

**GOVERNMENT OF INDIA  
LAW AND JUSTICE  
LOK SABHA**

UNSTARRED QUESTION NO:2657  
ANSWERED ON:23.07.2009  
STATE FUNDING OF ELECTIONS  
Joshi Shri Kailash

**Will the Minister of LAW AND JUSTICE be pleased to state:**

- (a) whether any Commission has been/is being set up regarding State funding of elections by the Government;
- (b) if so, the details of composition and the terms of reference thereof;
- (c) the number of meetings held by the said Commission;
- (d) whether the Commission has submitted its report;
- (e) if so, the main recommendations made by the Commission and the action taken by the Government thereon; and
- (f) if not, the time by which the report is likely to be submitted?

**Answer**

MINISTER OF LAW AND JUSTICE (DR. M. VEERAFFA MOILY)

(a) to (f): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) of the Lok Sabha Unstarred Question No. 2657 for the 23rd July, 2009.

Pursuant to a decision taken at the meeting of the leaders of various political parties held on the 22nd May, 1998, under the Chairmanship of the then Home Minister, the Government of India constituted a Committee under the Chairmanship of Shri Indrajit Gupta, Member of Parliament. Initially the Committee consisted of seven Members (all Members of Parliament) including the Chairman. Subsequently, the Committee was expanded by the inclusion of one more Member of Parliament, namely, Prof. Ram Gopal Yadav, on the 6th August, 1998. Further, the services of Shri S.K. Merdiratta, a former Director (Law) and Principal Secretary to the Election Commission, were provided to assist the Committee as its Secretary.

The composition of the Committee is as under:

1. Shri Indrajit Gupta, Chairman
2. Shri Somnath Chatterjee, Member
3. Dr. Manmohan Singh, Member
4. Shri V.K. Malhotra, Member
5. Shri Madhukar Sarpotdar, Member
6. Shri R. Muthiah, Member
7. Shri Digvijay Singh, Member and
8. Prof. Ram Gopal Yadav, Member

The terms of reference of the Committee are as under:

The Committee will:-

- (a) examine the pattern of State funding in other countries where it is in vogue and suggest concrete proposals for providing State funding to candidates set up by recognised political parties, and
- (b) examine, in detail, the following related proposals and make suitable recommendations:

- (i) maintenance of accounts by political parties and audit thereof;
- (ii) ban on donations by companies to political parties;
- (iii) inclusion of expenses of political parties in the election expenses of candidates for the purposes of ceiling on election expenses; and
- (iv) empowering of the Election Commission of India to fix ceiling on election expenses before every general election.

The Committee after its constitution held a total of eight formal meetings. The Committee has submitted its report in December, 1998.

The Committee had recommended inter alia, creation of an `election fund` of Rs.1200 crores with contribution of Rs.600 crores from the Central Government and remaining Rs.600 crores by way of contribution from all the State Governments including some other recommendations. The Committee, therefore, did not recommend that the Central Government should bear full funds in this regard and no such proposal is, therefore, under consideration of the Government. The Government had, however, invited the comments / views of the State Governments on the recommendations of the Committee and the majority view of the State Governments was that due to financial constraint the State Government will not be able to contribute their share and, therefore, the whole amount should be contributed by the Central Government itself.

In addition to the above, the main recommendation of the Committee which has been considered by the Government and it had sought the recommendations of the Election Commission of India on suggestions made by the Committee. The Election Commission made several recommendations after consulting national and state political parties for providing facilities at state cost to recognized political parties and candidates set up by them, in kind, for example, e.g. [(a)Recognised National/State Parties:] accommodation for headquarters; 3,000 telephone calls for a National Party headquarters and 1 s000 calls for a State party headquarters per month over and above the free calls, if any, permitted to any subscriber; one computer with internet connection; adequate air time (already being granted) on Government controlled electronic media; [(b)Candidates of recognized political parties:] 300 litres of Petrol or 450 litres of Diesel for each candidate for every assembly segment, subject, however, to a maximum of 1500 litres of petrol or 2,250 litres of diesel for a Parliamentary Constituency; specified quantity of paper for printing of voter slips, etc. in accordance with the number of electors in the Constituency; postage @ one communication (not weighting more than 10 grams) per elector in the Constituency; etc.; one set of loudspeaker with microphone for every Assembly segment, subject to maximum of 10 sets for a Parliamentary Constituency; instead of installing land-line telephone, provision for a Mobile Pre-paid Card to every candidate for Rs.1500/- (i.e.Rs.100/-per day) for every Assembly segment, subject to maximum of Rs. 7,500/- for a Parliamentary Constituency; candidates` camps at each polling station (beyond a distance of 200 metres) with two chairs and a table; refreshments and food packets for counting agents inside the counting hall (for independent candidates also); etc. As regards allocation of time to parties on private cable television network and electronic media, the matter is under consideration of the Government in consultation with the Election Commission to evolve some viable practical formula.

In respect of the items mentioned at (a) above, the Election Commission recommended that the same may be provided to political parties by the Government, while the materials/facilities mentioned at (b) above, those may be furnished to the candidates directly by the District Election Officers concerned. The Commission also recommended that the expenditure on account of funding on the above items under (b) should be suitably deductible from the expenditure ceiling of a candidate. The Legislative Department accordingly sought the approval of the Cabinet on these recommendations of the Election Commission as well on the recommendation of the Indrajit Gupta Committee regarding setting up of a corpus of election fund of Rs. 1200 crores with states` contribution of Rs.600 crores annually to the Fund. The States have been unwilling on the measure(s). Extracts of Chapter-IX of the report of the Committee on State Funding of Elections are given in Annexure to this Statement.

Further, the process of reform of electoral laws is, however, a continuous and ongoing process and can be carried out only through consensus among political parties. Since it is a long drawn process, it is not possible to indicate any time frame.

Annexure to Statement referred to in reply to parts (a) to (f) of Lok Sabha Unstarred Question No. 2657 for 23-07-2009

## CHAPTER-IX CONCLUSION AND SUMMARY OF RECOMMENDATIONS

### Conclusion

1. Before concluding, the Committee cannot help expressing its considered view that its recommendations being limited in nature and confined to only one of the aspects of the electoral reforms may bring about only some cosmetic changes in the electoral sphere. What is needed, however, is an immediate overhauling of the electoral process whereby elections are freed from evil influence of all vitiating factors, particularly, criminalisation of politics. It goes without saying that money power and muscle power go together to vitiate the electoral process and it is their combined effect which is sullyng the purity of electoral contests and effecting free and fair elections. Meaningful electoral reforms in other spheres of electoral activity are also Urgently needed if the present recommendations of the Committee are to serve the intended useful purpose.

### Summary of recommendations:

2. For facility of easy reference and quick comprehension, the recommendations of the Committee are summarised as follows:

1. State funding of elections is fully justified - constitutionally, legally and, also in the larger public interest. [Chapter II, para 6.14]
2. State funding should be confined only to the parties recognised as National or State parties by the Election Commission of India, and to the candidates set up by such parties, [Chapter II, para 8.3]
3. Given the budgetary constraints and the present financial stringency, only part of the financial burden of political parties may be

shifted to the State, for the time being. Gradually, more and more of their, expenses' burden can be progressively shifted to the State so that ultimately all their legitimate expenses become a charge on the State. [Chapter II, para 9.2]

4. Any State funding should be in kind, and not in cash. [Chapter II, para 10.2]

5. To begin with, the recognised National and State parties and their candidates may be granted the following facilities, at State cost:-

(i) Every recognised National party may be allotted rent-free accommodation in the National Capitol at Delhi, with one rent-free telephone. [Chapter III, paras 2.1 & 2.2]

(ii) Similar facility of rent-free accommodation and rent-free telephone may be given to each recognised State party in the State in which its headquarters is situated. [Chapter III, para 2.3]

(iii) At the time of every general election to the House of the People or to a State Legislative Assembly, the recognised National and State parties may be granted sufficient free air time on State owned Doordarshan and All India Radio for their election propaganda over the electronic media. [Chapter III, paras 3.1 & 3.2]

(iv) Other private channels, including Cable Operators, may also be required to like-wise make sufficient free air time available for use by the recognised National and State parties, during general election. [Chapter III, para 3.3]

(v) Each candidate of a recognised political party may be provided with-

(a) a specified quantity of petrol or diesel for vehicles used for his election campaign;

(b) a specified quantity of paper for printing his election literature and the unofficial identity slips for distribution to voters;

(c) postal stamps of a specified amount;

(d) five copies of electoral roll of his constituency;

(e) one set of loudspeakers (i.e., one micro-phone and two loudspeakers) for every assembly constituency, or for every assembly segment of a parliamentary constituency, subject to a maximum of six such sets for the entire parliamentary constituency;

(f) one deposit-free telephone with a specified number of free calls for his main campaign office in every assembly constituency/segment (subject to a maximum of six such telephones for the entire parliamentary constituency);;

(g) some minimum arrangement for his camps outside each Polling Station, on the day of poll;

(h) refreshments and food packets for his counting agents inside the counting hall, on the day of counting.

[Chapter III, para 4.2]

(vi) The quantities of petrol, diesel, paper and postal stamps to be given to candidates may be worked out by the Election Commission on realistic basis for different States, and for different constituencies within the same State, having regard to territorial extent of constituencies, size of electorate, geographical features of the areas, means of communication available, etc. [Chapter III, para 4.3]

(vii) The facilities recommended above for the candidates would be available to the candidates of recognised State parties only in the State or States in which they are recognised as such State parties, and not in other States. The candidates of recognised National parties would, however, be eligible for the said facilities in all States, wherever they are so set up. [Chapter III, para 5]

6. In order to curb the mounting election expenses of parties and candidates and ostentatious show of money power by them, reasonable restrictions may be placed by law on all or any of the following matters:

(i) wall writings,

(ii) display of cut-outs, hoardings, banners;

(iii) hoisting of flags (except at party offices, public meetings and other specified places);

(iv) use of more than a specified number of vehicles for election campaigns and for processions;

(v) announcements or publicity by more than a specified number of moving vehicles;

(vi) holding of public meetings beyond the specified hours;

(vii) display of posters at places, other than those specified by the district/electoral authorities.

[Chapter IV, para 2.2]

7.1 Political parties should compulsorily submit their annual Recounts regularly to the Income Tax authorities, showing all details of their receipts and expenditure. [Chapter IV, para 1(a)]

7.2 No State funding should be provided to any party or its candidates if the party has failed to submit its annual return for the previous assessment year under the Income Tax Act. [Chapter IV, para 1(a)]

7.3 Political parties should also file a complete account of their election expenditure at every general election to the Election Commission of India. Such account should show the receipts and expenditure, both on the general party propaganda and on individual candidates. [Chapter IV, para 1(c)]

7.4 To bring transparency in party accounts, all donations received by political parties above the amount of Rs. 10,000/- (ten

thousand) should be accepted only by means of cheques/drafts and the names of such donors should be fully disclosed in their accounts. [Chapter IV, para 1(d)]

7.5 These accounts may be audited by such Chartered Accountants as may be selected by the political parties themselves, which may, however, be further checked by the Income Tax authorities by their own agencies, wherever considered necessary by them. [Chapter IV, para 1(b)]

8.1 Ban on donations by Government companies for political purposes should continue. [Chapter V, para 7.2]

8.2 The question whether there should be any ban on donations by other companies and corporate bodies for political purposes may be decided by Government and Parliament in their collective wisdom. [Chapter V, para 6]

9. The question whether election expenses of political parties and other bodies or associations and individuals should be included or not in the accounts of election expenses of candidates may also be decided by the Government/Parliament in their collective wisdom. However, apparent contradiction between the provisions of section 77(1), Explanation (1), Representation of the People Act, 1951 and section 171 H, IPC, needs to be resolved. [Chapter VI, para 10]

10. Periodic revision of election expenses may continue to be done by the Central Government, in consultation with the Election Commission of India, as at present. [Chapter VII, para 4]

11. A separate Election Fund may be created for meeting the expenses on State funding of elections. To begin with, the Central Govt. may contribute Rs. 600 crores annually, at the rate of Rs. 10/- per elector for the total electorate of about 60 crores in the country, towards the corpus of the fund. The State Govts., all taken together, may also contribute proportionately a matching amount of Rs. 600 crores annually, in accordance with the present financial arrangement between the Centre and States whereby nil capital expenses on election items are shared by them on 50:50 basis. [Chapter VIII, para 2 & 3].

(Indrajit Gupta) Chairman  
(Somnath Chatterjee)  
(Dr. Manmohan Singh)  
(Madhukar Sarpotdar)  
(Vijay Kumar Malhotra)  
(R. Muthiah)  
(Digvijay Singh)  
(Ram Gopal Yadav)

New Delhi,  
30 December, 1998