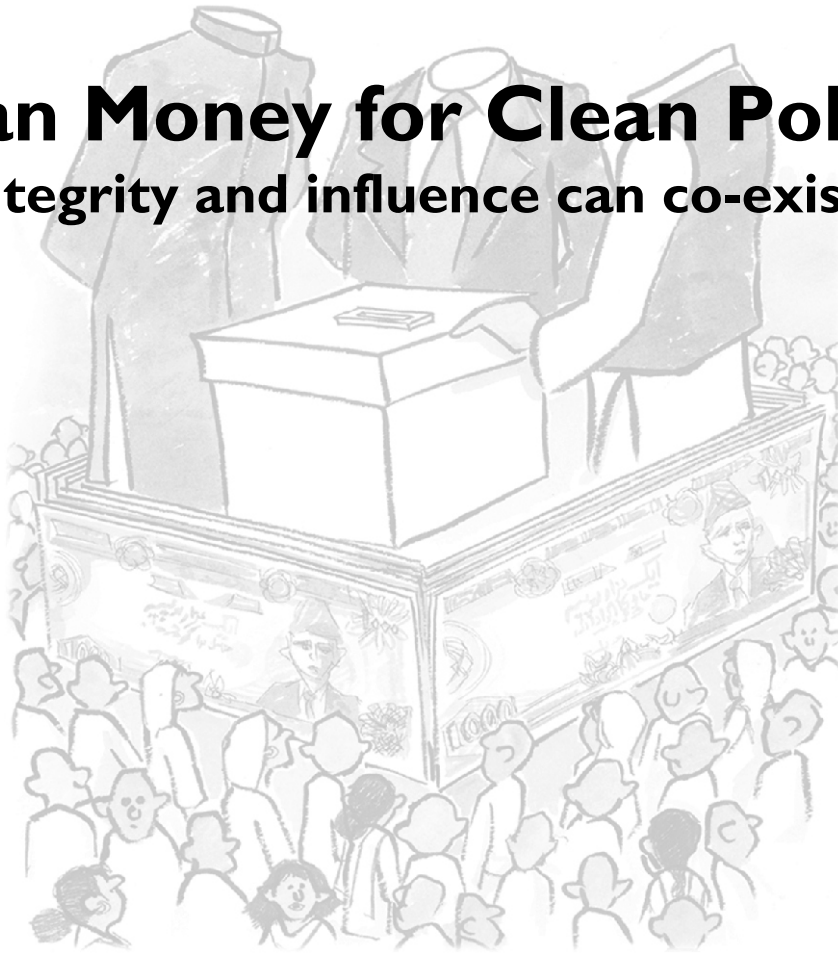


Clean Money for Clean Politics

Integrity and influence can co-exist?



Centre for Civic Education Pakistan

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Political funding reforms are possible?

In contemporary democracy discourse the issues related to impact of money on politics are attracting debate and discussion. The focus is to figure out workable solutions. This is important to restore citizens' trust in the nation's political processes and check the odd practices that often deteriorate democracy in to plutocracy marred with exclusions of those with modest means.

These efforts and endeavors are based on an assumption that disclosure of campaign and political party finance and elements of transparency are the cornerstone upon which all other attempts to control money in politics rest. This is also crucial to the legitimacy of elected officials and political processes.

There cannot be two opinions that money in politics is important. It is like a mother's milk. Without it, competitive multi-party democracy would cease to function. However, the risks that call for urgent mitigation are uneven playing fields, unequal access, co-opted politicians and tainted politics.

In political parties finance reforms discussions at least six approaches for checking and controlling the role of money in politics are: contribution limits, contribution bans, spending limits, campaign time limits, public disclosure and public financing.

Reform Approaches to Check Money in Politics

Approach	Method to Implement	Expected Outcome	Potential Risks
Contribution Limits	Legal cap on contributions	Less funding, check on massive underhand donations	Possibilities of disguised or unaccounted donations
Contribution Bans	Law excluding certain contributors	No illegal contributions	New organizations or "front person/fake names" recruited to circumvent bans
Spending Limits	Legal cap on spending	Less expensive campaigns	Disguised over-spending
Campaign Time Limits	Legal cap on campaign period	Less money required	Off-season campaigns
Public Disclosure	Law requiring timely financial reporting	Honest reporting and public accountability	Dishonest reporting and untimely information
Public Financing	Various options (as explained below)	Less corruption and lower election costs	Little effect on private fundraising or reliance on large donors
Money to parties	Disbursement based on percentage of votes or seats won in last election	Curtailment of private funding	Secret pursuit of private funding
Money to candidates	Disbursement based on percentage of votes or seats won in last election	Curtailment of private funding	Continued pursuit of private funding
Tax incentives	Taxpayer deductions and credits	More smaller donors	Little public interest
Free or discounted broadcast media	Government provision or low-cost private provision	Equal air time	Persistent incumbent advantage
Other subsidies	In-kind products and services (free mail, subsidized office etc)	Less expensive campaigns	Persistent incumbent advantage

Source: *Money in Politic Handbook: A Guide of Increasing Transparency in Emerging Democracy*, USAID Office of Democracy and Governance, 2003

There is no miracle formula for the best results. May be a combination of these approaches for controlling the abuse of money in politics can be a best solution. Nevertheless these models offer sufficient reform menu. Interestingly some of them are part of political party related laws and rules in Pakistan.

However unnecessary secrecy prevalent in various societies including Pakistan regarding political party and political campaigns finances often eclipses the chances of a free and fair political competition besides depriving the public of the basis for informed debate and discussion.

It is not easy to determine how money in politics is a problem, there is no single systematic methodology for approaching the issue as the situation in every country is unique. Adherence to framework that defines the nature, extent of the problem and associated risks along with examining the legal framework, enforcement mechanisms and prevailing practices can help assess the extent and intensity of the problem.

The nature of funding shapes the dynamics of political processes in a society. The increasing use of money in politics has led to growing public cynicism. The decreasing level of public trust in the political process can be gauged from the decreasing percentage of voters turn out in various elections. Increasingly this realization is emerging that only clean money can help promote clean politics and restore trust of common people in politics as a nation building process.

Democracy thrives on political parties which in order to exist, organize campaign, and communicate with the electorate require resources. The cost of running a successful political party has considerably risen over the past few years. The cost of communication with the advent of technology has increased and now functional parties have to maintain websites and run advertisements on media channels - newspapers, radio, TV, and cable networks - to communicate with voters. Parties need permanent staff, well run secretariats and sufficient amount of money to run both electoral and routine campaigns to mobilize public opinion and to convey their message to the voters. Candidates need money for electoral campaigns. The cost of communication also goes up in countries like Pakistan where majority of the population lives in rural areas and political parties and candidates have to use a variety of traditional and non-traditional ways to reach to diverse groups of people with varied lifestyles and standards.

If figures of annual income and expenditure submitted by political parties to the Election Commission of Pakistan are to be believed in then almost all parties are floating with very fragile funding base with the richest party having only PKR 20 million that is not sufficient for writing a four rupees letter to its supporters in a year. Presently, several political parties in Pakistan rely on their leader's pursue or bank on a highly secretive, often coercive and centralized system of donations. Ruling parties in Pakistan rarely hesitate to abuse development budgets, secret funds and state administered religious handouts like *zakat* and *Baiatul Mal* funds. Some parties resort to *bhatta* (extortion) to raise their funds.

The prevailing funding practices deteriorate democracy into plutocracy where space in politics for people with limited financial resources is shrinking and the political parties have become

private limited companies, owned by a few influential persons at political stock exchange and rely only on potential investors. The suit case politics in 1970s and brief case politics and stories of *Mehran-gate* in 1990s reveal that intelligence agencies also dole out taxpayers resources to fix politics of Pakistan.

Political activity is a noble endeavor, and should be funded legitimately. Information is oxygen for democracy and policy of disclosure about funding, both by the giver and the recipient increases trust in political process. Transparent funding help differentiate among money for politics, money in politics, political money and politicians money. Reasonable ceilings to cover political expenditures serve as defining boundaries and clarify the cost of participation to interested competitors. The laws to disclose MPs assets and incomes, including that of his/her family members, serve as an effective check on those who abuse political power for personal gains.



Why citizens should invest in politics?

It is in the interests of the citizens to invest through a variety of ways in political parties and ensure transparency and democracy in which they are important players. A political party, as an organized platform of citizens, raises their issues and is the most appropriate vehicle for democracy. These vehicles of public voices require investment of time, energy and most importantly of human and financial resources.

Voluntary investment in political parties ensures that:

- Monopoly of rich people over politics is checked
- Corruption in politics is checked and controlled
- It gives every citizen a practical chance of contesting elections if s/he so desires and his/her chances of being nominated as the party's candidate in the indirect election for Senate, district and *tehsil nazim* (Mayor) etc are increased
- It promotes vigorous and functional political parties which in turn strengthen

democracy in a country

- Funding political parties increases voters' ownership and thus counters the growing disillusionment and apathy
- It encourages grass roots participation and discourages toll gating

Political parties articulate and represent public opinions and elected members of the parliament raise voice for safeguarding people interests. History is witness to the fact that efforts to run state affairs without political parties in Pakistan have always ended in dismal failure. Due to this fact, the four military regimes that Pakistanis saw finally reverted to controlled and guided democracy in the quest for legitimacy. 'Basic democracy' of General Ayub Khan and 'Islamic democracy' of General Ziaul Haq were the efforts to appease popular sentiments.

'Sustainable democracy' of General Pervez Musharraf is also not different from the two previous experiments with democracy. All the three military dictators patronized and promoted their own factions of Pakistan Muslim League to block the way of normative political forces.

This report attempts to examine the global experience of using various methods of political parties funding and whether there can be any ideas for Pakistan to reform its present system of political finances? We, in Pakistan, are not conducting this debate in isolation. The issue has arrested the attention of policy makers in many democracies because as a net result of several distortions elections have lost their real meaning as far as the people are concerned. Voter turnout rates are low and it is popular to express disinterest in politics. It is often tempting to blame the illiterate and poor citizens for this plight of our democracy. However, in reality it is the democratic vigor and enthusiastic participation of the countless poor and illiterate voters, which has sustained our democracy so far.

However, most people have realized with experience in the present scenario that the outcome of elections is of little consequence to their lives in the long run. Therefore, many poor citizens are forced to take a rational decision to maximize their short-term gains. As a result the vote has become a purchasable commodity for money. Quite often it is a sign of assertion of primordial loyalties of caste, religion, group, ethnicity, region or language. Political corruption scandals have also contributed adversely to this trend of disillusionment.

Most of the Western democracies have introduced legislation attempting to regularize and subsidize political funding in a variety of ways such as:

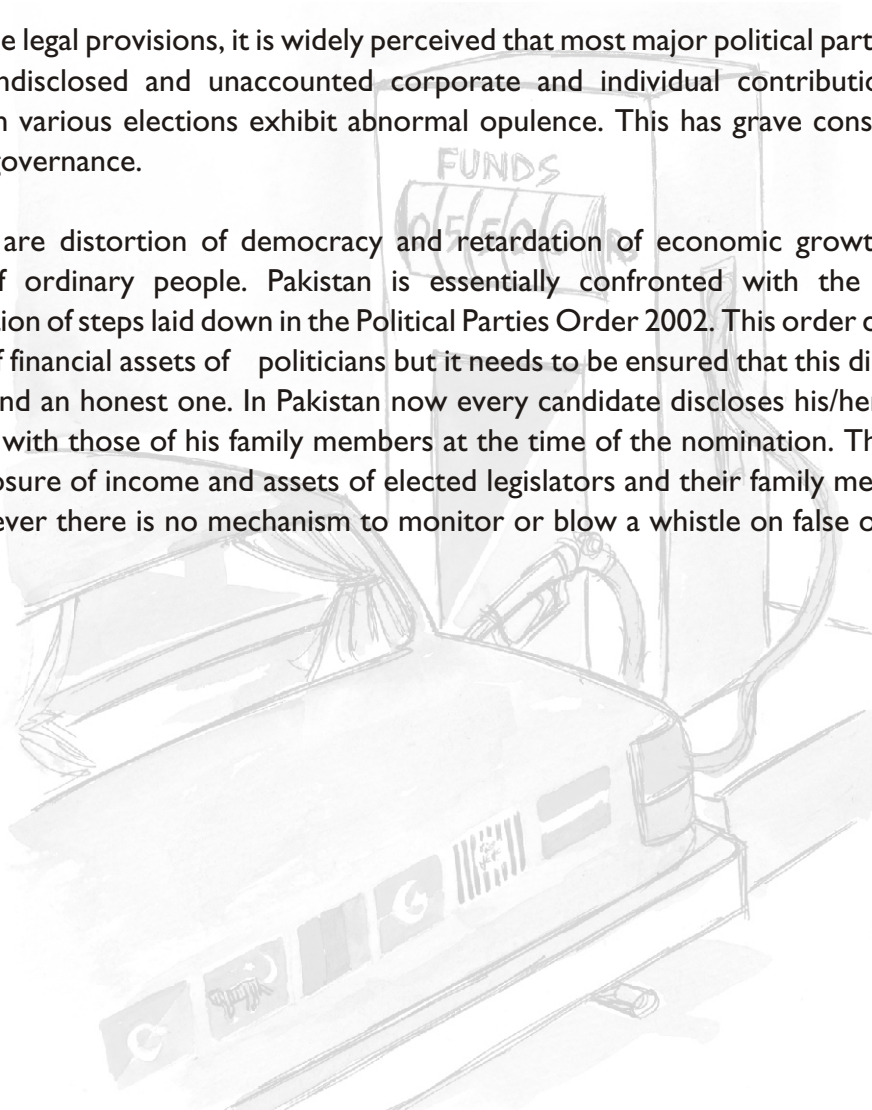
- Limits on expenditure i.e. setting ceilings on permitted spending by candidates
- Limits on contributions i.e. restrictions on the amounts an individual is permitted to donate to a political party or candidate
- Disclosure regulations i.e. candidates and political parties have to declare their assets and make public their financial statements.
- Public funding i.e. financing political parties and electoral processes through taxpayers' money.

Some of these measures except public funding have also been introduced in Pakistan under the Political Parties Order 2002. According to Political Parties Order 2002, the parties are supposed to keep record of their membership and contributions made by members or supporters. The PPO-2002 prohibits any contribution made directly or indirectly, by any foreign government, multi-national or domestically incorporated public or private company, firm, trade or professional association. The law explicitly explains that the parties may accept contributions and donations only from individuals. Such contributions or donations include cash, kind, stocks, hospitality, accommodation, transport, fuel and provision of other such facilities.

All political parties in Pakistan have to come up with some cooked up figures by August 29 every year to fulfill a legal requirement of submitting an annual statement of income and expenditures. Article 13 of the Political Parties Order, 2002 and Rule 4 of the Political Parties Rules, 2002 require every political party to maintain its accounts indicating its income, annual expenditure, source of funds, assets and liabilities to be submitted to the Election Commission within 60 days after the end of a financial year. Election Commission rarely scrutinizes these claims and never blows a whistle.

Despite these legal provisions, it is widely perceived that most major political parties have been collecting undisclosed and unaccounted corporate and individual contributions. Similarly candidates in various elections exhibit abnormal opulence. This has grave consequences for society and governance.

The results are distortion of democracy and retardation of economic growth along with exclusion of ordinary people. Pakistan is essentially confronted with the challenge of implementation of steps laid down in the Political Parties Order 2002. This order calls for public disclosure of financial assets of politicians but it needs to be ensured that this disclosure is an exhaustive and an honest one. In Pakistan now every candidate discloses his/her income and assets along with those of his family members at the time of the nomination. The practice of annual disclosure of income and assets of elected legislators and their family members is also there. However there is no mechanism to monitor or blow a whistle on false or incomplete disclosure.



Political parties: floating with fragile funding

Looking at the annual audited accounts of all major political parties submitted to the Election Commission of Pakistan (ECP) it seems that all the parties exist on a very fragile funding base.

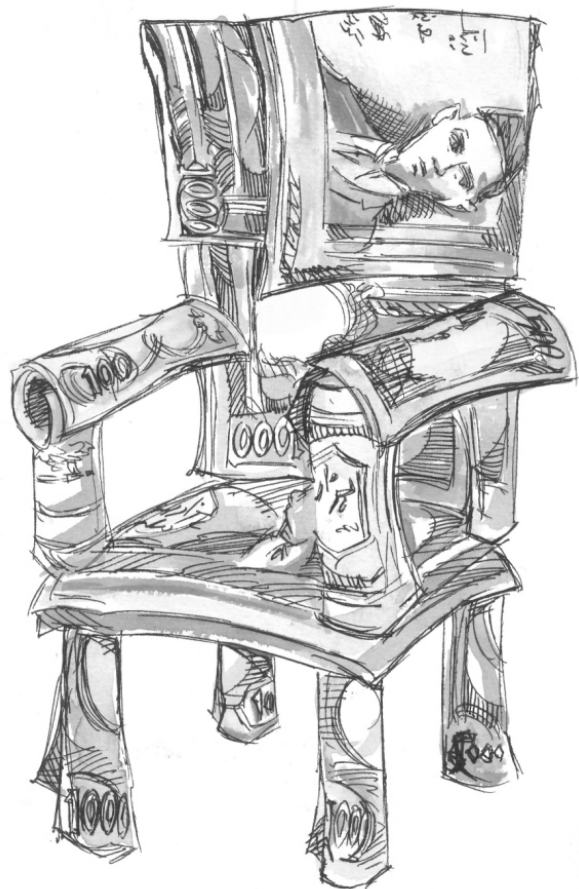
All political parties in Pakistan have to submit annual audited accounts to the ECP by August 29 every year to fulfill a legal requirement to qualify for an election symbol. Every political party is required to maintain its accounts indicating its income, annual expenditure, source of funds, assets and liabilities.

In 2003 for the first time through an official gazette, the ECP made public the accounts of 56 political parties. The ECP repeated the practice in 2004 and 2005 by making public the accounts of 59 and 45 parties respectively. This disclosure policy is a positive development as it may help initiate much needed debate on this important issue. Both the ECP and all political parties should take the initiative by putting this information on their websites in the interests of citizens to access this information to embark on a sustained and a meaningful debate on the subject.

According to the official gazette for 2004-5, the ruling party PML remains the richest party. Pakistan Muslim League (PML) started with an opening balance of PKR 1.6 million and was able to raise funds of PKR 21 million and spent PKR 15 million. Next to PML, the second richest party is the Markazi Jamiat Ahl-e-Hadith Pakistan who had an opening balance of PKR 162,206 and raised PKR 8.7 million and spent PKR 8 million. Interestingly, and confusingly, Markazi Jamiat Ahle-e-Hadith is a member of the six religious parties' alliance, Muttahida Majlis-i-Amal, yet its president is a Senator on a PML-Nawaz ticket!

The third richest party in the country, according to the official accounts, is Muttahida Quami Movement (MQM) who had opening balance of PKR 341,312 and raised PKR 6.3 millions. The annual expenses of the MQM were PKR 6.2 millions. Jama'at-i-Islami Pakistan's income during 2004-2005 was PKR 3.4 million and it spent PKR 3.8 millions.

In total forty five political parties submitted their accounts including fourteen who have representation in the national or provincial assemblies. However the accounts of five well



known parties with representation in either the National Assembly or the Provincial Assemblies: Awami National Party, Jamiat Ulema-i-Islam-F, Jamiat Ulema-e-Pakistan, Balochistan National Party and National Party are not mentioned at all in the official gazette. It is unclear as to whether this is an omission by the Election Commission or failure by the said parties to submit their accounts.

The Election Commission of Pakistan refused to accept the accounts submitted by Pakistan Peoples Party headed by Benazir Bhutto by saying: "This Party does not exist on the record of Election Commission." However the Election Commission did accept the PPP-Parliamentarian Group accounts. The PPP-P had an opening balance of PKR 1000 and raised PKR 579,075, spending only PKR 150,675 during the year.



The situation of other major political parties is as follows: Pashtoonkhwa Milli Awami Party (income PKR 2.5 million, expenditures PKR 2.3 million), Pakistan Muslim League-Nawaz (income PKR 1.9 million, expenditures PKR 1.9 million), Jamiat Ulema-i-Islam-Sami (income PKR 142,700, expenditures PKR 155,395) Pakistan Tehreek-e-Insaf (income PKR 2 million, expenditures PKR 1.7 million), PPP-Sherpao (income PKR 376,104, expenditure PKR 370,174) and PML-Functional (income PKR 500,000, expenditures PKR 395,000). Interestingly two parties namely: National Peoples Party and PML-F that supposedly merged with the ruling PML during the year have submitted their accounts separately. The question here is are these two parties separate entities or are they a part of the PML?

Among political alliances Mutahida Majlis-e-Amal (MMA) started with an opening balance of PKR 32,885 and raised PKR 600,000, spending PKR 631,574. Upon closer inspection, it becomes evident that Jama'at-i-Islami was the biggest donor to the MMA with a contribution of PKR 400,000. It seems the Alliance for the Restoration of Democracy (ARD) and Pakistan Oppressed Nations Movement (PONM) did not submit annual accounts.

This information is not merely a sack of statistics but it exposes the financial health of political parties in the country. With these kind of resources how can parties effectively reach out to over 70 million voters in the country, train their office bearers and committed workers in policy making, and other campaign and communication related tasks or run well equipped offices at national, provincial and local levels. If one takes at face value the details provided by the parties then with these kinds of resources parties can hardly write one letter to all their possible supporters and voters.

According to the audit reports, only five parties had to pay rent for their offices/secretariats. MQM pays the highest rent, PKR 624,000 per annum. Jama'at-i-Islami Pakistan spends PKR 25,000 per annum on rent. Pashtoonkhwa Milli Awami Party's rent is PKR 566,550, PKR 126,000 for Pakistan Tehreek-i-Insaf for its' Lahore office only, and PML ruling party pays PKR 66,000. It is difficult to understand the huge variation in rental costs claimed by some of the parties when you consider the costs most ordinary people have to pay for rental accommodation.

The total annual salary bill for full time and part time staff of eleven major political parties comes to just PKR 6.3 million, with PML paying out the most money for salaries. In terms of assets PML ruling party is worth PKR 34.4 million, PML-N PKR 24 million, Jamiat Ahle-e-Hadith PKR 22 million, MQM 1.5 million and Jama'at-i-Islami PKR 1.1 million.

This disclosure policy adopted in 2003 has started yielding results. The quality of financial reporting has improved and in 2004-5. Pakistan Muslim League-N has emerged as the only party who submit accounts for their provincial chapters. It would be good to see other parties adopt a similar practice.

Overseas branches of political parties:

Almost all Pakistani parties have active overseas branches. Pakistani expatriates have no voting rights however this culture of overseas party branches is much older than the exiled leaders' phenomena in Pakistani politics. Today, leaders of Pakistan Peoples Party, Pakistan Muslim League (N) Muttahida Quami Movement are living in exile. The overseas branches of political parties have three major responsibilities: fund raising, to arrange protest demo when in opposition and to arrange welcome receptions for leaders when in power and now to extend hospitality to exiled leaders.

Details of Parties Funds: 2004-2005

Party Name	Opening Balance	Income	Expenditures	Closing Balance	Value of Assets	Sources of Funds
Jamaat-e-Islami	473,201	3,429,700	3,837,684	65,217	1,139,137	Contribution from members and supporters
Mutahida Majlis-e-Amal	32,885	600,000	631,574	1,311	8,511	Contributions from members and supporters an Misc income
Jamiat-Olama-Islam (Sami)	44,047	142,700	155,395	31,352	Nil	Membership fee/subscription and donations
Muttahida Quami Movement	341,312	6,334,394	6,292,047	383,659	1,533,987	MQF and donations from Party workers
Pakistan Peoples Party Parliamentarian	1,000	579,075	150,675	429,400	Nil	Receipt during the year
PML (N)	Deficit of PKR 16,810	1,929,863	1,966,664	Deficit of 63,411	24,683,661	Subscription/donations from party workers/ parliamentarian
Pakistan Awami Tehreek	688,316	360,000	492,090	556,226	556,226	Subscriptions
Pakistan Tehreek-e-Insaf	7,373	2,000,570	1,792,451	215,492	150,000	Contributions by chairman/members/central executive members, friends and associates
Jamhoori Watan Party	117,807	142,530 Loan: 28,409	288,746	Nil	Nil	Subscriptions/donations from party workers/ parliamentarians/office bearers
PPP (Sherpao)	55,644	376,104	370,174	58,275	47,710 Liabilities 21,485	Donations/membership fee and party ticket fee
PML (Functional)	99,585	500,000	395,00	204,585	150,415	Donations from members of executive committee and other office bearers
Pakistan Muslim League	1,638,273	21,039,355	15,021,366	6,656,462	34,427,216 Liabilities 120,400	Membership fee/ donations from members/ MPA party fund/ bank profit
Pashtoonkhwa Milli Awami Party	Deficit 667,174	2,508,000	2,327,900	_(487,074)	Nil	Subscriptions from jirga members
Markazi Jamiat Ahl-e-Hadith Pakistan	162,206.50	8,773,901	8,007,550	928,557.50	22,496,952	Contribution/Party members donations

Source: Gazette of Pakistan, September 14, 2005 by order of the Election Commission of Pakistan

Details of Parties Funds: 2003-2004

Party Name	Opening Balance	Income	Expenditures	Closing Balance	Value of Assets	Sources of Funds
Jamaat-e-Islami	377,995	2,958,880	2,863,674	473,201	1,533,321	Contribution from members and supporters
Jamiat-Olama-Islam (F)	433,468	1,138,428	1,138,428	Nil	Nil	Donations, Iglas Umomi, matboat sale and Dastoor
Mutahida Majlis-e-Amal	133,862	66,000	166,977	32,885	40,085	Contributions from members and supporters and miscellaneous income
Jamiat-Olama-Islam (Sami)	32,185	253,000	285,185	44,047	Nil	Membership fee/subscription and donations
Muttahida Quami Movement	349,241	4,005,389	3,821,294	341,312	1,343,405	MQF and donations from Party workers
Pakistan Peoples Party Parliamentary	1,000	Nil	nil	1,000	Nil	Receipt during the year
PML (N)	64,659 and \$306	1,724,630	1,805,899	_(16,610)	24,683,462	Subscription/donations from party workers/parliamentarian
Pakistan Awami Tehreek	1,418,601	2,381,029	3,111,314	688,316	591,980	Subscriptions
Balochistan National Party	300	422,400	3,92,561	29,839		Subscription/donations from party workers/office bearers
Pakistan Tehreek-e-Insaf	518	846,000	839,145	7,373	150,000	Contributions by chairman/members/central executive members, friends and associates
Jamhoori Watan Party	87,655	240,000	255,763	117,807		Subscriptions/donations from party workers/ parliamentarians/ office bearers
PPP (Sherpao)	Nil	499,072	494,687	45,825	37,850	Donations/membership fee and party ticket fee
PML (Functional)	2,00,000	590,000	490,415	99,585		Donations from members of executive committee and other office bearers
Pakistan Muslim League	4,334,115	3,256,503	5,952,344	1,638,273	28,666,506	Membership fee/ donations from members/ MPA party fund/ bank profit
Pashtoonkhwa Milli Awami Party	Nil	2,700,000	3,347,174	_(667,174)		Subscriptions from jirga members
JUP (Noorani)	2,000	212,990	210490	4,500		Donations from party workers/supporters
Markazi Jamiat Ahl-e-Hadith Pakistan	422,081	4,582,997	4,842,871.5	162,206.5	18,575,899	Contribution/Party members donations

Source: Gazette of Pakistan, September 16, 2004 by order of the Election Commission of Pakistan

Major expenditures of parties (2004-05)

Name of Party	Office Rent (in PKR)	Salaries (in PKR)	Maximum expenditure on (in PKR)	Submitted Provincial offices statements	Submitted Audited Report	Biggest Source of Fund
Jamaat-e-Islami Pakistan	25,000	565,300	Tabligh-e-Din 1,010,378	No	Yes	Donations
Muttahida Majlis-e-Amal Pakistan	Nil	NIL	Publicity 466,715	No	Yes	Subscription
Muttahida Quami Movement	624,000	216,000	Meetings/Seminars/press conferences 4,282,668	No	Yes	M.Q. Fund
Jamhoori Watan Party	24,000	33,600	Party Foundation Day 76,200	No	No	Not elaborated separately
Pakistan Awami Tehreek	Nil	192,206	Staff Salaries 192,206	No	Yes	Not Elaborated separately
Pakistan Muslim League (F)	Nil	120,000	Staff Salaries 120,000	No	Yes	Donations
Pakistan Peoples Party (Sherpao)	Nil	82,800	Staff Salaries 82,800	No	Yes	Contribution from members
Pakistan Muslim League (N)	Nil	914,500	Staff Salaries 914,500	Yes	Yes	Donation from workers/MPs
Pakistan Tahreek-e-Insaf (Lahore)	126,000	436,960	Advertising 458,678	No	Yes	Not elaborated Separately
Jamiat Ulama-e-Islam (S)	Nil	15,500	Phone and Fax 63,571	No	Yes	Donations
Pashtoon Khwa Milli Awami Party	566,550 (central & 3 provinces)	90,000	Offices expenses 566,550	No	Yes	Subscription from MPs
Pakistan Peoples Party Parliamentarian	No details	NO details	Party Meetings 150,075	No	Yes	Not elaborated separately
Pakistan Muslim League	66,000	3,678,278	Salaries 3,678,278	Yes	Yes	Donations & MPA fund
Markazi Jamiat Ahl-e-Hadith Pakistan	No details	No details	Construction of building 2,916,673	No	Yes	Not elaborated separately

Source: Gazette of Pakistan, September 14, 2005 by order of the Election Commission of Pakistan

Income sources of Pakistani political parties

No	Name of Party	Membership Fee	Office bearers' subscription fee	Policy for Funds collection	Online donation
1	Awami National Party	Rs 5	Rs 25 monthly from members of the central council, Rs 50 monthly from members of the central working committee, and Rs 100 from observers before council or committee meetings	Membership fee and donations from ANP members and supporters	No online donation facility at www.anp.org.pk
2	Balochistan National Party	Rs 10	Not mentioned	Membership fee, donations from members and supporters, income from sale of party publications and literary, social and welfare activities	No website
3	Jamaat-e-Islami	Not mentioned in the constitution	Members shall compulsorily deposit their Zakat, Ushr and obligatory charity in party's fund	Sources of income: 1) Contribution, Zakat, Ushr and charity from members and supporters 2) subordinate funds 3) Profit from publications and bookshops 4) Money collected at party offices and gatherings 5) income from party properties and trusts dedicated to Jamaat	No online donations facility. Only appeal for donation to the party office, Mansoor, on www.jamaat.org
4	Jamiat Ulema-e-Islam (F)	Rs 10	Rs 50 annual membership of central council, Rs 50 annual for provincial council, Rs 25 annual for JUI district council, Rs 20 for tehsil council, and Rs 10 for primary council	Sources of Funds Membership fee Monthly and annual subscription Income from party properties Donations for JUI meetings Zakat, ushr, animal skins etc	Website www.jui.org.pak
5	Jamiat Ulama-e-Islam (Sami)	Rs 5 (Rs 3 annual fee mentioned in constitution)	Not mentioned	Sources of funds membership fee, monthly and annual subscriptions from members Income from party properties Donations for JUI meetings Zakat, ushr, animal skins etc	No website
6	Pakistan Muslim League	Rs 20 (to be determined by CWC from time to time)	Rs 100 fee before central council meetings, Rs 50 fee before provincial council meeting	Sources of funds: Membership fee All fees received from members of convention and councils Donations & contributions from members/supporters	Facility available at www.pml.org.pk But not very clear as how to donate online. Only asks for name, address and email and comes the donate icon then nothing happens

No	Name of Party	Membership Fee	Office bearers' subscription fee	Policy for Funds collection	Online donation
7	Pakistan Muslim League (N)	Rs 12 annually	Rs 100 before session of the central council, Rs 50 annual subscription fee of members of the provincial council	Sources of funds: Membership fee All fees received from members of convention and councils 3) Donations & contributions from members/supporters	No such facility on www.pmln.org.pk
8	Pakistan People's Party	Rs 5	Rs 15,000 annual fee from members of the Federal Council, Rs 18,000 annual fee from members of CEC, and Rs 12,000 fee from provincial office bearers	Sources of Funds Membership fee Subscription from office bearers	No such facility at www.ppp.org.pk
9	Pakistan Tehreek-e-Insaf	Members have to pay membership fee but no specified in its constitution	Not mentioned	Sources of funds membership fee shall be retained by provincial organization Fund raising activities to meet financial targets	Facility available at www.insaf.org.pk
10	Pashtoonkhwa Milli Awami Party	Members have to pay membership fee (amount not specified in its constitution)	Not mentioned	Sources of funds Income from sale of party's publications Donations from Party members, patriot and democracy loving citizens	No website
11	Muttahida Quami Movement	Membership fee (determined by Co-ordination Committee)	Not mentioned	Membership fee Voluntary contribution by members	No such facility on www.mqm.com
12	Jamhuri Watan Party	Not mentioned	Not mentioned	Membership fee, donations from members and supporters	No website

Sources: Constitutions of political parties and accounts submitted to the ECP.

The overseas branches are very effective in fund raising. Before the general election in 2002, overseas branches of Pakistan Awami Tehrik collected and sent a hefty amount of PKR 100 million. Other political and religious parties are also banking on funds of their overseas branches to meet their party expenses. However, a new political trend is emerging and people with loads of money earned abroad are returning to join active politics and several have staged political upset in the recent local government elections with their filled to the limits coffers and open generosity to votes buying.

Owing to resource scarcity black money in politics has become an odd reality of Pakistani politics. In the Global Corruption Report 2004, published by Transparency International, Pakistan figures in a category of states where investment in political parties can yield desired policy outcomes sought by the investors in the game. The report places Pakistan in the category

of the countries with 'medium political corruption' where the culture of irregular payments in government policy making, policy consequences of political donations and odd reality of illegal political donations exist.

Failures of political parties to evolve effective methods for raising necessary resources weaken them. Simultaneously unaccountable use of money severely distorts the electoral process and erodes citizen's trust that results in political alienation and apathy. Dedicated political volunteers are also becoming extinct specie and the concept of paid political labour is emerging.

Today, majority of the political parties are dominated by individuals of means who might directly contest elections or nominate people who would be able to further their interests. These individuals donate generously to the party coffers and pick up the tab of a number of election



related expenses. In this scenario, it is not surprising to encounter the dominance of vested interest, and on occasions criminalization of politics. The kind of exorbitant expenditures that are required during election time are not the one that a person of clean, limited and restricted means could foot.

There are laws that fix permissible limits on campaign but it is a widely acknowledged fact that the actual expenditures far exceed this amount. Following are the estimated expenditures of a campaign conservatively calculated by Centre for Civic Education after candid discussions with those who tried their luck in electoral politics:

Legally allowed and estimated actual election expenditure

Limit of expenditure for National Assembly	Rs.	1500,000
Limit of expenditure for Provincial Assembly seat	Rs.	1000,000
Candidature Fee to be deposited with Returning Officer	Rs.	4,000
Party ticket fee: Ranging from free to maximum	Rs.	30,000
Party donation (for publicity)	Rs.	100,000
45-days election campaign (3 rallies a day @ Rs. 15,000) per rally:	Rs.	2,025,000
Advertisements in newspapers/cable etc.	Rs.	200,000
Stickers/posters/banners	Rs.	100,000
Charities: (people give their bills etc. to be paid)	Rs.	200,000
Transport: 5 vehicles per day for 45 days @ Rs. 300 per vehicle	Rs.	6,750,000
Paid political workers/security guards etc: 50 @ Rs. 500 for 45 days	Rs.	1,125,000
30 offices in the constituency for 45 days @ Rs. 3,000 per day	Rs.	4050,000
<i>Election day expenditures:</i>		
Election camps: 250 x Rs. 2000 per camp	Rs.	500,000
Transport at least 40 vehicles @ Rs. 3000 per vehicle	Rs.	120,000
Grand total	Rs.	12,629,000

Local politics also suffer:

The local government elections, process concluded in October 2005 has made the local politics a game of millions. Wealth waves jolted the country political landscape. Buried beneath the rubbles and ruins are; hopes of ordinary individuals about good governance at the local level and passion plus commitment of genuine political breed that already is increasingly becoming an extinct specie.

During all three phases of so-called non-party based local elections, opulence of many candidates and an active involvement of parties especially the ruling parties were evident. Offers of cheap plots from property dealers who opted to jump in local politics to a modest gift like cell phones were distributed to win votes. Many candidates placed colorful advertisements in national newspapers along with publishing their posters and stickers. Flex banners and huge hoardings, each costing 15,000 to 50,000 rupees were seen all around. Paid political broadcasts were also visible on private television channels and on local cable networks. The costs of these verifiable campaign materials go beyond the legally prescribed limits for election expenditures by the Election Commission of Pakistan.

The National Accountability Bureau placed couple of advertisements to warn citizens about the influence of money in politics particularly the black money. These adverts failed to block the way of filthy rich. Modest calculations reveal that on average the post of district nazim cost PKR 10

to 50 million varying according to the composition of the district i.e. number of union councils. All these aspects have decreased citizen's trust in the power of their vote as an instrument of political change.

Another trend during these elections was the downward flow of political talent from the national Parliament and provincial legislatures to the local governments. Many tried their luck but five members of the National Assembly and an equal number of provincial legislators opted to become district *nazims* (Mayor). Usually, the local level institutions serve as nurseries to groom and offer talent upwards to the provincial and national legislatures. A careful dissection of this reality in the age of donor driven devolution reveals that the level of articulation of ethnic interests and culture of patronage politics has lowered down from the traditional provincial tier to the local level. The districts are now regarded as the most fertile ground for carving patronage dens and offer lucrative tenders to cronies.

Earlier similar jolts were felt on country's political landscape in 1985 when non-party based general elections cropped up a new breed of neo-rich politicians. Curse of development fund was created to cement the loyalties of this new breed. That converted the country into a graveyard of hopes and many stories of abuse of development funds plagued the political culture. At that time plutocrats invested lavishly on their election bids and then consumed all their energies and time to recover their investment with a premium. The speed to recover political investment accelerated when assemblies were dissolved after every two and a half year. Many of those

Right of Association

Every citizen shall have the right to form associations or unions, subject to any reasonable restrictions imposed by law in the interest of sovereignty or integrity of Pakistan, public order or morality.

Every citizen, not being in the service of Pakistan, shall have the right to form or be a member of a political party, subject to any reasonable restriction imposed by law in the interest of the sovereignty or integrity of Pakistan or public order and such law shall provide that where the Federal Government declares that any political party has been formed or is operating in a manner prejudicial to the sovereignty or integrity of Pakistan or public order, the Federal Government shall, within fifteen days of such declaration, refer the matter to the Supreme Court whose decision on such reference shall be final. Provided that no political party shall promote sectarian, ethnic, regional hatred or animosity, or be tilted or constituted as a militant group or section.

Every political party shall account for the source of its funds in accordance with law.

Every political party shall, subject to law, hold intra-party elections to elect its office-bearers and party leaders.

Article 17, Chapter I-Fundamental Rights, Constitution of Islamic Republic of Pakistan-1973



who entered political scene in 1985 by now have successfully fortified their small political fiefdoms. As a result issues based politics and pro-people parties are slowly but surely dying. Today districts have been distributed among influential ones to lure their loyalties for so-called sustainable democracy of present regime. And if more were in queue then the required, new districts have been created. Once again it is feared that diseases like kleptocracy, nepotism, and favoritism at taxpayer's expense will spread at district level. Can citizens do any thing to contain these epidemics?

Position of political parties on funding reforms:

Pakistan Muslim League: Election Manifesto 2002

- Appropriate legislation shall be introduced for funding of political parties by companies, societies, public bodies or individuals.
- It shall be ensured that the election expenses allowed are adhered to through appropriate monitoring mechanism established to keep expenditures within limits. Those exceeding the prescribed limits shall be dealt with appropriately
- Elected members shall be subject to 'conflict of interest legislation' on business activities or in case where any interest pertaining to a member is involved.
- Assets of elected representatives shall be disclosed as a public record

Political Party Order-2002

Funding related clauses

Article 13 of Political Parties Order, 2002, reads:-"Information about the sources of party's fund.

- (1) Every political party shall, in such manner and in such form as may be prescribed or specified by the Chief Election Commissioner -submit to the Election Commission within 60 days from the close of each financial year, a consolidated statement of accounts of the party audited by a chartered accountant containing- (a) annual income and expenses; (b) sources of its funds; and (c) assets and liabilities.
- (2) The statement referred to in clause (1), shall be accompanied by a certificate signed by the party leader stating that (a) no funds from any source prohibited under this Order were received by the party; and (b) the statement contains an accurate financial position of the party."

Legally speaking, political parties in Pakistan can raise their funds through the membership fee and individual voluntary contributions made strictly by Pakistani citizens. According to Political Parties Order 2002, the parties are supposed to keep record of their membership and contributions made by members or supporters. The PPO-2002 prohibits any contribution made directly or indirectly, by any foreign government, multi-national or domestically incorporated public or private company, firm, trade or professional association. The law explicitly explains that the parties may accept contributions and donations only from individuals. Such

- Special TV Channel shall be set up to cover the proceedings of Parliament live

Pakistan Muslim League (N): 2002 Election Manifesto

- A permanent National Commission for Democracy shall be established that will work for strengthening of democracy in the country and promote democratic tolerance. The commission will also give funds to political parties on the basis of their seats in Parliament for party development and political education
- A conflict of interest law shall be passed

Pakistan Tehreek-e-Insaf: 2002 Election Manifesto

- To reduce the influence of money, ban transportation of voters by private transport on polling day. An estimated PKR 1.3 billion was spent on private transport on the election-day in 1997. Polling stations should be set up in such a manner that no voter has to travel more than 2 kilometers to reach his/her polling station.
- Formulate and enforce a fair and equitable policy of allocating broadcast/telecast prime time for political parties on the state run electronic media.
- Formulate a policy of state-funding of election expenses incurred by all recognized political parties.

All other political parties are silent on political funding reforms.

contributions or donations include cash, kind, stocks, hospitality, accommodation, transport, fuel and provision of other such facilities.

Definitions:

- (c) “foreign-aided political party” means a political party which-
- (i) has been formed or organised at the instance of any government or political party of a foreign country; or
 - (ii) is affiliated to or associated with any government or political party of a foreign country; or
 - (iii) receives any aid, financial or otherwise, from any government or political party of a foreign country, or any portion of its funds from foreign nationals;

6. Membership fee and contributions.-

- (1) A member of a political party shall be required to pay a membership fee as provided in the party's constitution and may, in addition, make voluntary contributions towards the party's funds.
- (2) The contribution made by members or supporters of any party shall be duly recorded by the political parties.
- (3) Any contribution made, directly or indirectly, by any foreign government, multi-national or domestically incorporated public or private company, firm, trade or professional association shall be prohibited and the parties may accept contributions and donations only from individuals.
- (4) Any contribution or donation which is prohibited under this Order shall be confiscated in favour of the State in the manner as may be prescribed.

Explanation. - For the purpose of this section, a “contribution or donation” includes a contribution or donation made in cash, kind, stocks, hospitality, accommodation, transport, fuel and provision of other such facilities.

Global experiences: mechanisms to check money in politics

Experience worldwide shows the immense difficulties in installing an effective system of party funding that will not be open to abuse. Many countries have experienced malpractice in public procurement that provided kickbacks for party funding, as well as a plethora of other improper channels involving state-owned enterprises, privatization, and the leverage afforded by appointments and control rights at all levels of government.

However, international experience also shows that regulation of party funding can be effective if well-designed, backed by effective sanctions, and accompanied by a parallel diffusion of appropriate ethics and norms. Ultimately they are the committed politicians and citizens who have asserted the principles that should govern party financing and have driven through new laws and regulations. These rules need oversight, enforcement, and monitoring. This requires reliable judges or electoral authorities and an active investigative press. In some cases, the shame and electoral consequences of political exposure have proved effective.

There is no single prescription for success, as party financing rules have to operate in an environment of institutions and degrees of rule-respect that varies across countries, but many countries have found a selection of the following mechanisms to be helpful.

Leave a paper trail: Ensure that all donations and other sources of party revenue are made public, that donors and the amounts of their donations are identified in the public record, and that candidates disclose links to lobbyists, as well as sources, types, and amounts of support, both before and after elections. Expenditures and their purposes should be similarly published and available for audit.

Ban the use of state resources for political purposes: Parties in government should not use state funds, postal services, cars, computers, or other assets for political purposes or in election campaigns.

Limit expenditures: Make party politics as inexpensive as possible. Usually the demand exceeds the supply of funds, leading to a search for funding that may breach legitimate frontiers. There is a lot to be said for reversing this relationship by mechanisms used in a large number of Western European and other countries: (i) allocating free time slots on TV and radio to qualifying political parties, with no additional time allocation permitted; and (ii) imposing legal limits on spending, with actual expenditures subject to audit and to effective sanctions in the case of breaches of the limits.

Consider public funding: Many countries have established partial public funding, recognizing that political parties play a public interest role: they make an essential contribution to political contestability and the decentralized expression of diverse values and interests. Public funding reduces the scope for private interests to “buy influence” and can also help reinforce limits on

spending, because of the electorate's resistance to excessive public expenditure.

Build public service neutrality. Ensure that the public service is politically neutral and that public servants are neither allowed nor required to make contributions to political parties as a way of obtaining public sector employment. This will contribute to a meritocratic public service that will resist party bias and will encourage decision-making in the public interest.

Limit types of donors: Some countries have outlawed donations from both public and private sector companies, such as France since 1995, or foreign donations.

Ensure oversight: Set up a powerful and independent Electoral Commission or Court to be responsible for the integrity of all issues regarding party finance and electoral rules. Such commissions have been set up in Canada, Ireland, and South Africa.

Transparency: Transparency via public scrutiny has proven to be one of the most powerful forms of monitoring public officials. Such transparency can be fostered by a number of measures, including: opening sessions of the parliament, government, and the courts to the public; registering lobbying activities; and publishing the voting records of parliamentarians, annual reports of government bodies, trial records, and the decisions of judges. A free and vibrant media is another important factor in making transparency work for the general public.

Rules and legal instruments: There is a range of legal instruments as well as agency-specific rules which can be effective in deterring corrupt behavior. Ethics codes, regulations on lobbying, disciplinary committees, prohibitions on and disclosure of conflict of interest, including the receipt of gifts and other benefits received from private resources, asset declaration laws, procurement laws and party financing laws are amongst the most prominent ones. Freedom of information laws, whereby citizens can demand the disclosure of information regarding government activities and a whistle-blower protection law in order to encourage the reporting of corruption cases can further reinforce the impact of increased transparency on accountability. To be fully effective, however, such laws need oversight and implementation bodies.

Transparency International's Standards on political party finance and favors

The Transparency International (TI) Standards on Political Finance Favors are based on the values of integrity, equity, transparency and accountability. They arise out of concern about the influence of money and favors in politics, which undermines democratic processes and the rule of law. They are presented against the background of an international commitment to countering corruption expressed in the UN Convention against Corruption, and they are anchored in the global recognition of human rights endorsed in the Universal Declaration and related conventions.

1. Curbing influence peddling and conflicts of interest

Donation to political parties, candidates and elected officials should not be a means to gain personal or policy favors or buy access to politicians or civil servants. Parties and candidates must themselves practice transparency and demonstrate commitment to ethical standards in public life. Governments must implement adequate conflict of interest legislation, including laws that regulate the circumstances under which an elected official may hold a position in the private sector or a state-owned company.

2. Transparency through disclosure and publication.

Political parties, candidates and politicians should disclose assets, income and expenditure to an independent agency. Such information should be presented in a timely fashion, on an annual basis, but particularly before and after elections. It should list donors and the amount of their donations, including in-kind contributions and loans, and should also list destinations of expenditure. The information should, subject to consideration of demonstrable security risks to donors or recipients, be made publicly available in a timely manner so that the public can take account of it prior to elections.

Furthermore, publicly held companies should be required to list all donations to political parties in any country in their annual reports to shareholders and consideration should be given to requiring shareholder approval for such donations.

3. Effectiveness in the enforcement and supervision of regulatory measures

Public oversight bodies must effectively supervise the observance of regulatory laws and measures. To this end, they must be endowed with the necessary resources, skills, independence and powers of investigation, together with independent courts, they must ensure that offenders be held accountable and that they be duly sanctioned. The funding of political parties with illegal sources should be criminalized.

4. Diversity of income and spending limits

Careful consideration should be given to the benefits of state funding of parties and candidates and to the encouragement of citizens' participation through small donations and membership fees. Consideration should also be given to limiting corporate and foreign support, as well as large individual donations. To control the demand for political financing, mechanisms such as spending limits and subsidized access to the media should be considered.

5. Fairness and integrity in access to the media

Candidates and parties should have fair access to the media. Standards for achieving balanced media coverage and media integrity must be established, applied and maintained. The media should play an independent and critical role, both in election campaigns and in the broader political process. Instruments such as conflict of interest legislation should be used to prevent political control of public and private media from creating a bias in the coverage of politics.

6. Civil society participation

Civil society should actively participate in promoting adequate legislation in the field of political finance and in the monitoring of political finance and its impact on political representation. The legal framework, both regulatory and institutional, must enable civil society organizations, in conjunction with independent media, to undertake such activities. This framework should also provide access to information, the opportunity for civil society input on pending legislation, and legal remedies, among other measures.

A case for public funding in Pakistan

Comparative international experience shows that public funding system has been implemented for different purposes in different countries. Some systems focus support on the election where political parties receive either up-front grants or financial reimbursement for expenses incurred during the electoral process. The major objective for public funding is to provide political parties with the necessary resources to participate in parliamentary politics. The term “Operational expenses” is used to cover these costs.

Most public funding systems attempt to balance the principles of proportionality and equity in distribution formula. The proportional strength of a political party is usually the prime determinant of how much funding is provided. However, the principle of equity also plays an important role in most countries. Different countries follow varied approaches to provide their own answers to the question of how to balance these two principles. Other critical issues in the establishment of a public funding system are: what percentage of the political party funding should be provided by public sources and what should be the eligibility criteria for public funding.

In Pakistani context the possible pre-conditions for public funding could be:

- An agreed definition of a political party and classification of political parties as a national (if active at least in two provinces), and a regional party (if working only in one province).
- Evolving some criteria to periodically assess the seriousness of a political party. (e.g. number of candidates fielded or percentage of votes gained in the last general elections)
- Parties conform to internal democratic norms to qualify for public funding. Especially the clauses of Political Party Order 2002 to ensure internal party democracy should be enforced effectively.
- Party candidates are selected democratically by members or their elected delegates. At least 10 per cent of the party tickets are awarded to women.
- Parties sign a Code of Conduct to agree on decriminalization of politics and make a public commitment for not to support military aberrations in future.
- Nationwide joint efforts to rectify defects in electoral rolls and elimination of voting fraud through introduction of voter identity cards and electronic voting system.
- Adherence to stringent enforcement, strict disclosure, scrutiny and penalty norms.

Risk: Advocacy for public funding can invite criticism that our politicians are already overfed by the system of patronage and why more money should be allocated? Simple answer to counter this climate of opinion could be that MPs are the custodians of nation's trillions and if they do not have to recover their investment with a premium then the chances are that they do not siphon off taxpayers money.

Options menu for Pakistan:

Some of the ideas for public funding in Pakistan are as follows:

For political parties

- PKR. 10 for per vote polled.
- Independent and party candidates to be treated on par as long as they pass the threshold

- of 5% of valid votes polled in the constituency to become eligible for public funding.
- Affirmative action for Balochistan where population is less and constituencies are difficult to be reached out.
- On the basis of legally raised funds system of matching grants could be introduced.
- Subsidies in kind such as tax cuts, media subsidizes etc can also serve to increase the actual amount of resources available to parties to carry out their work. Examples: Parties having representation in the National and provincial assemblies shall be given suitable rent-free accommodation to house their central and provincial secretariats. Three tollfree telephones with STD facility with a specified number of calls.
- Private contributions should be encouraged. It is important to mention here that the manifesto of three Pakistani parties i.e. the now merged Pakistan Muslim League-(Quaid), Pakistan Muslim League (Nawaz) and Tehreek i-Insaaf had pledged that funding of political parties by companies, societies, public bodies and individuals should be allowed. These contributions must be tax free so as to also serve as an incentive.
- All Contributions from individuals and corporate bodies can receive the benefit of 100 % tax exemption.
- All individual contributions to candidates or parties for political and election activity shall be 100 % exempt from income tax subject to ceiling of PKR. 10,000. Total ceiling on contributions from an individual to all candidates and parties put together shouldn't exceed PKR. 50,000 in a calendar year.
- 100 % tax exemption for all corporate contributions with a ceiling of 5 % of the net profit but not exceeding PKR. 5 million for national parties and PKR. 1 million for regional parties. A company which receives state subsidy or has a decision or contract or license pending with government shall not contribute. Contributions by Public Sector enterprises should be strictly prohibited
- Sufficient free air time on the Public Service Media; certain additional time on the basis of votes polled; permission to use the allotted time for their propaganda in the manner parties like and not necessarily for speeches alone. Air time given to the parties should be reported to the Parliament on quarterly basis. Private TV/FM channels for fair and balanced presentation of the views of all parties. Enabling clause could be incorporated in the license. Or a voluntary Code of Conduct could be evolved by the private TV/FM channels.

For candidates

- A specified quantity of petrol/diesel for campaign
- specified quantity of paper for printing posters
- Postal stamps of a certain specified amount.
- Five copies of electoral rolls.

For the election- day

- On the election day some minimum arrangements may be made for the voters facilitation by candidates at each polling station
- Supply of refreshments and food packets to the polling agents and election staff.

Cost of public funding:

Form where these funds will come? The total number of registered voters in Pakistan is

66,713,027 while the actual number of voters who voted in the 2002 elections was 25,906,228. In other words, 38 % of the registered voters exercised their right.

One of the proposals for public funding mentioned earlier that is practiced in some other countries too is that a certain amount of money is given to parties against each gained vote. In other words, if we fix the amount of PKR 10 per vote then the total amount of public funding available to political parties through this calculation would be PKR 667 million.

If we opt to pay ten rupees on per vote gained by the political parties crossing at least one percent voter threshold then on the basis of the results of Election 2002, six parties (namely: Pakistan Muslim League, Pakistan Peoples Party-Parliamentarians, Muttahida Majlis-i-Amal, Pakistan Muslim League-Nawaz, Muttahida Qaumi Movement and Pakistan Muslim League-Functional) would qualify for public funding and they will cost the exchequer PKR. 210.9 million annually. If we opt to offer public funding to every party with representation in the parliament then it will cost the exchequer PKR. 250.9 million annually

If we opt to provide public funding for electoral campaign to each candidate then with the assumption that any party has fielded candidates for all National Assembly seats (272 direct constituencies) then at the rate of PKR 1.5 million i.e. legally allowed expenditure limit per constituency it will become PKR 408 million.

Similarly, if we opt to provide public funding for electoral campaign to each candidate then with the assumption that any party has fielded candidates for all provincial assemblies seats (577 direct constituencies i.e. 297 in Punjab, 130 in Sindh, 99 in NWFP and 51 in Balochistan) then at the rate of PKR one million i.e. legally allowed expenditure limit per constituency it will become PKR. 577 million. Reserved seats for women and minorities are already on the basis of party lists and for fair election to the Senate, only party's support is sufficient.

The PKR. 1.5 million and PKR 1 million ceiling for national and provincial assembly, respectively, can be reduced by offering free mailing and free time on public television/radio to candidates

All the above options point to the fact that PKR 667 million calculated on the basis of PKR 10 per registered vote is too less and therefore it is important to find more creative ways of increasing the public kitty available for political parties. These ways could be: The Election Commission already has resources provided by international donors in the name of supporting democratic and electoral processes. Political parties should be involved in civic education and voter motivations programs instead of the Election Commission of Pakistan. This means that the amount presently spent by the Election Commission for this purpose would be actually available to the parties.

Who should implement it?

The stakeholders during the consultative process came up with an idea to establish an Independent Political Parties Commission with representation from political parties, the Parliament, the Election Commission, and representatives from the civil society to devise a workable formula for public funding, and monitoring the entire process.

Measures to enforce disclosure and accountability

Every Individual contribution totaling Rs. 10, 000/- or more and every corporate contribution to candidates or political parties for any political activity shall be disclosed with full particulars of identity, address and other details of donors.

All contributions exceeding Rs. 1000/- shall be by cheque only. Both the donor and recipient shall be obliged to make full disclosure to the Election Commission. Penalty for non-disclosure or false disclosure shall be

Penalties:

Donors: fine equal to ten times the contribution and imprisonment for six months.

Candidates: disqualification for six years, fine equivalent to ten times the amount not disclosed, and imprisonment for at least one year.

Parties: de-recognition for five years, fine equivalent to ten times the amount not disclosed, and imprisonment of office bearers for three years.

Any expenditure to give inducements to voters, distribute gifts, bribe public officials involved in conduct of election, or hire any workers or gangs for any unlawful activity shall be unlawful. Penalties for such unlawful expenditure shall be disqualification of the candidate for six years, a fine equivalent to ten times the expenditure incurred and imprisonment for three years.

The above proposals will go a long way towards cleansing our electoral process, and ensuring accountable and fair use of money in elections.

Is funding political parties the ultimate cure?

Centre for Civic Education Pakistan has attempted to put forth the global experience of investing in political parties, the various models available, and enforcement strategies in the Pakistani context.

The CCEP also tried to make case for deliberating over how transparency and public ownership can be enhanced in political parties so that parties can truly become the voice of the people. It was argued that when a clear link between the vote and public good is established and when taxes can be directly translated into public services, the electorate will start using the vote to make fine political judgments.

Parties would have to become functioning and vibrant in order to compete in the market of political competition. However, by no means, does this mean that by providing a transparent source of income to political parties through public, private funding and through media subsidies etc would all the problems concerning political corruption would end.

In the beginning of the paper, it was emphasized that a distinction must be drawn between money for politics, money in politics, politics for money and politician money. Subsidies in cash in the form of public funding, subsidies in kind such as free media time, tax exemptions etc are all ways of providing more resources for politics through strengthening political parties. If political parties are strengthened, they will be able to communicate better, would be able to act as political nurseries and will be able to groom present and future leaders. With resources on their side, parties will be able to invest more in their message and to better represent the people. People desirous of contesting elections etc will be in a position to do so on the basis of party support.

Parties would have to compete for funds, improving the performance of parties as a whole. These are the advantages of having money for politics. However, such measures should not be assumed to do away with ills that are the result of money in politics and politics for money. Practices like corruption, false disclosure of funds and corruption etc would continue. Funding political parties also raises its own concerns such as:

- What can citizens do to ensure that political party funding does not become an instrument of control thus defeating the very purpose of reform?
- How can these reforms work in a political environment where protest is a political norm rather than an exception? Will the financial resources collected be used to fund protest politics? In order to counter this, can a code of conduct be agreed upon by political parties? If so, then who will impose the code of conduct?
- Financial disclosure is extremely important but there must be an institutionalized whistle blower on the irregularities. Who should this be? The Election Commission or some other body?

These are some questions that need to be examined in greater detail before any measures for political parties funding can be introduced. While keeping these concerns in mind, it must be emphasized that the bottom line is that by supporting transparent and institutionalized funding for political parties such practices can be minimized so that the dream of co-existence of integrity and influence does not remain an illusive dream.

Electoral Reforms:

If in any country the Duverger's law works then first-past-the post (FPTP) leads to a two-party system with both parties' realistic chances of winning an election. However in Pakistan where primordial loyalties determine and influence political choices the inevitable consequence remains massive electoral irregularities and use of unaccounted money, mafia and muscles to attain and retain power.

Such criminalization of politics, the first-past-the-post (FPTP) system in diverse society like Pakistan has added to the decline in political culture. On the one hand the largest party is likely to obtain disproportionate presence in legislature, with consequent marginalization of large segments of public opinion. Such a majoritarianism has negative consequences.

On the other hand, in the FPTP system, there is desperation to somehow win the election in constituency by all means fair or foul, as each seat becomes critical in the legislative numbers game to form government or acquire influence in the Westminster model.

The ugly practices adopted by a party at the constituency level become somehow acceptable in this quest for electoral success. Once a candidate obtains party nomination, s/he and her/his cast or group often make it an issue of personal prestige to be elected in the winner-take-all electoral and power game.

As election in each constituency runs on similar lines, the parties and candidates are not inhibited by the fear that their illegitimate efforts to win a few constituencies might undermine the larger objective of enhancing the voting share in a whole province or the nation.

Another feature of the FPTP system is that reform of the polity becomes more and more difficult. Genuine reformist groups with significant but limited resources and influence have no realistic chance of success in the FPTP system and they tend to wither away

In a system in which winning the seat by attracting the largest number of votes is all-important, honest individuals or pro-reforms parties fighting against the electoral malpractices and corruption have very little chance of success. This tends to perpetuate the status quo, and people will have to live with the unhappy choices among parties, which are more like Tweedledom and Tweedledee.

Agenda for reforms

The Centre for Civic Education Pakistan started a series of consultative workshops at federal and provincial levels in January 2005 to discuss funding reform options. Leaders and activists of the mainstream political parties, representatives of the civil society organizations, academics, students, journalists and scholars took stock of the prevailing political funding system and give recommendations for ensuring transparency in the funding system. In the light of these discussions and recommendations, CCE-Pakistan has prepared Agenda for Political Funding Reforms. We hope that this agenda can provide base for debate and dialogue this vital issue. Following are salient points of the reforms agenda:

Expectations from the State:

- The social contract between the citizens and the State should be redefined on democratic terms including unwavering commitment for the people the right to elect governments and depose them off with their power of vote.
- State should strengthened bases of democratic institutions by ensuring rule of law, equality of citizens before the law, and equal opportunity so that the people can make decision about their future at the local, provincial, and federal level at polling booths.
- All state institutions should remain neutral in the political process and should give fair and equal opportunity to political parties irrespective of their political ideology to take part in a healthy democratic competition for winning people's trust
- Independent Judiciary is vital for checking corruption in politics. The state should ensure independence of judiciary
- The state should ensure independence of the Election Commission. The appointment of Chief Election Commissioner should be made after consultation with political parties having representation in the parliament

Expectations from the Government:

- The present electoral system needs to be reformed. Fifty per cent of the assemblies should be directly elected from the constituencies and fifty per cent on proportional representation from the party lists on the basis of votes gained by parties
- An Independent Political Parties Commission should be established with equal representation of government, political parties and civil society for fair distribution of public funds among political parties. The commission should also be responsible to ensure that these funds are rightly and fairly spent by political parties
- Funds should be allocated for political parties, having representation in the parliament or provincial assembly, in the annual budget on the basis of votes gained in the previous election to meet their daily expenses or matching grants should be provided to parties on the basis of funds collected by them through fair and legal means
- Government should reimburse election expenses to candidates, crossing a threshold number of votes
- Proper offices and staff should be given to members of the Senate, the National and

provincial assemblies so that they can perform their duties effectively

- The Political Parties Ordinance should be amended to allow corporate donations for politics
- Steps should be taken to encourage women participation in politics
- Tax exemption should be given on private donations to political parties
- An enabling and respectful environment should be provided to political activists so that they can honorably take part in politics
- Steps should be taken for training of young people in politics so that they can play their due role effectively in the democratic process
- Politics should be taught as a professional subject in the educational institutions and arrangements should be made for civic/political education and training of people at local level
- Report about coverage of political parties in the public media should be placed in the Parliament on quarterly basis
- Encroachment of secret agencies into politics should be checked and they should refrain from doling out secret funds to any political party, leader or candidate
- 65% of Pakistan's population lives in rural areas and political parties should be encouraged and facilitated to set up their units in these areas
- Special grants and assistance should be given to political parties for establishing offices at local and provincial level
- Each party office should be provided with at least three toll free telephone lines and free postal facility for sending party literature to voters

Expectations from the Election Commission of Pakistan

- The election commission should regularly publish annual statements of political parties accounts and should place the political parties gazette on its website so that people and media can easily access the data
- The Election Commission should crosscheck the annual income and expenditure reports of political parties and should made its findings public
- Advertisements and posters should be banned or poster size should be reduced to cut down election campaign expenditure
- The Election Commission of Pakistan should set up as many polling stations as possible so that voters can easily reach the voting places. This will save millions of rupees spent on transport of voters on polling day
- The Election Commission should ban election camps of candidates around polling stations on polling day
- Spending limits for campaign expenditure should be rationalized and the amount spent by supporters and friends of candidates should be included in it.
- The Election Commission should ensure a proper monitoring system so that timely action could be taken against violators of spending limits during elections
- The electoral rolls should be computerized and make accessible for political parties. Voter registration should be made a continuous process and online voter registration facility should also be introduced

Expectations from the political parties

- Politics is a nation building process and political party should make arrangements for training of political activists to prepare them for effectively running of government.
- Parties should establish academies for training their members in politics.
- Public should have access to annual income and expenditure reports of political parties. Parties should place these reports on their websites
- Political parties should frame a code of conduct making politics a process through people's problem can be solved and avoid indulging in trivialities. This should also show political parties strong resolve to end the culture of violence and hatred in politics
- Political parties should stop selling election tickets and make sure that ticket fee of unsuccessful aspirants is refunded
- Political parties should provide special assistance for election campaign of its financially weak members like women, youth and minorities. Parties can set up a special fund for this purpose
- Political parties should set up welfare funds to help poor political activists
- Political parties should make their internal structure more democratic and ensure that all its members have equal opportunity to reach the top slot in the party

Expectations from media

- Media should highlight the role of political parties in democracy and should inform people about the problems parties are faced with. Moreover, media should avoid mudslinging on political parties
- Media organizations should highlight plurality of political views so that people can make right political decisions
- Public as well as private media should give proper time and space to parties for propagating their ideas and manifestos
- Quarterly report of coverage of political parties particularly the time given on PTV and Radio Pakistan should be given to Parliament

Expectations from the public

- People should not remain aloof from political process. They should actively participate in politics to make government of their choice and remove unpopular governments from power
- People should promote the culture of donations to political parties of their choice

Expectations from the civil society

- Civil society organizations should facilitate political parties by giving them policy proposals based on scientific research
- Civil society organization should work to create a climate of opinion in favour of democracy and campaign for restoring public trust in politics and democratic institutions
- Civil society organizations should involve political parties

Annex-I

Countries with option for public funding

Country	Type of Funding	State Funding	When are State Funds Made Available	Eligibility Criteria
Australia	Candidates	Yes	Post Election	4 % of the vote
	Parties	Yes	Post Election	Parties should be registered with at least 500 members and one sitting member of the legislature
	Party Operating Expenses	No	N.A.	N.A.
Canada	Candidates	Yes	Post Election	15 % of the vote
	Parties	Yes	Post Election	Party should be registered with at least 50 candidates
	Party Operating Expenses	No	N.A.	N.A.
Germany	Candidates	No	N.A.	N.A.
	Parties	Yes	Requests due by 30th Sept. Disbursement by 1st December	Not Specified
	Party Operating Expenses	Yes	Requests due by 30th Sept. Disbursement by 1st December	0.5 % votes threshold in a national election or 1 % in a state election for the party lists
Israel	Candidates	No	N.A.	N.A.
	Parties	Yes	Election Period	Not Specified
	Party Operating Expenses	Yes	Monthly	Any registered party
South Africa	Candidates	No	N.A.	N.A.
	Parties	Yes	End of every financial year	Political parties with representation in the National Assembly or Provincial Legislature
	Party Operating Expenses	Yes	End of every financial year	Same as election expense for parties
Sweden	Candidates	N.A.	N.A.	N.A.
	Parties	Yes	Quarterly disbursement	Any party which participated and won either at least 2.5 % of the national vote or a parliamentary seat in either of the last two elections
	Party Operating Expenses	Yes	Quarterly disbursement	Any party which participated and won either at least 4 % of the national vote or a parliamentary seat in the last election
United States of America	Candidates	Yes	After Nomination – Before September 1st	Candidate must have been nominated by a major party or have received a nomination by a minor party which receives 5 % of the popular vote in the last election
	Parties	No	N.A.	N.A.
	Party Operating Expenses	No	N.A.	N.A.
Zimbabwe	Candidates	N.A.	N.A.	N.A.
	Parties	Yes	Annual Grant	Party should make a grant application with a list of candidates at least 7 days before the first polling day of any election
	Party Operating Expenses	Yes	Annual Grant	N.A.

Source: *Funding of Political Parties: An International Comparative Study*, by National Democratic Institute for International Affairs (NDI) Washington (1998)

Annex-II

Enforcement authorities and mechanisms

Country	Enforcement Agency	Composition of Enforcement Agency	Penalties for Non Compliance of Candidates	Penalties for Non Compliance of Parties
Australia	Electoral Commission	Commission consists of a Chairperson, the Electoral Commissioner, and one other member. The Chairperson must be an accredited judge	For late or incomplete returns a fine of up to A \$ 1000. For false reporting a fine of up to A\$ 5,000	For incomplete returns: fine of up to A\$1,000. For late returns: fine of up to A\$5,000 for false reporting a fine of up to A\$9,972.
Canada	Commissioner of Canada Elections	Commissioner of Canada Elections serves as head of enforcement branch of Elections Canada, the election oversight agency. Other divisions of Elections Canada, especially the Legal Services division, assist the commissioner in his/her duties	Penalties for offenses regarding reporting and expense limitations generally carry a fine of up to C \$ 926.40 or imprisonment of up to one year. The Commissioner of Canada elections may exercise discretion as to actual penalties imposed.	Same as for Candidates.
Germany	President of the Bundestag	N.A.	Same as for Parties	The president is empowered to not grant money to parties or to withhold the granting of funds beyond the present year levels to parties who miss deadlines for applications, reporting and auditing if a party obtains donations illegally or use funds not in accordance with the law, it shall forfeit public funds to an amount double the sum illegally obtained or used. The illegally obtained or used money shall be surrendered to the president of the Bundestag.
India	Election Commission	Election Commission consists of Chief Election Officer and such other Election Commissioners as the president may wish to appoint	Failure to submit returns or returns submitted not in the manner prescribed: Loss of seat and 3 years disqualification from running for office. Exceeding campaign limit: Post election disqualification for six years.	Not Applicable
Israel	Public Committee and the State Comptroller	Public committee has three members and the State Comptroller for record keeping who is a civil servant.	Not applicable	The State Comptroller can report irregularities and the penalty can be imprisonment of up to one year for improper contributions and a fine or in the case of political parties failing to report proceedings properly the Comptroller can have money returned to the Treasury or deny the Faction funding for up to three ongoing expenses periods.

Korea	Central Election Management Committee and sub-ordinate election management committees of district and local levels	Election management committees have a hierarchical structure based on electoral constituencies: superior committees may overrule the actions and judgments of lesser committees.	For spending more than 1/200 over the limit of campaign expenditures, and for failing to report: Maximum of five years imprisonment and fine of up to 20,146,500 Won. Election is also declared null and void	Failure to report: Same as for candidates. Other lesser infractions lead to a maximum of two year's imprisonment and a fine of up to 3,993,000 Won.
New Zealand	Electoral Commission	Electoral Commission Members include: Secretary of Justice, Chief judge of Maori Land court, one other judge or retired judge to serve as president of the commission, and one other person to serve as chief executive of the commission. Numerous lesser officers and administrators.	Non-compliance with reporting: N Z \$ 1,012, plus N Z \$ 405 per day each winning candidate sits as a member of the house prior to submitting cost returns. Other monetary penalties established for submitting a false return. Exceeding spending limits considered an "Illegal Practice", no specified penalties.	Fine for non-compliance with reporting is N Z \$ 20,258 All else is the same as for candidates.
South Africa	Electoral Commission	Not Specified	Same as for parties	The monies irregularly spent by political parties, may be recovered by the Commission. The accounting officer of the party will be liable to repay to the Commission the monies that were irregularly spent. Any monies so repaid, will be credited to the fund. The Commission may recover the money by instituting a civil claim in respect of the amount irregularly spent, against that accounting officer of the political party concerned : and or setting off the amount irregularly spent against any allocation that may be or may become payable to the political party.
Sweden	Party Grant Committee	Committee consists of one chair and two other members and each member must be or have been a judge	Not Applicable	Not Applicable
United States of America	Federal Electoral Commission	The Federal Election Commission is comprised of 6 voting members	The Federal Election Commission can impose a wide range of penalties from imprisonment, to fines depending on the type and degree of penalties. The justice department has exclusive jurisdiction to enforce these provision.	Same as for Candidates

Source: *Funding of Political Parties An International Comparative Study*, by National Democratic Institute for International Affairs (NDI) Washington (1998)

Annex-III

Benefits for private contributions to political parties

Country	Contribution Limits	Anonymous Contributions	Tax Benefits for Contributions	Contribution Reporting Requirements	Deadline and / or Frequency of Reporting	Confidential or Public Disclosure
Australia	Candidates No stated limits	Prohibited	A person may claim a tax deduction for donations to a political party of up to A \$ 125	All contributions greater than A \$ 199 for individual candidates, or A \$ 997 for groups of candidates with a common campaign funding mechanism, must be reported.	Within 15 weeks after Polling day	Public
	Parties No stated limits	Prohibited	Not specified	Parties do not separately disclose election contributions. Contributions are only disclosed by parties as part of their annual disclosures and are not separately identified from other receipts	Parties do not disclose contributions following an election	Public
	Party Operating Expenses Not Applicable.	N.A.	N.A.	All receipts are included when determining whether a person has reached the A \$ 1567 threshold for detailed disclosure. Therefore donations, party membership fees and commercial transactions are all counted in determining whether a person is disclosed by a party. Parties however, are only required to aggregate individual receipts of A \$ 522 when determining whether detailed disclosure is required.	Within 16 weeks after the end of each financial year.	Public
Canada	Candidates No stated limits	Prohibited	Tax credits at various graduating rates subject to a limit of C\$463	All donations greater than C \$93 must be reported	Within 6 months of an election	Public
	Parties No stated limits	Prohibited	Same as Election Expenses for Candidates	All Donations greater than C \$ 93 must be reported	By 30 June for the previous calendar year	Public if over C \$ 97
	Party Operating Expenses Not Applicable.	N.A.	N.A.	All Donations greater than C\$ 93 must be reported	N.A.	N.A.

Germany	Candidates Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as for Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties
	Parties No stated limits	Donations which exceed DM1000 (Now the currency is EURO) are prohibited in each individual case where the donor cannot be determined or who is obviously passing on the donations of third parties not named are illegal.	Tax benefits do exist for contributors (members and donors)	All donations greater than 6000 DM (Now the currency is EURO) must be reported	Every calendar year with the publication of annual reports	The president of the German Bundestag shall submit annually to the German Bundestag a report on the state of the party finances and on the statements of accounts of the parties, which will be circulated as a Bundestag paper in public.
	Party Operating Expenses Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties	Same as Election Expenses for Parties
India	Candidates No limits on individual contributions. Companies may contribute up to a max of 5 % of profit averaged over a 3 year time span	Prohibited	N.A.	Companies must disclose all campaign contributions to both candidates and parties in their yearly balance sheets regardless of how the funds were spent. No other contribution disclosure requirements.	Companies must disclose all campaign contributions to both parties and candidates on their annual balance sheets	Company balance sheets publicly accessible
	Parties Same as election expenses for candidates	Prohibited	N.A.	Same as election expenses for candidates	Same as election expenses for candidates	Same as election expenses for candidates
	Party Operating Expenses Same as Election expenses for candidates	N.A.	N.A.	Same as election expenses for candidates	Same as election expenses for candidates	Same as election expenses for candidates
Israel	Candidates N.A	N.A	N.A	N.A	N.A	N.A

	Parties No more than 1000 NIS from a person per year. However, if a party doesn't want public funding then 60,035 NIS can be received per year	Prohibited	N.A.	All contributions must be reported	Factions must submit a yearly accounting of incomes and expenditures at which time these statements are made public by the chair of the Knesset.	Every Faction will submit its yearly incomes and expenditures reports to the chair of the Knesset and they will be open for public inspection in a way determined by the chair
	Party operating expenses No more than 500 NIS from a person per year on non election year	Prohibited	N.A.	Same as for election expenses for parties	Same as for election expenses for parties	Same as for election expenses for parties.
Korea	Candidates No stated limits	Prohibited	N.A.	All Contribution must be reported	Within 30 days after Polling day	Inspections open to Party officials, election officials, candidates and their staff.
	Parties No stated limits	Prohibited	N.A.	Same as election expenses for candidates	Same as election expenses for candidates	Same as election expenses for candidates
	Party Operating Expenses No stated limits	N.A.	N.A.	Same as election expenses for candidates	N.A.	N.A.
New Zealand	Candidates No stated limits	Permitted	N.A.	All donations greater than NZ \$ 1013 must be disclosed.	70 days after election results	Public
	Parties No stated limits	Permitted	N.A.	All Donations greater than NZ \$ 1013 for electoral donations, and NZ \$ 10,129 for national donations must be disclosed.	April 30 each year for previous calendar year.	Public
	Party Operating Expenses N.A.	N.A.	N.A.	Same as election expenses for parties	N.A.	N.A.
South Africa	Candidates N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	Parties N.A.	N.A.	N.A.	All contribution to the party fund, originating from any sources.	N.A.	
	Party Operating Expenses N.A.	N.A.	N.A.	Same as election expenses for Parties	N.A.	

Sweden	A. Candidates N.A.	N.A.	N.A.	There is a law on registration of MPs financial condition.	N.A.	The state grant is public document
	Parties N.A.	N.A.	N.A.	No auditing or reporting required by Law	N.A.	The state grant is public document
	Party Operating Expenses N.A.	N.A.	N.A.	No auditing or reporting required by Law	N.A.	The state grant is public document
United States of America	Candidates For an election year an individual can donate a max. of \$ 1000 for a specific candidate. No person can donate more than \$ 25,000 to all candidates together in a calendar year.	Prohibited	Contributions are not tax deductible	All contributions must be recorded by the candidates political committee and all contributions over US \$ 200 must be disclosed and the records must be disclosed to the public	Disclosure occurs on a quarterly basis each year and 12 days before an election and 30 days after an election.	Public
	Parties An individual can donate no more than \$ 20,000 per year to a political party and no more than an additional \$ 5,000 to another political committee.	Prohibited	Contributions are not tax deductible	Same as for Election Expenses for Candidates	Same as for Election Expenses for Candidates	Same as for Election Expenses for Candidates
	Party Operating Expenses Same as election expenses for parties	N.A.	Contributions are not tax deductible	N.A.	N.A.	N.A.

Source: *Funding of Political Parties An International Comparative Study*, by National Democratic Institute for International Affairs (NDI) Washington (1998)