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Press Release

ADR submits Memorandum to the SIT on Black Money:

Circulation of unaccounted black money in activities related to Electoral Process

- The battle against black money would be incomplete without addressing the free flow of unaccounted black money in the electoral and political process in India
- ADR recommends strict regulation of political party funding and expenditure, declaration of IT Returns of MPs in the public domain, scrutiny of under-reporting of election expenditure by candidates etc.

New Delhi: Prof Jagdeep Chhokar, Founder-Trustee of ADR, in his letter to Hon'ble Mr Justice M B Shah, Chairman, SIT on Black Money, has stated, *"We, in ADR, feel very strongly that the task of 'preparing a comprehensive action plan, including the creation of necessary institutional structures that can enable and strengthen the country's battle against generation of unaccounted monies, and their stashing away in foreign banks or in various forms domestically,' as mentioned in Para 2(iv) of the 'terms of reference' of the SIT, cannot be completed unless due attention is paid to the possible use of unaccounted money in the electoral and political processes of the country."*

It is in this pursuance of the above that ADR has submitted a memorandum (along with its annexures) for the consideration of the SIT. A copy of the memorandum along with recommendations, submitted to the SIT, can be downloaded from here: (<http://adrindia.org/content/circulation-unaccounted-money-activities-related-electoral-process>). The main highlights of the submission to the SIT are given below:

Main Highlights

1. Need for financial disclosure of Political Parties

- Analysis of IT Returns of National Parties between FY 2004-05 and 2012-13 shows that the total income of the parties from **unknown sources of income** amounted to **Rs.4,368.75 crores (72.98%** of total income of national parties).
- Curious cases like that of BSP have been observed where the party has declared total income of **Rs.585.07 crores** between FY 2004-05 and 2012-13 of which **Rs.307.31 crores was from voluntary contributions**. But the names and other particulars of these 'voluntary' contributors are not known, as the party has maintained that no donations above Rs.20,000 was received thereby not declaring names of a single donor in 8 years.

- There are very few regional parties which submit their IT Returns and contribution reports to the respective authorities on a regular basis, annually.
- Political parties either do not file their **Election Expenditure statements** or do not file them on time. BJP and a few regional parties have not yet submitted their expenditure statements for Karnataka Assembly Elections held in 2013 when the deadline was 22nd July, 2013. Even for the Lok Sabha elections held in 2014, 15 political parties have not submitted their election expenditure statements when the deadline was 26th August, 2014.
- The **National Parties** declared a total of **Rs.381.81 crores as donations collected in cash during Lok Sabha elections** held in 2009 but the sources of these donations remain unavailable.

2. Parties' reluctance to follow transparency guidelines

- In 2011 the **ICAI framed accounting formats** exclusively meant for political parties.
- In 2014 **ECI issued guidelines** on transparency and accountability in party funds similar to the notifications in 2013 so as to **increase financial transparency in political parties**.
- In response to such guidelines, the parties have **refused to follow the above guidelines**, taking a narrow technical and legal view.

3. Increase in unrecognized political parties

- Out of more than 1600 registered political parties, **only 464 contested in the Lok Sabha elections** held in 2014 thus **raising the question on the need for registering as a political party** when not actively taking part in the political process.
- (i) 100% tax exemption, (ii) need for declaring only those donations above Rs. 20,000 and (iii) restriction of ECI from de-registering a party are possible reasons for increased registrations.

4. Lack of scrutiny of financial disclosures

- INC and BJP were found guilty of taking donations from foreign sources by the Delhi High court [Petition in WP(C) No. 131 of 2013; Association of Democratic Reforms & another vs. Union of India].

5. Growth in Assets:

- There has been an extraordinary growth in assets declared by the candidates (contesting elections) shown in their self-declared affidavits submitted during their nomination for the 2009 and 2014 Lok Sabha Elections. 165 Re-elected MPs have shown a total increase in immovable assets **Rs.1232.43 crores or a 137% increase**.

- 396 re-contesting MPs (i.e. sitting MPs of 15th Lok Sabha 2009-2014 who contested the 2014 elections but may or may not get elected again) have shown a total increase in total assets worth **Rs.3366.58 crores or a 146% increase.**

6. Increase in assets compared to the incomes:

- The increase in assets of 161 re-elected MPs during their term in office (2009-2014) was compared with the accumulated total income of these MPs in five years, assuming that their annual income remained constant.
- The asset increase of these re-elected MPs exceeds their total accumulated income by Rs.787.70 crores.

7. MP IT Returns in Public Domain:

- ADR has urged the MPs to voluntarily disclose their ITRs so that the doubts regarding their finances can be resolved. We also have a complaint pending in Central Information Commission that this information contained in MPs IT returns is of public importance and should be put in public domain.

8. Liabilities and Unsecured Loans:

- A close analysis of the liabilities declared by MPs elected in 2014 Lok Sabha elections show that there are many MPs who have raised the big ticket unsecured loans from many big and small real estate companies.

9. Under-Reporting of Assets:

- There are reports that many MPs in 15th Lok Sabha under-reported their assets in their respective affidavits.

10. Non-disclosure by MPs in the Register of Interest:

- There are instances where the 2 Rajya Sabha MPs who were receiving salaries from the scam ridden company running a Ponzi scheme but the MPs never declared them in their register of interest declarations to Rajya Sabha.

11. Politically Exposed Persons:

- All financial and banking activities of the Domestic Politically Exposed Persons (DPEPs) should be tracked by the banks and other authorities.

12. Election Expenditure Statements:

- Even though candidates have constantly claimed that the election expenditure limit set is very low the average amount of money spent by them in the 2014 Lok Sabha elections is only about Rs.40.30 lakhs, which is 59% of the expense limit.
- 16 MPs have declared that the election expenditure incurred by them is more than their total assets declared during the elections.

13. Recommendations of ADR to the SIT

1. The availability of **disproportionately large resources of unaccounted money** with the political parties during elections might **lend itself to misuse by the parties** which **belies the ideal of free and fair elections** in a democratic setup like India. Thus **a ceiling should be imposed on election expenditure of political parties.**
2. **Disclosure of sources of income of candidates contesting in elections** will ensure that the increase of their income is through legal and known sources.
3. **Election expenditure statements of candidates and parties** should be filed on time complying strictly with the prescribed format. The expenditure statements submitted by the parties should be subjected to CAG audit.
4. There is a need for a comprehensive Bill to strengthen the functioning of political parties as has been addressed by the Law Commission, Election Commission of India and other intellectuals. ADR has **shared a Bill drafted by a committee** chaired by Justice M N Venkatachaliah, with the SIT and **hopes that they may like to make appropriate recommendations in this regard.**
5. **CIC's decision bringing political parties under RTI** should be complied with in order to instate transparency and accountability in the democratic setup.

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