



NATIONAL COUNCIL OF BHUTAN

Findings and Recommendations
of
The National Council of Bhutan
on
The Financial Situation of Political Parties

DECEMBER 2011

**FINDINGS AND RECOMMENDATIONS OF THE NATIONAL COUNCIL OF BHUTAN ON FINANCIAL SITUATION OF
POLITICAL PARTIES**

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I. Background

1.1 Resolution of the National Assembly

The issue of state-funding of political parties was first discussed during the presentation of Annual Budget and Appropriation Bill 2008-2009 in the National Council. The National Council objected to it on constitutional grounds. It wrote a letter (NC/GEN/13/2008/301) to the National Assembly on 2nd July 2008 expressing its concerns of unconstitutionality. With the approval of the Honourable Speaker, the letter was circulated to ‘all the Parliament members.’ Exhaustive deliberations were held in the National Assembly. Since it was deemed contradictory to the Constitution, ‘the Parliament decided that the political parties would not be provided with state funding.’

1.2 Amendment Bill of the Election Act 2008

In the sixth session of Parliament, the National Assembly tabled an Amendment Bill for the Election Act 2008. The proposal for amendment included a new section 158 A, which reads, ‘The ruling party and the opposition party may receive fund from the State to maintain their party machineries and the amount shall be determined by the Government in consultation with the Election Commission.’

The second proposal was to delete proviso of section 206, which reads ‘Provided that the disqualification under sub-section (d) shall cease to operate after the lapse of one year from the date of acceptance of the application of resignation or removal from the membership of a political party and such resignation or removal shall be immediately notified by the concerned party office in the print media with a copy submitted to the Election Commission.’

The third proposal for a new section 581 A reads ‘The Commission shall submit an annual report to the Druk Gyalpo, the Prime Minister and Parliament on its policy, performances and conduct of elections...’

The National Council deliberated on the Amendment Bill in its seventh session. Considering it unconstitutional (see section 1.9 for details), the National Council did not accept the insertion of the new section 158 A as well as the deletion of proviso of section 206 by the National Assembly. However, it accepted the new section 581 A with an amendment as indicated below.

“The Commission shall, **after each election**, submit an annual report to the Druk Gyalpo, the Prime Minister and Parliament on its policy, performances and conduct of elections....” .

1.3 Resolution of the Seventh Session of National Council on State-Funding for Political Parties

The proposal for state-funding of political parties after elections was deemed unconstitutional by the National Council. However, it deliberated upon the issue in its seventh session. The basis of the deliberation was the recognition that political parties are important institutions for a vibrant democracy and that the two parties in the country have claimed financial difficulties. The National Council resolved to constitute a national level multi-sectoral committee and endorsed a terms of reference for the committee. Its intent was to understand the financial situation of the two political parties and explore means of addressing problems within the bounds of Constitution and electoral laws.

1.4 Attempts to Form the National Level Multi-sectoral Committee

As resolved by the National Council, the Good Governance Committee (GGC) coordinated the formation of the national level multi-sectoral committee. It communicated with the Anti-Corruption Commission, the Royal Audit Authority (RAA), the Election Commission of Bhutan (ECB), Office of the Attorney General and the Department of National Budget. These were the institutions identified in the terms of reference endorsed by the National Council for the formation of this committee. A meeting was also held in the National Council with representatives from these offices. Their response was that while they would appoint a focal person each to provide information for the committee to do their work, they would not commit to be a part of the committee. They were concerned that their constitutional mandate did not permit them to engage in such a task and that there could be possible conflict of interest. The National Council again communicated with them outlining objectives of the committee, the areas that needed to be looked into and suggested that the task would not compromise their constitutional mandates. However, the committee could not be constituted as resolved by the National Council.

1.5 Instructions of the National Council Plenary Session

The Honourable Chairperson and members expressed deep concern over the response of these institutions. It however, instructed the GGC to proceed with the work on its own.

1.6 Consultations by the National Council

The National Council undertook research and consultation with various stake holders. Research work included thorough study of the two political parties' annual financial statements, their charters, and other relevant laws. To substantiate the findings from these documents, one-on-one consultative meetings were held with two political parties, RAA and ECB. The primary sources of information used for analysis of the financial situation of the two political parties were the available audit reports, their financial statements and further consultations with them. The findings of these research and consultations and the recommendations are as follows.

II. Findings and Recommendations

1.7 Current Structure of Political Parties

From the consultative meetings with the two political parties, the National Council was given to understand that DPT today has a Head Office in Thimphu and branch offices in 15 *dzongkhags*. At the Head Office, there are four employees consisting of the Secretary General, Administrative Officer, Accountant and a support staff, and the *dzongkhag* offices are run by a Coordinator and an Assistant. While coordinators in the *dzongkhag* offices work on voluntary basis, the assistants are each paid Nu.5000 per month. The rent paid for the *dzongkhag* offices is Nu. 4000 – Nu.5000 per month. The main activities of the party coordinators and party workers are to assist the elected members of the National Assembly during their constituency visits and to report to party offices on any issues that may arise from the community. However, there is a general feeling that these party workers have no work in between the elections. DPT has thus far convened three Annual General Meetings and two meetings of the Executive Committee.

PDP has a Head Office in Thimphu and branch offices in just a few *dzongkhags*. The Head Office today has just an Acting Secretary General without any support staff. The offices in the *dzongkhags* are run by party coordinators on voluntary basis without having to pay rent for the office space. Therefore, there is no expense incurred for the *dzongkhag* offices. PDP concurs with the view that the party workers have no work in between the elections. It has held its Party Convention twice after 2008.

As of 30 June 2010, DPT had 274 members and PDP 223 members. During consultation, it was reported that DPT had 96 members including the MPs.

1.8 Positions on state-funding of political parties

Considering it necessary for the state to fund political parties, DPT - the ruling party, proposed amendment of the Election Act 2008. The objective of the new section proposed for inclusion as Section 158 A is 'to maintain their party machineries'. In his first annual report to the third session of Parliament on 26 June 2009, the Honourable Prime Minister stated that 'Without the party machinery in operation among the people, there is no structure for grass-root participation in governance. It is for this purpose that the Constitution is unequivocally clear.'

On the contrary the Honourable Opposition Leader thinks that the Constitution is perhaps designed not to have the presence of political parties in grassroots communities after elections are over. Therefore, local governments are constitutionally apolitical unlike the central government, which is party-based. He feels that a minimum party presence and infrastructure is required at the Head Office and that the income generated from permissible sources would be enough to meet basic expenses for the Head Office.

1.9 Legal and Constitutional Issues

State-funding of political parties is permitted by the Constitution specifically during election campaign. Article 16 which deals with Public Campaign Financing stipulates that ECB shall pay political parties and candidates from the Public Election Fund, and that ECB shall determine the ceilings for expenditures to be incurred by political parties and their candidates as well as voluntary contributions made by registered members of political parties.

However, the Constitution does not provide for state-funding after elections are over. Section 4(d) of Article 15 of the Constitution states, 'A political party shall be registered by the Election Commission on its satisfying the qualifications and requirements set out hereinafter, that...d) It does not accept money or any assistance other than those contributions made by its registered members, and the amount or value shall be fixed by the Election Commission.'

In keeping with these provisions of the Constitution, the Election Act 2008 states in Section 158 that 'The income of political parties shall be made up of Registration fee; membership fees and; voluntary contributions from registered members.'

Adhering to the spirit of the Constitution and Election Act, Section 9.6 of the DPT Charter states that '**The Party shall not receive donations and contributions from sources deemed illegal by the Election Commission of Bhutan.**' The Election Commission has already deemed state-funding of political parties illegal and unconstitutional in various forums. In particular, the

Election Commission has twice shared its view on this issue with the National Council in relation to the amendment of the Election Act. Quoting Section 4 (d) of Article 15 of the Constitution, it states that 'The proposed amendment is in direct contradiction as they seek to tap into State Financing which does not constitute contribution from its registered members...Expecting the State to fund even the recurrent cost of Political Parties questions the very existence and formation of Political Parties and contribution by the members to its is rendered insignificant.'

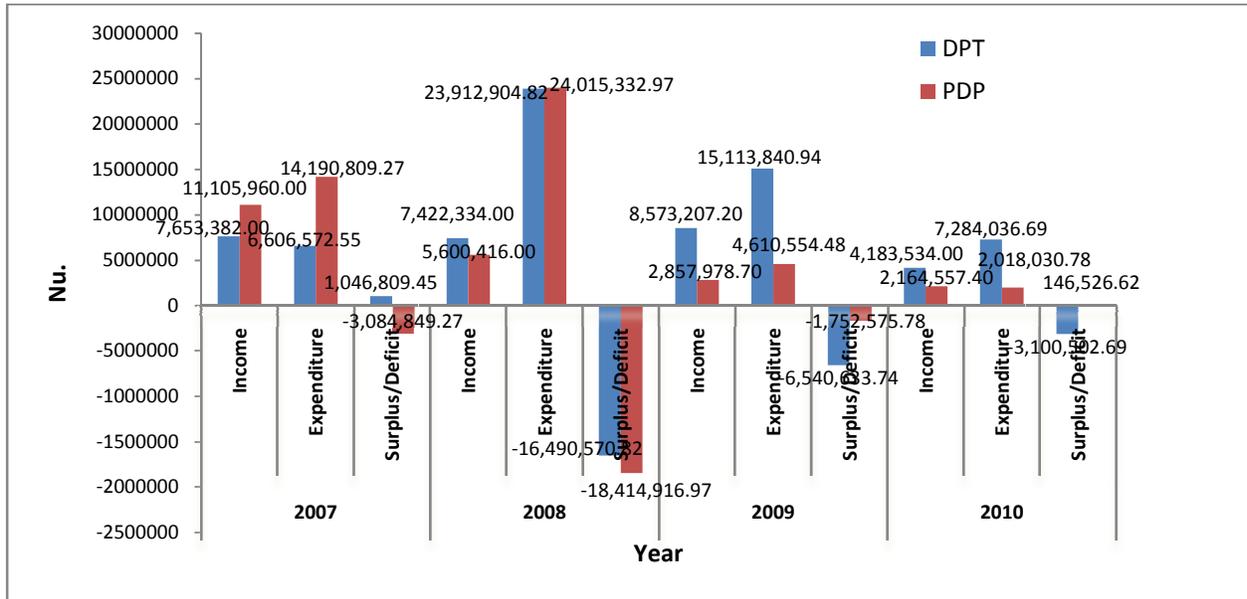
1.10 Analysis of Financial Statements and Accounts

In order to understand the financial situations of DPT and PDP, their annual financial statements from 2007 to 2010 were studied. While the information for 2007 and 2008 were obtained from the Audit Report 2008, the National Council had to rely on information provided by the offices of two political parties in the form of annual financial statements for 2009 and 2010 in absence of similar Audit Reports for those years. PDP has been audited only once thus far (i.e. for the period 2007-2008). RAA has written to PDP reasoning its inability to audit it for lack of proper book of accounts and information. Hence, the National Council had to rely on its financial statements besides the audit report of 2008. DPT has been audited thrice (i.e. for the financial period 2007-2008, 2008-2009 and 2009-2010).

1.10.1 Surplus/deficit of income over expenditure

As shown in the Figure 1, except for DPT in 2007 and PDP in 2010 where they had surplus of income over expenditure, DPT had deficit of income over expenditure in 2008 (Nu.16.49 million), 2009 (Nu.6.54 million) and 2010 (Nu.3.101 million), and PDP in 2007 (Nu.3.085 million), 2008 (Nu.18.41 million) and 2009 (Nu.1.75 million). In other words, DPT had continuous deficit after the elections whereas PDP had surplus in 2010 owing perhaps to not having to spend on maintaining party offices in *dzongkhags* which were closed.

Figure 1: Trend in Surplus/Deficit of income over expenditure



Note: Amounts reflected as in 2009 and 2010 for DPT should be read as amounts for its financial years 2008/09 and 2009/10 respectively.

Despite the general scenario of surplus/deficit presented in Figure 1, the exact amount of income and expenditure for any particular year could not be ascertained for both political parties on the following grounds.

One of the findings of the RAA in its 2008 report highlights its difficulty in ascertaining the actual amount collected in that particular year as both the political parties had pending receipts of complete accounts of collection and return of used Money Receipt Books. Similar observations are made by the RAA on DPT's accounts in subsequent years. For example, in its 2011 report, the RAA states "... amounts aggregating Nu.2,382,224.00 had been collected of which only Nu.1,300,050 was found recognized in the financial statements..." . These cases lead us to believe that the actual income could have been possibly higher than what is reflected in those particular years.

Note: Similar observations could not be made on PDP's accounts as its accounts have never been audited after 2008.

The National Council had been informed that most of the expenditures were incurred by two political parties during the familiarization and campaign periods in 2007 and 2008. According to ECB, these tours were not a directive from ECB. DPT reported that expenses in those years were carried forward and adjusted in subsequent years since they could not be accounted during earlier audit whereas, PDP was silent on it. However, it appears that RAA has audited the accounts as if expenditures were incurred during the particular year of audit and not carried forward. It must be mentioned that the RAA conducts audit based on information furnished. Therefore, DPT has furnished one set of information to RAA and one to the National Council. As such the amounts reflected in the financial statements cannot be considered as the actual

expenditures for that particular year. It is highly possible that the actual expenditures are lower than those reflected.

As of 30 June 2009, the total income of PDP was Nu.2.858 million which decreased to Nu.2.165 million in 2010. Similarly, the total income of DPT in 2009 was Nu.8.573 million, which decreased to Nu.4.684 million. The decrease in income corresponds to the decrease in membership for both political parties. For example, PDP's membership had dropped from 21,244 in 2008 to 223 in 2010 and DPT's from 12,197 in 2008 to 274 in 2011. Furthermore, registration and membership fees for both political parties remain way below the suggested maximum ceiling of Nu.3000 and Nu.5000 respectively as fixed by ECB. For example, DPT has decreased its registration fee from Nu.100 to Nu.50 and membership fee from Nu.200 to Nu.50 whereas PDP has increased its registration fee from Nu.1 to Nu.100 and membership fee from Nu.4 to Nu.1200.

RECOMMENDATION 1

Political parties need to continue their efforts in expanding their membership base and revisiting their fee structure in order to optimize their revenue. They may consider adopting ECB's recommendation on fees and model.

RECOMMENDATION 2

Both the political parties have spent a lot during familiarization tours, which was an aspect of the electoral process not provided for either in the draft Constitution or Election Bill. National Council strongly recommends that such practices be totally excluded from future electoral process. This would prevent political parties and candidates from incurring unnecessary expenditure.

There are also discrepancies in information and statistics provided. After the first audit conducted in 2008, ECB has required every party 'to administer its finances and maintain the Books of Accounts in line with the Generally Accepted Principles (GAAP).' It has also directed its Public Election Fund Division to review the proper maintenance of books and records by the Registered Political Parties and report the same regularly to ECB. Section 71 of PDP Charter states 'The Treasurer shall be responsible for all the funds of the Party, and shall maintain a proper set of books covering all financial transactions of the Party.' Section 8.5.1, 8.5.2 and 8.5.3 of DPT Charter states respectively that the Party Treasurer shall 'Maintain the annual account of the Party in accordance with the provision laid down in Chapter 8, Article 149 and 150 of the Election Bill,' 'Be responsible for keeping detailed records of everything received, disbursed and filing of annual accounts and election returns to the Election Commission,' and 'Maintain all accounts and finances of the Party.' Besides, section 8.5.6 states that the Party Treasurer shall maintain accounting and reporting format as per the requirement of the election rules and the rules and regulations of the Royal Audit Authority.'

RECOMMENDATION 3

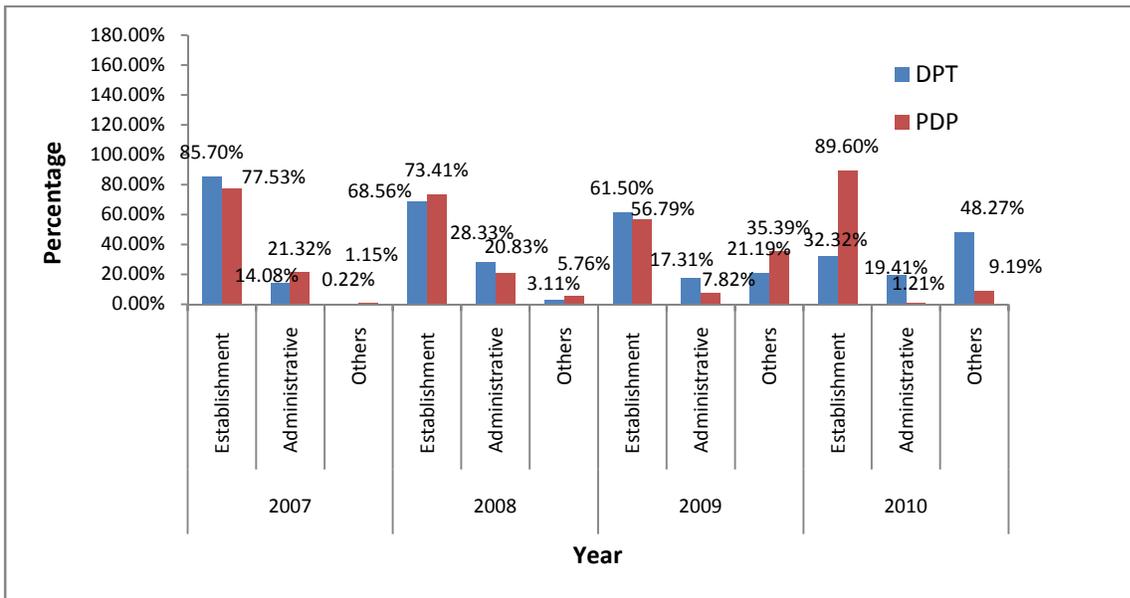
Even after three years, it is not possible to determine the exact annual income and expenditure of two political parties due to discrepancies and inadequacies in book keeping and accounting. National Council strongly recommends political parties to maintain proper books of accounts as

required by their own charters. It also recommends RAA to conduct audit for the political parties in a manner that will ensure better transparency and accountability. ECB needs to monitor compliance by political parties to its directive to administer their finances and maintain books of accounts in line with GAAP.

1.10.2 Major Areas of Expenditure by Political Parties

Looking at the trend in the deficit of income over expenditure of the two political parties, it was necessary to study and identify the areas where major portion of spending has been made. Out of the four main heads of expenditure namely establishment, administration, financial, and depreciation, establishment costs constitute the predominant share of the expenditure followed by administration costs. As shown in Figure 2, establishment costs constitute 85.70% (Nu.5.662 million) for DPT and 77.53% (Nu.11.002 million) for PDP out of their total expenditure incurred in 2007. Although the percentage of establishment cost to total expenditure has dropped to 68.56 in 2008 for DPT, the actual costs have increased (Nu.16.395 million). This had happened because the total expenditures in 2008 have increased to Nu.23.913 million from Nu.6.607 million in 2007. For PDP, the percentage of establishment costs in 2008 also has reduced to 73.41 whereas the actual costs have increased to Nu.17.630 million in 2008 from Nu.11.002 million in 2007. This is because of similar reason that PDP's total expenditures in 2008 have increased to Nu.24.015 million from Nu.14.191 million in 2007.

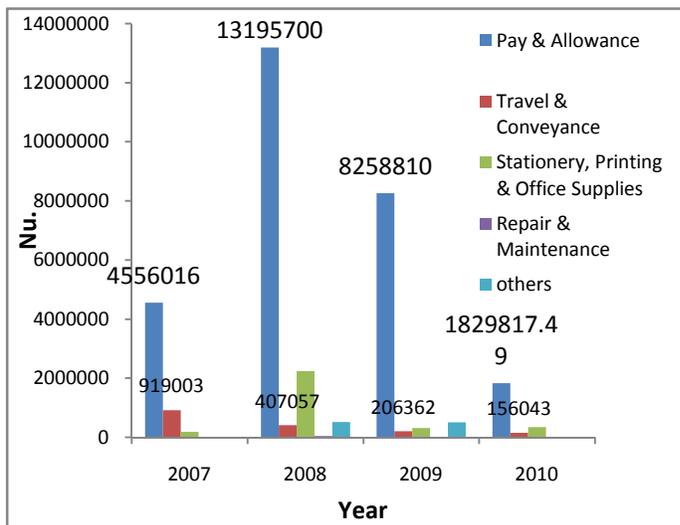
Figure 2: Proportion of establishment and administrative costs to the total expenditure



The percentage of administrative costs to total expenditures is 21.32 for DPT and 14.08 for PDP in 2007. In 2008, while the percentage of administrative costs for PDP has dropped slightly to 20.83 that of DPT have risen by twofold. In 2009 percentage points for both DPT and PDP have dropped followed by a slight increase for DPT at 19.41 in 2010.

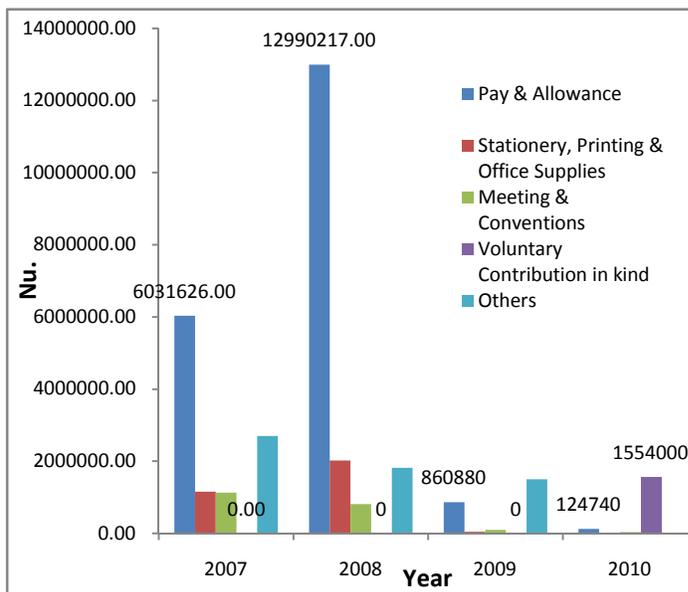
1.10.3 Components of Establishment Costs

Figure 3: Components of establishment costs for DPT



As shown in Figure 3, pay and allowance consistently forms the major part of the total establishment costs for DPT over three years. The amount spent in 2007 was Nu.4.56 million (80.47% of the total establishment costs) with drastic increase in 2008 with Nu.13.20 million (83.19%). Although the amounts spent in subsequent years declined in terms of its proportion to the total costs with Nu.8.29 million in 2009 and Nu.1.83 million in 2010, pay and allowance component still represents 88.86% in 2009, which is the highest so far.

Figure 4: Components of establishment costs for PDP



Analysis of establishment costs for PDP during 2007 and 2008 indicate a similar pattern of spending as that of DPT with pay and allowance forming the major share of the total establishment costs (see Figure 4). PDP had spent Nu.6.032 million in 2007 and Nu.12.990 million in 2008 constituting 54.82% and 73.68% of the total establishment costs respectively. However, in the subsequent years the amount has reduced to Nu.0.861 million (34.49% of the total establishment costs) in 2009 and Nu. 0.125 million (7.24% of the total establishment costs) in 2010.

PDP has included voluntary in-kind contribution in the establishment cost accounting for the highest share with 90.25% in 2010 as well as in the receipts. On the other hand, DPT has included only in its receipts.

Despite pay and allowance constituting a major establishment costs, both DPT and PDP reported that their party coordinators do not have much work after elections. DPT reported that Dzongkhag Coordinators at best could support their Members of Parliament (MPs) during constituency visits, check on their campaign promises and achievements and provide feedback from constituencies. When Dzongkhag Coordinators are reported not to have full-time work, it

is questionable whether representatives of Constituency Committees too will have full-time work. PDP also feels that the party workers have really no work between elections. It believes that party offices at grassroots level become necessary only in the months leading to elections. Therefore, both DPT and PDP do not consider it necessary for political parties to have grassroots presence between elections. And yet, their pay and allowances constitute the major chunk of establishment costs.

PDP Charter provides for number of party workers. Section 60 of the Charter states 'Each Constituency shall have a Constituency Committee comprising: (60.1) up to three representatives from each Gewog within the constituency elected by the Party members registered in the Gewog; (60.2) up to two representatives of the Thromde within the Constituency.' Similarly, DPT Charter also provides for number of party workers. Section 10.2 states 'The highest decision making body of the Dzongkhag office shall consists of the following: (10.2.1) The Dzongkhag office-bearers; (10.2.2) At least one representative from each geog; (10.2.3) One representative from the Thromde.' In other words, these are party members elected as representatives by other party members in the same *gewog*. It is not clear whether these representatives serve as *gewog* or constituency coordinators but definitely the sheer number of representatives alone would entail huge cost in terms of pay, allowances and *zethue*.

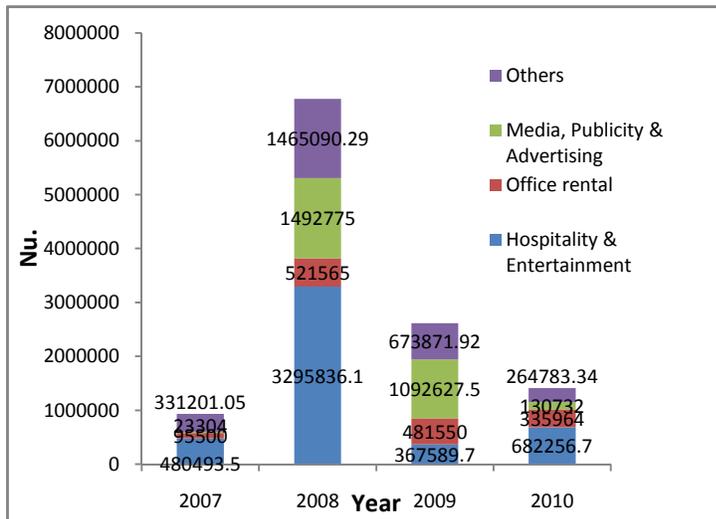
From the analysis of pay and allowances of the two parties which constitute the major chunk of establishment costs, it appears that party coordinators and workers were paid despite them not having full-time work. That is why DPT has serious doubt about paying party workers and coordinators. It feels that they need to work on voluntary basis and that *zethue* or expenses may be paid while doing party work but not regular salaries and allowances. Moreover, political Party Rules hereafter provides for appointing only one coordinator each in the *dzongkhag*, constituency, *gewog* and *chiwog*. Except during election campaigns when coordinators could be paid from public campaign funds, political parties need to consider having their coordinators work on voluntary basis between elections.

RECOMMENDATION 4

National Council recommends that political parties reconsider their decisions of having paid party coordinators/workers in grassroots communities not only in the context of their views that party coordinators/workers do not warrant full-time job between elections but also because alternative ways can be explored which is more sustainable for the party in the long run. This would substantially bring down pay and allowances. Reconsidering this decision will require amending relevant sections in their Charters.

1.10.4 Components of administrative costs

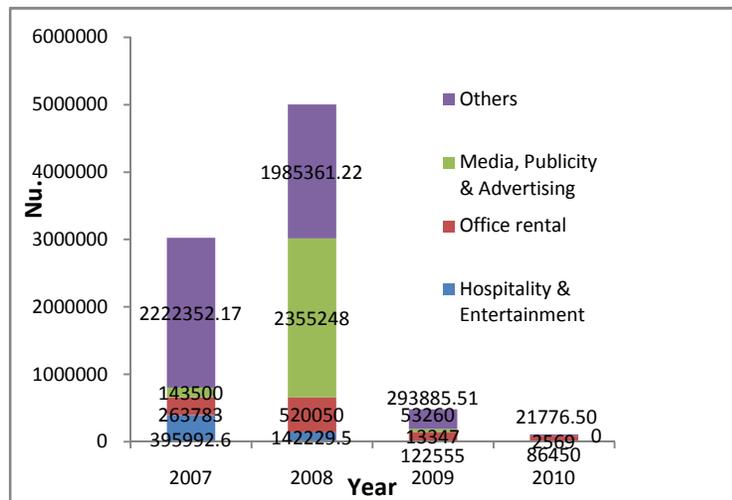
Figure 5: Components of administrative costs for DPT



As shown in Figure 5, expenses for Hospitality & Entertainment, Office Rental, and Media, Publicity & Advertising together represent major proportion of the total administrative costs for DPT. While it has spent Nu.0.599 million (64.41% of the total) on these three components in 2007, it has increased to Nu.5.310 million (78.38%) in 2008, Nu.1.942 million (74.24%) in 2009 and Nu.1.149 (81.27%) in 2010. Within these three components, expenses for Hospitality & Entertainment has the highest

amount in 2007 (Nu.0.480million), 2008 (Nu.3.296 million) and 2010 (Nu. 0.682 million). Likewise, expenses on Media, Publicity & Advertising constituted the highest in 2009 with Nu.1.093 million, which is a slight increase from Nu.1.493 million spent in 2008.

Figure 6: Components of administrative costs for PDP



As can be inferred from Figure 6, PDP has spent Nu. 3.018 million (60.32% of the total administrative costs) on Media, Publicity & Advertising, Office rental, and Hospitality & Entertainment in 2008. However, in 2007 expenses on these three components account for Nu.0.803 million (26.55%) as the major portion of the administrative expenses has been spent on familiarization programme and telephone, fax, internet, web and postages besides hospitality and

entertainment. The expenses on these areas have decreased in the subsequent two years with Nu.0.189 million in 2009 and Nu.0.890 million in 2010.

DPT claims that media publications incur a substantial part of expenditure. Why is that so? A proviso under Section 206 of the Election Act concerning nomination of candidates for election states, 'Provided that the disqualification under sub-section (d) shall cease to operate after the lapse of one year from the date of acceptance of the application of resignation or removal from the membership of a political party and such resignation or removal shall be immediately

notified by the concerned party office in the print media with a copy submitted to the Election Commission.’ This is the proviso that the National Assembly has proposed for deletion. Due to this proviso, it is said that the cost of publishing the names every time a member resigns is huge. On the other hand, DPT charter has a simpler approach to maintaining records of those who resign. Section 3.5 states ‘A member of the Druk Phuensum Tshogpa may withdraw his membership from the Party by notifying the Dzongkhag party office in writing.’

However, DPT’s actual cost of publication in newspapers in 2009 was Nu.70,732 whereas the financial statement for that year reflects it as Nu.1.093 million. Similarly, the cost incurred in 2010 was Nu. 57,968 whereas the financial statement reflects it as Nu.0.131 million. We are not able to provide similar observation for PDP in absence of equivalent information. This further points to the need for keeping proper books of accounts by the political parties.

RECOMMENDATION 5

National Council recommends that as suggested by ECB, political parties publish only short notifications in print media about the resignation and de-registration of members and provide the details in their websites. ECB should then publish the details in the print media.

Accordingly, the proviso of section 206 of the Election Act should be amended as follows. Provided that the disqualification under sub-section (d) shall cease to operate after the lapse of one year from the date of acceptance of the application of resignation or removal from the membership of a political party and such resignation or removal shall be immediately notified by the concerned party office ~~in the print media with a copy submitted~~ to the Election Commission, who shall publish the copy in the print media.’ Section 3.5 of DPT Charter may be amended as follows. ‘A member of the Druk Phuensum Tshogpa may withdraw his membership from the Party by notifying the ~~Dzongkhag~~ party office in writing. **The party office in turn shall immediately notify the Election Commission about the withdrawal of member(s).**’ Similarly, section 13 of PDP Charter may be amended as follows. ‘Any member may withdraw his membership from the Party by notifying the ~~local~~ Party office in writing. **The party office in turn shall immediately notify the Election Commission about the withdrawal of member(s).**’

Hospitality and entertainment expenditures for DPT constitute a significant part of expenditures. On the contrary, PDP’s expenditures for this component are comparatively lower. It needs to be pointed out that PDP’s expenditures for the familiarization tours is clubbed into one heading and not broken into different components. So hospitality and entertainment expenses incurred during the familiarization tours have not been reflected in the above figure. National Council has been informed that the high expenditure for DPT is again expenses unaccounted in previous years carried forward. The actual expenditures are reportedly much lower. This was also largely spent during the Annual General Assembly, which was held thrice and Executive Committee Meeting held only twice. However, it needs to be reiterated that the audit reports treat these as expenditures incurred for a particular year rather than as accumulation of previous years’ expenses. PDP reported literally no hospitality and entertainment expenditures in 2009 and 2010. Any expenses for it concerned purchase of everyday beverage essentials such as milk powder, sugar and tea bags.

RECOMMENDATION 6

Considering that hospitality and entertainment expenditures constitute more than 40% of the total administrative costs incurred by a political party, National Council recommends that it rationalizes such expenses.

Another major area of expenditure for political parties has been said to be the requirement by ECB to have party offices in every *dzongkhag*. This requirement has been waived for the moment. However, Election Act does not specify the need for party offices in the twenty *dzongkhags*. Section 135 of the Act states that 'An application for registration shall contain: (c) The Dzongkhag in which its head office is situated.' Therefore, the suggestion is for the need for a party headquarter in any *dzongkhag* and not for a party office in every *dzongkhag*. However, the requirement to have party offices in every *dzongkhag* stems from Political Party Rules 2009 and charters of the two political parties approved by the Election Commission. Political Party Rules require the application form for registration of political parties to contain amongst others, 'Name and address of each Dzongkhag office of a Political Party.' Section 40 of DPT Charter states, 'The Executive Committee may establish branch offices of the Party Secretariat in the country for such purposes as it shall deem necessary, and determine the staffing strength and posts within those branch offices.' Section 53 states, 'A Dzongkhag Office shall be established in each Dzongkhag to coordinate the functions and responsibilities of the constituencies in the Dzongkhags.' However, section 5.6 suggests that this is not mandatory. It reads, 'The Party shall have its Head Office in Thimphu and its Dzongkhag offices in every *dzongkhag* and in constituency, where found necessary.' In other words, a party's *dzongkhag* office may be established only if it is found necessary. Similarly, section 53 of PDP Charter states, 'A Dzongkhag Office shall be established in each Dzongkhag to coordinate the functions and responsibilities of the constituencies in the Dzongkhags.'

RECOMMENDATION 7

The Political Party Rules 2009 and Party Charters require political parties to have offices in different *dzongkhags*. However, the Election Act 2008 has no such provision. Hence, the National Council recommends that ECB amend section 3.5.4 of Political Party Rules as follows. 'Name and address of each ~~Dzongkhag~~ offices of a Political Party.' Likewise DPT could amend section 53 of its charter as follows. 'A Dzongkhag Office ~~shall~~**may** be established in each Dzongkhag **depending on its financial resources** to coordinate the functions and responsibilities of the constituencies in the Dzongkhags.' This will harmonize with section 5.3 of the charter that suggests that *dzongkhag* party offices **may** be established only if found necessary. Again, section 53 of PDP Charter could be amended as follows. A Dzongkhag Office ~~shall~~**may** be established in each Dzongkhag to coordinate the functions and responsibilities of the constituencies in the Dzongkhags.

Public campaign funds are provided to political parties during the primary round of election and to candidates during the general round. Besides the public campaign fund provided by ECB, electoral laws permit political parties to incur expenditure from its own funds for elections in the primary and general rounds. The amount cannot exceed the fund ECB provides. Funds are mostly required during public campaigns. There are concerns that due to limited sources of

funds, political parties would not be able to provide matching contributions to their candidates for funds provided by ECB. The National Council finds that this is partly taken care of by section 38 of the Public Election Fund Act. It states that 'The unspent amount out of the campaign funds provided to the political parties for the Primary Round by ECB, upon completion of the Primary Round shall be retained for use in the General Elections.' Since funds are provided to candidates in general round as opposed to fund for parties in primary round, candidates would have access to more funds if there are unspent amounts remaining from the primary round. The concern however, is about situations such as in 2008 when the primary round was foregone since there were only two political parties.

RECOMMENDATION 8

Whenever the primary round is foregone due to the presence of only two registered political parties, as provided in section 189 b, of the Election Act, the National Council recommends ECB to provide campaign funds for the party in addition to funds provided to candidates during the general round. In absence of familiarization tours in future elections, parties will need to campaign alongside their candidates in situations where there is only the general round.

It has been pointed out that expenses for political parties soared as each tried to compete with the other in mobilizing people to come together to listen to campaigns and talks of party leaders and candidates. As more and more gatherings were organized, more expenses were incurred. Voters were mobilized time and again to listen to different parties and candidates.

Recommendation 9

National Council recommends ECB to consider common campaign forums for political parties and candidates as was successfully done in local government elections and in a few instances in the National Council elections. Parties and candidates will also be free from the onus of recruiting numerous tshogpas to help organize meetings and campaigns.

III. Conclusion

The National Council has resolved that state-funding of political parties after election is unconstitutional. Section 1.9 of this report further supports the National Council's position on the issue being unconstitutional. However, recognizing the importance of political parties in a democracy and concerned by the financial situation of the two political parties, it initiated an exercise to better understand the issue and identify possible solutions within the bounds of our Constitution and electoral laws. The existing political parties' audit reports, annual financial statements, charters and electoral laws were studied. Consultative meetings were also held with the relevant stakeholders.

The study confirms the claim of the existing two political parties' financial problems. However, the problem appears to be associated with multiple factors including:

- Unjustifiable expenses incurred by two political parties in both pre and post elections of 2008 despite their limited income thus, questioning their financial discipline;

- Poor maintenance of books of accounts as indicated by inaccuracies of information and data provided. For example, the expenditures reflected in the financial statements are claimed to be carried forward expenditures from the pre-election period. If that is true, actual expenditures incurred are bound to be far less, thus making state-funding unnecessary;
- Weak conduct of the concerned institutions in ensuring compliance of political parties to their charter provisions and to their proper book keeping and accounting methods; and
- Rules and charters making it mandatory for the establishment of dzongkhag offices while the Election Act 2008 does not have such a provision.

It appears that since these factors are within the control of the relevant institutions and political party themselves, the solutions to current financial problems remain within the system. In other words, the National Council could not see any convincing evidence to believe that political parties need state funding at this stage. Instead, the National Council has provided above nine recommendations which are possible solutions within the bounds of our Constitution and electoral laws. Some of the recommendations may reinforce that of the ECB's while others would be new insights that political parties might find useful to consider. The National Council would like to believe that the recommendations could meaningfully contribute in addressing financial concerns of the two political parties.