailto:shilpi@valuefoundation.in).***