

# X PERSPECTIVES ON PARLIAMENT

Issue No.2

PARTY FUNDING

March 2016

## PARLIAMENT OPENS FOR 2016

Parliament officially opened on the ninth of February, Constitution day, with an elaborate ceremony that saw hundreds of people crammed into a large tent in Parliament Gardens. The event was held outside for the first time because the enlargement of both Parliamentary chambers, prescribed by the 2014 constitutional amendments, meant the indoor space would not do. It seems the expansion of the National Council by 16 members is what made the difference, given that the event was still held indoors last year. Speaker of the House Peter Katjavivi used the occasion to underline that “we cannot escape the need” for a new Parliament building.

President Geingob, in his speech officially opening the session, made some remarks that provoked some concern. Noting that a Whistleblower Protection Bill would soon be tabled, the President implied that many whistleblowers act not out of genuine concern, but to settle scores. A focus on the character of whistleblowers seemed incongruous when juxtaposed with a bill intended to protect them.

## PARTY FUNDING - AN OVERVIEW



Political parties are indispensable for a well-functioning democracy. They aggregate citizens' interests into policy platforms, and represent voters when laws are made. Because they give voice to the citizenry, it matters that they operate effectively - a system with weak parties does not represent citizens as well as it could. This idea, that effective parties are vital to a thriving democracy, underpins the idea of public funding. The parliamentary select committee which recommended that a party funding system should be put in place argued that this funding would enable parties to run their offices effectively and reach voters. In addition, government funding was

seen as a safeguard against parties becoming dependent on foreign assistance.<sup>1</sup>

As taxpayers foot the bill it is entirely reasonable that they get to know how their money is spent. The purpose of the funding is to enable parties to represent and engage with citizens - in other words, the funding is ultimately taxpayers' money, spent for taxpayers' benefit. That parties should account for the money they receive from the public purse is therefore not a controversial proposition.

Private funding is a more contested matter.<sup>2</sup> Parties are private organisations,

<sup>1</sup> Hopwood, Graham. *Guide to Namibian Politics*. Namibia Institute for Democracy, 2008: Windhoek.

<sup>2</sup> Several of the points below are adapted from Thamm, Marianne “Political party funding: Will more transparency mean deeper democracy?” *Daily Maverick*. 31 August 2015 <http://www.dailymaverick.co.za/article/2015-08-31-political-party-funding-will-more-transparency-mean-deeper-democracy>

meaning they should be free to accept funds - but they are also supposed to act in the public interest. These two characteristics come into conflict here. There are good arguments for laying open the private donations parties receive. Voters can check parties' policies against their financial supporters to see if donors have an undue influence and are benefiting at the expense of the general public. A transparent system of party finance can act as a key mechanism in the fight against corruption. When voters know who donates to parties and what they do with the money, they can make better-informed choices about whom they support. Thus such a

system builds confidence in the political system, proponents of open funding argue.

There is one potential downside to opening up accounts: opposition parties might argue that their donors could face a backlash if their support became public. A recent report by International IDEA points out that "in some countries ... critics argue that naming donors may expose these individuals or entities to harassment, in particular from the government".<sup>3</sup> Such claims have surfaced in Namibia before, for example in the run-up to the 2009 election, when some businesspeople in the North claimed that they were being boycotted be-

cause of their allegiance to the newly-formed RDP.

Apart from the prospect of immediate harassment, parties could fear that the prospect of being identified publicly could discourage people from supporting them in the future. However, the benefits of an accountable system far outweigh the potential downsides. The risk that some opposition donors will be discouraged from giving money is compensated for by the fact that the new system will allow the public to know whether anyone has an undue influence over the politicians they trust to represent everyone's interests.

<sup>3</sup> Ohman, Magnus. "Political Finance around the World". International Institute for Democracy and Electoral Assistance, 2012, p.39

# PARTY FINANCES - WHAT WE KNOW



**Because Namibia previously had very few rules on the disclosure of party finances - and because the rules we did have were mostly ignored - it is difficult to gain a comprehensive overview of the funds parties have received. Sometimes, the media will report on larger donations.**

For example, in 2003 Swapo reported receiving N\$240,000 from the Chinese Communist Party, while the CoD disclosed in 2004 that the UK's Westminster Foundation had supplied some funding.<sup>1</sup> More recently, Swapo received vehicle donations from various sources for the 2014 election, and the party

is renowned for holding fund-raising galas which can bring in donations of hundreds of thousands of dollars.<sup>2</sup> In the past, these private donations have often been reported on the party website or in the press. The ruling party also has a business arm that has stakes in several businesses.

In terms of public funding, official numbers are unavailable for many years. However, it is possible to calculate rough estimates, which are shown for the largest parties in the table below. This financial year's (2015-16) exact numbers are known, and showcase a massive increase from previous years. As the tables below indicate, the proportional funding allocation used in Namibia - together with Swapo's overwhelming success in elections - means there is a large disparity in party funding. In fact, Swapo's allocation this year alone exceeds the funding all other parties have received over the last ten years combined. Still, all parties have received stately amounts, and the total amount over time easily totals in the hundreds of millions. The magnitude of the expenditure illustrates why it is so important that the public hears about how the money is spent.

### Public Funding for Political Parties, 2000-2015 (N\$)

Party	2000-2004 period	2005-2009 period	2010-2014 period
Swapo	61,000,000	68,400,000	104,600,000
DTA	7,700,000	4,900,000	3,900,000
CoD	7,700,000	6,200,000	1,900,000
RDP	-----	-----	15,500,000

Please note that these numbers are estimates only, and rounded down to the nearest hundred thousand.

Sources: Boer, Martin. "The Life of the Party" (2004), and own calculations based on annual Budgets.

### Public Funding for Parties, 2015/16 (N\$)

Party	Seats			Allocation
	National Assembly	National Council	Total	
SWAPO	77	24	101	96,764,000
DTA	5	1	6	5,748,000
RDP	3	0	3	2,874,000
APP	2	0	2	1,916,000
NUDO	2	0	2	1,916,000
UDF	2	1	3	2,874,000
WRR	2	0	2	1,916,000
RP	1	0	1	958,000

Source: tabled in the National Assembly on April 28, 2015

## CAN WE AFFORD THIS LEVEL OF FUNDING?

The dramatic increase of party finance from the state came at a time when the Namibian government was already in a tight spot, financially speaking. In his budget speech in 2015, the Finance Minister announced debt levels would reach 23.7 percent of GDP. In addition, the government had to go to Europe to borrow more money later in the year. Both the level of debt and the cost of servicing debt increased, and the IPPR wrote that "the Government is starting to push the boundaries of sustainable debt levels for the Namibian economy".<sup>2</sup>

The economic outlook at the beginning of 2016 looks unpromising, and some economists even fear that we risk a ratings downgrade should we continue to borrow heavily. In this context, it may be prudent to consider rolling back some funding when deciding on items that can be cut from expenditures. It is unlikely that many politicians will support decreasing the money their party receives, but hopefully sense will prevail.

<sup>1</sup> The Villager. 2015. "Finance Minister -- Calle Schlettwein budget speech". [www.thevillager.com.na/articles/8270/Finance-Minister--Calle-Schlettwein-budget-speech/](http://www.thevillager.com.na/articles/8270/Finance-Minister--Calle-Schlettwein-budget-speech/)

<sup>2</sup> Brown, Rowland. 2015. "The 2015/16 National Budget: Maxing out the Credit Card?". Institute for Public Policy research. <http://www.ippr.org.na/?q=node/1214>

<sup>1</sup> Hopwood, Graham. *Guide to Namibian Politics*. Namibia Institute for Democracy, 2008: Windhoek.

<sup>2</sup> Haufiku, Mathias. 2014a. "Gala Dinner Raises over N\$1 Million for Swapo." *New Era*. <http://www.newera.com.na/2014/11/10/gala-dinner-raises-n1-million-swapo/> (March 7, 2015).

# LAWS GOVERNING POLITICAL FUNDING IN NAMIBIA

The first regulation of party finance appeared in 1992, when the Electoral Act stipulated that parties had to disclose donations they had received from abroad. Starting in 1997, government implemented a funding scheme where parties received a certain dollar amount for every vote they received in the elections. Although they were supposed to submit audited accounts, this never happened.

While the previous funding scheme was based on a Cabinet decision, the 2014 Electoral Act formalised the funding arrangement and codified reporting rules. Section (140) outlines parties' responsibilities in maintaining and disclosing financial records, Section (141) deals with disclosing donations to the party, and Sections (154) to (161) deal with the allocation of public funding.

## **Public Funding**

According to the Act, funding should be "based on the principle of proportional representation" (Section 155). In an interview with Democracy Report (see page 7), Minister of Finance Calle Schlettwein explained that the total funding pool could be as large as 0.2% of the year's revenue, and that parties receive a share of that amount equivalent to their proportion of seats in the National Assembly and the National Council.

The Electoral Act of 2014 specifies what parties are allowed to do with the money they receive. In general - and in contrast to many other countries - parties have the freedom to do as they please with the funds. They do face a few restrictions, however. Parties may not: pay MPs or other public servants already receiving a salary; fund activities that contravene the code of ethics of Parliament, Regional Councils, or Local Authorities; establish

profit-making businesses; buy property unless it is for exclusive party use; or fund illegal activities. Apart from these exceptions, they are free to spend the funds as they please - at least in theory. Parties are not allowed to use money "for any purpose that is incompatible with a political party's functioning in a modern society" (Section 157). It remains to be seen how this clause will be interpreted.

All parties must designate an office-bearer to act as the accounting officer, maintaining records on what the public money is being used for, and must prepare a statement within two months after the end of the financial year. This is then audited. Within three months after the end of the financial year, parties have to hand the audited statement and the auditor's report to the Electoral Commission. To inform the public, they have to make sure an abridged version is published in at least two national newspapers within seven days of submission to the Commission (Section 158). Further, the National Assembly has to discuss the audited statements (Section 160). The auditor-general also has the right to inspect parties' books at any given time.

## **Private Donations**

All funds, however, are subject to scrutiny, not just contributions from the government. As with public funds,

parties have to maintain permanent records on any contributions - whether they are monetary or in-kind. Any party must have a statement "showing the sources of its funds and the name of every person who has contributed to the funds". This includes membership dues, donations (cash or in-kind) from citizens and foreigners alike, as well as all transactions involving the head office (Section 140).

Financial accounts must be audited once a year, no later than six months after the end of the financial year; and abridged versions published in two newspapers. The accounts are also available to anyone at the Electoral Commission (Section 140).

## **Other Disclosures**

Parties must also submit a declaration of assets and liabilities, stating the sources of funds and other assets, every year 21 days after the opening of the National Assembly. Within 30 days, the Electoral Commission must publish a notice in the Gazette that the declaration has been received and is available for inspection at the Electoral Commission's offices (Section 139).

## **Consequences of Noncompliance**

If a party is found to have spent money received from public funding in a prohibited manner, they can be ordered to repay the funds. Breaking the law in

# NEWS

## FROM PARLIAMENT

this regard also makes the party liable for a fee up to N\$ 10 000 upon first offence, and up to N\$20 000 thereafter.

In regards to overall party records, the party can also be fined up to N\$10 000 for the first offence and N\$20 000 afterwards. If the accounting officer is found guilty they may face up to two years in prison for their first offence, or up to four years afterwards (Section 188).

If a party fails to submit its declaration of assets and liabilities, following due process the Electoral Commission may cancel its registration (Section 139).

### ***Ambiguities in the Law***

On the topic of private donations, the law is unclear. First, it stipulates that no-one may donate above a 'prescribed' amount, implying a prohibition on high-value donations (this amount has not yet been set by the ECN). Then, it goes on to require that donations above the amount must be declared (Section 141). It is therefore not clear whether these donations are not allowed or merely have to be declared. Hopefully, the rules drawn up by the ECN will clarify these points.

Section (140) states that parties must keep records that include the names of donors. It is not clear, however, whether the names have to be included in the accounts that are submitted to the Electoral Commission for oversight. Later clauses, which mandate that donations above a certain amount must be disclosed, suggest that those below may remain private. Clarity on this matter is very important

Finally, as noted above, the Act prohibits parties from using funds for activities "incompatible" with their functioning in a democracy. This clause could be used to prohibit a wide range of activities, and its use is not clear.

Long before it would usually begin meeting for the year, the National Council had to convene to talk about the Local Authorities Amendment Bill. The body had considered it towards the end of last year, but decided that public consultations were in order after hearing complaints from many Local Authorities that no-one had talked to them as the bill was being drafted.

The National Council was working on a tight deadline. Article 75 of the Constitution gives them only a limited amount of time to consider a bill - if they do not vote on it before the deadline, the bill is assumed to have been approved. The NC seemed intent on avoiding this fate for the bill, came out of their holidays early to send a committee around the country to gather input, and met for a few days in mid-January before adjourning to the more usual early February starting time.

In the public consultations as well as debate in the chamber, it became apparent that Local Authorities around the country were upset with what they saw as an erosion of their powers, one particular bone of contention being the fact that the Minister was given final say over the appointment and removal of town CEOs. Local Authorities also complained that recommendations from a Local Government Reform Report, which was drawn up in 2006, were not incorporated into the draft.

In the end, the National Council decided to reject the Bill on principle. This has not happened very often in the chamber's history. As the NC rejected the Bill with suggested amendments, the NA could pass the bill after considering the amendments - a rejection on principle can be overruled with a 2/3 majority in the National Assembly.

## BUSY YEAR AHEAD FOR PARLIAMENT

In any case, it seems Parliament will have a lot to do this year. The National Assembly recently circulated a list of "Bills that may be tabled in the National Assembly" in the coming financial year. The list includes forty bills across a wide range of subjects. Some bills have been awaited for long, such as the Namibia Industrial Development Agency Bill, which will create a body to replace the National Development Corporation and the Offshore Development Corporation. Several Bills seem to be aimed at addressing the land issue, such as an Urban and Regional Planning Bill, the Transfer Duty Bill, and the Property Valuers Profession Amendment Bill. A Presidential Remuneration and Other Benefits Bill is also in the works, which will finally clarify President Geingob's salary and for the first time indicate what the Vice President, Nickey Iyambo, earns. The Justice Ministry is responsible for a quarter of the planned bills. Note, though, that there is no guarantee that all of these bills will be discussed or passed, merely that they might make to the floor. However, there should be a sense of impetus as a number of these bills are mentioned in the respective Ministers' performance agreements, which lapse in March. Either way, it looks to be an interesting session ahead.

# REGULATIONS AROUND THE WORLD

**In formalising rules for public funding, Namibia joins a very large club: a recent report by the International Institute for Democracy and Electoral Assistance found that both the funding of parties by government, as well as disclosure requirements, are widespread worldwide.<sup>1</sup>**

In fact, Africa is the continent with the highest proportion of countries with public funding of political parties. In terms of the regulations we have enacted, we find ourselves in good company: like us, 88 percent of countries require some sort of reporting on public finance. 69 percent of African countries require parties to report on their finances, while 59 percent of countries require these accounts to be made available to the public.

The laws enacted here in Namibia are far from the only possible options, however. Countries have come up with a variety of ways to both fund and regulate their parties. 68 percent of countries worldwide ban foreign donations, as it is often seen as inappropriate that foreigners influence elections. In Namibia, there is no such ban. The 1992 Electoral Act merely stated that foreign donations must be “disclosed to the public”, and the updated Act still allows funds “from any foreign person or foreign institution” to flow into party coffers, as long as the appropriate records are kept.

Half of the countries that provide public funding also earmark some of the funds for specific purposes, ranging from civic education to strengthening the representation of women. Some restrict the funds to campaigning, others only allow funds to be used for non-electoral purposes. The Namibian law, on the other hand, allows parties to spend at will, excluding a small set of prohibited uses (See our breakdown of the law on page 4). In many countries, all parties receive the same amount. However, Namibia’s system -- where larger parties receive more funds -- is also very common. Some countries employ a hybrid system, where all parties receive the same fixed amount, and are then allocated additional funds in proportion to their electoral success. Finally, party support is not always cash-only: some countries grant political parties tax relief, provide space for meetings, or subsidise postage.

<sup>1</sup> This section draws on: Ohman, Magnus. *“Political Finance around the World”*. International Institute for Democracy and Electoral Assistance, 2012.

## NOTES

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

# INTERVIEW

## WITH MINISTER OF FINANCE, CALLE SCHLETTWEIN

***Why has the amount being given to the parties increased by over 300% from 2014/15 (from N\$28.8m according to the budget documents to the figure of N\$116.8m announced in the National Assembly)?***

Funds provided for funding of political parties in the 2014/15 financial year (FY) were N\$39.3 million, which consisted of N\$28.8 million to the National Assembly [Vote 03] and N\$10.5 million to the National Council [Vote 11]. The funding formula for political parties, as previously approved by Cabinet, was also based on 0.2% of total Government Revenue. However, because the formula was not strictly applied, the political party funding never reached that level. For example, in 2014/15 the funding only amounted to 0.07% of Government Revenue. Hence, by applying the new agreed-upon formula to the 2015/16 FY actually yields N\$116.8 million based on proportional representation where the total allocation was limited to not more than 0.2% of total revenue. Hence, the increase is explained by the strict application of the funding formula, which is now legally enforced.

***Have you changed the formula to now be based on 0.2% of projected revenue for the current year rather than received revenue for the previous year (it has been reported as the latter in the past although may be this was a mistake)?***

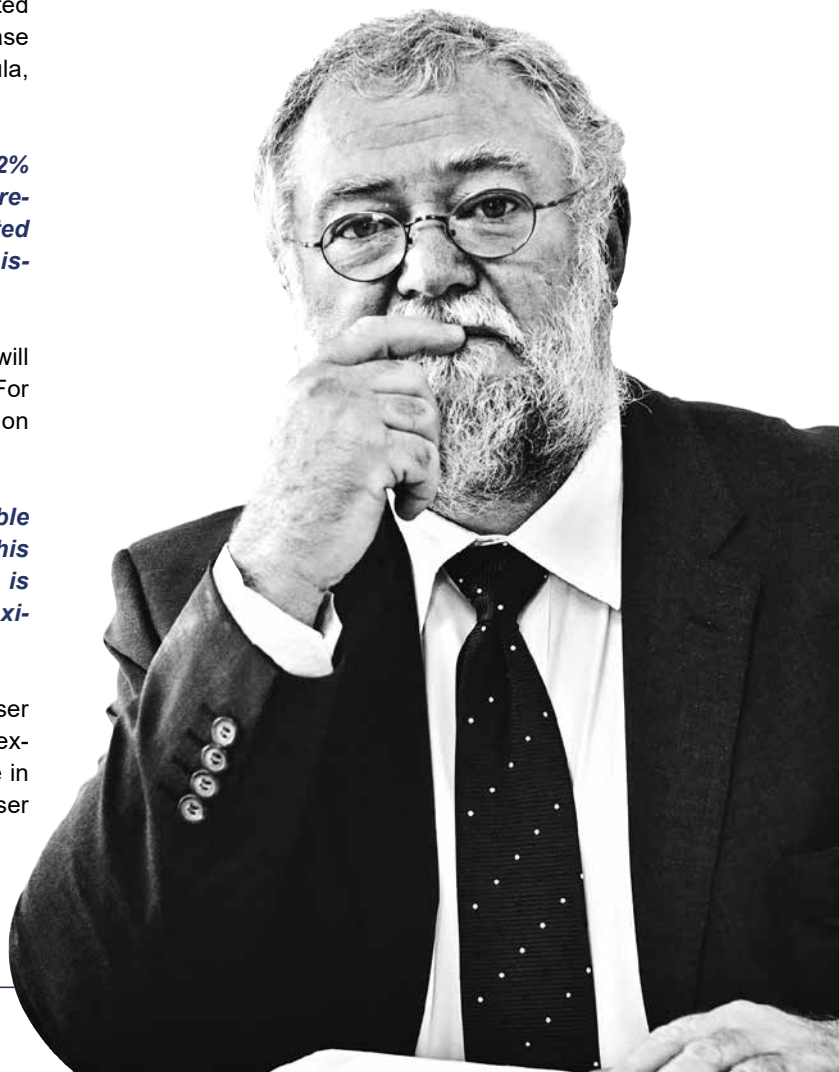
Going forward, Political Party Funding in any particular FY will be based on 0.2% of projected revenue for the same FY. For example, funding to political parties in 2015/16 is based on projected total Government revenue of FY 2015/16.

***Will the figure of N\$116.8m be the total funding available this year or could it be reduced (as you indicated that this was a maximum and could be less than 0.2%). How is such a decision arrived at (whether to maintain the maximum or make available a reduced amount)?***

There should be flexibility in the formula to allow for a lesser share based on economic and fiscal circumstances. For example, should there be a massive slump in public revenue in a non-election year, it would make sense to negotiate a lesser ratio with the represented political parties.

***Why do the budget documents indicate that N\$39.4m is to be made available 2015/16 for party funding (under the National Assembly vote) rather than the N\$116.8m? Is this a change to the tabled budget?***

The budgeted figure for 2015/16 has subsequently been corrected to reflect an amount of N\$116.8 million. We also need to point out that the funding formula was discussed with all represented political parties before the funding arrangement was tabled in the National Assembly. No serious concerns were raised regarding the proposed formula. The determination issued by the Minister of Finance on this subject matter under the Electoral Act, 2014, will be published for information in the Government Gazette.



## ABOUT THE AUTHOR

Max Weylandt is an IPPR Research Associate focusing on analysis of parliamentary matters. He holds a Master's degree in Development Studies from the University of Oxford and joined the IPPR in 2015.

## ABOUT DEMOCRACY REPORT

Democracy Report is a project of the IPPR which analyses and disseminates information relating to the legislative agenda of Namibia's Parliament. The project aims to promote public participation in debates concerning the work of Parliament by publishing regular analyses of legislation and other issues before the National Assembly and the National Council. Democracy Report is funded by the Embassy of Finland.

## ABOUT THE IPPR

The Institute for Public Policy Research (IPPR) is a not-for-profit organisation with a mission to deliver independent, analytical, critical yet constructive research on social, political and economic issues that affect development in Namibia. The IPPR was established in the belief that development is best promoted through free and critical debate informed by quality research.



© IPPR 2016

Incorporated Association Not for Gain Registration  
Number 21/2000/468

**Directors:** M M C Koep, D Motinga, M Humavindu,  
N Nghipondoka-Robiati, J Ellis, G Hopwood

House of Democracy, 70-72 Dr Frans Indongo Street,  
Windhoek

PO Box 6566, Windhoek, Namibia

Tel: +264 61 240514

Fax +264 61 240516

info@ippr.org.na

[www.ippr.org.na](http://www.ippr.org.na)