



# PERSPECTIVES ON PARLIAMENT

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DEMOCRACY REPORT

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## Long-standing compliance issues cloud political party finance



### Most political parties are still failing to account lawfully for their funding and finances in a timely manner

Annually a large amount of money goes to political parties in parliament from the national budget.

However, as the 2023/24 national budget is discussed, it should not be forgotten that many of these parties are failing to lawfully and properly account for such monies.

The issue of political party finance has long been a thorny

one, as since the passing of the Electoral Act of 2014, compliance with the law has generally been underwhelming and problematic. And it's not only the political parties that have been at fault, but also the Electoral Commission of Namibia (ECN), the mandated enforcement agency.

The following image shows the huge amounts of money that have flowed or have been earmarked to flow to political parties from the public purse over recent years, as well as what has been projected for the current and coming financial years:

Political Party Funding (Vote 11)

Recipients of Budget Transfers	Actual 2020-21	Rev. Estimates 2021-22	Estimate 2022-23	Estimate 2023-24	Estimate 2024-25
<b>043 Government Organization</b>					
Political Party Funding for Vote 11	105,445,925	103,860,000	119,849,000	123,444,000	127,147,000
Contingency Provision	464,663,283	230,000,000	166,551,000	5,389,226,000	6,578,847,000
<b>043 Government Organization Total</b>	<b>570,109,208</b>	<b>333,860,000</b>	<b>286,400,000</b>	<b>5,512,670,000</b>	<b>6,705,994,000</b>

Source: Estimates of Revenue, Income and Expenditure 2022/23 – 2024/25

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Against this backdrop, in 2022 we once again approached the ECN for a status update on political parties' compliance with the relevant sections of the Electoral Act of 2014, as well as what the ECN was doing to enforce compliance.

Following are the questions (in bold) sent to the ECN in mid-2022 and the responses received towards the end of November 2022.

It should be noted, according to the ECN's responses, that "nearly 50% of political parties and about 23% of organisations have complied" by 25 November 2022 with rules requiring them to submit audited financial statements to the ECN for the 2021/22 financial year.

As we approach the end of February 2023, it should be borne in mind that political parties and organisations should be preparing to submit their annual accounts to the ECN for the 2022/23 financial year.

**DR: According to Article 139 of the Electoral Act (No. 5 of 2014), all registered political parties are supposed to have submitted a declaration of assets and liabilities to the ECN within 21 days from the opening of parliament. Since the Namibian parliament officially opened on 8 February 2022, by the end of February 2022 all registered political parties should have been in compliance with Article 139. Kindly indicate to what extent registered political parties, and the ECN, are compliant with Article 139?**

ECN: The 2014 Electoral Act contained certain sections on the compliance of political parties and organisations as far as the submission of a declaration of assets and liabilities, audited financial statements, disclosure of foreign and domestic donations and audit reports for parties represented in Parliament, is concerned. These sections were not contained in the 1992 Electoral Act. The Electoral Commission on several occasions engaged political parties and organisations, and also wrote several letters to them, emphasising the importance of such compliance. The Electoral Commission also gave them several deadlines, which however did not yield the desired result. The Commission has finally concluded that some political parties and organisations are having difficulties in complying with sections 139, 140, 141 and 158 of the Electoral Act. This prompted the Commission to have a workshop with the political parties and organisations, where these sections, their importance and the consequences of non-compliance were explained in detail.

This particular engagement was aimed at equipping all registered Political Parties and Organisations with requisite information in order to enable them to better understand and appreciate their obligations and responsibilities in conforming with the relevant legal provisions of the Electoral Act. The workshop was held in collaboration with the Anti-Corruption Commission, the Public Accountants and Auditors Board and the office of the Secretary to the National Assembly. This workshop took place on the 21<sup>st</sup> September 2022 and the Commission is yet to reflect on the outcome and decide on the way forward. The Commission strongly believes that accountability is an important aspect of electoral integrity and will continue to engage all political parties and organisations on compliance as per the law.

**DR: According to Article 140 of the Electoral Act (No. 5 of 2014), all registered political parties should by now have lodged audited financial statements with the ECN, as well as having had such statements published in at least two (2) newspapers with nationwide circulation. Kindly indicate to what extent registered political parties are compliant with Article 140?**

ECN: Currently, nearly 50% of political parties and about 23% of organisations have complied with sections 139 and 141. Almost 28% of political parties and about 10% of organisations have complied with section 140. After the compliance workshop, the Commission believes that these figures will increase and more political parties and organisations will comply as electoral accountability depends on transparency which is also essential to preserve the credibility of the electoral process — more so when it comes to the handling and disclosure of funds for electoral processes.

**DR: In a similar request in September 2021 you indicated that the issue of compliance enforcement of political party financing and funding provisions should be addressed in ongoing processes to amend the Electoral Act. What exactly is the ECN proposing in the amendments?**

ECN: At the Compliance workshop, the parties and organisations were also informed that since the ECN is in the process of amending the Electoral Act, 5 of 2014, they have an opportunity now to propose and motivate possible amendments to these sections. The ECN is of the opinion that the responsibility of receiving and analysing financial statements is not one of the core mandates of the ECN and would be better placed with the Office of the Auditor-General, and is proposing such amendments to the applicable sections. The two-day National Consultative Workshop on the draft Electoral Amendment Bill was concluded on Friday, the 23<sup>rd</sup> of September 2022, and the Commission still needs to consolidate all proposals and suggestions, but it was clear that some of the political parties were of the opinion that the responsibility of enforcing compliance with these sections should remain with the ECN. Organisations, however, held the view that they are not financially capable of complying.

### Further reading:

For some context on this topic, see earlier reports published by the Democracy Report project.

The opaque world of political party finance:  
<https://ippr.org.na/publication/the-opaque-world-of-political-party-finance/>

Namibian Political Finance:  
<https://ippr.org.na/wp-content/uploads/2019/11/Political-Finance-amended.pdf>

# Political party finance in the electoral law amendment discussions

The processes to amend the Electoral Act of 2014 have been ongoing for a while, and in 2022 a series of stakeholder consultations were held to source comments and inputs around sections of the law that had been identified for amendment.

The sections of the law that deal with political party fi-

nance also came under the spotlight during these discussions. Following are comments, proposals and recommendations gathered by the Electoral Commission of Namibia (ECN) during a stakeholder engagement from 22 – 23 September 2022, which were again discussed at a follow-up stakeholder engagement on 13 – 14 December 2022:

Section	Current Contents	Proposed Change	Comment/ Proposal	Commission Directives
<p>Sections 139 to 142 - Declaration of assets and liabilities, records and audit, disclosure of foreign and domestic financing and other obligations by political parties.</p>	<p>These sections deal with the declaration of assets and liabilities, records and audit, disclosure of foreign and domestic financing and other obligations by political parties.</p>	<p>These sections should be re-written to give the responsibilities contained therein to the Auditor-General.</p>	<ul style="list-style-type: none"> <li>• An opinion was expressed that it is better to deal with the ECN on these issues. ECN wants to be independent, yet they are giving away functions to the Auditor-General. This will mean that political parties will have to deal with the ECN on some matters and with the Auditor-General on others. It was also said that the ECN should be strengthened to enable them to deal with this function. It will also be easier if all political parties comply with these sections.</li> <li>• Another opinion was that compliance with these sections is the mandate of the ECN and this function should remain with the ECN, since the Auditor-General does not have the power to deal with non-compliance.</li> <li>• The question was also asked whether the ECN will give the financial statements to the Auditor-General. Does it delegate power to the Auditor-General? Is the Auditor-General not overloaded as it is?</li> <li>• It was proposed that there should be a threshold placed on the amount to be audited, since smaller organisations are “funding things” themselves.</li> <li>• Another opinion was that these are important sections, but difficult to comply with, and parties not represented in Parliament, should not account for funds. All political parties should receive state funds; otherwise Namibia will become a one-party state. The Commission should be independent and report to</li> </ul>	<ul style="list-style-type: none"> <li>• The Commission directed that the ECN’s human resource structure be strengthened to enable the ECN to keep the function, and to be able to fulfil the functions as prescribed in the Act.</li> <li>• Regarding organisations – insertion that the Commission may determine the reporting by ways other than audited statements, e.g. reports by accountants, submission of affidavits, etc</li> </ul>

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Section	Current Contents	Proposed Change	Comment/ Proposal	Commission Directives
			<p>and be recruited by the UN. Laws that were imposed on parties should be abolished.</p> <ul style="list-style-type: none"> <li>• Another opinion objected to the proposal that parties not presented in Parliament, should not account for funds. All registered political parties should account for funds, and if parties don't want to account, they should de-register themselves.</li> <li>• Another opinion was that there should be compliance, and everybody should comply. Organisations are however struggling with the auditing part and therefore the idea of a "threshold" is supported.</li> <li>• Another opinion was also that parties have to comply, but "weaker" parties, who are not in Parliament, should be accommodated.</li> <li>• Another opinion was that the sections on compliance should not be applicable to organisations. It was also stated that organisations are willing to comply on the following condition: only section 141 refers to organisations, therefore section 139 and 140 is not applicable to organisations. Furthermore, registered local associations with the Electoral Commission of Namibia (ECN) should be exempted from complying with section 139, 140 and 141, until such time that all the local associations are considered for funding.</li> <li>• Another opinion is that it is fair to ask political parties to keep accurate records. However, when it comes to the requirements of audited reports, there are costs involved and this is quite expensive. A method should be devised to absolve political parties from this huge responsibility of paying for auditing costs. The question was also asked what will happen if the political party fails to provide information? What are the possible penalties?</li> <li>• Two other parties agree with the notion that parties can only comply with these sections if there is an independent Commission.</li> </ul>	