

Report
on
Transparency in Political Finance in Nepal

**Pilot study conducted under
Crisis Project in Bangladesh, Indonesia and Nepal**

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Report on Transparency in Political Finance in Nepal

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Foreword

Transparency International Nepal (TIN) undertook the study of transparency in political finance in the country with the financial assistance of Transparency International (TI) Berlin under Crinis project. Crinis is a Latin word which means ray of light. Incidentally, Crinis was first launched in 8 Latin American Countries to Study transparency in political finance which revealed and highlighted the prevailing realities and weaknesses. The study made tremendous positive contributions in creating a high degree of awareness among people in those countries.

It is with the objective of creating awareness among the people about desirability of transparency in political finance, the project was launched in Bangladesh, Indonesia and Nepal.

Nepal has completed the study under the Coordination of Dr. Meena Acharya, Member, TIN. The study, as expected, has been very revealing. It highlights the serious lack of transparency within political parties and outside which are dominated by leaders rather than guided and driven by them. On mobilization and use of funds, too, most of the parties are still very secretive.

The electoral laws are far too inadequate, to make matters worse, they are poorly enforced and complied. Election Commission has not had resources both human and otherwise to fulfill its obligations. Vibrant and aggressive Nepali media, both print and electronic, have not been able to pursue the question of transparency in political finance adequately to its logical end. Civil societies, in this regard, to say the least, are not even properly geared.

The study had made quite a few interesting and very useful recommendations which are worth considering by all stakeholders, including the state, election commission, political parties, civil society organizations (CSOs), media, private sector, and above all the parliament and the constituent assembly.

Further, criminalization of politics and politicization of criminals, so very rampant in Nepal, at the moment, have been instrumental in enhanced impunity and bad governance. To correct the situation and put the country back on track, the first step could rightly be to start and go ahead for transparency in political finance.

Last, but not least, my sincere thanks to TI for their generous support, study coordinator, lead researcher Binod Kumar Bhattarai, research assistant Binod Bhattarai, my colleagues in TIN and staff for their valuable contribution and input.

February 21, 2010

Damodar P. Gautam
President

Acknowledgements

Perhaps I should not comment on the report as lead researcher and author. But because the subject is of great importance, a few words would not be out of order. In a pluralistic developing society like ours where ramifications of policies and actions emanating from political parties are pervasive, citizens should be encouraged to evaluate political parties protagonists based on the extent of transparency of their actions and effects. The mindsets of citizens are affected by the reactions put forth by the media and civil societies. And finally evaluations by citizens are reflected in outcomes of elections, followed by the quality or lack thereof of good governance. Should this spiral go down or up depends on the sanctity and the rules of the game adhered to by political parties, their leaders, media and civil society. It is not a one shot game; but requires perennial efforts. Follow-up actions would be most desirable. All those who wish to see a prosperous, democratic Nepal should come forward to support the follow-up actions. After all, Rome was not built in a day.

Nepal, is at crucial crossroads of drafting a constitution, how transparent future governance will be, depends on how political parties will be shaped by it. If the requirements of transparency of political parties is fully addressed in the constitution, not only will Nepal pave the way by benefiting its citizens in the future, but will also demonstrate to the world community as to how transparency becomes the mainstay of democratic governance. Recommendations set forth in this report could easily be inserted in the forthcoming constitution.

I am grateful to Transparency International-Nepal (TIN) for providing me the opportunity to probe this subject of importance. Thanks are due to Dr. Meena Acharya for her help in the coordination of the research. My special thanks go to Mr. Damodar Gautam, President of TIN, Mr. Shreehari Aryal, General-Secretary of TIN, Mr. Ashish Thapa, Executive Director of TIN and Ms. Rosy Adhikary, Sn. Program Officer of TIN for crucial suggestions time and again. Special thanks are to Mr. T.N. Ghimire, Ms. Babita Sharma and Mr. Sisor Deula of TIN for their crucial support.

However, the research would not have been in this shape if Mr. B. Bhattarai would not have been in the team. I am grateful to him for his tireless efforts during the data collection process.

I am also thankful to Prof. Dr. Lok Raj Baral, Mr. Dev Raj Dahal and Dr. Hiramani Ghimire for their critical backstopping.

Binod Kumar Bhattarai
Lead Researcher / Report Author

ABBREVIATIONS

CA	Constituent Assembly
CPI	Corruption Perception Index
CPN	Communist Party of Nepal
CSO	Civil Society Organization
DFID	Department for International Development
EC	Election Commission
FES	Fredrick Ebert Stieftung
FPTP	First Past the Post
MP	Member of Parliament (CA Members)
TIN	Transparency International Nepal
UN	United Nations
UNCAC	United Nations Convention against Corruption

Table of Contents

Forward

Acknowledgements

Abbreviations

1. Introduction	(7)
1.1 Politics and Political Parties in Nepal	(7)
1.2 Rational of the Study	(8)
1.3 Objectives of the Study	(9)
1.4 Methodologies	(10)
<i>Sources and Methods of Data Collection</i>	
1.5 Scope	(11)
1.6 Method of Assessment of the Level of Transparency and Accountability of Political Finance	(11)
1.7 Challenges Encountered	(13)
2. Nepal's Legal Framework of Political Finance	(13)
2.1 Non-Electoral Financing of Political Parties	(13)
2.2 Electoral Financing	(14)
2.3 Legal Framework for Presidential Election	(15)
3. Findings of the Study	(15)
3.1 Crinis Index for Nepal	(15)
3.2 Comparative Crinis Index - Nepal, Bangladesh and Indonesia	(16)
<i>Dimension 1 : Political Parties and Internal Book-Keeping</i>	(18)
<i>Dimension 2 : Reporting to the Electoral Management Body (EC)</i>	(19)
<i>Dimension 3 : Scope of Reporting</i>	(19)
<i>Dimension 4 : Depth of Reporting</i>	(20)
<i>Dimension 5 : Reliability of Reporting and Control Mechanism</i>	(21)
<i>Dimension 6 : Disclosure of Information to the Public</i>	(22)
<i>Dimension 7 : Prevention</i>	(23)
<i>Dimension 8 : Sanctions</i>	(23)
<i>Dimension 9 : Oversight by the Election Commission</i>	(24)
<i>Dimension 10 : Oversight by Civil Societies and Media</i>	(25)
4. Conclusions and Recommendations	(25)
4.1 Conclusions	(25)
4.2 Recommendations	(26)
<i>Role of Government</i>	(26)
<i>Role of the Election Commission</i>	(26)
<i>Role of Political Parties</i>	(27)
<i>Role of Civil Society Organisations</i>	(27)
<i>Role of Media</i>	(27)
<i>Role of Private Sector</i>	(27)
<i>Role of Constitution Drafting Committee of CA</i>	(27)

List of Tables

Table 1 : Type and Sources of Information

Table 2 : Ten Dimensions of Transparency in Political Finance

Table 3 : Comparative Crinis Scores

List of Figures

Figure 1 : Crinis Index - Nepal

Figure 2 : Comparative Crinis Index - Nepal, Bangladesh and Indonesia

Figure 3 : Political Parties and Internal Book-Keeping

Figure 4 : Reporting to the Electoral Management Body

Figure 5 : Scope of Reporting

Figure 6 : Depth of Reporting

Figure 7 : Reliability of Reporting and Control Mechanism

Figure 8 : Disclosure of Information to the Public

Figure 9 : Prevention

Figure 10 : Sanctions

Figure 11 : Oversight by the Election Commission

Figure 12 : Oversight by Civil Society Organizations

Annexes

Annex 1 : List of MPs (CA Members) Interviewed

Annex 2 : List of Experts and Civil Society Activists interviewed

Annex 3 : List of Private Sector/ Corporate Groups Interviewed

Annex 4 : List of Media Organizations- letters sent for information

Annex 5 : List of Participants in the Validation Workshop

Annex 6 : List of commentators on draft presentation

Annex 7 : Explanatory Note on Calculating Crinis Final Scores

1. Introduction

The new democracies and their institutions in developing countries of the Asia Pacific region and Latin America are marred by high levels of corruption and low levels of trust and credibility by their citizens. Much of these are institutional weaknesses inherent in the political parties of these countries. Institutional weaknesses like low level of internal democracy within parties, nontransparent fund management, age-old hierarchical and patron-client structures are major problems. But the prominent among these has been the nontransparent financial mechanisms within political parties. According to the results of successive reports of the Global Corruption Barometer released by Transparency International¹, political parties continue to be perceived as among institutions that are most affected by corruption.

Influence of money in politics has been the major drawback of political parties and their leaders. This is more of a psycho-social problem which can be controlled by various measures. Citizens have the right to judge the integrity of their leaders and know about the connections their representatives have with financial supporters and cast their votes in elections accordingly. Nontransparent financial supports from specific interest groups have often resulted in the downfall of governments leaving these countries in disarray. Transparency in political finance is considered a powerful tool to reduce the influence of money and corruption in the country.

Transparency International (TI) is a global civil society organization leading the fight against corruption worldwide. Among its many priorities are research, communication and campaigns, such as the United Nations Convention against Corruption (UNCAC). Working closely with the UN, TI has spearheaded the process leading to the adoption of the Convention, which has been signed by over 140 countries, and ratified by 125 countries (as of 29 September 2008). The Convention entered into force on December 2005. One of the key areas of TI's advocacy is to promote transparency and accountability in political finance as laid in the UNCAC². Accordingly, TI has been striving to develop strategies and tools for benchmarking transparency in political finance and to contribute to the strengthening of the capacity of stakeholders to introduce and enforce appropriate reform processes needed to enhance transparency in this vital area.

In doing so, in 2006-2007, TI successfully piloted Crinis, a study, benchmarking and advocacy tool, in eight Latin American countries, triggering a series of debates and reforms at country and regional levels. 'Crisis' is a Latin word meaning 'ray of light'. The project assessed levels of transparency and accountability in political parties and election finances looking at laws and practices in participating countries. Following its success from the diagnostic work on political finance in Latin America, the *Crisis Pilot Project in Asia Pacific* was launched to explore the possibility of replicating the same in the region. This pilot project started in Nepal, Bangladesh and Indonesia.

1.1 Politics and Political Parties in Nepal

The year 1990, is of special significance in the political annals of Nepal because an integrated nationwide mass-movement under the leadership of Ganeshman Singh successfully re-established Multiparty Parliamentary democracy in the country which had been denied for almost 30 years. A new and democratic constitution was promulgated in 1991, which re-established the sovereignty of the people, right of association, guaranteed freedom of the press and human rights. The country, thereafter, witnessed three general elections within a short span of 10 years for the formation of central governments. Two local elections were also held for local governments in the districts and villages.

The newly established democracy in 1990 was an opportunity for the people to express their suppressed aspirations, desires and expectations. But the political parties were not able to direct desires of the people; rather they raised it by making impossible promises to gain more seats in consecutive elections. While the political parties, on the one hand, failed to fulfill such promises, the ensuing inter- and intra-party wrangles and the horse-trading of the Members of Parliament (MPs) to gain power made the newly established democracy a farce. In such a milieu the leaders forgot the basic norms of honesty and integrity. Print and electronic media frequently reported the rise in corruption and nepotism which became common catchwords in late 90s. The working and the delivery mechanisms of the government offices remained as sluggish even after the restoration of multiparty parliamentary democracy in 1990. Although successive governments led by various political parties did not curb any of the fundamental rights enshrined in the constitution, yet their inability to improve the delivery of basic services to the people and the involvement of the political leaders in various scams made public by the free press, were sufficient reasons to make the people restive and disenchanted.

¹According to the TI Global Corruption Barometer of 2009 and 2007, political parties were perceived to be the most corrupt institution by 29% and 69% respectively around the world. For details visit: http://www.transparency.org/policy_research/surveys_indices/gcb

² Article 7, paragraph 3: "Each State Party shall also consider taking appropriate legislative and administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties".

The bickering among the political leaders and the disenchantments among the public was opportunistically exploited by the Communist Party of Nepal (Maoist) which declared an insurgency against the state on 13 February 1996. The Maoist insurgency which lasted for almost a decade made the people bear immeasurable hardships. In such a milieu, the King, defying constitutional provisions blatantly, took the reins of power in his own hands on 1 February 2005. The political parties and the Maoists then joined hands to launch a peoples' movement against the King. The movement ultimately forced the King to yield to the terms of the leaders by reviving the dissolved parliament. In the follow-up actions, CPN (Maoist) declared an end to their insurgency and an Interim Constitution was promulgated on 16 December 2006 which increased the strength of the interim parliament from 205 to 361 members with a view to accommodate the rebels. The interim parliament unanimously decided to abolish monarchy on 28 December, 2007, which existed since 1768, and the election for the CA was held on May 2007.

There were altogether 74 political parties registered in the EC for the purposes of election to the CA in 2007. Out of these, 54 parties contested, of which, only eight political parties emerged as winners under the first-past-the-post (direct election) system, 16 other parties garnered sufficient votes to be represented in the CA under the proportional representation system.

1.2 Rational of the study

It should be borne in mind that political parties are the very foundations of a multiparty democratic system; they are the foremost advocates of democracy and are considered as part and parcel of the democratic system. One cannot imagine modern democracy without the existence of political parties. It is only through political parties that the people demonstrate their strength. Therefore, political parties are considered as a source of power, they are conveyers of social, cultural, political and economic transformation and changes in the country. The principles, policies and programs of political parties are reflected in a state's political system and its working procedures. In this way, policies and political leadership of political parties determine the pace and direction of social, cultural, political and economic transformation of the country. Nepal's Interim Constitution 2006 has even underlined the role of political parties by inscribing twin emphases in it. One, is the provision made for the inclusion of marginalized and disadvantaged communities in all of the states institutions including political parties by ending all kinds of discriminations including class, race, language, sex, culture, religion and region; and the second, is the provision for the political parties to be able to stand for competitive, periodic elections in a democratic system.

Whatever pious words are inscribed in the constitution or any other document, Nepal's political parties finances are shrouded in mystery as to how they are managed. Citizens or voters of the country know nothing about it. The media reporting on the bribes and corruptions in most of the sectors of the government bureaucracies very often indicate the patronage of the leaders of political parties in most of these episodes. The constitution has tasked the EC as the institution to register, regularize and monitor the activities of the political parties along with its overriding responsibility of ensuring free and fair elections. It has been a common perception that the EC has been unable to monitor the activities of the political parties nor been able to restrict the unscrupulous spending by candidates and political parties during elections. Corruption and black money continue to play a significant role in politics and in elections of the country.

In its annual global report on the level of corruption as measured by the CPI, Transparency International has ranked Nepal as 143rd among 180 countries in 2009, indicating the existence of high level of corruption than in Bangladesh and Indonesia. Nepal's position has significantly worsened from that of the previous year's which was better than that of Bangladesh and Indonesia. Compared to the positions of the two countries, Nepal's CPIs have not improved in last five years (see Table-1). The figures in Table-1 indicate how corruption has become a continuous phenomenon in Nepal and have pervaded the politico-economic structures of the country. Corruption has been the main challenge to institutionalize democracy and rule of law as depicted by the (i) free play of money in elections with no effect of the EC's mandatory limit on expenses, (ii) disregard of the mandatory disclosure of the sources of annual income and expenses by political parties, (iii) lack of will and enthusiasm among the ruling political parties to assist EC in enforcing electoral laws, (iv) low level of internal democracy within political parties, (v) criminalization of politics, and (vi) continuous erosion in the credibility of key institutions of the National Integrity System particularly the EC, judiciary, law enforcement agencies, administration and other watchdog agencies due to political interference.

Nepal is in a political crossroad and its CA is in the process of drafting a new constitution. It is high time that the new constitution addresses such malaises associated with political parties and incorporate appropriate prescriptions. It is in this backdrop that Transparency International Nepal decided to be involved in the Crinis project and conducted this study on the transparency of political finance in Nepal.

Table-1
Corruption Perception Index (CPI)

Year	Nepal		Bangladesh		Indonesia		No. of Countries Surveyed
	CPI	Ranking	CPI	Ranking	CPI	Ranking	
2004	2.8	90	1.5	145	2.0	133	146
2005	2.5	125	1.8	158	2.2	127	159
2006	2.5	121	2.0	156	2.4	130	163
2007	2.5	131	2.0	162	2.3	143	180
2008	2.7	121	2.1	147	2.6	126	180
2009	2.3	143	2.4	139	2.8	111	180

Source : www.transparency.org

1.3 Objectives of the Study

The major objective of the *Crinis Pilot Project in Asia Pacific* is to contribute to the strengthening of the legitimacy and credibility of democratic institutions by increasing the levels of transparency and accountability in the political finance systems in the south and south-east Asian countries of Nepal, Bangladesh and Indonesia (see Map-1).

Map-1
South and South-East Asia



(—————>) Indicates the locations of Nepal, Bangladesh and Indonesia)

The purpose of the Crinis project is twofold: it assesses the legal framework and the practices relevant to transparency of political finance in the country concerned. Based on this assessment, it will develop policy tools and actions to advocate for reforms to improve transparency of political and electoral finance. The objectives of the project, in particular, are to achieve:

- A higher level of awareness among key stakeholders about the nature and location of corruption risks in the political finance system; and
- A greater willingness among these key stakeholders to promote reforms and meaningful policy change in the political finance system.

This can be achieved by generating detailed information on the strengths and weaknesses of the existing political finance systems; and secondly by encouraging different groups of stakeholders to embrace their respective roles and participate actively and constructively in a dialogue towards reform.

1.4 Methodology

Data Sources

The data to measure Crinis index comes from both primary and secondary sources. Primary sources of data include research on practices as verified by the study team, tests of accessibility of information on political finance, and information gathered from professionals and experts on political finance. Secondary sources of data include documents on the legal framework with regard to political finance.

Data Collection Methods

Different methods were used for collecting data and verifying the practice. These included letters to stakeholders including the EC, CA members, Central offices of political parties, media houses, donors and other groups, requesting information regarding political finance; assessing the level of receptiveness of these institutions to demands for information from civil societies on political finance in the country; access to information on political finance by groups of citizens (including citizens, students and journalists) to test the degree of difficulty to obtain it in practice; and interview of key stakeholders: party accountants, CA members, auditors, donors, election commissioners, and other relevant experts. The information was collected through six different steps and uploaded to the web-based questionnaire of the Berlin TI secretariat for calculation and developing various indices of political finance. The six different steps of information collection were:

Step 1

Provide general information about the political finance system of the country with information to adapt the questionnaire to the local context.

Step 2

Provide information about the legal framework of the political finance system in the country. The sources were laws and regulations, norms and codes, and data gathered from professionals and specialists on political finance.

Step 3

- Analyze documents and other sources of information, about reporting and disclosure on political finance by parties and candidates, evaluate the performance of the social and state control agencies and the effective application of sanctions.
- Contact in writing the electoral agencies of their countries, the members of political parties, donors and other groups, requesting information regarding political finance, to evaluate the receptiveness of these institutions to demands from civil society on political finance in the country.
- Access information about political finance in the country by a group of citizens (a total of 15), students (10) and journalists (5) to test the degree of difficulty in obtaining it in practice.

Step 4

Poll different groups. The questionnaire was directed to key stakeholders in the field of political finance, namely:

- Party accountants (a total of 10 interviewees) and legislators (10)
- Auditors (10) and directors of state control agencies (3)
- Donors to parties and candidates (10) and non-donors of the private sector (10)
- Representatives of monitoring organizations (5), members of academia (5), and journalists (5), all with expertise on political finance

The objective of the polls was to evaluate how political finance worked in practice, according to the knowledge and analysis of these stakeholders.

Step 5

Validation of data. After completing data collection, the results were processed through three different types of "quality control":

a) Review of the submitted data:

b) Review of the local study (procedure and results)

c) Presentation of the results in a workshop, with the participation of specialists. The study team presented the study report, documented reactions and eventually revised the results in reaction to the three steps of quality control.

Step 6

Connected the components of the Crinis project. The Crinis project is made up of two main components:

a) Collection of information by the study team, and

b) Planning and execution of the programs and actions on the reforms of political finance system under the national TI chapter.

In summary, the data for the study were collected from December 2008 to July 2009. Interviews with stakeholders were conducted in April-July 2009. Letters seeking information from stakeholders were sent in May 2009. And field tests probing access to information by citizens, students and journalists were conducted during the last week of July 2009.

Table-2 summarizes the information presented above, classifying the data according to the types of information and the sources used, and identifying the data collection methods.

Table-2
Types and Sources of Information

Types of Information	Sources of Information	Data Collection Methods
Legal Framework	Documents about laws and regulations	Law review
Practice (parties)	Party reports, official records and public information.	Team analysis, complemented with expert interviews
Practice (parties)	Test results obtained through letters to different players	Team's written request for information
Practice (disclosure by parties)	Test results obtained from citizens	Access to public information by the team, citizens, students and journalists
Practice (parties and MPs)	Parties, candidates, donors and prosecutors / watchdogs / officials	Interviews given by party accountants, legislators, auditors and donors
Practice (all stakeholders)	Evaluation of the practices by academia members, journalists and activists	Interviews given by academia members, journalists and activists

1.5 Scope

The study here refers to the non-election year of 2007 for political parties and the election year of 2008 for election to the CA / Legislature Parliament. Since the issue of political finance and its regulation is a relatively new concept in Nepal, the scope of the study was limited to the finance of the parties and electoral candidates. The analysis is basically focused on the concerned electoral laws and rules applicable to 2008 election for CA / Legislative Parliament.

For the purposes of the present study, only eight political parties, winners under the FPTP namely: the Communist Party of Nepal (Maoist), Nepali Congress, the Communist Party of Nepal (United Marxist Leninist), Madhesi Janadhikar Forum, Terai Madhesh Loktantrik Party, Nepal Labor and Peasant Party, Rastriya Jana Morcha, and Sadbhavana Party (Mahato), have been selected.

1.6 Method of Assessment of the Level of Transparency and Accountability of Political Finance

The Crinis project recognizes three different types of political financing:

(a) Non-electoral party finances, whereby, resources are mobilized to support the party structure and its activities in non-election periods;

- (b) Party finances during election campaigns, whereby, resources are mobilized to communicate with voters and to conduct other campaign related activities; and
- (c) Candidate finances (separately from their parties) in election periods, taking into account that individual candidates often raise and manage substantial sums of economic resources.

Crinis methodology allows examining the regulatory framework to compare it to internationally recognized principles on political financing and also compares what happens in practice, by testing access to information, party by party, and candidate by candidate. By providing thorough diagnosis of the legal framework and practice, it provides strong empirical evidence which allows all stakeholders to get a clear picture of areas, in which reforms are most needed.

The level of transparency of political finance activity has been quantified taking into consideration the following ten dimensions (Table-3).

Table-3
Ten Dimensions of Transparency in Political Finance

S. No.	Dimensions	Sample Questions for developing Indicators
1.	Internal book-keeping of parties	Is book-keeping mandatory, by law? How professional is staff, in practice?
2.	Reporting to control agency	By law, do parties, candidates, service providers and media render accounts on their role in political finance? When and in what format?
3.	Comprehensiveness or Scope of Reporting	Do reports include public and private sources? Do they cover income and expenses? Do they comprehend monetary contributions, in kind contributions, rebates etc.?
4.	Depth of Reporting	By law, do reports include information on individual donations? Do they inform the value and the date of each donation? Do they clearly identify the donor of each donation?
5.	Reliability of Reporting	Do different actors disclose all resources in reports? How accurate are reports, to the knowledge of experts?
6.	Disclosure to the Public	Is it mandatory for state agencies/parties/candidates to disclose information on political finance? In practice, how accessible is such information to experts, journalists and ordinary citizen?
7.	Preventive Measures	Are donations channeled exclusively through official bank accounts? Are there any loopholes for anonymous donations?
8.	Sanctions	What are the existing sanctions – civil, criminal and political – according to the law? In practice, are the existing laws strictly enforced?
9.	State Oversight (EC)	Do experts evaluate institutions of state oversight as independent? Are they evaluated as efficient? From the perspective of self evaluation, do they lack human resources? Do they lack training?
10.	Civil Society Oversight	Do CSOs monitoring political finance exist? In which areas of political finance do they develop activities? Do experts evaluate organizations of public oversight as independent?

Crinis methodology allows quantifying the transparency of political finance activity by using ten dimensions: (1) **Internal bookkeeping** examines the way in which political parties internally manage their financial resources, (2) **reporting to the electoral management body** - evaluates the extent to which parties or candidates report to the state's oversight body i.e. EC, (3) **disclosure of information to the citizens** takes a look at the public's access to the information of political finance. The next three dimensions, (4) **comprehensiveness of reporting**; (5) **depth of reporting** and (6) **reliability of reporting** centers around the nature of data furnished in the financial reports and helps to determine the quality of the data submitted to the electoral bodies. These evaluate crucial areas like all relevant finance activity, including cash, in-kind and other transactions, identity of the donor, credibility of submitted data and the perception of credibility of reports by key actors. A third group of dimensions encompassing **prevention** (dimension 7), **sanctions** (dimension 8) and **state oversight** (dimension 9) address monitoring compliance with established rules and regulations. These include preventive measures to facilitate effective oversight, the existence of sanctions that can be imposed and the institutions and actors in charge of performing oversight functions.

Ten dimensions of transparency are measured for legislative campaign financing in Bangladesh: The quantitative index is calculated by averaging all ten dimensions, each of which is given the same weight in the calculation. A weighted average based on three types of financing is made to calculate a total.

The information uncovered through a broad spectrum of sources and a variety of different research methods makes it possible to bring together more than 140 evaluation indicators. The scale for each indicator ranges from 0 to 10, where 10 indicates that a country fulfills all criteria expected in terms of transparency and accountability and 0 indicates no fulfillment of criteria. Scores between 0 and 10 are grouped into three evaluation categories: insufficient (0 to 3.3), regular (3.4 to 6.7) and satisfactory (6.8 to 10). A more detailed explanatory note on calculating Crinis final scores is presented in Annex-7.

1.7 Challenges Encountered

The study team had mixed experience of both politeness and subtle non-cooperation from some of the stakeholders, particularly leaders and executives of political parties. Leaders of all eight political parties were polite and forthcoming in their conversations, but all of them cleverly evaded the crux of the inquiries, i.e. income sources and expenses of their respective parties and the sources of funds in the CA election. Similar were high profile donors of the corporate sector, who very sleekly evaded answers. However, some of the CA members elected under FPTP frankly admitted that the election expenses incurred by them were far higher than the limits fixed by the EC; and the political party's contributions were minimal. They had to meet the expenses by selling or mortgaging their own properties.

2. Nepal's Legal Framework for Political Finance

Political parties and their finances are regulated by the interim constitution and legal acts which are:

- (i) Nepal Interim Constitution 2007 – promulgated on 15th January 2007
- (ii) Act Related to the Political Parties 2002 – enacted on 12th September 2002
- (iii) Election Commission Act 2007 – enacted on 26th March 2007
- (iv) Election (Crime and Punishment) Act 2003 – enacted on 26th March 2007
- (v) Constituent Assembly Member Election Act 2007 – enacted on 22nd June 2007
- (vi) Constituent Assembly Member Election Code of Conduct 2007 – enacted on 19th August 2007

Acts passed before the promulgation of the current interim constitution are in operation as per the constitutional provisions itself. Section one of the Interim Constitution of Nepal 2007 states that "the Constitution is the fundamental law of Nepal, all laws inconsistent with this Constitution shall, to the extent of such inconsistency, be void." Section 164 of the Interim Constitution states "the existing laws to remain in operation." Sub-section (1) states that "Decisions made and work performed by the reinstated House of Representatives that are not inconsistent with this Constitution shall be deemed to have been made and performed in accordance with this constitution." Sub-section (2) states that "all the laws in force at the time of commencement of this Constitution shall remain in operation until repealed or amended;" and prohibited that leaves inconsistent with this Constitution shall, to the extent of inconsistency, ipso facto, cease to operate three months after the commencement of this Constitution.

The Election Commission is the agency charged with the registration and overseeing the financial accounting of political parties in Nepal. As an electoral management body, the EC is embedded in the legal framework as a control mechanism to implement regulations of the law and is mandated to enforce rules on political financing and impose sanctions in cases of violation.

However, the financing of the parties can be split into non-electoral financing and electoral financing. A brief discussion of the legal framework for these finances is as follows:

2.1 Non-Electoral Financing of Political Parties

The non-electoral financing of political parties in Nepal is regulated by the Interim Constitution of Nepal 2007, the Act Related to Political Parties 2002 and Election Commission Act 2007 and Constituent Assembly Election Code of Conduct 2007.

The Nepal Interim Constitution 2007 contains two main regulatory laws. Article 141 (1) of the interim constitution states that the political parties can popularize their philosophies and policies through advertising in the media. Article 142 (2) (c) mentions that political parties have to reveal their income sources in detail.

The Act Related to Political Parties 2002 obliges political parties to submit their annual income and expenditure statements to the EC within six months after the end of a fiscal year. Political parties are also obliged to disclose their sources of income publicly, indicating the amounts of donations and names of donors. Article 3 (2) of the act states that the political parties can perform any actions for the purpose of strengthening its organization, to publicize it and to get support and cooperation from the people for the attainment of their objectives and programmes. Article 11 of the act states that registered political parties must keep their income and expenditures (including election expenses) as per prescribed legal format which must be audited by a certified auditor. Article 12 (1) states that the political parties in Nepal have to submit their non-electoral annual income and expenditure statements to the EC within six months of the expiry of the fiscal year and to make it public. Article 12 (2) obligates the party to mention the name, address and profession of any donor contributing more than Rs. 25,000. Article 16 states that the sanction for any violation of the former regulations is a penalty of Rs.100 to be charged by EC (Article 16).

2.2 Electoral Financing

The electoral financing of parties is regulated by the Act Related to Political Parties 2002, Election Commission Act 2007, Election (Crime and Punishment) Act 2003, Constituent Assembly Member Election Act 2007 and Constituent Assembly Member Election Code of Conduct 2007.

The law also requires all candidates contesting legislative elections to report on their election campaign expenses within 35 days after the announcement of election results. The candidates are required to report only their expenses undertaken during the electoral campaign.

The regulatory framework envisions **penalties** for non-compliance with the rules on submission of reports. **Preventive** measures include strict prohibitions on use of government office facilities, as well as a ban on the large scale public projects and promotion of government employees during the election period.

Act Related to Political Parties 2002

- Article 80-82 of the act states that the candidates of the political parties should make the electoral expenses as per the guidelines mentioned in its Appendix 1. They should submit the accounting report of the legislative electoral campaign to the Election Commission as per the format prescribed in Appendix-3.
- Article 83-84 states that the candidates of the political parties should incur expenses himself or by his authorized representative only. All expenses incurred by the party or by any other should be clearly shown while submitting the expenses to the EC.

Election Commission Act 2007

- Article 30 (1-4) and 31 of the act states that the EC shall fix the limit of the election expenses, beyond which would be liable to punishment. The incurred expenses should be audited by the certified auditor and the report should be submitted to the Election Commission.

Election (Crime and Punishment) Act 2007

- Article 4 (c, f) states that any individual working on behalf of the political party during election should not entice, financially influence and inflict any harm to voters, political parties and all concerned.
- Article 7 states that no individual from any political party should give or take any gift in cash or in kind during election period
- Article 21 states that a penalty of Rs. 10,000 to 50,000 or imprisonment of two years or both would be charged as per the proportion of the crime in case of contravention of above provisions.

Constituent Assembly Election Code of Conduct 2007

The code of conduct issued by the EC has the following:

- Article 14 states that no vehicles of the government and semi-government should be used, or be allowed to be used for the electoral campaigns of any political party
- Article 26 states that no expensive travel through airplanes and helicopters should be undertaken
- Article 27 and 28 states that the candidate of a constituency should not have more than one vehicle for the election campaign, while in inaccessible area a candidate would be allowed to use two horses. For the political party, two vehicles are allowed in one district for the election campaign. No candidates are allowed to

provide transportation facilities such as helicopters, airplanes, buses, trucks or jeeps to the voters on polling day

- Articles 46 and 47 states that no inauguration and approval of any new projects during election period defined by Election Commission
- Articles 48 and 50 states that the ministers and political appointees should not campaign for any party during field trips
- Articles 51, 53 and 54 states that no public resources infrastructures such as government guest houses, government employees, local bodies, should not be used by any political party or be allowed to be used during election period
- Articles 54 and 55 states that no transfers, promotion or change of government or semi-government employees should be done during the election period
- Article 56 states that no transfer of any election-officer should be done within 15 days of the election
- Article 58 states that employees of the security sector should not be associated with any political party
- Article 59 states that government employees, security persons, volunteers and observers should not work in favor of or against any political party
- Article 60 states that no government and semi-government employee, local bodies' representatives can take foreign visits after publication of election schedule except in case of representing the country
- Article 61 states that the media should provide unbiased dissemination of information in order to protect the rights of the voters
- Article 63-67 states that the media should have the important role of disseminating the true and balanced news to all political parties without any discrimination.
- Article 68-70 states that the media should not derive benefits from anyone and publicize by infringing social harmony, but should publicize to boost the morale of marginalized, disadvantaged and undeveloped sector.
- Article 71 states that the media should itself immediately amend the wrong information disseminated earlier.
- Article 72 and 73 states that political parties will be provided airtime in the media in proportion to the number of candidates – 5 to 10 minutes in the radio and 2 to 5 minutes in television during campaign period, and 1 minute before the start of silent period.
- Article 75 and 76 states that the government media should not align itself with any political party, but should give equal opportunity to all for the promotion of their policies and programs.
- Article 80-85, 98 (2) states that the maximum limit of election expenditure (as given in Appendix-1) is NRs. 459,500 per candidate under the first past the post election system (direct election) and Rs. 50,000 per candidate under the proportional system has been fixed.

2.3 Legal Framework for Presidential Elections

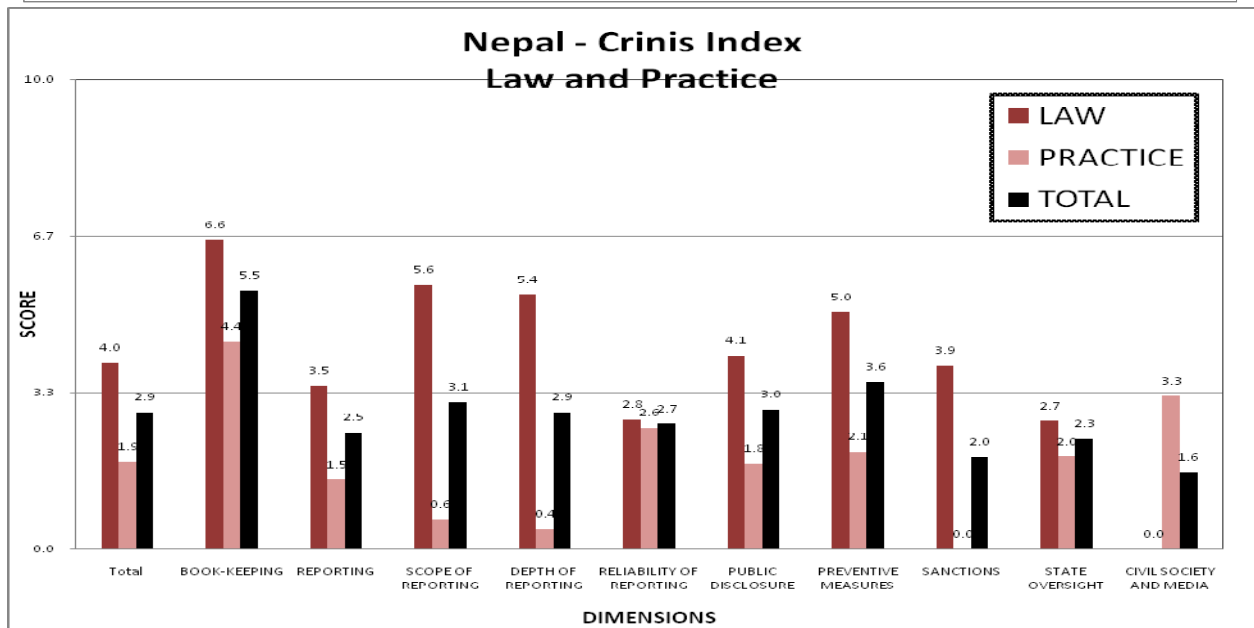
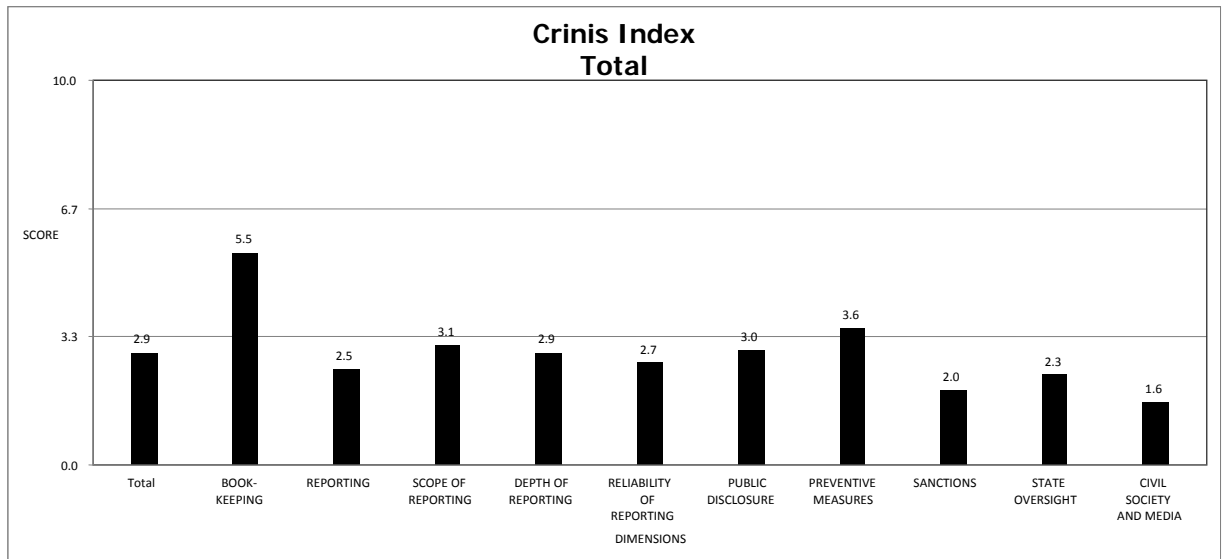
The political system of Nepal is not a Presidential one. According to the Interim Constitution the President is elected by members of the Constituent Assembly. Article 36 (b) has stated that the Constituent Assembly will elect the President on the basis of political consensus. No further regulatory laws concerning the elections, political parties, state agencies, access to information, tax codes etc. have been formulated as yet for Presidential Election campaign financing.

3. Findings of the Study

3.1 Crinis Index for Nepal

According to Crinis methodology, Nepal's mean score is 2.9 (it is termed 'insufficient') (Figure 1). Among the dimensions, only book-keeping (mean score 5.5) and prevention (mean score 3.6) could be termed as 'regular'. On the other hand, scores for other dimensions: reporting (mean score 2.5), scope of reporting (mean score 3.1), depth of reporting (mean score 2.9), reliability of reporting (mean score 2.7), public disclosure (mean score 3.0), sanctions (mean score 2.0), state oversight (mean score 2.3) and civil society oversight (mean score 1.6) indicate 'insufficient' in practice.

Figure 1: Crinis Index: Nepal



(Score: 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

3.2 Comparative Crinis Index - Nepal, Bangladesh and Indonesia

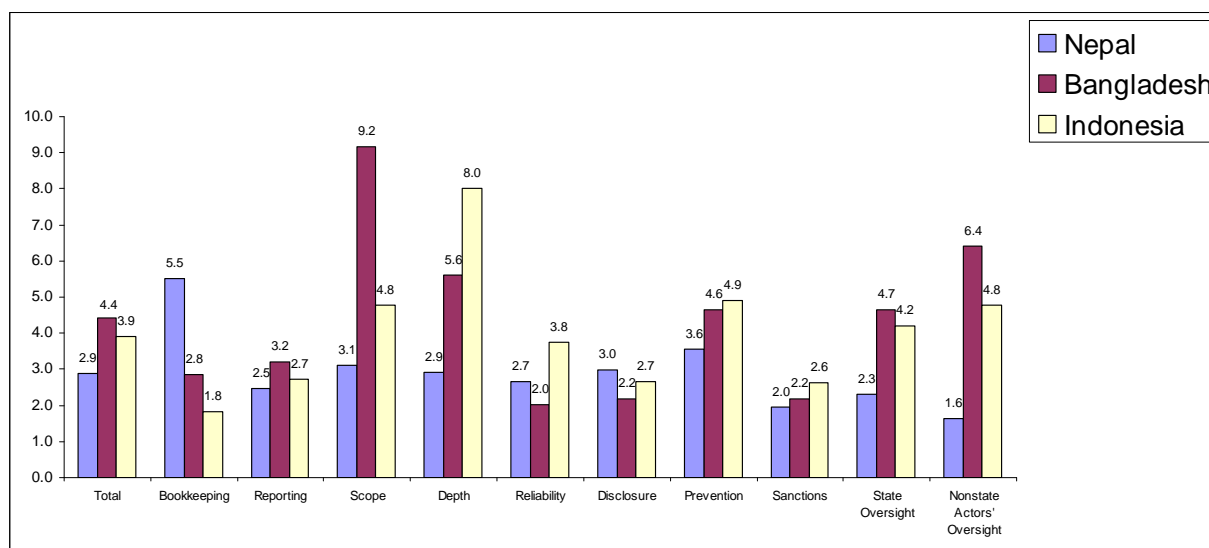
The comparative Crinis index shows that Bangladesh has the mean highest score (4.4), while Indonesia scored 3.9, and Nepal scored 2.9 (Figure 2). In dimensions such as book-keeping and disclosure Nepal scored better than Bangladesh and Indonesia. In case of reliability Nepal scored better than Bangladesh but lower than Indonesia. In the rest of the dimensions: reporting, scope of reporting, depth of reporting, prevention, sanctions, state oversight and civil society oversight Nepal scored less than Bangladesh and Indonesia. In all of the three countries, the state of reporting, public disclosure and sanctions are

Table-3
Comparative Crinis Scores

<i>Dimensions</i>	Nepal	Bangladesh	Indonesia
Total	2.9	4.4	3.9
1. Bookkeeping	5.5	2.8	1.8
2. Reporting	2.5	3.2	2.7
3. Scope of Reporting	3.1	9.2	4.8
4. Depth of Reporting	2.9	5.6	8.0
5. Reliability of Reporting	2.7	2.0	3.8
6. Disclosure to the Public	3.0	2.2	2.7
7. Prevention	3.6	4.6	4.9
8. Sanctions	2.0	2.2	2.6
9. State Oversight	2.3	4.7	4.2
10. Civil Societies' Oversight	1.6	6.4	4.8

insufficient. These scores indicate that all three countries have further to go in monitoring political finance and transparency.

Figure : 2 - Comparative Crinis Index - Nepal, Bangladesh and Indonesia



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

In the following section, each dimension of Nepal has been explained.

Dimension 1: Political parties and internal book keeping

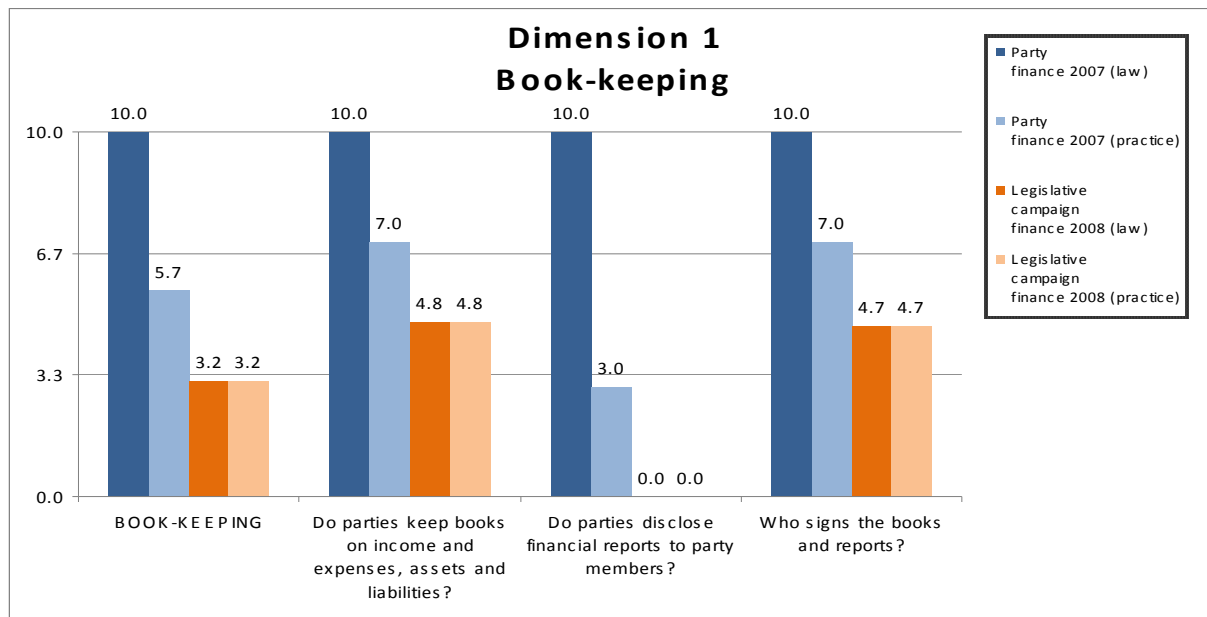
The Act Related to Political Parties 2002, requires political parties to keep books of accounts and registry of assets, which must be signed by the treasurer of the party. The treasurer is generally a member of the executive committee of the party. According to Section 11 (1, 2 and 3) of the Act Related to Political Parties 2002, parties are required to have their accounts audited externally and to submit the audited financial statements to the main oversight body, the Election Commission on an annual basis. According to Article 30 (1-4) of the Election Commission Act 2007 all candidates contesting in legislative elections are obliged to keep their incurred expenses audited by the certified auditor and the report submitted to the EC.

In practice, while parties generally keep financial records in their books of accounts, the procedure prescribed by law is often not followed. According to the findings of the study, only a few parties³, the Nepali Congress, the CPN (United

³ There are altogether 74 political parties registered in the EC for the purpose of Constituent Assembly (CA)/Legislative Election 2007. Out of these 54 parties contested in the CA Election 2007. Eight political parties emerged as winners in the election under the

Marxist Leninist) and the CPN (Maoist) have been maintaining in some form the books and registry of assets. The study team also found that political parties incurring expenses tended to send bills directly to the contributing companies to settle these bills. Hence such expenses are never registered in official records and remain entirely unaccounted.

Figure : 3 - Internal Book-Keeping of Political Parties



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 2: Reporting to the electoral management body (EC)

According to law, registered political parties are required to submit an annual income and expenditure statement to the EC within six months after the end of the fiscal year. After election, candidates are obliged to report expenses of their electoral campaigns within 35 days after the election results. There is no legal provision obliging legislative candidates to report on the sources of income for election expenses.

According to legislation, the EC is the body responsible for the management of the electoral process, including the oversight of financial bookkeeping of political parties and ensuring compliance to the law.

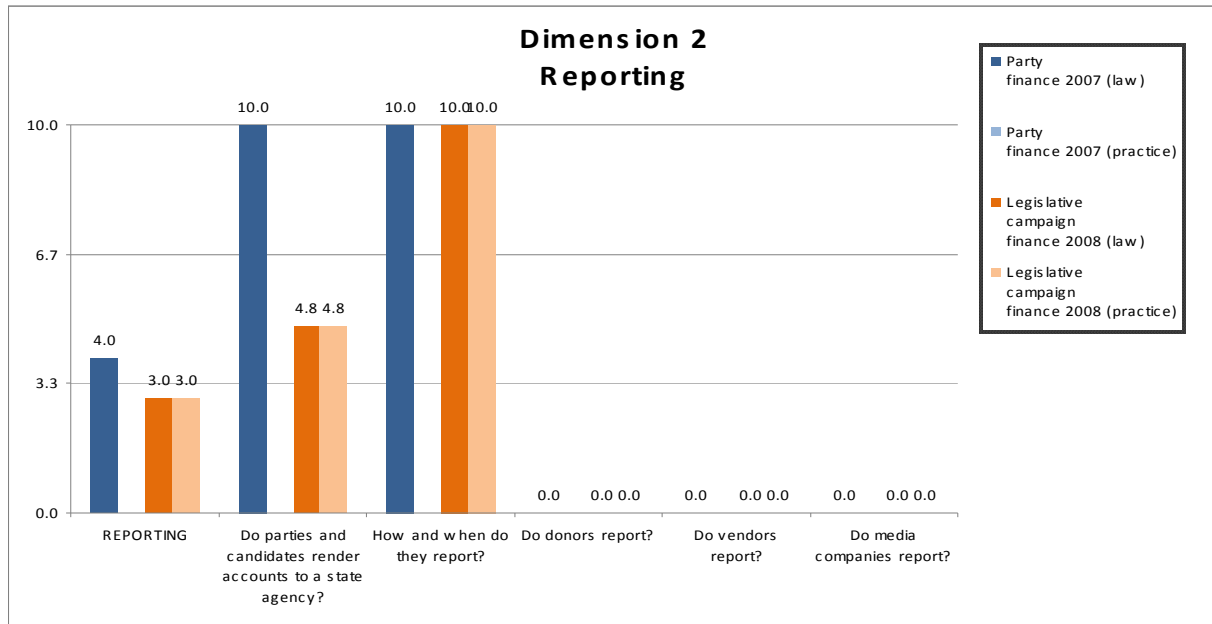
The study found, that in practice, none of the parties have submitted their reports to the EC. Although the law envisages penalties for non-compliance, so far none of the political parties have been penalized by the EC for failure to submit their reports.

However, all of the 14 candidates⁴ for CA Election interviewed for this study had submitted their expenditure reports to the EC.

first-past-the-post (direct election) system. 16 other parties garnered enough votes to be represented in the CA under the proportional representation system.

⁴ There were altogether 3946 candidates contesting CA Election under FPTP. Another 5701 candidates were for proportional representation in the CA.

Figure : 4 - Reporting to the Electoral Management Body (Election Commission)

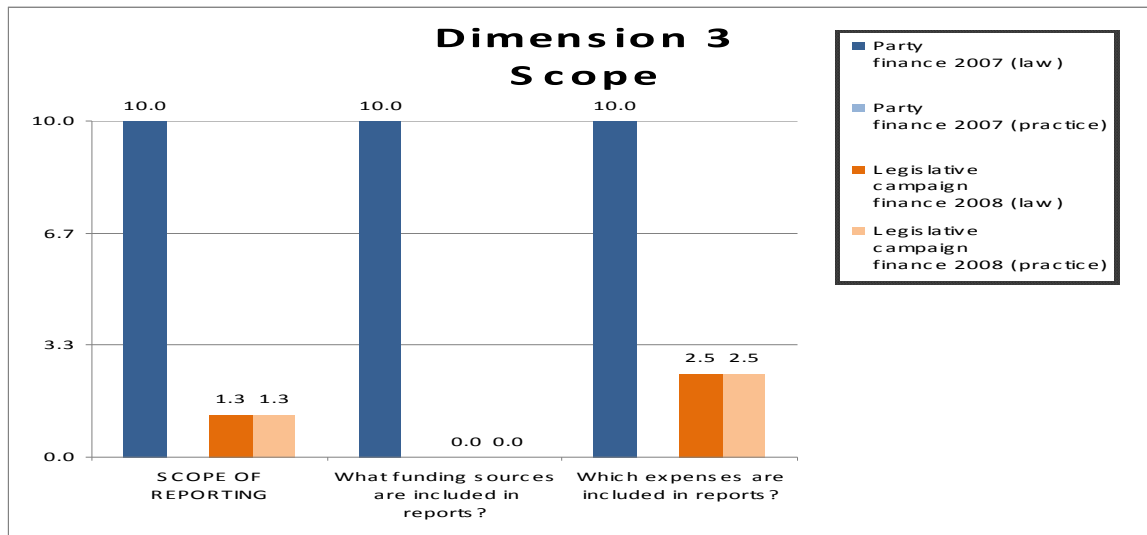


(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 3: Scope of reporting

Political parties in Nepal are not entitled to any kind of state funding. According to Act Related to Political Parties 2002, parties are required to report income from membership fees, individual donations in cash and in kind, as well as payments from other sources and fundraising activities. The study team found that the legislative framework provides sufficient basis for comprehensive reporting, however, practice shows that these regulations are not followed or implemented.

Figure 4 : Scope of Reporting



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

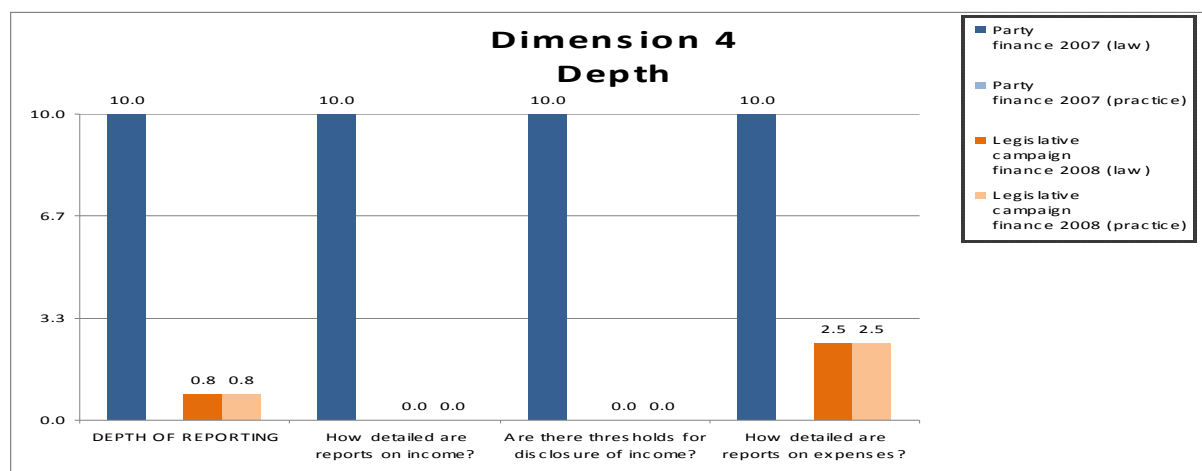
Dimension 4: Depth of Reporting

According to law, income statements of political parties must include the amount of donation. In case of an individual donor, contributions to a political party of more than NRs. 25, 000 (US \$ 335.00)⁵, the statement must include the name, address and profession of the donor. The law has also set the maximum limit on election expenditure of NRs. 459,500 (US \$ 6154.00) per candidate under the first past the post election system (direct election) and NRs. 50,000 (US \$ 670.00) per candidate under the proportional election system.

In practice, parties do not reveal information essential for identification of donors. The actual amounts of donations and the names of donors are withheld.

When it comes to expenditure statements, the law obliges political parties to include in their annual reports the amount of each expense made by them in a fiscal year. The findings of the study indicate, that in practice, parties do not submit reports to EC, so the question of detailed annual expenditure to be included in the report does not arise.

Figure 5 : Depth of Reporting



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

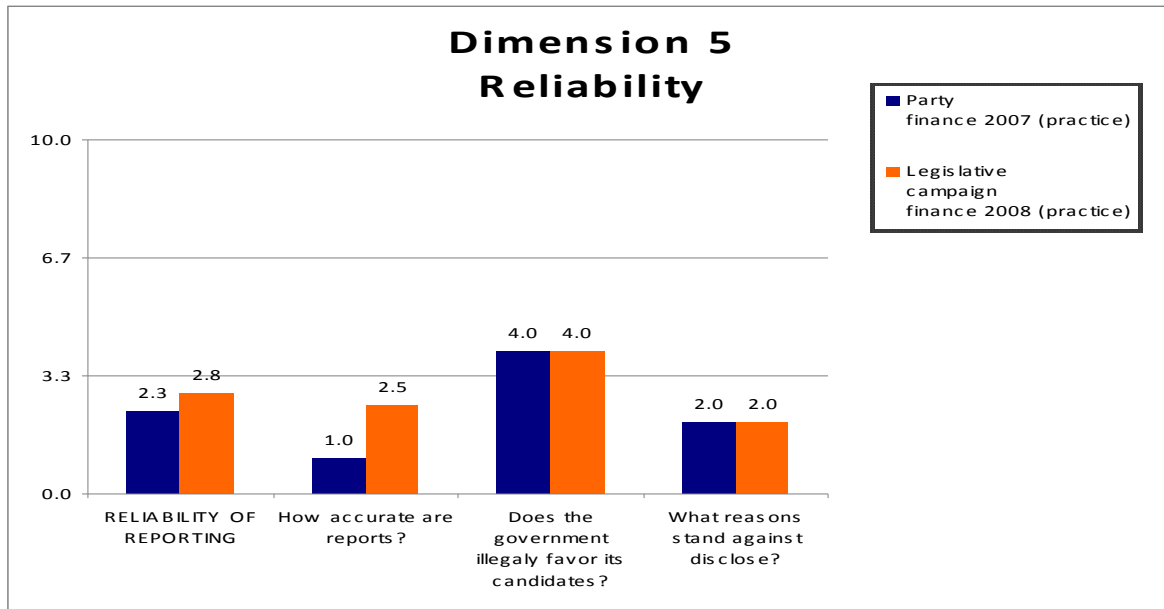
Dimension 5: Reliability of reporting and control mechanisms

The study has found that the reliability of reports of political parties and existing control mechanisms are very weak and ineffective. It is almost impossible to obtain accurate information on political financing by examining official reports, since a significant percentage of funding is not likely to be reported by parties. Reports lack important information on donations and internal bookkeeping of parties. In some cases, the data that reports contain may be more or less trustworthy, but incomplete.

Out of 14 candidates of the parties elected in the CA election in 2007 who are MPs and interviewed for this study, 9 responded that most of the reports submitted to the EC are just a formality and do not reflect the actual spending of either by the parties or the candidates, while 3 of them, said that it is impossible to make any informed judgment, since the information is not publicly available. Of them, 2 MPs admitted that they themselves have submitted inaccurate reports.

⁵ NRs. 74.67 = US \$ 1.00 (as per the exchange rate fixed by the central bank on 14/10/2009)

Figure 6 : Reliability of Reporting and Control Mechanism



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 6: Disclosure of information to the public

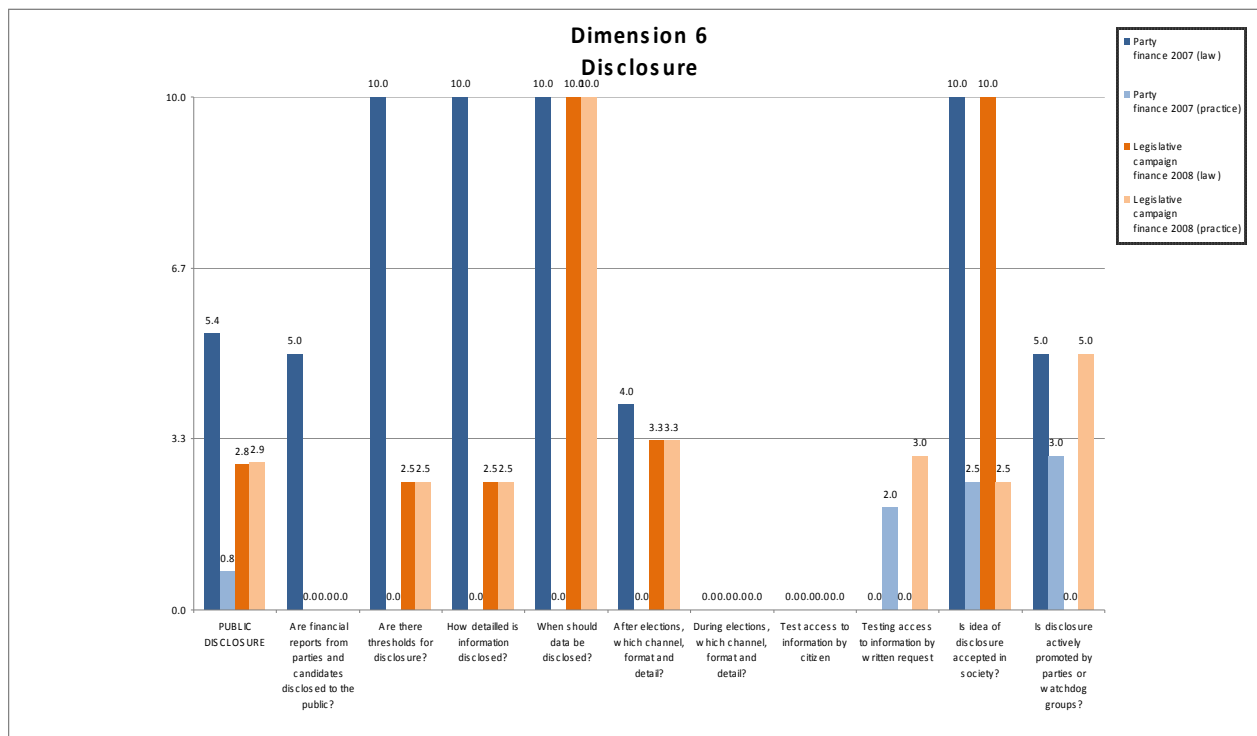
The law requires registered political parties to publicize their annual financial report. The political party is responsible for publishing it. The official responsible for disclosure is the party treasurer. But the parties' statutes are silent on the issue of disclosing their financial records to the broader public.

According to the EC representatives, none of the 8 major political parties studied have publicly disclosed information on annual finances during and after the fiscal year of 2007/08. Conventional types of financial reports are often presented in the general conventions of the parties which are generally held once in five years. Such conventions are participated by high level delegates of the parties. But ordinary citizens do not have access to this information. By law, statements on party financing should have been submitted to the EC.

Some individual candidates have disclosed information, for example 2 out of 16 former candidates interviewed, responded that they voluntarily mentioned names of donors as an expression of gratitude in their post election public speech. But one candidate openly opposed the idea of publicly disclosing income sources by saying that "it's all party affairs".

It is the finding of the study that all of the candidates did submit their election expenditure statements to the EC, but only a fraction of election expenses are disclosed. Parties do not have incentives to declare donations, since the idea of contributing to political parties and individual candidates is not regarded positively, as they are viewed as a way of buying favors. On the other hand, there is no public pressure on parties to publish information on internal finance and become more transparent. Neither the state nor civil society have been successful in influencing the parties on internal governance rules which, still seem to be very much based on an autocratic hierarchy with little urge to move towards transparency and public participation.

Figure 7 : Disclosure of Information to the Public



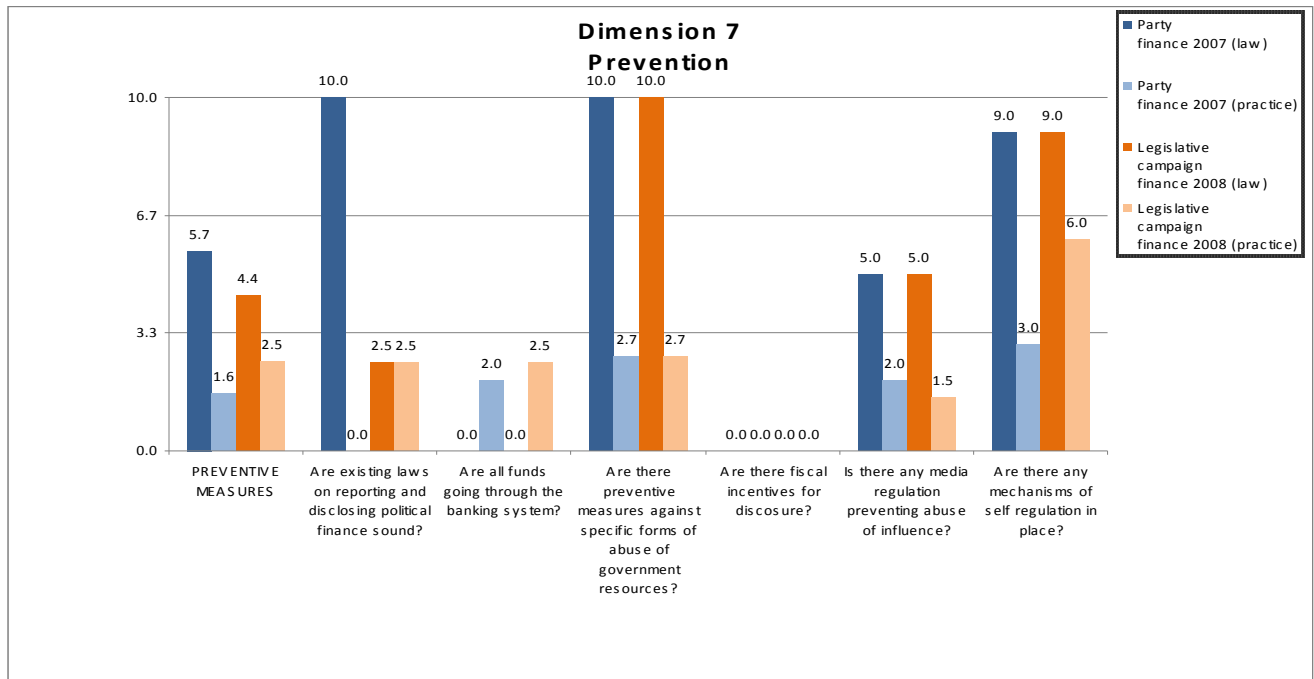
(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 7: Prevention

The legal framework on regulating political party finance in Nepal is relatively proper, although the law still contains loopholes allowing evasion of declaration of sources of funding. There is no legal provision prohibiting cash donations. There is also no provision obliging political parties to execute all of their financial transactions through official bank accounts. As a result, it is very difficult for the EC to inspect the financial flows and transfers of funds to political parties, since only a fraction is transacted through official bank accounts.

The law contains strict measures for the prevention of abuse of public resources for election campaign. It includes prohibitions of usage of public infrastructure, such as government buildings and vehicles, as well as the prohibition of inauguration of any new public projects during election period. The law also imposes a ban on transfers, promotions or change of government employees during the election period. However, political party representatives and informants contacted for this study have confirmed that in practice abuse of public resources is not penalized. Appointments, transfers and promotions of political party loyal government employees, as well as use of transportation services and other facilities to incumbent political party activists seem to be a widespread practice.

Figure 8 : Prevention

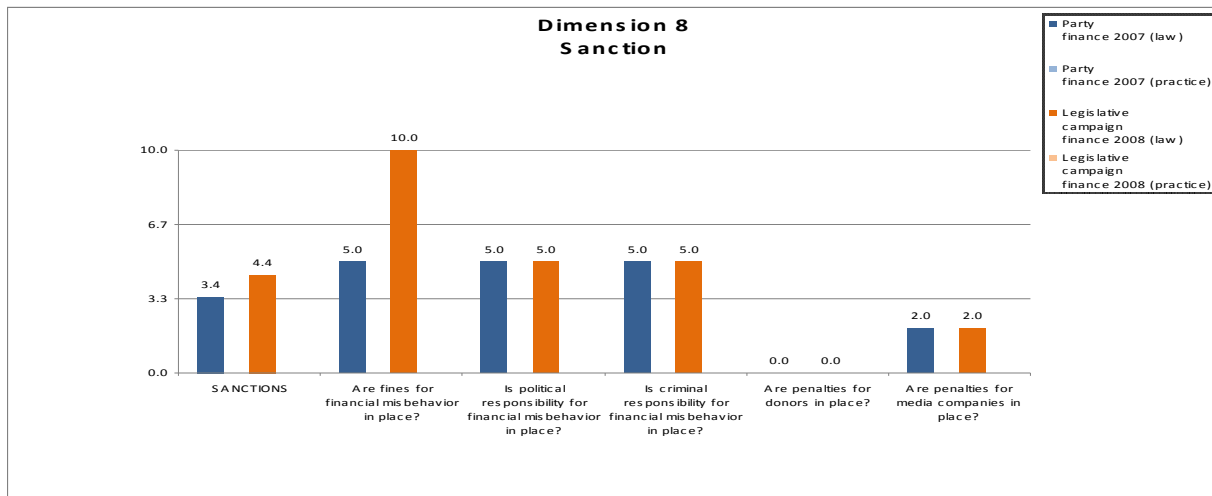


(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 8: Sanctions

The Act Related to the Political Party 2002, imposes a number of sanctions for political parties in cases of non-compliance with accounting and reporting regulations. The EC is mandated to impose a penalty of NRs.100.00 (US \$ 1.34) to a political party in case of any violation of the regulations concerning annual financial reports that have to be submitted. According to the Election (Crime and Punishment) Act 2003, fraud during the election process may result in a penalty ranging from NRs. 10,000 (US \$ 134.00) to 50,000 (US \$ 670.00) or the annulment of the election result and or imprisonment of two years or both as per the proportion of the crime. However, none of the sanctions are enforced in practice as yet. The practice on sanctions received the lowest score in comparison to other dimensions.

Figure 9 : Sanctions



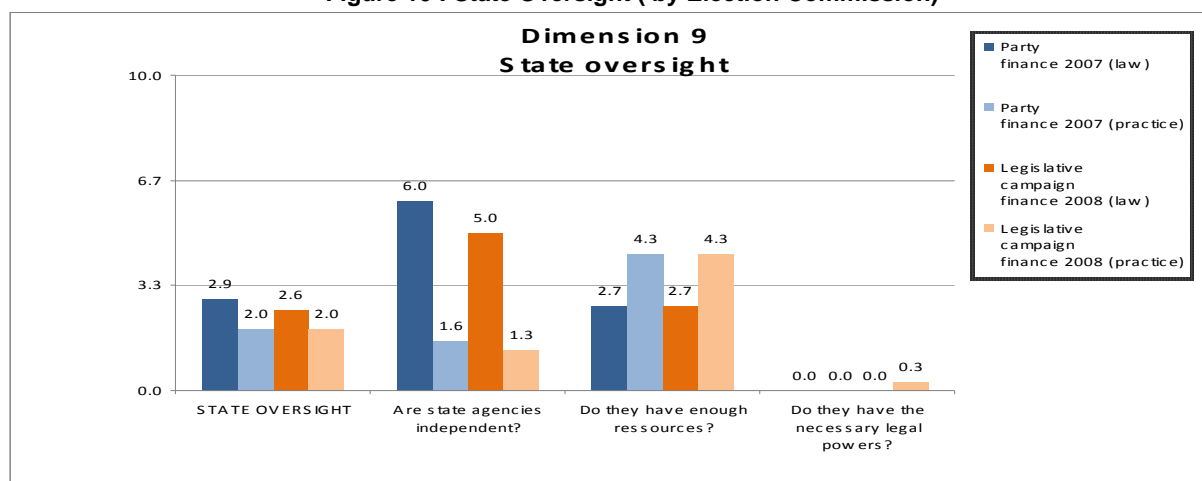
(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 9: Oversight by the Election Commission

The EC is responsible for the regulation and monitoring of party financing. The Constitution has defined the necessary pre-requisites for professional qualifications of the commissioners of the EC, the law does not provide conditions for strengthening the institutional independence of the Commission. The commissioners are nominated by the government for a fixed term of six years and most of the employees in the commission are government employees deputed to the EC for the time being.

In general, the study found that the EC is not viewed entirely as an independent and unbiased oversight institution. Although the law grants authority to the EC to initiate investigations into accounting of parties and candidates, representatives of the EC contacted for this study mentioned that the EC does not actually have an effective monitoring and auditing mechanism to properly analyze received reports. The study team finds that the paramount problem remains the independence of the Commission; it is also not adequately resourced to undertake its functions in an effective manner.

Figure 10 : State Oversight (by Election Commission)



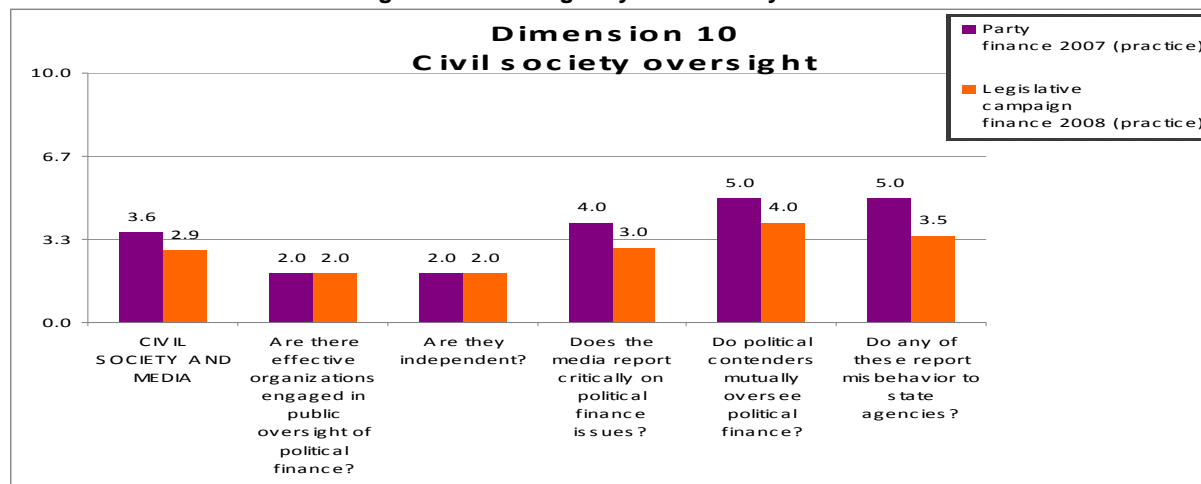
(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

Dimension 10: Oversight by Civil Societies and Media

Civil society organizations overseeing and focusing on political party transparency and accountability are very few and extremely weak. There is not a single civil society organization working on monitoring of political parties and election financing. In recent years, the print and electronic media has started covering some issues related to the methods of fund collection by some political parties and funding of elections. However, many such media outlets are viewed as biased and influenced by certain political parties and major stakeholders.

Political parties and candidates often report on irregularities committed by their political opponents and although reliability of such information can be highly questionable, information on political party funding malpractices has entered the public domain.

Figure 11 : Oversight by Civil Society and Media



(Score : 0 to 3.3 = Insufficient; 3.4 to 6.7 = Regular; 6.8 to 10 = Satisfactory)

4. Conclusions and Recommendations

4.1 Conclusions

The study found that political parties in Nepal, in general, are still dominated by political leaders who are accustomed to work clandestinely and adopt the practice of collecting funds secretly as they used to do during pre-1990, when all activities of political parties were strictly banned. Such a secretive culture of conducting politics under the old authoritarian regime did not entail any necessity for disclosure and broader public participation. Regulation of political funding is a relatively new phenomenon in Nepal and the relevant rules were introduced not too long ago.

The study found that practical compliance to legal provisions and regulations on political financing is very weak. Funds for political parties are generally collected directly from leading businessmen, industrialists and commission agents. Such donations are often made out of vested interest, in anticipation of favors in return, and are often collected in the form of extortion. The income and expenditure reports are not maintained properly and transparently. Political parties have not submitted their reports to the EC which have made it difficult to assess their reliability. Although the EC has set an upper limit on electoral expenses by any candidate but it has not established any monitoring and auditing mechanism for tracking the expenditures during the election. As a result almost all of the candidates spent a much higher amount in the CA election but submitted an accounting report showing expenses within the prescribed limit.

The EC or the government does not have specific information about the sources of the political parties' funds. Political finance has been one of the factors for political corruption. Party funds are raised for running non-electoral political activities (such as rallies and meetings in support of the government or against it), maintaining party offices and regular activities (maintaining party members and activists), and meeting election expenditure. The issue of disclosing information on political finance has not come to the forefront till now, since there has not been any demand from the stakeholders including the government, the EC, citizens and civil society organizations, and most importantly, from within the rank and file of the party. No culture among political party cadres have yet evolved as to raise questions as how their party is run or how the living standards of their leaders has risen so dramatically over the last few years. Some political parties disclose information about their finances to party delegates during party conventions, but this information remains inaccessible to the broader public. Disclosure is not a widely accepted practice in the political culture in Nepal. Political parties have not demonstrated willingness to be more transparent about their financing practices and the EC has not been successful in influencing the parties' internal procedures of bookkeeping.

There is no legal provision of direct public subsidy for the funding of political parties in Nepal. In practice, government does as provide indirect subsidies to political party cadres in the form of lucrative appointments, transfers and promotions of employees loyal to the political party in power, transportation facilities for political party cadres, and financial assistance to political party cadres to meet personal contingencies.

Although the law envisages penalties for violation of reporting regulations; the study has found that in practice such violations have never been penalized. There have been no repercussions for political parties and candidates violating code of conduct on prevention of abuse of state resources. Appointments and promotion of employees of the political party in government, as well as provision of transportation services and other facilities to party activists seems to be a widespread practice.

EC is not generally viewed as an independent and effective body in overseeing political finance and of promoting transparency. The findings reveal that the EC does not scrutinize political parties' financial reports closely nor has it taken any initiative to proactively disclose any information, it does not bother even if incomplete reports are received from the political parties and candidates. The study has found that the EC has proven to be unable to enforce regulations on political finance, while representatives of the EC have noted the lack of adequate human resources to undertake its functions in an effective manner.

The study has concluded that there is almost no public oversight of political financing in Nepal. Although the print and electronic media seem to be prompt in reporting on the methods of collection of funds by various political parties, even though general coverage is not viewed as totally independent and unbiased. Civil society organizations remain extremely weak

4.2 Recommendations

The following are recommendations on the role of the stakeholders in order to make political finance in Nepal more transparent and accountable.

Role of Government

- Funding of political parties by the state could be a leap forward in addressing the loopholes associated with them. Since such funding would come from the taxpayers, it would be liable to be audited annually and made public. The system of state funding would prompt the political parties to be more rational in spending, more transparent and accountable to the tax-payers of the country.
- Loopholes in legal framework should be addressed. The government should engage all stakeholders in amending the laws and rules where applicable. For example, appointment of auditors to audit electoral expenditure reports submitted by candidates and parties should be included in the law.
- The state may provide subsidies to political parties during elections through logistical support: printing posters, providing auditoriums, and free broadcasting on state-owned radio and television. Such a policy can however be developed only through elaborate consultation with all stakeholders, especially members of the public as well as political parties.
- A provision of allowing rebate on income tax to private companies for giving donations to political parties may be introduced, which will encourage private companies to donate to political parties, which will also increase the level of transparency. Introduction of such a provision should also be debated widely engaging all stakeholders.
- The law should oblige parties and candidates to execute all transactions through bank accounts. Each party must establish a single bank account to receive and spend funds that could help avoid anonymous donors and donations.
- Donations by individuals, business firms, and the media disclosure are made mandatory.

Role of the Election Commission

- Clear rules should be established for the selection of members of the EC based on clear criteria of professional qualifications that would strengthen the institutional independence of the EC.
- With the institution of a federal system, the added burden of conducting elections for local bodies, the existing organizational resources of the EC would be utterly insufficient, which is the case at present even to undertake its present responsibilities. It needs augmentation of human and material support systems to withstand such a burden in the near future and to enhance its enforcement capabilities.
- The EC should have the capacity to implement electoral laws and rules strictly without any fear or bias. It should develop a mechanism to monitor electoral expenditure by the candidates and the political parties, and should take due legal action in case of any violation. The EC should set an example by disqualifying a candidate (if applicable) for violating electoral norms and rules.

- The EC should disclose through its website all financial information (income, expenditures, and assets) of political parties at the end of a fiscal year. The statement of electoral expenditure submitted by the candidates and the parties should also be disclosed through the website, or made available to the people.
- The EC should appoint auditors to verify the audit reports and statement of electoral expenditure by the parties. It should take legal action (including cancellation of registration) for any anomalies.

Role of Political Parties

- Every political party should have transparent and organized financial management system as a reflection of its democratic practice. All information on their income, expenditure and assets should be disclosed annually through yearly reports and websites.
- The political parties and their leaders should make sincere attempts to shift from the present political culture of secrecy to that of openness.

Role of Civil Society Organizations

- Civil society should play a proactive role as a watchdog and actively engage in monitoring compliance to the existing regulations and promote reforms based on the idea of transparency and accountability.
- CSOs should highlight the issue of transparency in political finance and develop awareness raising programs on this issue.
- The CSOs involved in election monitoring should observe electoral financing and expenditure to reduce electoral expenditures.
- The CSOs should help in the evolution of public opinion by helping the media in implementing an annual campaign of sensitizing the public on the values of transparency of political finance and internal democracy in political parties.

Role of Media

- Media should adhere to standards of independent and balanced reporting, providing the public with accurate information on political funding and should conduct and publish investigative reports on political and electoral financing.
- More investigative reports should be published on electoral expenditure of candidates during elections.
- The electronic media should disclose information on the monetary value of the coverage given to political parties.
- Both the electronic and print media should launch an annual campaign of sensitizing the public on the value of transparency in political parties and internal democracy in the party.

Role of Private Sector

- The corporate and private sector should voluntarily disclose information on the donation (monetary or service) made to political parties.

Role of Constitution Drafting Committee of CA

- As Nepal is formulating a new democratic constitution, many of the recommendations of this study could be considered for incorporation. It is high time that the CA thinks of transparency in political finance. The recommendations of this report could be a start.

List of MPs (CA Members) Interviewed

(i) Nepal Communist Party (Maoist)

Mr. Jhakku Subedi
Mr. Narayan Dahal

(ii) Nepali Congress

Mr. Dhyan Govind Ranjit
Mrs. Suprabha Ghimire

(iii) Nepal Communist Party (United Marxist Leninist)

Mr. Dambar Sambahamphe
Mr. Krishna Prasad Sapkota

(iv) Madheshi Jajadhikar Forum, Nepal

Mr. Hemraj Tated
Mr. Sarbadev Ojha

(v) Tarai Madhesh Loktantrik Party

Mr. Ganesh Tiwari Nepali
Mr. Govind Chaudhary

(vi) Sadbhavana Party

Mr. Rajendra Mahato

(vii) Jana Morcha Nepal (*Unified with CPN-Maoist*)

Mr. Amik Serchand

(viii) Nepal Majdoor Kishan Party

Mr. Narayan Man Bijukchhe

(ix) Rastriya Jana Morcha

Mr. Chitra Bahadur KC

List of Experts and Civil Society Activists Interviewed

1. Prof. Lok Raj Baral, Dept. of Political Science, Tribhuvan University, Kathmandu
2. Prof. Kapil Shrestha
3. Prof. Krishna Hattechhu
4. Prof. Rabindra Khanal
5. Prof. Gopal Pokharel
6. Prof. Ganesh Raj Bhatta
7. Prof. Rajendra Subedi
8. Senior Advocate Krishna Prasad Bhandari
9. Advocate Borna Bahadur Karki
10. Senior Researcher, Abhi Narayan Subedi
11. Journalist Rajan Kuinkel, Image Channel TV Network
12. Journalist Ms. Rama Luinatel, Annapurna Post Daily
13. Journalist Ms. Durga Karki, Sagarmatha FM
14. Journalist Kedar Subedi, Deshantar Weekly
15. Journalist Tule Sapkota. The Himalayan Times Daily

List of Private Sector/ Corporate Groups Interviewed

1. Mr. Padma Jyoti, CA Member, **Jyoti Group of Industries**
2. Mr. Bimal Kedia, CA Member, **Kedia Group of Industries**
3. Mr. Rajendra Kumar Khetan, CA Member, **Khetan Group of Industries**
4. Mr. Diwakar Golchha, CA Member, **Golchha Organisation**
5. Mr. Rajendra Tiwari, Vice-President, **National Transport Entrepreneurs' Association**

List of Media Organizations - Letters sent for information

1. Nepal Television
2. Sagarmatha Television
3. Avenues Television
4. Image Channel Television
5. Kantipur Television

List of Participants in the Validation Workshop

1. Mr. Deep Kumar Upadhyay, CA Member and CWC Member, Nepali Congress
2. Mr. Dhyan Govind Ranjit, CA Member, Nepali Congress
3. Mr. Padma Jyoti, CA Member, Jyoti Group of Industries
4. Mr. Rajendra Kumar Khetan, CA Member, Khetan Group of Industries
5. Mr. Dambar Singh Sambahamphe, CA Member, CPN (UML)
6. Mr. Komal Chitrakar, Senior Chartered Accountant, TI Nepal
7. Mr. Ishwar Onta, TI Nepal
8. Mr. Surya Nath Upadhyay, Ex-Chief of CIAA
9. Mr. Borna Bahadur Karki, Senior Advocate
10. Mr. Kishor Thapa,
11. Mr. Ram Dayal Rakesh, TI Nepal
12. Ms. Toya Gurung, TI Nepal
13. Mr. Ram Kumar Shrestha, Lecturer, Ratna Rajya Campus
14. Mr. Sharad Raj Subedi, Journalist, Gorkhapatra Daily
15. Mr. Sharad Chandra Aryal, Journalist, The Weekly Mirror
16. Mr. Shreedhar Khanal, Journalist, Naya Patrika Daily
17. Mr. Dev Kumar Sunuwar, Journalist, The Kathmandu Post Daily
18. Mr. Kalika Khadka, Journalist, National News Agency (Rastriya Samachar Samiti)
19. Mr. Hari Lamichhane, Journalist, Janadisha Daily
20. Mr. Hari Bahadur Thapa, Journalist, Kantipur Daily
21. Mr. Kiran Bhandari, Journalist, Nagarik Daily
22. Mr. Thakur Prasad Timsina, Journalist, Nagarik Daily
23. Ms. Bipana Upadhyay, Journalist, Image Channel
24. Mr. Yam Birahai, Journalist, Annapurna Post Daily
25. Mr. Kedar Subedi, Journalist, Deshantar Weekly
26. Mr. Satish Sharma, Journalist, Arthik Mulyankan
27. Mr. Sunil Puri, Journalist, Naya Ruprekha
28. Mr. Achyut Aryal, Journalist, Radio Nepal
29. Mr. Prabin Pokhrel, Journalist, Radio Nepal
30. Ms. Ram Kumari Jhankri, President, All Nepal National Students' Union (UML)
31. Ms. Gita Bhattarai, Student Leader
32. Ms. Juna Puri, Student Leader
33. Mr. Ram Guragain, National Democratic Institute
34. Mr. Bhupendra Poudyal, Election Commission
35. Ms. Parbati K.C., Food for Health
36. Mr. Rajendra Prasad Tiwari, Transport Entrepreneur
37. Mr. Ganesh Bahadur Gurung, Common Citizen
38. Mr. Abhi Chaulagain, Nepal Centre for Contemporary Studies
39. Mr. Mahesh Sharma Poudel, CIAA
40. Mr. Bhagawati Kumar Kafle, Secretary, CIAA
41. Mr. Khem Raj Regmi, TI Nepal
42. Mr. Yagnya Prasad Gautam, Election Commission
43. Mr. Tana Gautam, Secretary, National Vigilance Centre
44. Dr. Pushpa Kandel, Chief of Finance Unit, CPN (UML)
45. Mr. Manish Kumar Suman, Sadhavawana Party
46. Mr. Sitaram Agrawal, Madhesi Janadhikar Forum, Nepal
47. Prof. Lok Raj Baral, Tribhuvan University
48. Mr. Damodar Prasad Gautam, President, TI Nepal
49. Mr. Shreehari Aryal, Senior Advocate, General Secretary - TI Nepal
50. Dr. Ms. Meena Acharya, TI Nepal
51. Mr. Dolakh Bahadur Gurung, Commissioner, Election Commission
52. Mr. Bishnu Bahadur K.C., TI Nepal
53. Dr. Devendra Raj Pandey, TI Nepal
54. Mr. Dev Raj Dahal, Country Director, Fredrick Ebert Stiftung, Nepal
55. Mr. Shreekrishna Yadav, Treasurer, Terai Madhesh Loktantrik Party
56. Mr. Sant Bahadur Nepali, National Peoples' Front
57. Mr. Sagar Raj Sharma, TI Nepal
58. Mr. Kedar Khadka, Pro-Public Nepal
59. Mr. Sarad Chandra Wosti, TI Nepal

List of commentators on draft presentation

1. Prof. Dr. Lok Raj Baral, *Professor Emeritus, Dept. of Political Science, Tribhuvan University, Kathmandu.*
2. Mr. Dev Raj Dahal, *Country Director, FES, Kathmandu.*
3. Dr. Hiramani Ghimire, *Senior Governance Advisor, DFID-Nepal, Kathmandu.*

Explanatory Note on Calculating Crinis Final Scores

This is a brief description of the process that took place from the online submission of data by the study team until completion of the aggregation of the final CRINIS score for a country by TI Berlin.

The Crinis questionnaire consisted of roughly 440 questions, but since some questions were not relevant to the individual political systems, and had therefore been excluded, it was actually less for Bangladesh and Nepal. The data which study teams had submitted was summarized in pdf printouts. The printouts were split into two parts. The first printouts included questions with only one possible answer and the second, with several answers.

Questions with several answers were split into several separate variables (one variable for each answer). All answers into these questions were coded into scores. Each answer corresponded to a number, ranging from 0 to 10. The rules for scoring were listed in the excel file called CRINIS method.

All the answers to questions (all answers by all interviewees, which were in total 4000 answers or datapoints) were put together in a spreadsheet. This was done in the following steps:

Step 1: Questions that have been answered by several respondents were aggregated in a simple average score. That means the answers from many sources were summarized in one score per original question.

Step 2: Many questions included the same wording, with slight adaptations for assessment of law or practice, of party finance, presidential elections or legislative elections. In the Crinis data spreadsheet these six possibilities were grouped together in one line, with six separate columns (for law_party; law_presidential; law_legislative; practice_party; practice_presidential; practice_legislative). These groups were called GENERIC QUESTIONS. There were about 240 generic questions (or lines) in the spreadsheet. These indicators were the closest to the original data in the spreadsheet.

Step 3: GENERIC QUESTIONS were grouped together to INDICATORS. There were a total of 50 INDICATORS.

Step 4: Indicators are summarized in DIMENSIONS. We have 10 dimensions, and a total of 50 indicators which feed into these dimensions. Each dimension had a different number of indicators.

Step 5: Dimensions were summarized into the Total CRINIS score for the country. In a more detailed level, the data were summarized in total scores for

- 1) law and practice
- 2) different types of funding (party, presidential, legislative)

Step 6: Separate average scores were summarized for all columns describing what happens in law (in terms of party, presidential and legislative) and in practice (party, presidential, legislative).

Step 7: Separate average scores were also summarized for all columns referring to party finance (law and practice), presidential elections (law and practice) and legislative elections (law and practice).

Step 8: Simple averages were summarized for all columns. In some cases, step 2 and step 3 involved weighing of different input variable to create output variables. All weighs were included in the spreadsheet. Input variables were answers to each question, which the study team had submitted. Variables were marked in different colors.

- 1) Variables with a different weight were marked in green or red
- 2) A weight 0 means that this variable was not considered mostly because this question did not apply to this country

That was how 4000 datapoints were summarized in a single country score. Graphs represent intermediate levels of aggregation by each dimension.