

# **POLITICAL PARTY FUNDING IN BANGLADESH**

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## **Introduction**

Political funding is a much talked-about phenomenon in electoral affairs and party politics around the world. All democratic systems irrespective of developed and developing are involved with such practice. There is an increasing concern that for the sake of democracy and good governance political funding affairs should be transparent, open and accessible to the watchdog agencies as far as possible. Since the influence of money in political arena is incontrovertible, any absence of transparency in financial transactions may lead to corruption and irresponsible practices. It cannot be denied that undisclosed money and corruption significantly harm the economic and political system of a country distorting the performance of politicians, diminishing public confidence in democratic form and ultimately undermining national development.

In the party systems of the established democracies in the nomination process, campaigning and transparent financial activities, a number of measures including registration, proper electoral laws and funding for parties had been introduced. In the democracies of the west, since the late 1950s, state funding has helped the parties to meet their election expenses and other day-to-day expenditures. The practice has contributed largely to organizational viability of the political parties, ensured transparency in their financial procedures, mitigated political opportunism, minimized gaps in electoral campaigns of the contestants and democratized the party nomination process. Since legal sources of income and state assistance curb personal interests and discourage purchasing influence within the party structures, the process of funding includes conditions like declaration of their wealth by the office-bearers and monitoring their assets. In this respect, only those parties receiving a certain percentage of votes are eligible for state assistance. They also get income tax benefits and media accessibility besides public grants and direct funding for electoral expenses.

In Bangladesh until recently there had been lack of control on campaign funds of parties and their questionable fund-raising. The mass of the people so far remained in dark concerning finances of political organizations. This is owing to the fact that the sources of income, party expenditure, and statement of accounts are not widely discussed and openly scrutinized. In the absence of any clear-cut and transparent party financing system, the parties had been free to get funding from any source. Thus in order to fund their day-to-day operations and election campaign, they allegedly obtained finance through improper modes. Ceiling on election expenditure was often disregarded because of political competition and confrontational politics. In the post-1991 parliamentary elections the nomination process turned into a money investing game as more

than a hundred new faces managed to get nominations simply on the basis of their contribution to the party fund. It was also noticed that politics became an expensive affair and politicians treated it as a full-time occupation. In this situation enormous financial support was required that purportedly came from well-off sponsors and financiers.

The crisis of confidence in the election system exacerbated after the 1991 polls and subsequent bye-elections that led to formalizing the provision of a neutral caretaker government which although proved unique in holding fair polls, could not establish confidence among the contending parties. As such both political game and electoral fight had been fraught with rampant violence, intimidation, influence of black money, and use of hoodlums and arms against political rivals. The obvious outcome was making the country's politics captive to terrorism, involvement of criminals and use of unlawful arms. It was alleged that advantaged criminals who had been caught up in politics operated with the protection of political parties. "Clash of beliefs" thus degenerated into a "clash of arms" between the contending parties and their stalwarts. Such a trend worsened the frustrating political milieu.

After assuming state power in 2007, the caretaker government embarked upon a number of political reforms. The Representation of People's Order (RPO) was modified to make political parties responsible both organizationally and financially. Subsequently, under the newly elected Awami League government of Sheikh Hasina Wajed, a few more amendments were made in the RPO in 2009. Political observers opine that the amended RPO is a great step forward regarding mandatory registration of political parties and possible transparency in party financing. However, strict observance of the RPO and constant monitoring are imperative to make it effective and operational.

Considering the above the present study intends to look into the following in the context of Bangladesh: political funding for parties and its significance; political party financing and practice of the major parties, and the degree of disclosure and transparency and accountability in political fund-raising.

While examining the above issues the paper points out the strength and limitations of the existing legal measures, the roles of the election commission and the watchdog agencies in establishing sound and effective political funding supportive of parliamentary democratic order and good governance. In the course of analysis various publications on political party finances, existing rules and procedures regarding political funding as well as information gathered from major parties have been used.

### **Significance of political funding**

Political funding involves financial support intended for political parties both for electoral and non-electoral purposes. Properly and effectively operating a political party organization has not been a simple affair. A party has numerous sectors of spending involving day-to-day expenditures, office and logistic expenses, utility payments, various service charges, and above all electoral and campaign spending. All these expenditures undoubtedly mean enormous financial pressures.

In the multidimensional process of governance political parties are imperative and play their part in both formal and informal policy framing and implementing structures. Since they are the key actors influencing the input as well as the output functions of the political system the capability of parties to accomplish the required functions for democratic governance is dependent basically on the resource base, more particularly the human and financial

potentialities of the parties. These in turn have a great bearing on the effectiveness, dynamism and institutionalization of political parties. In today's democratic practice vigorous party organizations either singly or in combination contend for political power by participating in popular elections. "To keep the system functioning, political parties must have the resources to run successful campaigns and the system functioning, political parties must have the resources to run successful campaigns and support political machines."<sup>(1)</sup> Political parties and their nominated candidates as such obtain funding from various sources in order to meet election expenditures. Indeed electoral campaigning demands huge sums of money and party organizations therefore require sound financial foundation to bear the cost.

An expert, Marcin Walecki, remarks that political finance is the collected money and resource meant for electioneering or campaign purposes. This money is raised and spent by candidates for public office, by their political parties or by other individuals and organized groups of supporters. Political parties play a crucial role in election campaigns in many parts of the world, and since it is difficult to differentiate between the campaign costs of party organizations and their routine expenses, political party funds may reasonably be considered as political finance.<sup>(2)</sup> Such funding offers admittance to the vital mechanisms of a modern democracy including publicity, managing political parties, deciding on candidates, mustering the electorate and polling. As such in both developed and underdeveloped democracies political funding has a great influence on nearly each facet of democratic politics.<sup>(3)</sup>

Another analyst, Muzaffer Ahmad, notes that like any other organizations of modern times political parties in order to operate in the right direction need lots of resources including human resource, material resource,

technological resource and most of all financial resource.<sup>(4)</sup> The presence of political parties is imperative in the day-to-day affairs of governance having great implications for public opinion formation and ultimate impact on the whole election process. For maintaining a strong base of support and influencing the members of the electorate and the media, political parties endeavour to remain constantly perceptible and project their goals and accomplishments. “These objectives need to be cogently articulated and perceptively argued to sound a sympathetic chord in the minds of many. This requires organizing discussions, rallies, campaigns, and events that will be broadly grouped as work related to political education.”<sup>(5)</sup>

Politics and finance are correlated. In view of the fact that democratic politics cannot carry on without considerable supply of finance enabling the party organizations and leaders to accomplish their legally recognized assignments, the need for political funding obtained both from individual or public sources is obvious. Whereas political financing that is managed to organize campaign expenditures and cover the expenses of a party organization that are admitted in democracy, political funding also has been a major factor in fraud in and deception.

### **Theoretical viewpoints**

Political finance has been studied in different contexts using a number of theoretical considerations and notions including pluralist and investment conceptualizations. The pluralists maintain that political parties within a profit seeking system make the best use of maximizing votes for accomplishing targets. Parties functioning under a democratic framework thus contend in an economic market for the purpose of obtaining majority support from the electorate. In view of the fact that policy priorities are in contest with

incompatible squabbles for political feat, interested persons or political strata extend their support to respective parties and candidates employing required resource and material goods to translate into pertinent policy objectives. The reality is that within the existing economic market, power and money are dispersed in an unequal manner and following such hypothesis the pluralists forward their arguments that questions regarding political funding legislation emerge from an endeavour to settle economic inequality and lopsided footing of political organizations. Such pluralist postures give rise to the problem of keeping an intricate balance between the propositions like political rights, constitutional freedom and equal opportunity. While the proposition on constitutional and political freedom stipulates that during the time of polling and electioneering there should not be any spending limit and the individual citizens and political parties should be capable of spending as much as they desire, the notion of political equality entails equal treatment, access and indistinguishable opportunity and sharing of power amongst the party organizations.<sup>(6)</sup>

As for the investment theory, it is argued that in the process of winning polls and securing state power the successful contenders use enormous sources of finance and electoral funding which is often regarded as finding “gold” and therefore the notion is regarded as the “golden rule.” This conception presupposes that as long as the whole electioneering process remains under the grip of certain financiers the voters will scarcely have little or no influence in the election process. The assumption has been that a perfect democratic framework can thrive only when political finance and campaign money is accessible to all competing political parties.<sup>(7)</sup>

## **Practice of party financing**

As mentioned earlier, overall party activism, nomination of candidates in elections and party performance in the parliament and political processes are related to financial resource of the party organizations and means of their fund-raising. Needless to mention that in all systems parties require a sound financial base for their performance. However, political parties' obtaining funds and looking for state support has relatively been a much talked-about phenomenon especially in western democracies. In these systems the development of democracy, and more importantly the increasing role of parties in socio-political sectors ranging from running their own organizations and services to performing both input and output functions, necessitated funnelling of required funding. As such the traditional idea of collecting funds from parties' own source like members' dues and public donation began to change.<sup>(8)</sup>

Since the middle of the last century nearly all aspects of citizens' democratic lives became a concern of political parties. This resulted in requiring increased human welfare awareness and accountable behaviour from political organizations. Establishment of this efficacy brings forward the eventual receptiveness and sensitivity of the parties to the very system in which they operate and ultimately to their constituents and mass of the citizenry. Such process calls for responsible conduct of the parties by means of democratic functioning of their inner structures, participatory decision-making process and transparent political financing. In the developed countries, such accountability of political parties had been established in the process of institutionalization of democracy. In this perspective a general agreement on the rules of the game of politics, establishment of political conventions, appropriate legislative measures and related statutes had also been instrumental. There are arguments that political parties should not be guided directly by legal measures or legislative



provisions regarding their formation and operations that may put constraints on the fundamental democratic right of freedom of organization. Contrary opinions uphold the accountability thesis and emphasize responsible performance of party structures and transparent procedures. In fact, quite a number of democratic systems, both developed and developing, have opted for the latter and approved guiding standards for party operations in the political course and finding options for establishing better funding system for political parties free from financial and political corruption. Such provisions as argued do not stand in the way of constitutional guarantee of the vital right of association and institutionalization of parties. As observed, established and consolidated parties of the developed democratic world are characterized by organizational continuity that lasts longer than the life of the incumbent leadership, a permanent organizational structure spreading down to the grassroots level, and a leadership assertive to gain policy-making powers. On the other side, many countries of the Third World including Bangladesh are struggling to establish a sound party system and formulating proper policy options concerning political party laws, conduct regulations and financial procedures compatible with democratic norms.

## **Debates on public funding**

### **Case against public funding**

There have been disagreements over the provision for public funding for political parties as well as candidates. A number of negative arguments are thus forwarded that include the following:

It leads to creating a big gap between political party leadership, candidates and common citizens including party followers and members of the electorate. Dependence of parties and candidates on funding from private financial sources may result into economic inequality and that will, in turn,

sustain imbalanced socio-political order and asymmetrical political system. As long as the parties and candidates do not rely on their leaders and followers for financial contributions in the form of membership or donation or unpaid job, the former will lose their responsible behaviour and will have less regard for associating the latter with party decision-making in a two-way consultation process. The system of public funding strengthens the existing power structure and helps benefit major political parties. These have a negative consequence for the smaller and newer parties that will face difficulties in obtaining proper representation in the national representative structures. Public funds are in fact the money of the taxpayers and they have no choice but to contribute financially to the parties and candidates whose views or ideologies may not get equal support or acceptability. The procedures of public funding to political parties and candidates stand in the way of prioritization of state expenditures and there is a danger of withdrawal of public money from infrastructural development or humanitarian and public welfare activities. The funding from the state through legislation or other methods may have consequential effects on limiting the autonomy and independence of the political parties and candidates, declining linkages with the civil society organizations and discouraging volunteerism for institution building.

### **Case for public funding**

The arguments in favour of public funding have been: Public funding is an essential expenditure and is not incompatible with democratic development. Through this provision a transparent process is created where the candidates and party organizations meet their financial requirements for electioneering, campaigning, keeping regular contact with the constituents, properly formulating party policy programmes, paying bills of logistics of various sorts

and keeping efficient personnel and workforce. Public funding has a great role in restraining the influence of money and muscle power in the election process, reducing financial irregularities and combating corruption. The supply of required amount of funding to political parties and candidates helps them remain free from succumbing to undue pressure of the donors or large contributors in their policy decision-making process, get rid of the harmful effects of patron-client and patronage politics. There is a positive correlation between public funding and proper party and legislative politics. Public sentiment is more perceptible to the representatives of the masses in party and legislative structures in the process of their preparing decisions, deliberations, debates, and ventilating the grievances of the masses. Public funding encourages the state, political parties and civil society organizations to introduce necessary structural reform measures, practice internal democracy, and increases the extent of nomination and representation of women and minority communities and thereby leading to a balanced power equation within the party and the legislature. Disclosure of income and expenditure of the political parties and candidates concerned is possible when public funding is made available to them. In this case the accounts and financial statements of the parties will not be a secret affair. General citizens' access to such audited documents helps the process of demanding responsibility and accountability of the party leaders and public representatives. In the context of enormous cost in advertising, media exposure and election campaigning, state funding can ensure electoral participation of genuine and dedicated party leaders. "In societies with high levels of poverty, ordinary citizens cannot be expected to contribute much to political parties. If parties and candidates receive at least a basic amount of money from the state

the country could have a functioning multi-party system without people having to give up their scarce resources.”<sup>(9)</sup>

Despite certain limitations in the state funding system different countries of the developed democracies initiated state policies in this respect. For conducting predictable functions and incurring expenditures during election campaigns Western democracies as such introduced public funding for the parties since the post World War II period. As observed, this acted as a significant device and contributed to parties’ organizational capability, meaningful political activism, and transparent party finance, balanced electoral contest of the competitors, increased party- constituent relations, impartiality in democratic competition, open leadership and candidate selection process, and spoil system.

### **Practices in the established democracies**

In the developed democracies political parties and candidates meet their funding requirements from their own sources, individual or membership donations, financiers, and also from a system of state funding approved by central legislation.

In Britain, traditionally the Conservative Party has relied on local constituency associations, and individual and corporate donations for much of its finances. “Between April 2001 and May 2005, the Conservative Party received a larger average of individual donations than the other parties with high value donations over 100,000 pounds including aggregated donations amounting for 43% of its donation income. A further 29% of its income came from state funding in the form of short money and Policy Development Grants.” “The Labour Party was the largest single beneficiary of donation income, which totaled 65,980,846 pounds during this period: 64% of this donation income was

provided by trade unions...37 donors provided a further 25% of the Labour Party's donation income... Estimates suggested that trade union income to the Labour Party still accounted for over 64% of its total income." "The Liberal Democrats have never received funding on the scale of the Labour and Conservative parties, but in recent years the party has received significant and regular funding from a few sources, notably the Rowntree Reform Trust... In 2005 general election these sources accounted for 38% of the Liberal Democrat funds... three companies accounted for more than 30% of all donation income and a further 44% of all donation income came from private sources."<sup>(10)</sup> Other sources of funding to British political parties include funding by members and elected representatives, party political broadcasts, free postage, free use of meeting rooms, and inheritance tax relief.<sup>(11)</sup>

In the United States, public funding of presidential elections implies that eligible presidential candidates be given federal government funds to pay for the legal expenses of their political campaigns in both the primary and general elections. National political parties also receive federal money for their national nominating conventions. In 1976, the Federal Election Commission administered the first public funding programme. Qualified presidential candidates used federal funds in their primary and general election campaigns and the major parties used public funds to pay for their nominating conventions. "Partial public funding is available to Presidential primary candidates in the form of matching payments. Each major political party is entitled to \$4 million plus cost-of-living adjustment to finance its national Presidential nominating convention."<sup>(12)</sup> The provisions of the US Federal Electoral Commission maintain that any presidential candidate receiving 5% of the vote qualifies for financial support from the federal government. Matching funds as such are also

made obtainable for primary elections. Nonetheless, private financial support continues as a major source of campaign financing. Political parties receive plenty of ‘soft money’ from supporters and admirers which they sequentially forward to their nominated candidates.<sup>(13)</sup>

In France presidential candidates receiving 5% of the votes obtain reimbursement under electoral laws and in Germany, the political parties get 50% of the total financial expenditure from the state fund. Countries like Canada, Germany, Israel, and Mexico have developed their own systems of public funding. In order to be qualified for such assistance Canadian parties need to nominate at least 50 candidates who should receive a minimum of 15 per cent of the vote in an electoral district and the parties must spend “at least 10 per cent of the election expenses limit.” For these parties tax credits and media benefits are also available. In Germany public funding is given to those parties receiving at least 0.5 per cent and 1 per cent of the vote in the latest national and state elections, respectively. Israeli parties obtain the highest public grants in the world including respectable monthly payments. Mexican parties get direct funding for campaign and day-to-day activities and indirect finances through minor tax advantages and use of the media. Party support and secretariat assistance are made to the Swedish parties since 1965.<sup>(14)</sup> Although there is no system of public financing in Britain there are procedures for a permissible ceiling to expenditures of candidates within a voting district, and indirect funding like postage without any charge for the candidates, free auditorium facilities, media coverage and broadcasting.<sup>(15)</sup>

### **Political financing in developing countries**

The above system of party financing as developed in the western democracies is not observed in the developing countries. Unlike the western

countries, in many developing democracies exact information regarding expenditure practices of the parties and candidates are not available to the citizens. Enlisted membership of the parties is not significant and accounts are not properly recorded. The system of reporting is either not followed or is absent, and the method of gathering actual information by the authorities concerned is also loose. Obscurity is generally seen in the process of collecting funds by political parties. Fund raising and spending operations remain under the grip of the top brass of the parties. There is a general accusation that many competing parties during the polls resort to a competition of vote-buying and offering various sorts of benefits to the voters. An unhealthy phenomenon in such countries is the entrance of well-off people in the electoral arena seeking membership in the legislature and representative bodies and trying to gain control of the national decision-making process and state benefits. Business magnates and moneyed individuals in exchange for their financial contribution to parties and candidates claim paybacks, special treatments and obtain various profitable contracts, trade facilities, etc., from the winning side. Owing to such private finance by the outside patrons, parties and candidates often lose their organizational autonomy and compromise their freedom of choice.

Against this backdrop the contending parties and their nominated candidates habitually defy the ceiling and spending limits.<sup>(16)</sup>

### **Bangladesh scenario**

In Bangladesh political parties as voluntary associations fund their day-to-day activities and election campaigns from members' dues, donations and the like. Until recently, in the absence of any clear-cut and transparent party financing system, political parties resorted to obtaining funds through improper and unethical means. This has been more so in the context of unhealthy political

competition where electoral rules including ceiling on election expenses are hardly followed. Other factors contributing negatively to this process are the existing nature of confrontational political culture, continuous political imbroglio, violent faces of political duel, and a gross lack of agreement on the general rules of the game. For these reasons major political parties have largely remained ambivalent if not totally indifferent to strictly following the financial ceiling on electoral campaigns as mentioned in the RPO. Politics has thus remained confined to the corridors of power leaving the political class dealing with state prerogatives in exchange for positions within their respective parties. Consequently, opportunist politicians along with newly inducted political leaders comprise mainly of the nouveau riche and retired civil and military bureaucrats have taken advantage of the situation. People with money and muscle power have therefore made inroads into the major political parties. Donations from these groups to the campaign funds of the parties play a very instrumental role in bringing about such an alliance. In the recent polls, because of the lack of strict adherence to the RPO, political parties had little problem accepting questionable money and consequently getting susceptible to industrial/business barons' pressure or mafia manipulations. As such party nominations were influenced by money and muscle power. Owing to the considerable entry of political opportunists in the nominations of the parties old party loyalists without financial strength and muscle power were ignored.

Over the last one decade common citizens of this country have watched simply a rotation of faces with similar backgrounds representing more or less fifty per cent businessmen MPs in the fifth, seventh, eighth, and ninth legislatures rather than any qualitative change in the nature of representation in the national parliament.



It is observed that the conduct of raising funds is kept secret by the political parties in Bangladesh. It is, however, presumed that such activity normally takes place in a non-transparent manner and the central-level functionaries of the parties collect individual, local and overseas donations from the supporters, admirers and business and industrial financiers. Additionally, the members of parliament, stalwarts, well-off candidates of the parties from time to time make their contributions to the party chiefs. More or less, this has been the modus operandi of the funding of major political parties including the Awami League, the BNP, Jatiya Party and Jamaat-i-Islami. (17)

Ahmad notes that in Bangladesh political funding is not transparent, as is the case with electoral finance. Supply of political party finance can only be inferred as no audited balance sheets are available and until now the reporting on finance within the party or the Election Commission is quite inadequate. Such reports, when submitted, are far from comprehensive and lack in depth. Disclosure by parties or candidates in election is inconsistent and thus not reliable. Sanctions contained in the RPO are hardly employed. The system of monitoring, including state oversight and civil society oversight, is yet to become practical. It is the function of the media and civil society organizations to insist on disclosure and transparency in this situation. (18)

The system of managing party funding and especially that for electoral campaigns is commercialized to a considerable extent creates an environment where party structural relations and nomination procedure are characterized by money-centricity.

In the process of candidate selection emphasis is given on access to financial resources which has contributed to a trend of turncoat politicians and outsiders playing a greater role in politics. This has become a buying and selling

process, where prospective candidates would first dispense money and endowment to the constituency and then come within reach of the party leadership to secure candidature from the party. The reason for such commercialization of campaigns has been an outcome of the centralized control on decision-making process and lack of internal democratic practice in the political parties.<sup>(19)</sup>

Systemic corrupt practices, non-functional parliamentary structures, and impracticable expenditure parameters all lead to meagre or no accountability in Bangladesh's party finances. Absence of internal party checks and balances blocks financial transparency while the leaders are not held responsible for financial transactions or donations by members. The system tilts politics favouring the affluent given that just the well-to-do can have enough money to run for office and they are not necessarily the most qualified, or the least fraudulent.<sup>(20)</sup>

According to a research finding “the question of political party funding is an extremely sensitive issue...the party leaders prefer to remain rather tight-lipped about the sources of funding. Political parties in Bangladesh are perceived as actors who manipulate their powerful positions to extort bribes, to offer members and followers rewarding positions in the public sectors, or to channel the public resources into the hands of the party leaders or supporters. Party corruption is thus widespread in Bangladesh.”<sup>(21)</sup> Transparency International Bangladesh (TIB) found that within the prevailing political culture political finance is a covert matter for the party organizations. None of the parties disclose financial information even within the party. Party funds are usually collected by members, central leaders and MPs. Funds are also collected directly from businessmen and industrialists. Such funds are often donated

voluntarily out of vested interest, and in many cases through extortion. Fund-raising is also done through inter-party contributions as a part of alliance building for elections. The treasurer of a party is the main responsible person handling the accounts. Recently, the parties have been registered with the Election Commission and have to submit their audit reports annually. The rules and laws on accounting and auditing of parties funds are not put into operation and the regulations regarding political funding are disregarded.<sup>(22)</sup>

It has also been noticed that income and expenditure record is not maintained properly. Reporting on electoral financing is a new phenomenon in the political and organizational practice. “After the 1996 elections, nearly 95% of the MPs did not submit the individual expenditure report, and after the 2001 elections none of the parties submitted reports of electoral expenses. However, after the 2008 elections most candidates and parties submitted their electoral accounting reports before the EC”<sup>(23)</sup> but the matters are yet to be publicized.

In order to be effective and proper, functionality of the recently made provisions, compliance with the directives and a significant change in the prevailing political practice as well as reforms in political culture are very much required.

### **Extent of disclosure in political funding**

Ensuring transparency and accountability in all public activities and decision-making processes have been crucial preconditions for proper governance and democracy. Good governance practices in political party affairs as such entail responsibility and particularly transparency in political funding. This is very vital for building public trust in the very democratic system where there is interlocking correlation between money and politics. Indeed any secrecy in financial matters and unreported money negatively impinge on the national

financial system, encumber the process of democratic participation and promote various types of corruption. According to G. Ward “secret money and corruption hurts the economy and the polity of a nation as well as distorts the behaviour of politicians, hence development falters and citizen confidence in democracy wanes.”<sup>(24)</sup>

In attempting to introduce provisions for proper political funding both the developed and developing countries have taken different initiatives considering their own systemic environments and political cultures. Besides the United Nations, the Council of Europe, and the African Union and the like have set certain standards in this context. The UN Convention against Corruption, for instance, advocates enhanced transparency in the funding of the candidates for elected public offices, control over political party funding and directives for the public officials. The Council of Europe (COE) suggests some common rules calling for an appropriate balance between the private and public sources of political financing and recommends specific rules incorporating transparency of donations and avoiding secret donations and keeping the integrity of party by means of avoiding conflict of interests and ensuring autonomy of party organizations. The African Union Convention on Preventing and Combating Corruption includes provisions necessitating transparency in political party funding for controlling unrestricted private finance that may pose a menace to democracies by means of corruption or corrupt practices.<sup>(25)</sup>

Besides the above, a number of international governmental and nongovernmental organizations such as the World Bank and Transparency International have set standards and promoted good practices and measures in political funding. The key recommendations have been: detailed disclosure by political parties and candidates of assets, income and expenditure; limits on the

duration and cost of election campaigns, and on large private donations; mechanisms to safeguard ethical standards in public life, including conflict-of-interest laws; and adequately resourced, independent oversight bodies.<sup>(26)</sup> Additionally, certain political finance regulations are suggested that involve: reducing demand for funding and limiting the comparative advantage of wealthy parties by providing public funds to political parties; curbing the influence of corrosive money through caps on individual donations, or donations from corporate, foreign or trade union sources; making political parties more accountable to the electorate by increasing transparency of political financing.<sup>(27)</sup> These recommendations are forwarded with an understanding that “the reform of party funding is not an end in itself, but a means to achieve the wider benefit of improving the quality of democracy.”<sup>(28)</sup>

Corruption in matters of political party funding is a major issue of concern in the present-day democracies. Combating such corruption brings forth the matters of regulatory behaviour for parties and most notably disclosure of information on finance, for without disclosure, money can be drawn from anywhere on the earth and in any amounts. Other than combating corruption, disclosure is greatly significant for the following reasons: “Financial disclosure contributes to an overall transparency of the electoral process, offering voters an opportunity to learn more about political contenders in order to make an informed decision at the polls. Requirements to disclose sources of funding are likely to stimulate parties/candidates to raise and also spend their financial resources in ways that are acceptable to a majority of voters and do not provoke political scandals. Furthermore, disclosure enhances the accountability of political parties and provides enforcement agencies, as well as civil society and media with all the information necessary for proper verification.”<sup>(29)</sup>

A study conducted by the USAID noticed that out of 118 countries, 28 had no disclosure laws or rules and only 15 required parties and candidates to disclose income and expenditure accounts and disclose the identity of donors to political parties.<sup>(30)</sup> It may be mentioned that disclosure patterns regarding party expenditures differ among the democratic states. Countries like the United States, New Zealand and Germany apply the procedure of public disclosure to the authorities concerned, while Canada follows a mixed system of confidential reporting to an oversight body and South Korea has introduced reporting to party and election officials.<sup>(31)</sup> In Australia, during the 2008-9 disclosure periods the disclosure threshold was for amounts of exceeding ten thousand dollars. The political party annual return requires disclosure of total amounts of receipts, payments and debts. It also requires disclosure, including the full names and addresses of individuals, organizations or other entities from which money, gifts, gifts-in-kind or loans with a value exceeding \$10,900 were received over the 2008-2009 financial period. The disclosure returns are on the public record and the parties and their associated entities may be subject to a compliance review by the Australian Electoral Commission.<sup>(32)</sup>

Consolidated democracies have established effective institutional mechanisms to enforce funding rules. In Britain, the Electoral Commission has the power to require a relevant person from any organization that falls under its supervision like political party or third-party organization to produce documents, books or other records related to the income or expenditure of the organization. It can also ask that the individual provide an explanation of the information in question and failing to provide such information is a criminal offence. Furthermore, it can enter the organization's premises, inspect books and take copies of any documents found there without any prior judicial

authorization or warrant. In Germany, the speaker of the Bundestag is responsible for enforcing political funding rules and laws, but is himself overseen by the Federal Audit Court. This court makes it sure that laws governing the distribution of public funds are not breached, and the speaker does not favour the parties with which he is affiliated.<sup>(33)</sup> In some countries the election commission, the public accounts committee, designated commission or agency and the government audit authorities act as oversight bodies for political funding and disclosures. Disclosure may include a provision that the authority concerned will facilitate making these financial reports accessible to the public for review and analysis and for increased legitimacy and confidence of the voters.

In Bangladesh, the finances and related accounts of the political parties are overseen by the constitutional body called the Election Commission. The Political Party Registration Rules, 2008, and the Representation of the People (Amendment) Ordinance (RPO) 2008, spell out the rules concerning monitoring and disclosure of expenditure of political funding. Regarding campaigning expenditure, the RPO (Amendment) Act, 2009, states that every nomination paper shall include information like description of profession and business of the candidate, sources of income, statement of property or debt of his own or his dependents, the amount of loan received by him alone or jointly or by his dependents from any bank or financial institution and the amount of loan received by him from any bank or financial institution, and the statement shall be accompanied by a statement in the prescribed form, of the contesting candidates' assets and liabilities and annual income and expenditure and, if he is an income-tax assessee, a copy of the income-tax return last submitted by him. A copy of the statement submitted together with a copy of the statement and the

return shall be sent by the contesting candidates to the Commission by registered post at the time of their submission to the returning officer. (34)

The RPO has placed a limit on electoral expenditure and says that the election expenses of a contesting candidate, including the expenditure incurred for him by the political party nominated him as its candidate, shall not exceed taka fifteen lakh provided that the election expenses of a contesting candidate shall be determined per capita on the basis of total number of electors in a constituency. (35)

No political party shall expend during the period for election purposes, including election expenses for the contesting candidates set up by it, an amount exceeding- (a) where the number of such candidates is more than two hundred, taka four crore and fifty lakh (b) where the number of such candidates is more than one hundred but not more than two hundred, taka three crore, (c) where the number of such candidates is not more than one hundred taka seventy-five lakh, more than fifty but not more than one hundred, taka one crore and fifty lakh. (36)

Every political party shall maintain proper account of all its income and expenditure till the completion of elections in all the constituencies in which it has set up candidates and such account shall show clearly the amount received by it as donation above taka five thousand from any candidate or any person seeking nomination or from any other person or source giving their names and addresses and the amount received from each of them and the mode of receipt. The funds of every such political party shall be deposited and maintained in any scheduled bank. No political party shall receive any donation amounting to more than taka twenty thousand unless it is made by cheque. (37)

A registered political party is entitled to receive in a year donation or grants from any person, company, group of companies or NGOs provided that



the amount of donation shall not exceed taka five lakh or property or service in case of a person and taka twenty five lakh or property or service in case of company or organization. No registered party is allowed to receive any gift, donation, grant or money from any other country or NGO assisted by foreign aid or from any person who is not a citizen of Bangladesh by birth.<sup>(38)</sup>

Every political party nominating any candidate for election shall submit to the Commission for its scrutiny within ninety days of the completion of election in all constituencies, an expenditure statement giving details of the expenses incurred by it in connection with the election of its candidates for the period. The expenditure shall include separate expenditure incurred on general propagation of the manifesto, policy, aims and objects of the party and expenditure incurred in connection with the election of each of its contesting candidates.<sup>(39)</sup>

The RPO includes provisions for punishments on non-compliance of its directives by the parties or candidates. If a registered political party fails to submit its expenditure statement within the specified time the Commission shall issue a notice of warning directing it to submit the statement within 30 days otherwise face a fine of taka 10,000; the deadline is extended for another 15 days and if the party fails once again the Commission may cancel its very registration.<sup>(40)</sup> Provisions are also there for disseminating information through the Commission's website on the statements, returns or documents of the parties. The electoral expenditure of the political parties in the 9<sup>th</sup> parliamentary election and statements of the major participating parties of Bangladesh in those polls can be seen in the following tables:

**Table 1**

**Statement of electoral expenditure  
of the political parties in the 9<sup>th</sup> parliamentary polls, 2008**

<b>Name of party (taka)*</b>	<b>Total expenditure</b>
Bangladesher Sammobadi Dal (ML)	5,37,000
BCP	11,98,266
BAL	3,60,26,947
BNP	4,49,50,000
Ganatantri Party	99,000
Bangladesh NAP	11,700
Bangladesher Workers Party	12,35,000
Bikalpa Dhara Bangladesh	17,84,000
Jatiya Party	13,67,000
Bangladesh Jamaat-i-Islami	74,72,408
Zaker Party	4,50,000
BSD	1,61,100
Bangladesh Tarikat Federation	17,29,000
Bangladesh Khelafat Andolon	3,80,000
Bangladesh Muslim League	16,000
National People's Party	3,03,000
Gono Forum	9,95,000
Bangladesh National Awami Party	5,000
Bangladesh Kalyan Party	15,470
Bangladesh Khelafat Majlish	3,36,960
Islami Andolon Bangladesh	2,48,0142
Bangladesh Islami Front	1,66,385
Biplobi Workers Party	64,300

\*Approximately one US dollar is equivalent to 70 Bangladeshi Taka  
Source: Bangladesh Election Commission, 2010

Table 2

**Statement of the 2008 electoral  
expenditure of the Bangladesh Awami League**

<b>Sector of Expenditure</b>	<b>Amount of expenditure (taka)</b>	<b>Comments</b>
Grant to candidate	00	Nil
Campaigning	1,89,40,815	Leaflets, booklets, posters, TV, newsletter, manifesto, etc
Conveyance	67,55,600	Master trainer, polling agent Trainer, Zila team, poll office
Public Meeting	61,50,000	Public meeting of senior leaders & video conference
Staff expenditure	14, 66,000	Nov & Dec. 2008
Housing & Admin. Expenditure	27,4463	Nov & Dec. 2008
Misc.	24,40,096	Trainers, Zila team, office expenditure of Nov & Dec.08
<b>Total</b>	<b>3,60,26,975</b>	

Dated: 31 March 2009

Source: Bangladesh Election Commission, 2010

**Table 3**

**Statement of the 2008 electoral  
expenditure of the Bangladesh Nationalist Party (BNP)**

<b>Sector of Expenditure</b>	<b>Amount of expenditure (taka)</b>
Grant to candidate	12,000,000
Campaigning	18,452,500
Conveyance	6,302,750
Public meeting	1,310,450
Staff expenditure	1,887,250
Housing & admin. expenditure	4,724,550
Misc.	272,500
<b>Total</b>	<b>4,49,50,000</b>

Dated: 31 March 2009

Source: *Bangladesh Election Commission, 2010*

**Table 4**

**Statement of the 2008 electoral expenditure of the Jatiya Party**

<b>Sector of Expenditure</b>	<b>Amount of expenditure (taka)</b>
Grant to candidate	N.A
Campaigning	3,30,000/-
Conveyance	3,43,000/-
Public meetings	N.A
Staff expenditure	3,76,000/-
Housing & admin. expenditure	N.A
Misc.	3,18,000/-
<b>Total</b>	<b>13,67,000/-</b>

Source: *Bangladesh Election Commission, 2010*

**Table 5**

**Statement of the 2008 electoral  
expenditure of Bangladesher Communist Party**

<b>Sector of Expenditure</b>	<b>Amount of expenditure (taka)</b>
Grant to candidate	5,24,000/-
Campaigning	5,37,305/-
Conveyance	37,248/-
Public meeting	3,246/-
Staff expenditure	—
Housing & admin. expenditure	55,762/-
Misc.	4,705/-
<b>Total</b>	<b>11,98,266</b>

Dated: 30 March 2009

Source: *Bangladesh Election Commission, 2010***Table 6**

**Statement of the 2008 electoral expenditure of Bangladesh Jamaat-i-Islami**

<b>Sector of expenditure</b>	<b>Amount of expenditure (taka)</b>
Grant to candidate	55,95,000/-
Campaigning	13,90,154/-
Conveyance	2,59,779/-
Public meetings	—
Staff expenditure	—
Housing & admin. expenditure (stationery & telephone)	— 14,3,780/-
Misc. refreshment etc.	83,695/-
<b>Total</b>	<b>74,72,408/-</b>

Dated: 30 March 2009

Source: *Bangladesh Election Commission, 2010*

**Table 7****Statement of the 2008 electoral expenditure of Bangladesher Workers Party**

<b>Sector of expenditure</b>	<b>Amount of expenditure (taka)</b>
Grant to candidate	3,30,000/-
Campaigning	3,50,000/-
Conveyance	60,000/-
Public meetings	2,95,000/-
Staff expenditure	50,000/-
Housing & admin. expenditure	1,05,000/-
Misc.	45,000/-
<b>Total</b>	<b>12,35,000</b>

Dated: 30 March 2009

Source: *Bangladesh Election Commission, 2010*

There is always a gap between theory and mode of observance of rules and regulations, especially in countries like Bangladesh. Such gap as well applies with regard to strict adherence to the provisions made in the RPO on the electoral practices and disclosure by the registered political parties and candidates. In the case of the 9<sup>th</sup> parliamentary election, it was observed that in the pre- and post-poll period honouring the RPO provisions the political parties and candidates submitted their electoral expenditure statements along with accounts reports to the Commission but in a number of cases suspicions were expressed by the quarters concerned regarding their reliability and all-inclusiveness. At the party organization level there had been deficiency in upholding standards in matters of appropriate record keeping of accounts and proper auditing of the financial statements. The parties in Bangladesh are yet to abide by the RPO provisions to make the whole financial process transparent and more lawful. The Election Commission also has not been seen equipped with appropriate devices or remain very prompt or institutionally prepared for its oversight responsibilities and scrutinize or assess the electoral and non-

electoral expenditures as well as funding procedures of the parties and their candidates.

## **Conclusion**

Political parties require sufficient resources and funding for effectively running their daily affairs, managing organizational activities, arranging party political programmes, preparing for electoral politics and conducting campaigns. In order to make these matters meaningful, accurate and precise, a transparent finance system is essential and has no alternative. Efficiently establishing a proper political funding culture has indeed been a challenge for any democracy. In consolidated democracies since the middle of the last century different steps and mechanisms have been introduced in political party finance offering state funding and demanding responsibility and accountability of the party organizations by means of legislation and appropriate disclosure regulations. A number of developing democracies have also taken legislative and institutional measures in this respect and employed oversight mechanisms to review the funding, financial and spending process, campaign limits, disclosure, expenditure report requirements and the like. Despite the presence of legal and related provisions, the scenario does not project positive accomplishments in these countries, including Bangladesh.

In Bangladesh until recently there was no law regarding political parties and in the absence of enforcement of existing regulations, the whole matter of financing had been characterized by ambiguity, secrecy, questionable sources of donation, improper means, other corrupt practices and lack of transparency and accountability. The provisions adopted in the recently amended RPO has been a great step forward making registration of political parties with the Election Commission mandatory together with rules on political funding and reporting.

However, as observed, owing to the persistence of non-conducive political culture and intra-party structural relations characterized by absence of democratic practice and authoritative control of top party leadership and at the same time weak supervision of the regulating authorities and watchdog agencies translating the legal measures into reality has been difficult.

In Bangladesh, in order to construct a proper political funding system commensurate with good governance and sound democratic order the following measures deserve special consideration:

In the context of questionable fund-raising and campaign funds of parties, it is imperative to offer public funding for parties to equalize the opportunities for all parties and candidates. A system of state funding as such for political parties can be introduced for assisting the parties to meet their election expenses and other regular expenditures. This is necessary for making party functioning accountable and that in turn can contribute largely to the organizational capabilities of the parties, reduce gaps in electoral campaigns of the competing candidates, democratize the nomination process, curb political opportunism and ensure transparent financial procedures.

Regarding state funding it is advocated that a certain portion of the national budget should be allocated for financing the parties and the parliamentary structures can be involved in this process and thus the public accounts committee assisted by the office of the comptroller and auditor general can have the responsibility to examine the audited accounts of the political parties. Since legal sources of income and state assistance can help check private interests seeking to buy influence within the parties the process of funding should be as transparent as possible.



State funding should be made available to those parties receiving certain percentage of votes in the general elections. The parties eligible for state funding should also be given minor tax advantages and media assistance. Public grants and direct funding can also be considered for electoral purposes. Similarly, party support, secretariat and logistic support can be an additional offer. Like in Britain, indirect funding in the form of free postage for party candidates, free use of halls and broadcasting facility can be introduced. Parties should also receive assistance for holding their conventions and other intra-party functions.

The Election Commission and authorized institutions should have appropriate mechanisms to guard against any violation of the RPO by the parties and candidates. The relevant authority should be empowered to stop the use of unaccounted or black money and should verify the income and expenditure. Relevant structures within political party organizations also need to be strengthened in order to supervise their own financial activities, prevent financial misdemeanours, and comply with the requirements of professional record keeping, accounting, auditing and reporting. Additional important steps are: external monitoring of party accounts and audit procedures; open acceptance of donations from business organizations and individuals with proper receipts; publication of audit reports that should be available for open inspection; and disseminating information through the internet and websites.

Concerted activism of the civil society, citizen groups and their organized movements can be an instrumental in pressurizing the political parties to implement the RPO measures of disclosure and accounts procedures. These significant forces can thus provide impetus for reforms from within the party organization and from outside. Unless party structures are democratic in nature

and financially responsible they can hardly contribute to the institutionalization of democracy. Regular conduct of research activities and holding of seminars on party affairs including structural reforms in political finance are required. Strict sanction measures, periodic review, and constant public oversight by the external stakeholders including the civic bodies and the media can play a significant role in guarding against any illicit financing. Application of ethical standards in political financing is greatly needed. Advancing effective legislation on political funding by the relevant strata is imperative. Increasing role of the representative bodies, more specifically the parliament and its standing committees, and proper judicial structures are essential requirements for mitigating corruption of various sorts in political funding and for blocking the infiltration of plutocrats in party affairs and politics.

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# CONTENTS

<b>Introduction</b>	<b>1</b>
<b>Significance of political funding</b>	<b>4</b>
<b>Theoretical viewpoints</b>	<b>6</b>
<b>Practice of party financing</b>	<b>8</b>
<b>Debates on public funding</b>	<b>9</b>
<b>Case against public funding</b>	<b>9</b>
<b>Case for public funding</b>	<b>10</b>
<b>Practices in the established democracies</b>	<b>12</b>
<b>Political financing in developing countries</b>	<b>15</b>
<b>Bangladesh scenario</b>	<b>15</b>
<b>Extent of disclosure in political funding</b>	<b>19</b>
<b>Conclusion</b>	<b>31</b>
<b>Notes and References</b>	<b>34</b>