

Electoral bonds are a half measure at best

Bringing about effective electoral finance reform in India requires political acknowledgement of an obvious truth. Measures of the kind announced in the Union budget last year will have limited effectiveness, or worse, be counterproductive, if they are not accompanied by the will to police the political establishment. The electoral bonds initiative detailed—if sparsely—by finance minister Arun Jaitley last week, makes this mistake.

Last year, the Association of Democratic Reforms put hard numbers to the extent of electoral finance malfeasance. Between 2004-05 and 2014-15, 69% of the total income of political parties was from unknown sources. This is not a new problem. The Santhanam Committee on Prevention of Corruption had raised the issue of black money in politics as far back as in 1964. A number of committees and commissions have addressed the electoral finance issue since. Their recommendations have failed to find purchase.

Electoral finance reform around the world has attempted to balance two objectives: remove black money and under-the-table contributions from the system and increase transparency so that citizens can see where the money is coming from and where it's going. In "Reforming India's Party Financing And Election Expenditure Laws" (*Election Law Journal*, 2012), M.V. Rajeev Gowda and E. Sridharan have argued that these objectives are incompatible in India. Companies need to stay on good terms with parties in the government as well as those in the opposition. If funding regulations impose transparency—and with it, the risk of alienating a political faction if they give money to another—they will resort to underhanded means.

History seems to bear this out. In 1985, the then prime minister Rajiv Gandhi rolled back Indira Gandhi's 1968 ban on corporate donations which had entrenched black money networks in politics. But this did nothing to clean up electoral funding. Faced with the prospect of losing anonymity by having to account for the donations in their annual reports, companies elected to persist with the black money system.

Jaitley has echoed this argument in explaining why electoral bonds ensure anonymity for donors. It is an implicit indictment of the crony capitalism that is endemic in the Indian economy. It is also a misrepresentation which fails to address the other half of the equation. Anonymity for corporate donors is important because the accounts of political parties remain opaque. The latter prevents citizens from making an informed assessment of government policies and regulations—public oversight that could check vendettas against or rewards for particular companies.

The Union budget last year made no concrete moves on this front. Nor has any party shown serious intent in the past; quite the reverse. In 2013, the Central Information Commission had declared the six national parties to be within the ambit of the Right to Information Act. The parties have been united in disregarding this. Party accounts are audited by those appointed by the parties themselves, and regulations stipulating deadlines for submitting donation statements and income-tax returns to the Election Commission are flouted frequently and flagrantly with no consequence.

Another reform Prime Minister Narendra Modi had mooted in 2016, state funding of elections, underscores the importance of party transparency. State funding has a proven record in a number of countries that have made the transition over the decades from corporate donations—and it has been presented as a solution a number of times in the Indian. However, in countries where it has worked—Germany, Japan, Canada, Sweden, to name a few—it has been accompanied by strict, well-enforced regulatory frameworks regarding auditing and disclosure of party income and expenditure. In the absence of such frameworks, state funding in India is a non-starter, as the Law

Commission Report (1999) and Venkatachaliah Committee Report (2002) have pointed out. It would do little save provide an additional source of party funding without denting black money revenue streams.

The Modi government has done well to take up the issue of electoral finance. But if it is serious about cleaning up the system, it must focus on increasing the accountability of political parties. It will not have a better opportunity to do so. It has staked its claim to rule on its will and ability to fight corruption. With eight state polls lined up this year and the general election next year, it—and other parties that support such a move—could reap the electoral benefits of the positive optics. If it remains business as usual, however, electoral bonds are likely to be little more than a sideshow in electoral finance reform.

What should the government do to increase transparency in political funding? Tell us at views@livemint.com

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