

# Following the Money

Campaign Expense Monitoring during the  
House of Representatives Election, 2017



April 2018, Kathmandu



**SAMUHIK ABHIYAN**

(For responsible civil society)  
Kathmandu, Nepal



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We therefore take this opportunity to express our heartfelt thanks to international experts Dr. Magnus Ohman and Mr. Shabir Ahmed for their substantial inputs and guidance in designing the study, tools and techniques, and for training the study team, guiding the analyses and preparing this study report.

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SA is also indebted to the Election Commission, Nepal for their cooperation to the study, as well as for providing copies of the expense reports submitted by candidates following the election.

Additionally, our gratitude and appreciation are due also towards the study team, who showed immense enthusiasm and dedication in collecting information from several campaign events, and a firm belief that the results of the assessment would contribute towards transparency of campaign finance practices in Nepal, thereby promoting good governance and resilient democracy.

We firmly believe that the study will form a good reference for key electoral stakeholders in Nepal, including the Nepal Government, the Election Commission, lawmakers, political parties and candidates, and that our recommendations will help these stakeholders take affirmative action to promote a fair electoral process free from the influence of money.

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President  
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Bed Prasad Sapkota  
General Secretary  
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# Acronyms

BSP	Bibeksheel Sajha Party
CA	Constituent Assembly
CPA	Comprehensive Peace Agreement
CPN-MC	Communist Party of Nepal (Maoist Centre)
CPN-UML	Communist Party of Nepal (Unified Marxist Leninist)
CSO	Civil Society Organization
ECN	Election Commission of Nepal
EMB	Election Management Body
FM	Frequency Modulation
FPTP	First-Past-the-Post
HoR	House of Representatives
IFES	International Foundation for Electoral Systems
IT	Information Technology
NC	Nepali Congress
NPR	Nepalese Rupees
PR	Proportional Representation
RPP	Rastriya Prajatantra Party
SA	State Assembly
TV	Television



## Executive Summary

Money plays a major role in elections in Nepal. Contesting candidates and political parties spend considerable amounts of money and other resources to win the confidence of voters and seek their support. In the recent past, it was reported that candidates invested vast sums of money on election campaigns – often many times the legal spending limit set by the Election Commission of Nepal (ECN).<sup>1</sup> As per the Election Commission Act, 2017 (s. 25), the ECN sets limits on spending for political parties and candidates and outlines punishments for non-disclosure, over spending and falsifying reports. It is also noteworthy that the ECN is the only election management body (EMB) in the world that specifies limits for each spending category. The objectives of establishing spending limits are to promote a fair electoral process and to reduce the influence of money in candidate nomination and voting behaviour. However, low or poorly regulated spending ceilings can also contribute to a lack of transparency if they create conditions where contestants feel compelled to lie to avoid sanctions.

This study aimed to quantify campaign spending by major party candidates using systematic, independent observation and then compare the findings to official expense reports submitted to the ECN. The report's findings are intended to be used to inform reforms to campaign finance regulations and not to prosecute or shame individual candidates. For this reason, the candidates that were monitored were not identified by name, party or constituency.

SAMUHIK ABHIYAN is a civil society organization with the mandate of promoting “responsible civil society.” SAMUHIK ABHIYAN piloted the election campaign finance monitoring project, the first of its kind in Nepal, with support from the International Foundation for Electoral Systems (IFES). The project engaged civil society in monitoring with the overall aim of creating a more transparent and accountable election system in Nepal.

The pilot covered all 10 constituencies in the 7 December 2017 House of Representative (HoR) election in Kathmandu district. The monitoring focused on the visible campaign expenditures made by the First-Past-the-Post (FPTP) candidates of major political parties/alliances contesting the election in each constituency of Kathmandu district. A total of 30 candidates from five major parties were selected by SAMUHIK ABHIYAN and monitored by 15 monitors, supported by core team members.

The key findings of the campaign finance monitoring pilot project are:

- Most candidates (57%) spent more than the established spending limits (NPR 2,500,000, or \$25,000 USD). The excess amount spent ranged from 3% to 136% over the legal spending limits.
- More than two thirds of candidates exceeded at least some of the categorized spending limits.
- Most candidates (90%) who submitted financial reports to the ECN, significantly under-reported their campaign expenses compared to the estimates of the monitors. For seven candidates the difference was more than NPR 2.5 million, while for another seven candidates this difference varied from one million to two million<sup>2</sup>.
- The average vote percentage of the candidates who exceeded the spending limit was 41%, while the candidates who spent below the limit received an average of 19% of the

1 See for example, *Rich Man's Election*, <http://www.myrepublica.com/news/30300/>

2 Five out of 30 candidates monitored did not submit their reports to the ECN as of 31st January 2018.

vote. This signifies that there is a close correlation between higher spending and higher vote share.

Details of all 30 candidates monitored and their campaign expenses submitted to the ECN are presented in the table below:

*Table 1: Comparison between Monitored and Reported Spending (by Candidate)*

CC*	SPENDING (NPR)			Difference (%)
	Monitored	Submitted to ECN	Difference	
1	4,141,000	1,731,000	2,410,000	139
2	1,869,000	1,389,000	480,000	35
3	608,000	NA	NA	NA
4	2,579,000	1,490,000	1,089,000	73
5	3,203,000	1,843,000	1,360,000	74
6	510,000	797,000	-287,000	-36
7	5,772,000	2,256,000	3,516,000	156
8	4,266,000	1,510,000	2,756,000	183
9	304,000	NA	NA	NA
10	4,587,000	2,413,000	2,174,000	90
11	3,260,000	2,173,000	1,087,000	50
12	629,000	542,000	87,000	16
13	4,129,000	2,414,000	1,715,000	71
14	4,702,000	1,641,000	3,061,000	187
15	701,000	1,315,000	-614,000	-47
16	5,897,000	1,703,000	4,194,000	246
17	5,164,000	1,868,000	3,296,000	176
18	340,000	235,000	105,000	45
19	3,887,000	898,000	2,989,000	333
20	3,357,000	NA	NA	NA
21	487,000	341,000	146,000	43
22	2,297,000	NA	NA	NA
23	2,781,000	1,493,000	1,288,000	86
24	289,000	397,000	-108,000	-27
25	3,049,000	1,278,000	1,771,000	139
26	2,332,000	1,658,000	674,000	41
27	426,000	387,000	39,000	10
28	4,558,000	1,800,000	2,758,000	153
29	4,742,000	NA	NA	NA
30	441,000	1,670,000	-1,226,000	-26

\* "CC" stands for Candidate Code. Throughout this report, candidates are referred to by a coded number to anonymize the data.

## Recommendations

1. The ECN needs to strengthen its financial monitoring and reporting requirements for candidates. Expenditures above a minimum threshold should be done through bank accounts, and expense reports by the candidates should be audited by a certified auditor.
2. Reporting requirements for candidates, should be expanded to include income sources as well as expenditures. The ECN should be given the mandate to set donation limits based on sound criteria. Large donations should be made through the candidate's bank account and the identity of all major donors should be identified.
3. The ECN should display greater willingness to impose sanctions, up to and including the disqualification of candidates who break the law.
4. Legal regulations related to campaign finance should be reviewed through a gender-sensitive lens taking into consideration that far fewer women than men were nominated for first-past-the-post seats. Legal reforms such as income disclosure requirements can help to level the playing field between candidates, particularly for women.
5. Categorized limits are not practical, and should be removed from the law. What is important is the overall spending limit, and not how candidates choose to spend their campaign funds.
6. The ECN should introduce a strong and effective mechanism for monitoring campaigns as per the existing Code of Conduct and laws. To this end, the ECN should mobilize independent third-party monitors and establish a separate monitoring unit to govern such monitoring.
7. Media should play a role in airing candidates' platforms and providing balanced coverage. Provisions should be made in the law to allow a certain amount of free air-time and newspaper space to candidates.
8. The existing practice of orienting political parties and candidates on the related laws and provisions should continue, and be made more effective in the future. Campaign financial regulations should be communicated to parties well in advance of elections and again to candidates at the time of nomination.
9. A system of partial state funding for political parties and their candidates based on the number of votes received in previous federal election could be established to help regulate election campaign financing, discourage the use of illicit funding and level the playing field.
10. ECN should publish on their website, income and expense reports submitted by candidates as soon as they are submitted. The ECN should also publish the names of those who do not submit reports and strictly enforce applicable penalties for non-disclosure.

The recommendations are presented in more detail in Section 7.



## 1. Introduction

After the adoption of the new Constitution and change from unitary to federal system of government, the Election Commission of Nepal (ECN) held local level elections in three phases in May, June and September 2017, and elections of members of the House of Representatives (HoR) and State Assemblies (SA) over two phases on 26 November and 7 December 2017. For the HoR and SA elections, Nepal has adopted a mixed electoral system in which the seats are filled through first-past-the-post (FPTP) and proportional representation (PR) electoral systems. The HoR Election Directive established campaign expense limits<sup>3</sup> for individual candidates. In addition, the ECN issued a Code of Conduct which provided detailed “do’s and don’ts” for contesting candidates.

Money plays a major role in elections in Nepal<sup>4</sup>. During the 2013 Constituent Assembly Elections, candidates and political parties reportedly spent vast sums to win the confidence of voters and gain their support<sup>5</sup>. At that time, the spending limits for FPTP candidates was NPR 1 million (approx. USD 10,500). The ECN established ceilings for election campaign expenditures, with the objective of promoting a fair election process and reducing the influence of money on election results. However, reports of candidates exceeding the limits called their efficacy into question. While such limits were set to ensure that all contestants have a level playing field and no one gets an undue advantage during the campaign period, there did not seem to be any effective monitoring, or reporting of campaign expenses. There was no attempt at enforcement or application of penalties during campaigning. Instead, the ECN relies on expense reports submitted after the election before taking any action. In reality, there was no accurate data on how much money was being spent on political campaigns or the scale of the problem.

With the goal of gathering direct evidence of the cost of political campaigns and the accuracy of reporting by candidates, IFES and SAMUHIK ABHIYAN collaborated to pilot an election campaign finance monitoring project, the first of its kind in Nepal. This initiative covered all 10 constituencies during the HoR election in Kathmandu district.

The monitoring focused only on the campaign expenditures made by the FPTP candidates of the three major political parties contesting elections in Kathmandu district. The monitoring could only focus on visible expenses, like advertising, door-to-door campaigns, and rallies. Illicit or illegal campaign expenses such as bribes or overt vote buying, by their nature, are not easily observed and therefore are not included in the data collection for this report.

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3 Income of the political parties; South Asia Check; November 9, 2015; <http://southasiacheck.org/in-public-interest/income-of-the-political-parties/>

4 *Political financing, a challenge for transparency*; Transparency International Nepal; November 11, 2013; <http://www.tinepal.org/political-financing-a-challenge-for-transparency/>

5 NPR 2.5 million (\$25,000) USD for FPTP candidates, see Table 2 below for disaggregated limits.

## 2. Background

The signing of the Comprehensive Peace Agreement (CPA) between the major political parties in November 2006 marked an end to the decade-long civil war, and led to the restoration of a multiparty democracy and parliamentary system in Nepal. This was followed by the implementation of an interim constitution which sought to bring the conflicting parties into mainstream politics, as well as envisioned a smooth transition towards the development of a people's constitution. Thus, Nepal held elections for a Constituent Assembly (CA) in 2008, and again in 2013, with the goal of developing a constitution that addressed the social, cultural and ethnic diversity of Nepal while promoting sustainable democracy.

The promulgation of Nepal's Constitution in 2015 initiated Nepal's transition to a federal republic comprised of local, state, and federal governments. This paved the way for the interim legislature to endorse several electoral laws, and the interim government to declare elections at the local level, followed by elections of state assemblies and the House of Representatives (the lower house of the Federal Parliament) in 2017.

Emerging from a long period of conflict, the political process required appropriate regulations, which were generally addressed in the electoral laws and bylaws. The law provides the ECN a mandate to oversee the financing of political parties and election campaigns. However, in no country in the world can effective oversight of political finance be achieved exclusively by a public institution – civil society and the media must also be involved so that awareness can be raised and potential violations detected.<sup>6</sup>

Civil society in Nepal played a mediating role throughout the conflict as well as contributing to the drafting of the federal constitution of Nepal. Civil society organizations (CSOs) also played a key role in observing the political and electoral processes in Nepal, and have the potential to contribute similarly towards good governance, starting with monitoring the use of money in politics.

## 3. Legal Framework

To regulate election campaign finance, different legal provisions are established through different Acts, Regulations, Directives and Codes of Conduct. The following are some of the salient provisions:

- No candidate or election representative or any other person shall, during the period of election, give or agree to give to any voter cash or in-kind gifts.
- The use of government personnel or property for election campaigns has been prohibited.

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<sup>6</sup> See Chapter 10 in the *Political Finance Oversight Handbook*, available at <http://www.ifes.org/publications/tide-political-finance-oversight-handbook>

- Financial aid cannot be received from any governmental and non-governmental organizations.
- Campaign expenses may not be incurred by another person on behalf of a contestant.
- No political party or candidate shall, during election canvassing, spend or cause to spend more than the ceiling prescribed by the prevailing federal laws concerning election. The limits fixed by the ECN for a HoR candidate is NPR 2,500,000<sup>7</sup>. Disaggregated ceilings in various expense categories is presented in Table 2.

*Table 2: Expense Ceiling Set by Election Commission*

Expense Title	Expenses Limit (NPR)
Purchase of Electoral Roll	3,000
Vehicle/Horse	500,000
Vehicle Fuel (including food for horse)	100,000
Campaign Materials	100,000
Transportation	75,000
Conference/Interaction	800,000
Other Campaigns, Printing and Electronic Means	100,000
Operation of Office	500,000
Deployment of Representative	200,000
Miscellaneous	122,000
<b>TOTAL</b>	<b>2,500,000</b>

- A political party or the candidate who has responsibility to provide details of election expenses shall have to submit records of election expenses to the office prescribed by the ECN.
- If any person or political party exceeds the ceiling specified by the ECN or fails to submit the returns of expenses within 35 days of election results being declared, the ECN may punish such political party or candidate with a fine of a sum which is equal to the election expenses made by such person or the ceiling of expenses specified by the Commission, whichever is higher.

Further details on the Legal framework is presented in Annex 1.

<sup>7</sup> As of March 2018, USD 1 is the equivalent of around NPR 104. The spending limit therefore amounts to around USD 24,000, or EUR 19,230).

## 4. Methodology

### 4.1 Aims and Objectives

The overall aim of the campaign finance monitoring intervention was to engage civil society in campaign finance monitoring to contribute towards a more transparent and accountable election system in Nepal.

The major objectives of the campaign finance monitoring intervention were to:

- a) Monitor the campaign expenses of candidates, including candidate or party mass meetings, corner meetings, door-to-door visits, posters, flags, t-shirts, political advertisements on television, social media or radio broadcasts, transportation, food and other allowances for party volunteers including the use of administrative and state resources;
- b) Raise awareness among all electoral stakeholders, including the public, about the role of money in the election campaigns, campaign finance regulations and the possible abuse of state resources during election campaigns;
- c) Promote fair competition among all candidates and political parties; and
- d) Provide grounds for data-based advocacy.

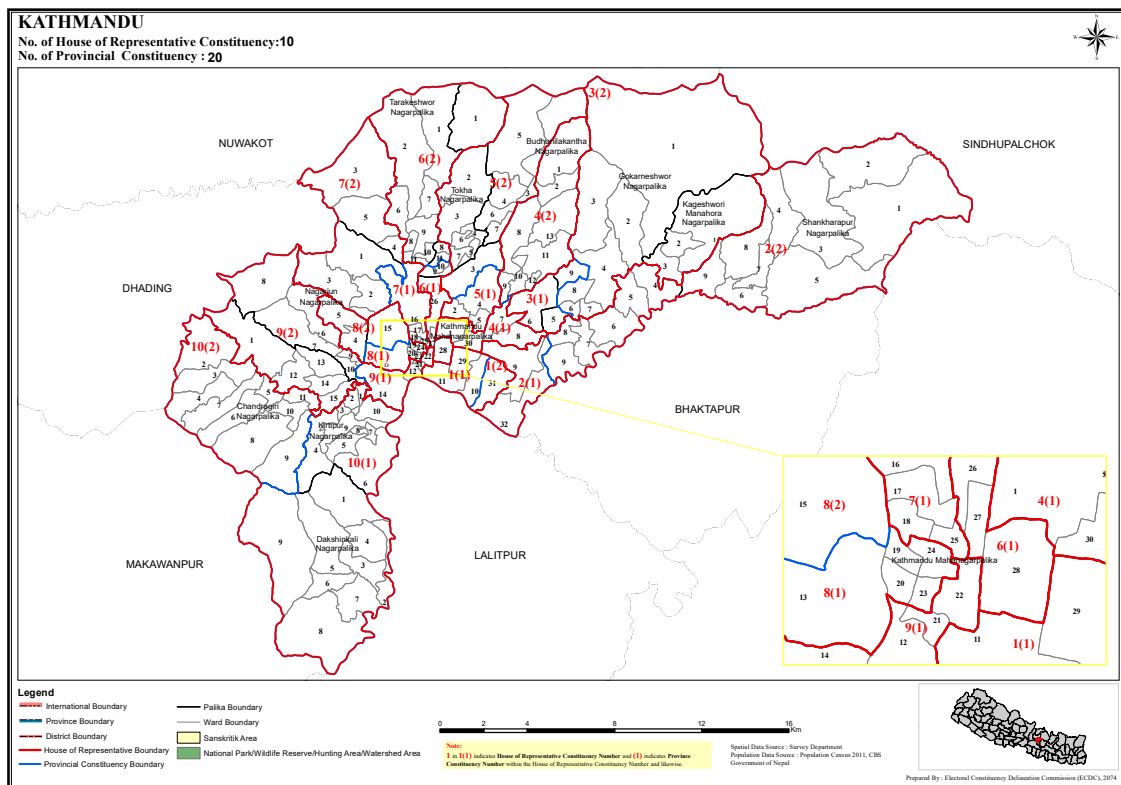
### 4.2 Coverage

This pilot project on monitoring campaign finance covered all ten House of Representatives constituencies in Kathmandu district under the FPTP electoral system. The project focused on monitoring only the expenses of the candidates, as opposed to the expenses made by any party. Kathmandu was selected because it is the national capital, highly populated, and there was potential for a high level of competition between candidates from major parties. Furthermore, Kathmandu is more developed in terms of infrastructure, transportation access, media penetration and similar other characteristics, which would make the pilot monitoring easier than if such a project is scaled up to include the mid-hills or rural areas.

As per the final voter list for these elections, there were 603,460 voters registered to vote in Kathmandu district. The number of voters across the ten constituencies ranged from 42,000 to 75,000.



Picture 1: Constituency map of Kathmandu district showing the ten constituencies covered by the project. Map source: Electoral Constituency Delineation Commission, 2017



Originally, it was decided that the project would be confined to three major political parties: Nepali Congress (NC), the Communist Party of Nepal – United Marxist Leninist (CPN-UML) and the Communist Party of Nepal - Maoist Centre (CPN-MC). However, during the time of candidate nominations, these parties formed separate alliances. NC formed the “Democratic Alliance” with RastriyaPrajatantra Party (RPP) while the CPN-UML and CPN-MC formed the “Left Alliance.”

The two parties in each alliance divided up the constituencies to avoid running against each other. Therefore, SAMUHIK ABHIYAN decided to focus on monitoring the expenses of candidates from both alliances and added candidates from a fifth party, the Bibeksheel Sajha Party (BSP). BSP is a new political party whose candidates were considered competitive in Kathmandu Valley. Altogether, SAMUHIK ABHIYAN monitored 30 candidates: three candidates in each of the ten election constituencies. In each constituency, one candidate was from BSP and one from each of the two alliances. Therefore, in total, candidates from five political parties were monitored.

### 4.3 Monitoring approach

Monitoring was performed by 15 individual monitors selected by SAMUHIK ABHIYAN and trained prior to their deployment. One monitor was deployed in each of the ten constituencies, supported by five additional monitors, who were assigned two constituencies each and supported the collection of data/information of contestants and party level data/information from their respective areas. These 15 monitors were also supported by the project's core team members.

A designated media officer was responsible for monitoring advertisements on two major Television Channels (Nepal TV and Kantipur TV); 11 major daily newspapers and on two FM radio stations (Ujyalo FM and Radio Sagarmatha).

### 4.4 Establishment of unit costs

The Project monitored the campaign expenses under three major categories, campaign events, expenses associated with operating campaign offices and polling centre help desks, and outdoor advertising materials such as posters, banners, party flags, election symbol flag, or mock ballot papers. Many of these include several variables, for which standard unit costs had to be established.

To determine the standard unit cost of different activities/commodities, the project team, with the support of field monitors, collected the unit cost for printing in different quantities and specifications, i.e. paper/fabrics used for printed material, one colour printing/multi-colour printing, laminated or not, material used to display this material, banners, billboards, pamphlets, etc.

The project team further gathered information related to cost of organizing an event; furniture, stage/set-up, branding, sound-system, transportation cost including number of vehicles used, cost of fuel, food and drinks, mobilization of human resources to display materials and arrange a procession, event or gathering and rallies involving cars, motorbikes, auto rickshaw, buses, etc.

The project team also collected information on interactions, seminars, orientations and the associated costs of the same during the campaign period in various locations of Kathmandu district to determine the minimum cost.

Furthermore, the monitors collected information related to costs of establishing temporary campaign offices established by the contesting candidate or parties to run election campaign from the related political parties' representatives/officers. These generally included expenses related to rent, furnishing, communication and utilities, among others.

Based upon these parameters, the project team determined the base rate for each item mentioned in the checklist. In some cases where the actual cost was collected by monitors and the project core team, the actual cost was entered in the data analysis sheet. The sources of actual costs are representatives of candidates, election campaign offices at local level and event venues.

## 4.5 Limitations

Due to the resource limitations of the project, the data collected for this report could not include every candidate expenditure. Monitors only recorded the expenditures of events and materials *they observed first hand* at sites. They could not follow every move of candidates or their surrogates and therefore had limited access to monitor covert activities that candidates would not want to be public, such as vote buying and donations given to individual and groups of voters and communities to influence voters. Similarly, it was difficult to access information on expenditures by party cadres, family members, relatives and friends and some events sponsored by business houses or event venue owners. Resource constraints also limited the scope of the report in the following ways:

- a) Monitors often had to choose one event to monitor when concurrent events were conducted by a candidate or candidates in the same constituency;
- b) Media monitoring was limited to the select newspapers, TV channels and FM radio stations described above;
- c) Monitors were not able to record the activities/commodities of all remote areas of Kathmandu district; and
- d) Monitors did not investigate or obtain verifiable information about campaign expenditures associated with mass text messages sent to voters or the use of popular social media channels such as Facebook, YouTube, Twitter and Viber.

Because of the methodology, all estimated costs presented below should be considered as *minimum* spending by the monitored candidates, and the actual spending may be much higher given the project's reliance on lowest standard unit costs. Further details on the Methodology are presented in Annex 2.

## 5. Findings

### 5.1 Estimated Spending Disaggregated by Party/Alliance

The table below summarizes the estimated spending by candidates analyzed by party/alliance:

*Table 3: Estimated Spending of Candidates in NPR, disaggregated by Party/Alliance*

Political Party/Alliance	Candidates (N)	Expenditure (Mean)	Minimum	Maximum
Left Alliance	10	3,568,000	169,000	5,164,000
Democratic Alliance	9	4,090,000	2,297,000	5,897,000
BSP	10	474,000	289,000	701,000

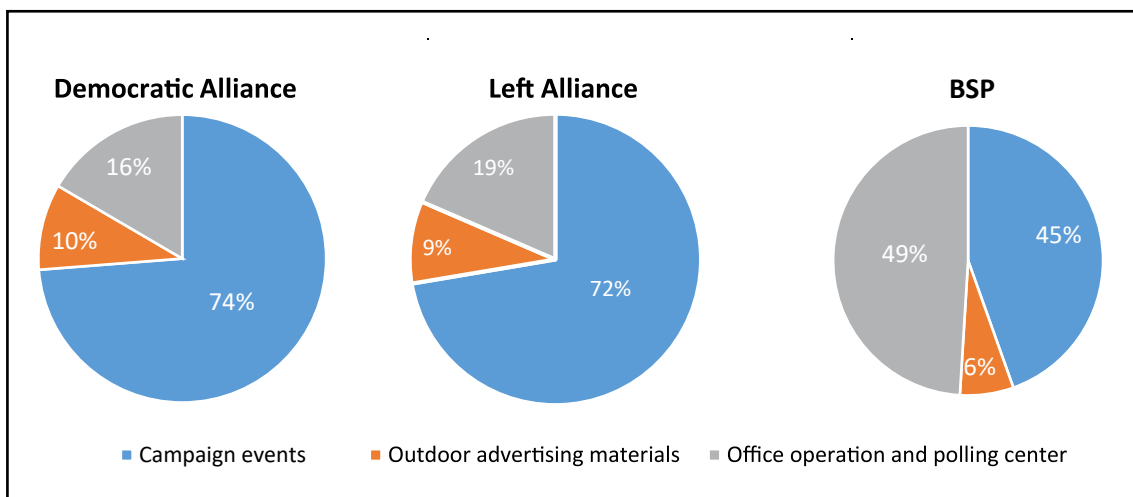
The results show the average spending was lowest for BSP candidates, while it was highest for Democratic Alliance candidates. The average election campaign spending for Left Alliance candidates was slightly less than that of candidates from Democratic Alliance, Table 3 also shows that BSP candidates spent almost 90% less than the candidates from the two alliances. An analysis of the difference in spending between Democratic Alliance and Left Alliance candidates showed that Democratic Alliance candidates spent 14% more than Left Alliance candidates although these differences are not statistically significant<sup>8</sup>.

The campaign spending for candidates from both left and Democratic Alliances is quite similar and far higher than those from the BSP, which was not part of any alliance.

Further analysis was then pursued based on key categories of spending. For simplicity, the various spending sub-categories were grouped into three major categories, which were: campaign events, outdoor advertising materials, and costs related to operation of offices and polling centre help desks. For instance, campaign events include transportation related to such events, costs of organizing the event as well as promotional items displayed or made available at the event. Similarly, other campaign costs include posters, banner, party flag, election symbol flag, printed materials and advertising (print/broadcast/outdoor).

The figure 1 below shows the disaggregated estimated spending by the candidates from the two alliances and the BSP.

*Figure 1: Overall Spending by Category for each alliance/party*



Looking at the disaggregated spending estimates, the biggest campaign expense was events, followed by other campaign costs, with the least amount spent on office operation and polling centre expenses. The Democratic Alliance and Left Alliance are estimated to have spent 74% and 72% respectively on campaign events, which was much higher than the BSP (45%).

<sup>8</sup> The p-value for the difference is greater than 0.05

## 5.2 Spending by Individual Candidates

As noted earlier, the spending limit for HoR candidates was NPR 2,500,000. Of the 30 candidates monitored in this project, 17 spent above this limit (57%). Another two candidates spent close to this limit (7% and 8% below the limit, respectively). However, given that this project utilized minimum costs or rate per items to estimate the total spending, it is likely that these candidates also exceeded the ECN's spending limit (which would mean that at least two thirds of the monitored candidates exceeded the limit).

Of the 17 candidates who exceeded the total spending limit, the average excess was 65% (ranging 3%-136% over the limit). Seven of these candidates (23%) exceeded the spending limit by over two million rupees, and four candidates (13%) exceeded the limit by over one million. Three candidates spent over five million, or more than twice the legal spending limit. Again, it should be emphasized that these are conservative estimates, and that the actual spending by these candidates is likely to have been significantly higher.

The results of this study show that the spending limit set by the ECN may not be sufficient to reasonably finance campaign costs. On the other hand, the monitoring mechanisms used to enforce the limits were ineffective, thereby allowing candidates to easily exceed legal spending limits without reporting their expenditures. In fact, all the financial reports submitted to the ECN were within the given limits (see Table 8 for a comparison of estimated versus reported spending).

The estimated total spending and excess of the overall spending limit is shown in Table 4 below.

*Table 4: Spending by Candidates Compared to the Spending Limit*

Candidate Code	Estimated Spending (NPR)*	Amount Exceeding the Limit(NPR)	Relative Excess(%)
1	4,141,000	1,641,000	66
2	1,869,000	-631,000	-25
3	608,000	-1,892,000	-76
4	2,579,000	79,000	3
5	3,203,000	703,000	28
6	510,000	-1,990,000	-80
7	5,772,000	3,272,000	131
8	4,266,000	1,766,000	71
9	304,000	-2,196,000	-88
10	4,587,000	2,087,000	83
11	3,260,000	760,000	30

Candidate Code	Estimated Spending (NPR)*	Amount Exceeding the Limit(NPR)	Relative Excess(%)
12	629,000	-1,871,000	-75
13	4,129,000	1,629,000	65
14	4,702,000	2,202,000	88
15	701,000	-1,799,000	-72
16	5,897,000	3,397,000	136
17	5,164,000	2,664,000	107
18	340,000	-2,160,000	-86
19	3,887,000	1,387,000	55
20	3,357,000	857,000	34
21	487,000	-2,013,000	-81
22	2,297,000	-203,000	-8
23	2,781,000	281,000	11
24	289,000	-2,211,000	-88
25	3,049,000	549,000	22
26	2,332,000	-168,000	-7
27	426,000	-2,074,000	-83
28	4,558,000	2,058,000	82
29	4,742,000	2,242,000	90
30	441,000	-2,059,000	-82

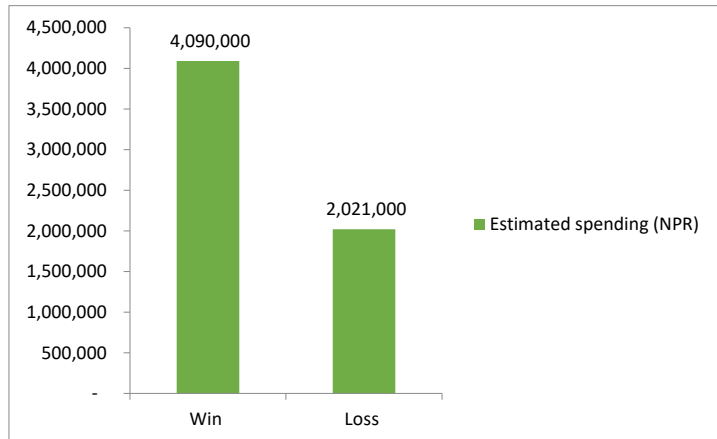
*\*rounded to the nearest '000*

The average vote percentage of the candidates who exceeded the spending limit was 41%, while candidates who spent below the limit only received 19% of the vote. This suggests a positive correlation between higher spending and a higher vote percentage obtained by candidates. However, there are many other factors which may influence an electoral outcome which were out of the scope of this study. Furthermore, the candidate who received the most votes did not necessarily spend the most money.

The spending by candidates who won the election versus those who lost is presented in Figure 2 below. Although spending may not be the only reason for winning an election, the results clearly show that the average spending for candidates who won the election was much higher than those of who lost the election.

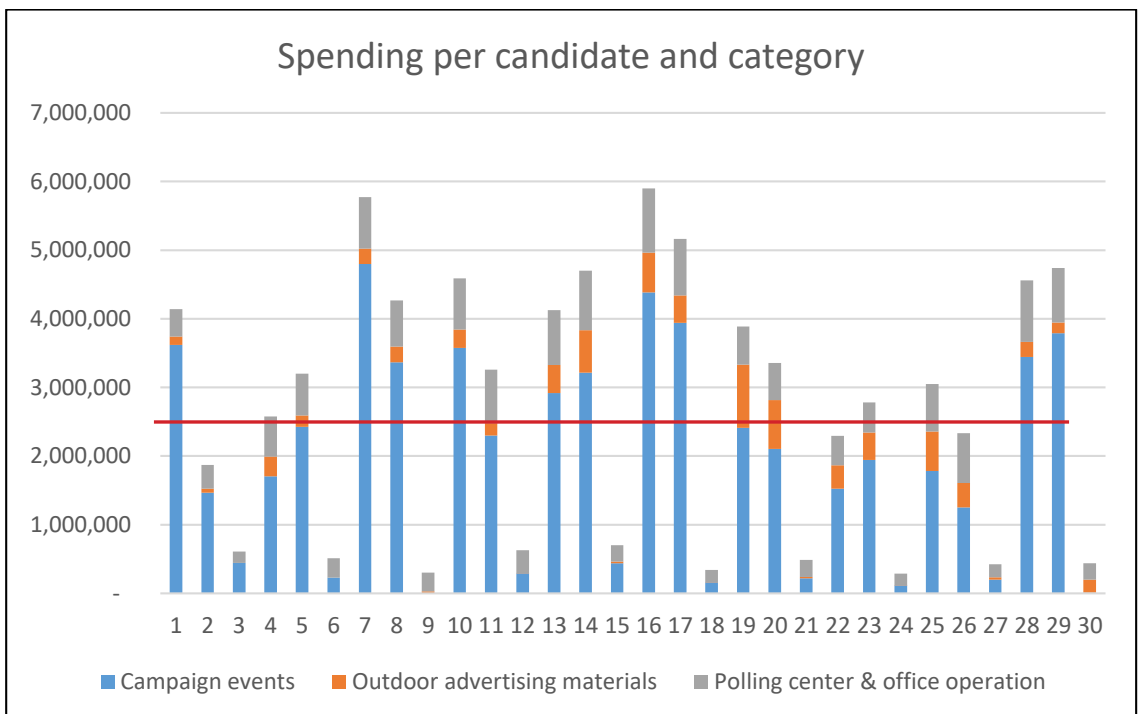
The average spending on election campaigns by candidates who won the election was found to be NPR 4,090,000 while that of the candidates who lost the election was only NPR 2,021,000. If the BSP candidates' spending was removed from this analysis, the monitored spending for winning candidates remains the same, whereas the spending by candidates who lost the election increases 76% to 3,568,000.

Figure 2: Spending by Losing and Winning Candidates



The average estimated spending of candidates who won the election was higher than the spending limit by 64% (NPR 1.5 million) while that for candidates who lost the election was below the spending limit by 19%.

Figure 3: Spending by Candidate and Category, Including Line for Spending Limit



The figure indicates that most of the candidates' spending was focused on campaign events, followed by polling centre & office operation expenses and the least on outdoor advertising materials.

As noted above, the regulations in Nepal include not only an overall spending limit, but also limits for each campaign spending category. No other country has been found to have a similar system, except for limits on advertising in some countries such as New Zealand, Canada, Barbados, Montenegro, Mexico and the Philippines. Undoubtedly, monitoring compliance may become more difficult if many category-wise limits rather than one overall limit must be monitored. Furthermore, categorized spending limit may encourage candidates to falsify expense reports to get as close to the overall legal limit as possible. Finally, there is no obvious reason or benefit to excessively controlling how candidates spend money on their campaign. If a candidate spends more on advertising than her competitor, but less on door-to-door activities, that is a strategic decision, unrelated to fairness or a level playing field.

To get an overview of compliance with the categorized spending limits, team studied the spending recorded for the ten candidates estimated to have spent the highest amount overall. We choose to look only within our campaign events category since we recorded the majority of expenses for all candidates under this category, and because expenses related to several of the ECN's spending categories can be estimated by monitoring campaign events.

The estimated spending on campaign events for these candidates were broken down to study if the ten top spenders had exceeded the categorized spending limits in relation to their campaign events. This was possible to look at in three categories given that within the event cost category, monitors determined further broke down expenses into the sub-categories of transportation, promotional material, and other event costs. The results were remarkable, as all ten candidates exceeded at least one categorized spending limit, and seven candidates exceeded all three of the categorized spending limits monitored. The uneven spending across categories demonstrates that categories are not realistic and furthermore unnecessary as the principle being enforced is the overall spending, and not how a candidate spends the money.

The spending by the top ten spending candidates on campaign events, broken down by spending category, is shown in Table 5 below. Given that this table does not include any monitored spending by these candidates on, transportation or promotional materials outside of those observed at campaign events, the actual excesses are likely much higher.



Table 5: Categorized Spending for Top 10 Spenders

Candidate Code	Category	Total	Limit <sup>2</sup>	Difference	% Excess
1	Transportation	1,074,000	675,000	399,000	59%
	Promotional Materials	358,000	100,000	258,000	258%
	Other Event Costs	1,383,000	800,000	583,000	73%
	Office Operation & Representative Deployment	400,000	700,000	-300,000	-43%
7	Transportation	1,244,000	675,000	569,000	84%
	Promotional Materials	175,000	100,000	75,000	75%
	Other Event Costs	2,205,000	800,000	1,405,000	176%
	Office Operation & Representative Deployment	750,000	700,000	50,000	7%
8	Transportation	1,031,000	675,000	356,000	53%
	Promotional Materials	236,000	100,000	136,000	136%
	Other Event Costs	1,701,000	800,000	901,000	113%
	Office Operation & Representative Deployment	672,000	700,000	-28,000	-4%
10	Transportation	670,000	675,000	-5,000	-1%
	Promotional Materials	382,000	100,000	282,000	282%
	Other Event Costs	2,326,000	800,000	1,526,000	191%
	Office Operation & Representative Deployment	743,500	700,000	43,500	6%
13	Transportation	1,075,200	675,000	400,200	59%
	Promotional Materials	697,275	100,000	597,275	597%
	Other Event Costs	1,079,330	800,000	279,330	35%
	Office Operation & Representative Deployment	799,000	700,000	99,000	14%
14	Transportation	1,226,000	675,000	551,000	82%
	Promotional Materials	846,000	100,000	746,000	746%
	Other Event Costs	823,000	800,000	23,000	3%
	Office Operation & Representative Deployment	868,000	700,000	168,000	24%
16	Transportation	569,000	675,000	-106,000	-16%
	Promotional Materials	874,000	100,000	774,000	774%
	Other Event Costs	1,700,000	800,000	900,000	113%
	Office Operation & Representative Deployment	933,000	700,000	233,000	33%

Candidate Code	Category	Total	Limit <sup>2</sup>	Difference	% Excess
17	Transportation	337,000	675,000	-338,000	-50%
	Promotional Materials	596,000	100,000	496,000	496%
	Other Event Costs	1,837,000	800,000	1,037,000	130%
	Office Operation & Representative Deployment	826,000	700,000	126,000	18%
28	Transportation	1,637,000	675,000	962,000	142%
	Promotional Materials	438,000	100,000	338,000	338%
	Other Event Costs	1,032,000	800,000	232,000	29%
	Office Operation & Representative Deployment	892,000	700,000	192,000	27%
29	Transportation	920,000	675,000	245,000	36%
	Promotional Materials	712,000	100,000	612,000	612%
	Other Event Costs	2,180,235	800,000	1,380,000	173%
	Office Operation & Representative Deployment	798,000	700,000	98,000	14%

Admittedly, the estimated spending on transportation for two candidates was slightly below the spending limit, but as these are likely to have incurred some transportation costs not related to campaign events, it is reasonable to conclude that these candidates also exceeded the limit. In fact, there was only one exception to the rule that the monitored candidates exceeded the categorized spending limits— one candidate who was estimated to have only spent half of the transportation spending limit (although this candidate exceeded the spending limit for promotional/campaign materials by almost 500%).

On average, the top ten candidates are estimated to have exceeded categorized spending limits in this category by 217%, while the spending limit for promotional/campaign materials was on average exceeded by 424% (one candidate was estimated to have spent over NPR 870,000, compared to the spending limit of NPR 100,000). The top ten spenders spent over double the spending limit for other event costs, while the limit for transportation was on average exceeded by a smaller proportion (though still at an average of 74%). Similarly, eight out of the ten highest spenders exceeded the limits for office operation & representative deployment expenses by 10% on an average.

As the overall spending limit is simply the sum of categorized spending limits, it is possible for a candidate who did not exceed the overall spending limit to exceed one or more of the categorized spending limits. This would be the case, for example, for a candidate who spent NPR 2 million in total (less than the limit of 2.5 million), but who spent more than NPR 100,000 on promotional/campaign materials.

To study this issue further, we analyzed the categorized spending of the four candidates who came closest to the overall spending limit, but for whom the estimated total spending did not exceed this limit. The results are presented in Table 6 below.

*Table 6: Categorized Spending Limits for Four Candidates Close to the Overall Limit*

Candidate Code	Category	Total	Limit	Difference	% Excess
2	Transportation	484,460	675,000	-190,540	-28%
	Promotional materials	248,510	100,000	148,510	149%
	Other event costs	713,710	800,000	-86,290	-11%
15	Transportation	259,500	675,000	-415,500	-62%
	Promotional materials	112,160	100,000	12,160	12%
	Other event costs	66,350	800,000	-733,650	-92%
22	Transportation	291,600	675,000	-383,400	-57%
	Promotional materials	254,045	100,000	154,045	154%
	Other event costs	978,290	800,000	178,290	22%
26	Transportation	392,000	675,000	-283,000	-42%
	Promotional materials	168,770	100,000	68,770	69%
	Other event costs	619,475	800,000	-180,525	-23%

Two of these candidates spent just below the overall spending limit (7% and 8% below the limit respectively), while the third spent around NPR 1.9 million, and the fourth, less than NPR 800,000, or less than a third of the total spending limit. Again, only the categorized spending on campaign events were analyzed for practical reasons.

Of the two candidates who came closest to the overall spending limit, both spent more than double the limit for promotional/campaign materials; one of them spent above the limit for “other event costs”.

Particularly interesting is the finding that a candidate who was estimated to have spent only NPR 800,000 in total still exceeded the limit for promotional and campaign materials - spending NPR 112,000, or just above the NPR 100,000 limit. The candidate who spent NPR 1.9 million in total was also estimated to have exceeded the limit for campaign materials, in this case by nearly 70%.

It is probable that while 17 out of 30 monitored candidates exceeded the total spending limit, the number who exceeded at least one of the categorized spending limits was far higher, as the analysis was based on lowest standard unit costs and, the monitors unable to cover all campaign events or expenses.

Analysis was also made on the estimated spending and margin of victory in each of the ten constituencies (please see Table 7 below). The result shows that in six out of the ten

constituencies(60%) the average spending of the candidates is above the spending limits. Averaged spending was highest in Kathmandu Constituency 6 (NPR 3,801,000) and lowest in Kathmandu Constituency 8 (NPR 1,789,000). However, no specific correlation was found between amount spent in the constituency and the margin of victory.

*Table 7: Constituency Spending, Including Margin of Victory*

Constituency	Monitored Spending (Mean in NPR)	Spending difference between winner and nearest opponent (NPR)	Margin of victory with nearest opponent (%)
1	2,206,000	3,533,000	3
2	2,098,000	624,000	24
3	3,447,000	-1,506,000	11
4	2,825,000	1,327,000	8
5	3,177,000	573,000	23
6	3,801,000	733,000	4
7	2,577,000	-530,000	21
8	1,789,000	484,000	2
9	1,936,000	-717,000	18
10	3,247,000	-184,000	4

### 5.3 Expense Reports Submitted to the Election Commission of Nepal

In this section we compare the estimated spending of the monitored candidates with the campaign expenditure reports submitted to the ECN. As per the relevant election laws, all candidates must submit their expense reports to the ECN within 35 days of election results being declared. As of the end of January 41 (days after the announcement of results), 25 out of 30 candidates had submitted their spending reports to ECN.

The majority of monitored candidates who submitted their expenditure reports to the ECN, reported spending lower than the spending amount estimated by SAMUHIK ABHIYAN's monitors. Twenty-two out of the 25 (90%) candidates' expense reports reported were less than the monitored estimates, while three reports were higher than what was estimated through monitoring.

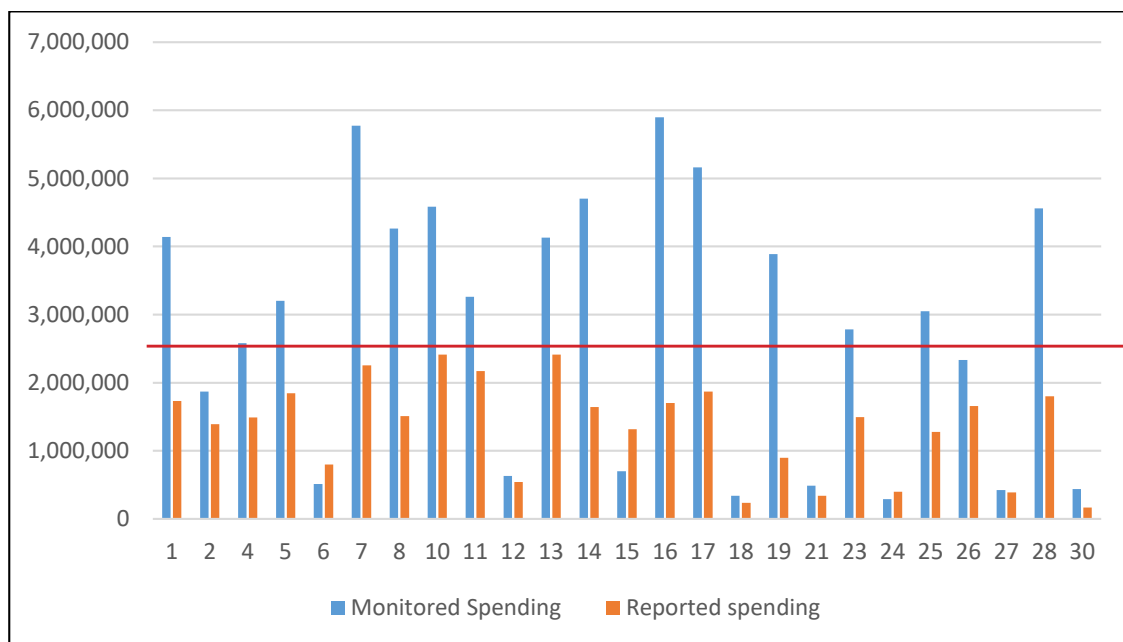
The difference between observed and reported campaign expenses varied from 10% to 333% for those who have under-reported their spending. For seven candidates the difference was more than NPR 2.5 million, while for other seven candidates this difference varies from one million to NPR 2 million. Table 8 below shows the comparison between monitored and reported spending per candidate.

*Table 8: Comparison between Monitored and Reported Spending (Candidate-wise)*

Candidate Code	Spending (NPR)		Difference (NPR)	Difference (%)
	Monitored	Reported to ECN		
1	4,141,000	1,731,000	2,410,000	139
2	1,869,000	1,389,000	480,000	35
3	608,000	NA	NA	NA
4	2,579,000	1,490,000	1,089,000	73
5	3,203,000	1,843,000	1,360,000	74
6	510,000	797,000	-287,000	-36
7	5,772,000	2,256,000	3,516,000	156
8	4,266,000	1,510,000	2,756,000	183
9	304,000	NA	NA	NA
10	4,587,000	2,413,000	2,174,000	90
11	3,260,000	2,173,000	1,088,000	50
12	629,000	542,000	86,000	16
13	4,129,000	2,414,000	1,715,000	71
14	4,702,000	1,641,000	3,061,000	187
15	701,000	1,315,000	-614,000	-47
16	5,897,000	1,703,000	4,194,000	246
17	5,164,000	1,868,000	3,296,000	176
18	340,000	235,000	106,000	45
19	3,887,000	898,000	2,989,000	333
20	3,357,000	NA	NA	NA
21	487,000	341,000	146,000	43
22	2,297,000	NA	NA	NA
23	2,781,000	1,493,000	1,288,000	86
24	289,000	397,000	-108,000	-27
25	3,049,000	1,278,000	1,771,000	139
26	2,332,000	1,658,000	674,000	41
27	426,000	387,000	39,000	10
28	4,558,000	1,800,000	2,758,000	153
29	4,742,000	NA	NA	NA
30	440,600	167,000	273,600	164

Figure 4 below illustrates the difference between monitored and reported spending of the candidates. This clearly signifies that except for three candidates, all others have higher spending monitored than reported spending.

Figure 4: Comparison between Monitored and Reported Spending



The results clearly indicate that most candidates underreported their spending to avoid showing that they had broken the law. Therefore, the ECN must either improve its capacity to effectively monitor campaign spending or change the rules on campaign finance.

#### 5.4 Social Media Mobilization

During the monitoring period, it was observed that most of the candidates used social media platforms such as Facebook, Twitter, YouTube and Viber for their campaigns. The monitoring team could not estimate the cost involved in these platforms. In addition, it was observed that thousands of text messages (SMS) were forwarded using a gateway different to that of popular service providers, and some by using personal cell phones.

The Validation Department at the Nepal Telecommunications Company (NTC) informed that they did not have any record of such bulk subscribing by candidates. It was also informed that persons may use separate SIM cards registered in another person’s name and it is not easy to monitor such SMS practices.

The NTC also informed that they cannot provide any personal data to anyone without a court order. Even for Police investigation purposes, they require an official court order to disclose information about a person’s call and text message records.

## 5.5 Hidden Advertising

The project also monitored hidden advertising by candidates through major daily newspapers. Hidden advertising included candidate interviews and news coverage highlighting specific candidates. To calculate costs, the monitoring team considered this media coverage to be sponsored advertisements, however it should be acknowledged that this may not have always been the case. The tariff for publication of normal advertisements for each monitored daily newspaper were used to estimate hidden advertising costs.

In this regard, the Left Alliance was estimated to have spent the highest amount (NPR 1,539,300), followed by NC (NPR 436,500), with BSP spending the least (NPR 228,000). These costs were not included in the estimates of candidate campaign expenses for this report

## 5.6 Abuse of State Resources

Article 26 of the Election Offences and Punishment Act, 2017, explicitly forbids the abuse of state resources (government, public personnel or property). During the monitoring period, monitors however observed vehicles bearing government license plates at candidates' or party campaign events, door-to-door visits and corner meetings. The use of such vehicles was noted at events related to candidates from ruling parties and influential candidates of other parties as well. For example, two government-licensed vehicles were found parked at one of the monitored events. However, these vehicles were not found carrying any specific party or candidate promotional materials (such as flags and banners).

## 5.7 Vote Buying

Article 21 of the Election Offences and Punishment Act, 2017, explicitly forbids the giving or taking of cash or in-kind items to influence the vote or choice. In case of infringement, the article further provides for a fine up to NPR 50,000 (USD 500), or imprisonment of one year, or both. However, many online news portals published reports that the political parties were trying to motivate voters by offering cash or in-kind favors to cast votes for them.<sup>9</sup> In addition, reports also suggested that parties or candidates were paying an individual for a proposed number of votes from a specific group or a community. The latter case was experienced by one monitor who received a telephone call from an unknown caller offering 50 votes (the caller may have assumed that the monitor was a party cadre who could buy the votes). These types of incidents indicate that vote buying events were carried out during election period, but such types of incidents were carried out discreetly and could not be tracked, because buying votes by distributing money and offering different types of development works are prohibited by the law and the election Code of Conduct.

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<sup>9</sup> See for example: Rich Man's Election, <http://www.myrepublica.com/news/30300/>; Parties Giving Voters Free Ride Home, <http://kathmandupost.ekantipur.com/news/2017-12-02/parties-giving-voters-free-ride-home.html>; and *Money and Politics*, <http://kathmandupost.ekantipur.com/news/2017-01-09/money-and-politics.html>

## 5.8 Public Funding

Most countries regulate political finance and many offer public subsidies to political parties or candidates. Supporters of political finance regulation claim that public money reduces corruption on politics, while others have stated that in the case of Nepal providing public funds would increase corruption.<sup>10,11</sup> Globally, about one third of countries do not provide any state funding to parties or candidates, including almost all countries in South Asia. However, state funding for political parties could support a more level playing field for elections, provide an additional mechanism to ensure internal political party democracy and adherence to inclusion requirements in the law (by withholding funding), as well as allow the ECN to exercise oversight over the reconciliation of these funds in a transparent and accountable manner through audits. While public funding would not completely replace private funding, a modest introduction together with strict regulation could reduce the role of illicit funds and generally reduce corruption in politics.

## 6. Conclusions

There is a general perception among Nepali citizens that candidates spend millions of rupees to win elections and that there is a correlation between spending money and increased chances of being elected. During the monitoring of election campaigns, it was found that contesting candidates, especially those from major established parties, invested vast amounts of money and resources to win over the confidence of voters and seek their support. Some of this spending was easily monitored by civil society, but illicit spending like direct vote buying, abuse of state resources, paid journalism (hidden advertising) and social media were not easily monitored, nor included in the spending reports submitted to the ECN.

This pilot study found that most of the monitored candidates (17 out of 30, or 57%) spent above the established spending limits. The proportion of relative excess than the spending limit ranges from 3% to 136%. A clear majority of the monitored candidates exceeded at least some of the categorized spending limits.

The existing legal provisions are not clear enough to allow for any action to be taken if any candidate exceeds the categorized spending limits. Legal provisions do allow actions to be taken in case of overall spending limits being exceeded. However, 90% of the monitored candidates for whom financial reports were available reported spending that is lower than the amount estimated by the monitoring team. For seven candidates, the difference is more than 2.5 million, while for another seven candidates this difference varies from one million to two million.

It is therefore concluded that the existing legal provisions are not being effectively implemented

<sup>10</sup> *Do Political Finance Laws Reduce Corruption?* C. Hummel, J. Gerring, and T. Burt. V-Dem Institute 2018.

<sup>11</sup> Forced donation, political funding and public security in Nepal. The private sector's perspective and responses. Briefing paper by D.B. Subedi, National Business Initiative, Nepal. 2014.



or monitored. While the legal framework provides for provisions to monitor campaign spending, this is insufficient to ensure free and fair elections and a level playing field among contestants. There is a need to revise the legal framework and increase transparency of both spending and sources of income for candidates and parties. All electoral stakeholders should know who is paying to support election campaigns and these funds should be legally declared and regulated. New approaches and legal reform are needed to reduce the influence of money in election campaigns, reduce corruption and strengthen the capacity of the Election Commission to hold cheaters accountable.

## 7. Recommendations

1. To prevent systematic under-reporting of campaign expenses, the ECN needs to strengthen its monitoring and reporting requirements for candidates. Expense reports should require more detail and if requested, receipts of all purchases. Expenditures above a threshold should be done through bank accounts specifically set up for campaigns. Professional audits, done at the expense of the candidate, should be required of all reports exceeding a ceiling set by the ECN, or if credible information has been received regarding potential violations.
2. Campaign finance reporting requirements for candidates should include funding sources (i.e. income) as well as expenditure. While the Offences and Punishments Act mandates the submission of a candidate's "income and expenses" (S.6) the requirement is not further explained in any other electoral law or directives. The ECN should regulate, monitor and publish sources of income (not just expenditure) from campaign financial reports and regulate amounts that can be donated by individuals, organizations, trade unions, foreign entities, and businesses. Such requirements could deter the use of illicit money and contribute to a more complete monitoring of the influence of money in politics.
3. The ECN should be given the mandate to set donation limits based on sound criteria. Donations above a minimum amount (e.g. NPR 10,000) should be made through the candidate's bank account and the identity of all major donors should be identified.
4. The ECN should display greater willingness to impose sanctions, up to and including the disqualification of candidates who can be demonstrated to have broken the law. Current sanctions are either ineffective or not applied.
5. Categorized spending limits are not practical and should be removed from the law. What is important is the overall spending limit, and not how candidates choose to spend their campaign funds. Furthermore, it is not standard international practice to have categorized limits. All options should be considered that increase transparency of income and expenditures, including the removal of spending limits altogether.
6. The ECN should introduce a strong and effective mechanism for monitoring campaigns as per the existing Code of Conduct and laws. To this end, the ECN should encourage independent

third-party monitoring by citizens and CSOs, and establish a separate oversight unit to respond to such monitoring, including receiving complaints. The ECN may also encourage CSOs to mount their own monitoring efforts.

7. Media should play a role in airing candidates' platforms and providing balanced coverage. Rules governing free air time or space in newspapers should be strengthened so that all candidates are entitled to a minimum amount of free advertising.
8. The existing practice of orienting political parties and candidates on the related laws and provisions should continue, and be made more effective in the future. Campaign financial regulations should be communicated to parties well in advance of elections and again to candidates at the time of nomination. In addition, campaign finance issues should be included in voter education conducted by the ECN, as well as other organizations.
9. A system of state subsidies for political parties and candidates based on the number of votes received in the previous federal election could be established to help regulate election campaign financing, limit the use of illicit funds and level the playing field. Strict monitoring would allow authorities to withhold state funding for non-compliance to the Code of Conduct in several campaign related matters.
10. Legal regulations related to campaign finance should be reviewed through a gender-sensitive lens and take into consideration that only 7% of first-past-the-post candidates were women. For example, income disclosure requirements and the strict enforcement of campaign finance regulations would limit illicit spending by candidates. As women generally have less access to financial resources than their male counterparts, ensuring that limits are enforced and incomes are disclosed will help to level the playing field between candidates, particularly for women.
11. ECN should publish all income and expense reports submitted by candidates and political parties as soon as they are submitted, whether they are accurate or not. The ECN should also publish the names of those who do not submit reports and strictly enforce applicable penalties for non-disclosure.

It is imperative that citizens know what campaign finance is and how it can influence the outcome of an election. Money plays a major role in running an election campaign. It is therefore important that there is a level playing field for all candidates and parties so that real will of the voters is expressed through their ballots.

SAMUHIK ABHIYAN intends to widely disseminate these findings and recommendations with a variety of electoral stakeholders, including the ECN, members and committees of the Federal Parliament, ministries of the Nepal Government, CSOs and the media. These findings are also intended to be published in national level media for their wider dissemination among the public.

## Annex 1: Legal Framework

### A. Relevant provisions in the Election Offences and Punishment Act, 2017:

#### 1. No Cash or in-kind to be Given or Taken

No candidate or election representative or any other person shall, during the period of election, give or agree to give to any voter cash or in-kind as a present, reward, gratification, donation or gift or invite for a public feast to exercise or refrain from exercising his or her right to vote or for exercising or refraining from exercising his or her right to vote or be present at such public feast. (Section 21)

#### 2. Prohibition on Use of Government or Public Personnel or Property

No political party, candidate or election representative or a person holding public office or any other person, shall use or cause to be used, any government or public personnel or property. (Section 26)

#### 3. Financial Aid Not to be Received

No political party, candidate, election representative shall, during election canvassing, receive financial aid from any government or public entity or non-governmental organization in contravention of prevailing federal laws. (Section 27)

#### 4. Expenses Not to be Incurred from Another Person

No political party or candidate shall ask other person to incur expenses on their behalf during election campaigning. (Section 28)

#### 5. Not to Spend More than Ceiling Specified by the Commission

No political party or candidate shall, during election canvassing, spend or cause to spend more than the ceiling prescribed for spending by the prevailing federal laws concerning election. The limits fixed by the Election Commission (EC) for a HoR candidate is NPR 2,500,000 (Section 29). Furthermore, EC disaggregated the total ceiling in various expenses heads is presented in Table 1.

#### 6. Submission of statement of income and expenses occurred in the course of election

A political party or candidate shall have to submit to the office specified by the Commission the statement of income and expenses occurred in the course of election. (Section 31)

### B. Relevant provisions in the Election of the members of the House of Representatives Act, 2017 (Section 72, 4):

The statement of election expenses shall have to be submitted at the Commission or an office prescribed by the Commission by the party within thirty five days after the declaration of the election results. (Section 72, 4)

### **C. Relevant provisions in the Election Commission Act, 2017 (Section 26):**

#### **7. Punishment for spending more than the specified ceiling:**

- a. If any person spends more than the ceiling specified by the Commission pursuant to sub-section (1) of Section 24 or fails to submit the returns of expenses within the period prescribed pursuant to sub-section (1) of the Section 25, the Commission may punish such political party or candidate with a fine of a sum equal to the election expenses made by such person or the ceiling of expenses specified by the Commission, whichever is higher.
- b. If a political party or candidate does not submit the details of election expenses or if it appears from the audit report conducted under sub-section (2) of that section, that the expenses has been made in an unsuitable manner or in such a manner as to prejudice the fairness of the election or in an undue or illegal manner for illegal purposes, the Commission may fine such political party or candidate either the amount equalling to such expenses or five hundred thousand rupees whichever is more.
- c. If a political party or candidate fails to submit such fines within six-months, the Commission may decide to disqualify such political party or candidate from being a candidate in any election for a period not exceeding six years with immediate effect.
- d. Prior to imposing a fine pursuant to sub-section (1) or deciding pursuant to sub-section (2), the Commission shall provide the concerned political party or person with an opportunity to defend.
- e. If the Commission decides pursuant to sub-section (2), in case such person has been elected, his or her election shall automatically become void.

## Annex 2: Methodology

### 1. Project Management

SAMUHIK ABHIYAN, a Civil Society Organization established with the mandate of promoting “responsible civil society” and having 25 years of experience was responsible to implement the project.

The Executive Committee was responsible to provide direct support to the project core team, which consisted of five members: Program Manager, Legal Expert, Media Officer, IT/Data Officer and Reporting Officer.

A total of 15 field monitors were selected and trained to carry out the monitoring.

### 2 Approaches and Methodology

The following methodologies were used for the monitoring:

#### 2.1 Literature Review

The project core team collected and reviewed the existing legal and regulatory framework of Nepal in relation to campaign finance, including the Code of Conduct issued by the ECN. Furthermore, the team also reviewed other country reports on election campaign finance.

The team developed a precise list of possible activities and commodities to be used during the campaign period. The list was developed taking into consideration some of the activities that could be organized or materials which could be produced/published despite being prohibited by the Code of Conduct.

#### 2.2 Checklist Development

The project core team with technical support from IFES developed the monitoring checklist to capture the activities and commodities that could be implemented during election campaigns, including the monitoring of rallies; use of vehicles, flags, banners, posters and pamphlets; provision of meals and alcohol served at gatherings; vote buying through cash or in-kind favors etc. The checklist is presented in Annex 3.

#### 2.3 Training to Monitoring Team

SAMUHIK ABHIYAN (SA) developed and delivered a two-day training to the project team to enhance their knowledge of and skills for campaign finance monitoring. All 15 monitors, 5 core team members and representatives of SA participated in the training. The training was organized with technical support from IFES.

#### 2.4 Monitoring

As agreed, the field monitoring was carried out during the period of 5 November to 7 December 2017. The field monitoring covered 1 candidate from each of the three political parties in each of the 10 constituencies, thereby covering 30 candidates contesting the FPTP

seats from Kathmandu district.

Ten field monitors mobilized during this period collected relative data/information from one constituency each. Five additional monitors supported the ten monitors, and coordinated with political party offices to collect schedules and additional information on rallies, mass meetings and door-to-door visits of each candidate from the three major parties/alliances, which were then shared with the responsible monitors deployed to each constituency.

Field monitors collected daily data/information, prepared daily reports and shared these with the project core team, in addition to collecting photographs and short videos to serve as evidence as well as avoid potential double counting of any given event.

## **2.5 Media monitoring**

The second part of this campaign finance monitoring project relates to monitoring of media activities on Television (Nepal TV and Kantipur TV) and FM radio stations (Radio Sagarmatha and Ujyalo Network), and in 11 national daily newspapers.

For this purpose, the media officer collected information about airtime/broadcasting of two major TV and two major FM radio stations used by political parties or candidates for election campaign. While monitoring these, as well as the advertisements published in the newspapers, the project team also considered the tariff for printing or broadcasting such advertisements.

## **2.6 Establishment of Unit Cost**

To determine the standard unit cost of different activities/commodities, the project team, with the support of field monitors, collected the unit cost for printing in different quantities and specifications i.e. paper used for printed material, one colour printing/multi-colour printing, laminated or not, material used to display this material, banners, billboards, pamphlets, etc.

The project team further gathered information related to cost of organizing an event; furniture, stage/set-up, branding, sound-system, transportation cost including number of vehicles used, cost of fuel, food and drinks, mobilization of human resources to display materials and arrange a procession, event or gathering and rallies involving cars, motorbikes, auto rikshaw, buses, etc.

The project team also collected information on interactions, seminar, orientations and the associated cost of the same during campaign on various locations of Kathmandu district to determine the minimum cost.

Furthermore, the monitors collected information related to the costs of establishing temporary campaign offices by the contesting candidate or parties to run election campaign, from the related political parties' representatives/officers. These generally included expenses related to rent, furnishing, communication and utilities, among other things.

Based upon these, the project team determined the base rate for each item mentioned in the checklist. In some cases where the actual cost was collected by monitors and the project core team, it was entered in the data analysis sheet. The sources of actual cost are representatives of candidates and election campaign offices at the local level, and event venues.

## **2.7 Data Entry**

The Data/IT focal person was responsible for entry of data into excel sheets specifically developed and customized by IFES.

## Annex 3: Checklist

### Election Campaign Expenses Monitoring Program (FPTP election system for HoR Election 2017)

#### Checklist

Name of the Monitor:	Date of monitoring:
Type of Event:	Place of monitoring: Kathmandu
Name of Political Party:	Name of Candidate:
Approximate No. of Participants:	
Constituency No:	Time:

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**Fill in the details of mass meetings, gatherings, small meetings and rallies from point no. 1 to 8**

#### 1. Stage Details:

- Details of Sound system:
- Electricity:
- Cultural program and details on participation of actors:
- Furniture (chair, table, sofa set):
- Tent:
- Others:

#### 2. Details of the transport used:

(Transport used by political party or candidate for election campaign. As per the election Code of Conduct, the candidates for HoR election can use four light wheeler vehicles and Fourmotorcycles. The parties can upon the permission of the Returning officer use two four wheelers at maximum in one district. Collect information on the usage of the same or more than the permitted number and collect the expense details on daily basis)

- Cars (number):
- Buses (number):
- Micro bus or van (number):
- Trucks (number):
- Rickshaw/Tempo (number):
- Motorbikes (number):
- Fuel expenses:
- Others:

#### 3. Details of the promotional material for the election campaign:

- T-shirts (quantity):
- Hat or Caps (estimated quantity):
- Stickers (estimated quantity):



- Banners (estimated quantity):
- Posters (estimated quantity):
- Party Flag (estimated quantity):
- Flag having symbol (estimated quantity):
- Balloons (estimated quantity):
- Logo (estimated quantity):
- Leaflet/posters (estimated quantity):
- *Toran*<sup>12</sup> (estimated quantity):
- Head band (estimated quantity):
- Others:

#### 4. Details of activities and materials used for promoting the event:

- Announcement from a vehicle with loudspeakers:
- Small community meetings or smaller events as part of the bigger event:
- Announcement through other means:
- Music and use of band:
- Communication medium (expenses on recharge card, internet, data pack etc.):
- Others:

#### 5. Meals and drink, etc. provided and cadres deployment expenses:

- Food cooked (veg or non-veg) expenses (Provide estimated quantity and expenses):
- Food uncooked:
- Drinks (alcoholic or non-alcoholic) quantity and expenses:
- Water (Jar or bottle or tanker):
- Gifts (any giveaways)
- Bag having logo:
- Gifts or donations made to various organizations, community or individual: (Provide details)
- Others:

#### 6. Staff details deployed in election campaign:

- Workers:
- Supervisors:
- Contractors:
- Party cadres:
- Others:

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12 “Toran” is a campaign mainstay in Nepal, whereby party flags, symbols etc. are attached to streamers, which are then tied to utility poles across the street.

**7. Details of abuse of state resources:**

- Office, officials, head of organization (number):
- Government vehicle:
- Use of other state resources:
- Any other resources that are not listed:

**8. Collect details of the usage of the following vehicles (apart from special events) by parties and candidates:**

- Cars (number):
- Buses (number):
- Micro bus or van (number):
- Trucks (number):
- Rickshaw/Tempo (number):
- Motorbikes (number):
- Fuel expenses:
- Others:

**9. Any other information relevant to the event's organization which is not covered:**

Signature of the Monitor

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**Banners and billboard Recording and reporting template**

SN	Political party	Candidate	Location	Banner with size and photo	Estimated no of banners	Billboard	Printer's name

Name of the monitor:

Signature:

Date:

**Monitoring party flags and flags having election symbol**

SN	Political Party	Candidate	Place	Size of party flag (photo)	Estimated quantity	Size of Election Symbol Flag	Est. Quantity

Name of monitor:

Signature:

Date:

### Monitoring posters / pamphlets

Item	Political Party	Candidate	Location	Size of poster/ pamphlet (photo)	Est. Quantity	Type of paper	Name of press
Posters							
Pamphlets or party manifesto							

Name of monitor:

Signature:

Date:

### Monitoring Invitation card and other materials

Details	Political Party	Candidate	Location	Invitation Card (Size & Photo)	Est. Quantity	Type of Paper	Name of Printer
Invitation Card							
Others							

Name of monitor:

Signature:

Date:

### Daily Newspapers Monitoring Template

Date	Adv rate/ CC F-3000, In-1200	Adv. Size	Amount	Supporting political party (Name):	Supporting candidate (Name):	News item:	Supporting political party (Name):	Supporting candidate (Name):	Tentative Amount	Remarks

Signature of Media Coordinator:

Date:

### Television and Radio Monitoring format

Date	Advertisement Time	Duration	Rate	Total cost	Supporting candidate (Name)	Supporting Political Party	Remarks

Signature of Media Coordinator:

Date:

