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A CASE FOR THE STATE FUNDING OF POLITICAL PARTIES IN PAKISTAN

The following Round Table Paper (RTP) is one of the outcomes of a series of roundtable conferences arranged by Konrad-Adenauer-Stiftung (KAS) in Pakistan in early 2008. The KAS is one of the political foundations of the Federal Republic of Germany. With its activities and projects, the Foundation provides an active and substantial contribution to international cooperation and understanding. The current RTP focuses on the need for state funding of political parties in Pakistan. The practice of public funding may be of interest for all who are interested in reforming and improving the political system in Pakistan.

Introduction

Amongst political institutions, political parties occupy a pivotal position because of the crucial role that they play in the democratic dispensation of state functions. In fact, the political structure of contemporary democratic dispositions hinges on the political parties, which are considered paramount for the organization of modern democratic institutions as well as for the expression and manifestation of political consciousness.

If the political parties are strong, well equipped, properly staffed and vibrant entities run on democratic lines, these bodies can tailor their programmes and policies in keeping with the wishes and aspirations of the electorate, properly train and groom party cadres for various leadership roles and also provide them guidance about the ways and means to face and react to various emerging situations or eventualities.

The main aim of every political party is to win support of the maximum possible number of citizens, form government and usher

the country into an era of progress and prosperity. For achieving this objective, political parties establish their party secretariats and staff these with necessary personnel, including experts and specialists on various facets of national life.

They also set-up party bureaux in important cities and towns of the country to foster relations with the public and raise their awareness level on various issues facing the nation and also to make people familiar with their party manifestoes and programmes. The political parties engage themselves in these activities to attract the attention of the public and to motivate them to join their ranks or to reinforce the loyalties of those who are already within the party fold.

Objectives for Setting-up Party Secretariats

The main aims and objectives of political parties in establishing their party secretariats are:

- To introduce party programmes policies and manifestoes to the citizens with a view to enlisting their support.
- To convince the citizens that the party's stand on various crucial issues as well as its goals and objectives are the best and in the supreme national interest vis-à-vis the programmes and policies of their rival political groups.
- To increase the number of party memberships
- To provide secretariat support to the party hierarchy so that they can deal with the legislative affairs and other matters pertaining to the party more efficiently.

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- To remain constantly in touch with the party loyalists, voters and sympathizers with a view to ensuring their continued support and co-operation.
- To raise funds for pursuing party programmes and policies effectively.
- To organize round-tables, seminars and conferences on various crucial issues so as to monitor public views and trends and also keep the masses enlightened on current issues of vital nature.
- To undertake research on various issues and keep the party hierarchy informed about the public aspirations, sentiments and reactions to various policies and programmes and, in particular, the changes in public moods, thinking, perception and trends.
- To organize training courses for party cadres and groom them for various political roles.
- To print regular and ad-hoc publications to keep the masses and workers well informed on various issues.
- To organize electioneering activities during the general elections.
- To keep constant liaison with the media channels and the leaders of public opinion.
- To organize meetings, talks etc. of the top hierarchy of the party.

For carrying out some of these multiple roles, political parties often establish autonomous institutions or foundations, which are loosely affiliated to the parent party. The activities and programmes of every political party, however, depend upon its size and the role that it plays or wishes to play in the political life of the nation. The programmes and activities of a regional party would be confined to the region and that of a mainstream national party would span the entire length and breadth of the country. The bigger a political party, the greater would be the effort and larger the volume of its programmes. In other words, the activities and programmes of a political party are largely determined by its role, size and scope of operations in the body politics of the country. For their multifarious roles and activities as well as for party functioning and or-

ganization, all political parties require funds on a regular and sustained basis. For their nation-wide activities, the fund requirement of the mainstream national political parties would, of course, be far greater than the regional parties due to the limited scope, activities and size of the latter.

Rationale for State Funding

Till the mid-twentieth century, the political parties raised funds for party organization and functioning through membership fees and donations by individuals and corporations. It was in 1954 when Costa Rica initiated a system of public funding of political parties and candidates. Argentina followed suit next year and the Federal Republic of Germany introduced a system of state support to the political parties in 1959. Thereafter, Austria, Canada, France, Italy, Scandinavian countries, South Korea, Japan and India have also started extending state subsidy to the political parties in one form or the other.¹ Amongst other countries, which subsidize the activities of their political entities the notable ones are the UK, the USA, Hungary and Thailand. The state funding of political parties started on the premise that if some public funding or subsidy was not provided to the political parties, their organization could falter, public communication could hamper and money for electioneering could be difficult to procure. Now, a number of democratic countries of the world fund the political parties, political groups, political think-tanks and political foundations, in one form or the other, because:

1. Funds raised by political parties from private sources are insufficient to meet their needs and requirements for money.
2. The national leaders felt the need for restricting the influence of private money in the democratic process.

¹ Masood, Alauddin, Strengthening the Parties, Daily Nation, 13 August, 2002

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Different Modes of State Funding

Currently, a large number of states are providing public funding to the political parties or extend them support in one form or the other. However, generally the states support the political parties through two broad modes of funding. These are:

1. Direct Funding
2. Indirect Financing

Direct Funding

In this mode, usually three methods are adopted for direct financing in cash. The first method is to provide financial assistance to political parties by allocating them money in proportion to the public support that they enjoy.

Funding Proportionate to Public Support:

The usual yardstick for measuring public support is the number of votes cast for a political party or its candidates in the general elections or the number of seats won by a political party in the Parliament. The Federal Republic of Germany has adopted this system.² Amongst the established democracies, Germany has the distinction to be the first to start granting public funding to national political parties as early as 1959. Article 21 of the German Basic Law states: The allocation of the state funds shall depend on the success a party achieves with the voters in European, Bundestag (Lower House) and Landtag (State Parliament) elections, and on the sum of its membership fees and on the amount of money it obtains from donations.³

According to the provisions of the Law on Political Parties, the state funds must not exceed the annual income generated by a political party from membership fees, donations and other revenues. The Law has set a maximum limit for the state funds to be

Euro 133 million⁴ from the year 2002. Under the public partial funding programme, the state provides funding to each political party on the following basis:

1. Euro 0.85 for every vote obtained by a party up to four million valid votes, provided it receives at least ½ per cent of the total votes cast in the Bundestag or European elections and one per cent in the elections to the Landtag. For votes obtained over and above four million, the parties get Euro 0.70 for each valid vote.
2. Euro 0.38 for each Euro that a party obtains through membership fees or donations. However, only donations up to Euro 3,300 per individual are taken into account.⁵

In addition to what is provided by the state, German political parties have various other sources of income. For example, membership fees, donations by individuals and corporate bodies and assessments. The assessments are payments given to a political party by its office-bearers in addition to their normal membership dues. As far as membership fee is concerned, party members are entitled to a 50 per cent tax rebate on their party dues.

German political parties can accept donations from both individuals and corporate bodies with certain restrictions and disclosure requirements. For example, the political parties may accept cash donations up to Euro 1,000⁶ only; foreigners can donate up to Euro 1,000 to a political party, and political parties can accept donations from German citizens or citizens of European Union or an enterprise, whose 50 per cent shares are owned by Germans or by a citizen of the

² Masood, Alauddin, Legislative System in Germany, Daily Muslim, 10 February, 1995.

³ Section 18(1), Law on Political Parties (Party Law), German Basic Law

⁴ Section 18(2), Law on Political Parties (Party Law), German Basic Law

⁵ Section 18(3) No. 3, Law on Political Parties (Party Law), German Basic Law

⁶ Section 25(1), Law on Political Parties, German Basic Law

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European Union.⁷ However, donations cannot be accepted from political foundations, parliamentary groups, public corporations, non-profit organizations or charities.⁸ But, there is no legal limit for contributions by individuals or corporate donors. However, tax deductions apply for individuals who donate up to a total of Euro 3,300⁹ per annum or Euro 6,600 per annum for married couples filing joint returns.

Donations in excess of Euro 10,000 given to a party, as per provisions of the Law on Political Parties, must be recorded along with the names and addresses of the donors and the total amount of the donation. Single donations exceeding Euro 50,000 have to be reported to the President of the German Bundestag, who publishes the donation as a printed paper of the Parliament, stating the name and address of the donor.

Equal Funding: The other method is allocating an equal sum of money to each political party or candidate regardless of its electoral or parliamentary strength. Thailand has adopted this system and the state provides equal funding to the political parties during and between election periods.¹⁰ Naturally, this method is more popular with the smaller political parties who receive larger amounts of money under such a system as compared to the one focused on levels of electoral success.

Combination of Proportionate and Equal Funding: The third method is a combination of the principles of proportionate funding and equal funding. For example, in Hungary 25 per cent of the state money is equally distributed among all political parties that obtain a seat in the Parliament, while the remaining 75 per cent is allocated

⁷ Section 25(2) No.3(a and c), Law on Political Parties, German Basic Law

⁸ Section 25(2) No. 2, Law on Political Parties, German Basic Law

⁹ Section 18(3) No. 3, Law on Political Parties, German Basic Law

¹⁰

<http://www.idea.Int/parties/finance/db/country>

on the basis of actual votes obtained by a party in the Parliamentary elections.¹¹

Indirect Financing

In this mode, state funding is restricted to providing subsidies in kind during the election period. The states following the principle of indirect funding usually provide free air time on radio and television; give concession in postal tariff and/or tax exemptions. This mode is prevalent in India, the UK and some other countries in the Commonwealth.

In India, for example, political parties do not receive any direct funding from the state. However, since 1998, candidates are given free time on the state radio and television for propagation of their agendas and communication with the masses during the political campaigns for elections.¹² But, this facility is extended only to those National and State Parties, which are recognized as National or State Parties, under provisions of the Elections Symbols (Reservation and Allotment) Order, 1968.¹³ In consultation with the Election Commission of India, the date and time of the above telecast/broadcast is predetermined by the Pra-

¹¹ Financing political parties and election campaigns guidelines, Ingrid van Biezen, University of Birmingham, UK, p. 33, published December, 2003.

¹² www.accessdemocracy.org/library/1848

¹³ Election Commission of India
A base time of 45 minutes is given to each National and State party uniformly on the regional Doordarshan (State television) network and All India Radio network. The additional time to be allotted to the political parties is decided on the basis of the poll performance of the parties in the last Lok Sabha (Lower House) and State Assembly elections. In a single session of broadcast, no party is allocated more than 15 minutes. Each party is given time vouchers of denomination of five minutes equal to the total time allotted to it for telecast on Doordarshan and broadcast on All India Radio. The party has the discretion to choose any representatives and allow them to use those time vouchers, provided no such individual representative uses more than twenty minutes of the total time allotted to that party either on Doordarshan or on All India Radio.

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sar Bharati Corporation (PBC).¹⁴ The period of broadcast or telecast starts on the last date of filing the nominations and ends two days before the date of polling. In addition, a maximum of two national panel discussions/debates are also organized on the national channel of Doordarshan and All India Radio. Each nationally recognized political party can nominate one representative to such programmes.

Private funding in the form of membership fees and donations from individuals and corporation, therefore, remains the main source of revenue for the Indian political parties. However, individual donations exceeding Indian Rs. 10,000 must be recorded by the party along with the names and addresses of such contributors. Under Section 293A of the Companies Act 1956, Indian companies can also make donations to political parties provided their annual donation does not exceed five per cent of the average net profits of the company during the immediately preceding three year period; these are approved by a resolution of the Board of the company and are also disclosed in the company's profit and loss account. However, foreign contributions cannot be accepted by a political party unless permitted by the central government. Likewise, there is no direct system of public funding for political parties in the United Kingdom, where these entities are vastly run on donations from business organizations, labour unions and wealthy individuals. However, during the election period, the state provides assistance to the political parties in the shape of free air time and also the facility of free postage and free meeting rooms to the candidates.¹⁵ In addition, the government gives a grant of £ two million to political parties to finance policy research.¹⁶

In the USA, the political parties are funded mostly through private donations, although there are no membership dues for party members.¹⁷ However, during election time the parties receive public grants for the national party conventions to choose a presidential candidate. Since 1976 elections, eligible¹⁸ candidates for the presidential elections are using public funds in the primary and general election campaigns; while major parties are using public funds to pay for their nominating conventions.¹⁹ However, those candidates who receive public funding must agree to limits on campaign funding as laid down by the Federal Election Commission Act (FECA) and endorsed by the Supreme Court. If they do not wish to receive state funding, presidential candidates are free to spend as much as they want.²⁰

¹⁷ http://www.faculty.ucc.edu/eghdamerow/political_parties.htm

¹⁸ A presidential candidate must establish eligibility by showing broad-based public support. He/She must raise more than US\$ 5,000 in match able contributions, in amounts not exceeding US\$ 250 from any individual contributor in each of at least 20 different states. The first US\$ 250 of a donation by an individual is match able, i.e. the amount of the donation is doubled. However, donations by Political Action Committees (PACs) are not match able. A PAC is a private special interests group organized to elect or defeat government officials in order to promote legislation, often supporting the interests of the group.

¹⁹ Public Funding of Presidential Elections, Federal Election Commission, <http://www.fec.gov/pages/brochures/pubfund.shtml>. (Each major political party is entitled to US\$ four million plus cost-of-living-adjustment (COLA) to finance its national convention that nominates the candidates for the offices of President and Vice-President. Using 1974 as the base year, the US Labour Department annually calculates the COLA.

²⁰ Funding of Political Parties and Election Campaigns, Karl Heinz Nasmacher, IDEA, 2003, P. 44

¹⁴ The public service broadcast of India.

¹⁵ Funding of Political Parties and Election Campaigns, Karl Heinz Nasmacher, IDEA, 2003, p. 42

¹⁶ Financing political parties and election campaigns guidelines, Ingrid van Biezen, University of Birmingham, UK, p. 33, published December 2003.

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In addition, in a presidential election, both the Republican and the Democratic candidates receive a grant of US\$ 20 million plus cost-of-living-adjustment (COLA) to cover overall expenses of their general election campaigns. Third party presidential candidates are also entitled to receive some public funds after the general elections if they receive at least five per cent of the popular votes. Since no public subsidy exists for the US congressional elections, the candidates for the Senate and the House of Representatives are free to spend as much money as they want.

State Funding of Political Foundations

Both in Germany and the USA, political parties have their political foundations affiliated with the party in terms of ideology and broad programmes, but these foundations remain independent in their organization, management, funding and decisions. Largely financed by the government, these political foundations provide professional and sustainable education in the field of social policy and democracy. These foundations primarily use the funds allocated to them to finance congresses, meetings and seminars on political education; research consultation; publications and exhibitions; and payroll costs, expenditures on goods and services, and advertisement. There are six political foundations (Stiftungen) in Germany.

Political Foundations	Party Affiliation
Konrad Adenauer Stiftung	CDU
Friedrich Ebert Stiftung	SPD
Friedrich Nauman Stiftung	FDP
Hanns Seidel Stiftung	CSU
Heinrich Boll Stiftung	Green
Rosa Luxemburg Stiftung	PDS/Die Linke

In Germany, the funds are allocated to the foundations in keeping with the strength of the political party to which they are affiliated. The two major political foundations, in the USA, namely National Democratic Institute (NDI) and International Republican Institute (IRI), receive state grants. Both the foundations, which are loosely affiliated with their respective political parties, aim at political party development, governance, citizen participation and election processes.

Situation in Pakistan

The success of political systems, in particular its parliamentary form, largely depends upon strong, organized and vibrant political parties. Unfortunately, most of the political parties in Pakistan are weak on internal democracy. A majority of them are power bases of the elite, with landed, industrial and tribal aristocracy dominating their leadership.²¹ The parties can be characterized by a general lack of communication between the party leaders, workers and members. The relative weakness of party branches results in candidates being chosen by the central leadership according to wealth and influence.

Majority of the political parties do not even have adequately staffed secretariats and other requisite infrastructure to foster relations with the people on a sustained basis or discharge roles and functions of multifarious nature in political party development, governance, citizen participation and election processes. Since the very bedrock – the political parties – is weak, the system that is built over it remains feeble. Therefore, the urgent need for some public funding of the political parties so as to remove the serious deficiencies and drawbacks and strengthen the parties and, in turn, the political system to meet the challenges of statecraft.

²¹ Masood, Alauddin, Embedded Democracy, Daily The News, 20 April, 2007

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Justification for State Funding of Parties in Pakistan

The following factors lend strength to the arguments for the state funding of political parties in Pakistan:

Need for Proper Party Secretariat: Since most the political parties do not have properly staffed and adequately equipped party secretariats, they are unable to discharge their obligations efficiently, in particular check the veracity of facts and statistics provided by the executive government pertaining to various facets of the national life. If the political parties have well-manned desks corresponding to federal ministries and constituent units of the Federation, managed by professionals, these can constantly monitor the situation in different spheres of life and give professional guidance and advice, on emerging issues and problems, to the party leaders.

Need for Democratization of Parties: Most of the political parties in Pakistan are financed by a few rich families, who style themselves as leaders and patrons of those political parties. The party leadership invariably remains within the families who pay for the party expenses.²² This impedes the emergence of any real democracy within such political parties. If political parties are freed from this dependency upon rich families, there are good prospects for democracy to take roots within the political parties and consequently the chances that talented and committed people would assume various leadership roles.²³

Curbing Foreign Influence: Some political parties are accused of having received foreign funding at one time or the other. Ultimately, this influences the conduct and policy of those political parties. Allegations of foreign funding, at one time or the other,

has been levelled against majority of the political parties. State funding is expected to free political parties from the need to seek or receive foreign funding.

Elimination of Corruption in Politics: Some rich people 'invest' money or provide one facility or the other to a political party in the hope of good 'returns' on their investment when the political party returns to power. Public funding and the strengthening of internal democracy would free the parties from this dependence upon the rich.

Opportunities to Talented People: Presently, talented and committed political workers from the middle classes have bleak chances to pursue a career in politics or become the leader of a political party. Resultantly, the politics has become a preserve of the rich, who often use their political influence and clout not only to safeguard and perpetuate their family interest but also to amass more wealth.

Check on Misuse of State Funds: Due to the absence of internal democracy in most of the parties, some party leaders start behaving in a dictatorial manner and, on return to power, spend state funds in executing projects that add to their personal comforts or benefit the elite.²⁴ Strong political parties and institutions can help in curbing this tendency.

Preventing Whimsical Amendments: There has been a tendency amongst some rulers to fiddle with the Constitution and the rules to promote and safeguard their vested interests. This practice has impeded the development of a strong democratic culture in the country. By strengthening political parties and raising the awareness level of the citizens, the practice of introducing "self-

²² Masood, Alauddin, Under the Garb of Democracy, Daily Dawn, 19 August, 2001
Masood, Alauddin, Strengthening the Parties, Daily Nation, 13 August, 2002

²³ Masood, Alauddin, Democracy, An Antidote to Terrorism, Weekly Pulse 16-22 November, 2007

²⁴ Masood, Alauddin, Strengthening the Parties, Daily Nation, 13 August, 2002.
Masood, Alauddin, Two Faces of Democracy, Weekly Pulse, 30 November to 06 December, 2007

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“serving” amendments by the rulers can be blocked.²⁵

The government provides state grants and funds to a number of NGOs, but strangely nobody has so far given any serious thought to funding the political parties, which help in shaping the destiny of the nation and also serve as nurseries for the political grooming of the leaders. As the rich dominate the political parties in Pakistan and thus it is they who assume the leadership roles as well, probably, they do not want state funding because it could lead to the loosening of their grip on the party and ultimately the national affairs. If the nation wishes to democratize the political parties and rejuvenate these entities with talented and committed people, there is an urgent need to start partial funding of the political parties through a fair and transparent system.

Accountability, Transparency in use of Funds

The funds can be provided to the political parties in an above-board and transparent manner in keeping with an agreed formula. Giving subsidy to political parties would rid the country of many vices, including grant of loans by national banks to political figures on the prodding of important personalities. Ultimately, these political loans amounting to billions of rupees are written off.

To begin with, the mainstream political parties could be provided subsidies, both in cash and/or kind, as proposed below:

1. Free time on Radio Pakistan and PTV, during the period for election campaign, on the basis of votes obtained by them in the last general elections. In the past, some leaders in the executive government allowed free air time to mainstream political parties in the 1970s, but the practice did not take roots.
2. Some concession in postage stamps during the election period.

²⁵ Masood, Alauddin, Quest for 'Genuine Democracy,' Pakistan Observer, 5 September, 2001
Masood, Alauddin, A hat which has become reshaped, Pakistan Observer, 21 May, 2002

3. Membership fees or donations paid by members to a political party during a year can be given tax exemption up to a certain limit.
4. Donations by individuals or corporate bodies can be allowed exemptions in tax up to a certain limit. It may be made a binding on parties to notify the Speaker of the National Assembly about donations received by a political party beyond an upper limit, which the parties may settle unanimously.
5. Government funding in keeping with the principles of state grant matching the membership fees and donations obtained by a political party during a year, subject to an upper limit that may be mutually agreed to by all political parties represented in the National Assembly, or say, by the Finance Committee of the august House.
6. Some funding on the basis of equal financing and proportionate funding, say a few million rupees per year to every political party that gets at least two seats in the National Assembly and two per cent of the total valid votes cast in all the provinces during general elections. In addition, the mainstream political parties can be allowed some money on the basis of total seats and/or valid votes cast in their favour during the general elections.

In addition to the election process, the funds can be used by the political parties for party development and raising the level of citizen participation. The use of funds can be audited by the Auditor General of Pakistan's office. However, the political parties be advised not to accept any help and assistance from foreign governments or foreign corporate bodies unless approved by the Federal Government of Pakistan. These measures are essential, rather the dire need of the time, to lay the foundation of a true and genuine democracy in Pakistan. Even the National Accountability Bureau, in its annual report for the year 2005, underlined²⁶:

Until and unless a foundation of true democracy and independent, impartial and honest judiciary is laid in this country, the prospects of elimination of corruption and corrupt practices will be a tall order.

²⁶ Masood, Alauddin, Figures of Low Rank, Daily The News, 18 April, 2002

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