

THE LIFE OF THE PARTY: THE HIDDEN ROLE OF MONEY IN NAMIBIAN POLITICS

by

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**Biography**

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Disclaimer

The opinions presented are those of the author and should not be regarded as the views of the Hanns Seidel Foundation or IPPR.

Abstract

The presence and energy of different political parties is an important part of democracy. The existence of different parties requires a willing and welcoming government. More and more, it also requires financing. Without which, there would be fewer parties and therefore less choices for voters, fewer ideas about how to move the country forward and weaker mechanisms for supporting elected officials. But the funding of political parties is in itself controversial and has led to a growing international debate over the role of money in politics, which can lead to a lack of transparency, conflicts of interest and in some cases even corruption.

In Namibia the debate first centred around which parties should be funded, how much parties should receive, and more recently on how accountable those parties should be about their finances. This paper aims to compliment the debate through detailing the present state of party finance in Namibia, making international comparisons and offering recommendations on how party financing can become more transparent and accountable. This paper was purposely written ahead of the 2004 national elections to help bring attention to the important issue of party finance.

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Acronyms

ANC	African National Congress (South Africa)
CDU	Christian Democratic Union (Germany).
COD	Congress of Democrats
DMH	Democratic Media Holdings
DTA	Democratic Turnhalle Alliance
ECN	Electoral Commission of Namibia
MAG	Monitor Action Group
RP	Republican Party
SWAPO	South West Africa People's Organisation
UDF	United Democratic Front
WRP	Worker's Revolutionary Party

1. Introduction

Political parties are one of the most important ingredients of democracy. They shape visions for how the country can best move forward, prepare candidates for office, bring out the vote, develop policy options and support those members that hold seats in parliament. It can safely be said that without political parties there would be no democracy at all.

But political parties require more and more money to exist, usually through a combination of public and private support, and this has led to a growing sense of mistrust globally about the role of funding in politics, especially after recent scandals in Germany, Indonesia, the Philippines, Thailand and Ecuador. A number of international organisations are therefore trying to create global standards for how political financing can be better regulated and how political corruption can be minimized.

Three important questions have emerged from the debates: (Austin and Tjernström 2004: V)

- How free should parties be to raise and spend funds as they like?
- How much information about party finance should the voter be entitled to have?
- How far should public resources be used to support and develop political parties?

Although there is no evidence to suggest that corruption is a problem in Namibia, a growing debate has emerged domestically about the transparency of party financing and the accountability of how those funds are spent. In order to support that debate, this paper will describe the current state of political party finance in Namibia, introduce international comparisons, especially those from Germany and South Africa, and then conclude with a number of recommendations for how political party finance could be better regulated.

2. Political party funding in Namibia

Political parties in Namibia, like everywhere else, are in need of financing during both election and non-election periods to pay for salaries, office space, vehicles, printing costs, the recruitment of volunteers and a number of other goods necessary for the routine operation of a political organization. There are eight parties registered with Electoral Commission of Namibia (ECN). The different ways in which they can be funded are roughly divided into four categories: membership dues, government support, foreign support and other sources like fundraisers, interest income and donations.

Legislation addressing the role of political party financing is limited to the Electoral Act of 1992, which only addresses foreign financing. Section 46 (1992:48) stipulates that foreign funding is allowed under the condition that it is disclosed to the public within an appropriate amount of time. Whereas Section 98 (1992:106) says failing to comply with this rule can result in a fine of up to N\$12,000 and/or imprisonment of up to three years. There are no other laws or regulations in Namibia about party financing.

There are no laws at all about how much a private individual, company or organization can donate to a political party. Donors do not have to disclose contributions nor are there tax benefits for supporting political parties. There are no ceilings on contributions and no limits to how much money parties can raise. There are no bans on donations from foreigners, companies, government contractors, trade unions or anonymous donations.

That said, Namibia is not much different from other African countries in this regard and regulations are laxer in South Africa, where political parties do not have to disclose contributions and there are no bans on any kind of donations. But whatever advantage Namibia has in political parties having to disclose contributions to the Auditor General is cancelled out by a complete lack of enforcement.

All of the main political parties were approached for this study. Party Secretary-Generals were sent a "party financing project questionnaire" containing a variety of questions about membership, funding and expenditures. Unfortunately, after everyone was contacted, only the Democratic Turnhalle Alliance (DTA) and the Republican Party (RP), which does not sit in Parliament, agreed to supply answers. The Monitor Action Group (MAG) said it would only do so if every other party did and therefore was ultimately unable to participate.

2.1. Members must pay their dues

Most of Namibia's political parties have published Constitutions that outline rules for membership. Although someone who votes for the SWAPO Party in an election may choose to call him or herself "a SWAPO Party member" there are other requirements that parties demand their membership fulfil. One of the most common ones is a membership fee that helps the party pay for its expenses. The Congress of Democrats (COD), for example, charges a "subscription fee" at time of membership and then a monthly or annual "membership contribution" that shall be paid from time to time. The DTA says that its membership dues are N\$32 and that it receives around N\$10,000 per year in dues. The other parties declined to answer how much their dues costs and how many members are paid-up.

2.2. Government supports political parties

In 1997, the Government began funding all political parties represented in the National Assembly through an allocation formula based on the proportion of votes each party received in the most recent National Assembly election and the amount of government money available, most recently 0.2% of government revenues. Rather than giving every party a flat amount and “topping it up” with extra funding, state support is entirely proportional to electoral results.

In the current 3rd National Assembly (1999-2004) there are parliamentarians from the CoD, the DTA, the MAG, the SWAPO Party and the United Democratic Front (UDF).

Therefore three parties registered for the upcoming elections, the RP, SWANU and the Worker’s Revolutionary Party (WRP), do not qualify for Government funding. Those parties outside the Parliament have complained in the past that the formula discriminates against them and is possibly unconstitutional because everyone should be treated equally. Despite this criticism, the fact that the Government is funding political parties at all is relatively progressive, as it is done in only 14 of the continent’s 53 countries (Austin and Tjernström 2004: 21). That said, it is argued that the size of the amounts only makes a real difference in three African countries: South Africa, Morocco and the Seychelles. (Austin and Tjernström 2004: 25) Therefore, although the Namibian Government is funding opposition parties, IIDEA judges it to be too little to make a meaningful difference.

The funds are intended to help the parties run their legislative offices and for general political and organisational work. The support is supposed to help ensure the survival of multi-party democracy and to prevent an over reliance on foreign aid. The Parliamentary Select Committee that produced the allocation formula studied international models of state financial support to political parties, including those found in Germany, Nigeria, Sweden, the United Kingdom and the United States (Maletsky 1996).

Over the last seven budget years, N\$103.6 million has been allocated to six different parties through the country’s main budget, according to the National Assembly.

Table 1: Government funding for political parties 1997/98-2004/05

1997/98	N\$7,999,980	2001/02	N\$14,107,000
1998/99	N\$8,000,003	2002/03	N\$18,005,000
1999/00	N\$8,000,003	2003/04	N\$19,118,000
2000/01	N\$12,529,000	2004/05	N\$15,862,000
Grand Total: N\$103,620,986.00			

Source: National Assembly

Despite repeated requests to the Auditor General, The Ministry of Finance, the National Assembly and the parties themselves, the IPPR was unable to receive a breakdown of how the funding was divided among the political parties. Requests were repeatedly met with queries as to what IPPR wanted to prove with this information. State funds are public money and the way in which they are spent should be available to citizens and pesky researchers alike.

Table 2: Funding by party 2002/03-2003/04

N\$	2002/03	2003/04
CoD	1,700,000	1,900,000
DTA-UDF	2,200,000	2,400,000
MAG	316,077	284,710
SWAPO	13,700,000	14,600,000
Total	17,916,077	19,184,710

Source: *The Namibian*

The closest anyone else has gotten is *The Namibian*, which published figures for two budget years in June 2004. The data shows that The SWAPO Party, which wins most of the votes, also receives most of the funding.

By extrapolating the percentage of votes each group of parties received in the 1999 National Assembly elections (and weighing the percentages upwards after removing the 0.35% vote for SWANU and the WRP, which do not receive funding), it is easy to calculate about how much of the government funding each party receives. Indeed, the numbers are very similar to the official ones contained in table two. Therefore this gives a pretty reliable picture of how much the main political parties have received in Government funding over the last five budget years.

Table 3: Extrapolating Party Funding by % of Votes

N\$	%	2000/01	2001/02	2002/03	2003/04	2004/05
CoD	10.0	1,255,807	1,413,973	1,804,677	1,916,235	1,589,880
DTA-UJDF	12.5	1,567,867	1,765,336	2,253,128	2,392,407	1,984,955
MAG	0.7	84,646	95,307	121,642	129,161	107,164
SWAPO	76.8	9,620,683	10,832,387	13,825,556	14,680,199	12,180,004
Total	100.0	12,529,000	14,107,000	18,005,000	19,118,000	15,862,000

2.3. No strings attached

There are no guidelines on how the funds should be spent. Political parties are required to audit their accounts, submit them to the Office of the Auditor-General and then report back to the Parliament under general categories. But the Auditor-General complained in June 2004 that they do not have the “mandate to audit” the use of money. “Our mandate stops where the money leaves the State.” The Auditor-General has approached government lawyers for advice on how to compel the parties to submit audited accounts. The Parliament has also decided that in 2005 new rules will be introduced requiring political parties to show how money is being spent and the Auditor-General is putting restrictions in place on the ways in which these public funds can be spent (Amupadhi 2004:1).

2.4. Foreign funding welcomed

Foreign funding is not illegal in Namibia as long as it is disclosed properly. The SWAPO Party, like many other liberation parties, received most of its funding from foreign donors and has continued to receive funding since Independence. In June 2003, for example, the party announced that it had received US\$30,000 from the Chinese Communist Party to help pay for expenses related to an extraordinary party congress. The SWAPO Party said at the time that the funding was acceptable because it was not meant to “destabilise the country” (Amupadhi 2004:1). The CoD has received support from the Westminster Foundation, linked to the United Kingdom’s Labour Party. (Sherbourne 2004: 16)

The DTA admitted in 1998 that it received N\$185.5 million in secret funding from the South African government in 1989, ahead of Independence, to help promote the chances of the DTA and to damage those of the SWAPO Party. The money was funnelled through Democratic Media Holdings (DMH), which includes *Die Republikein*, *Allgemeine Zeitung* and a printing press. (Maletsky 1998) Since then the DTA and the RP both received N\$28,000 in funding from the South African

electricity company SELCo to help pay for municipal elections. Both parties say that they are currently not receiving any foreign funding.

2.5. Other revenue spinners

Other ways political parties can earn income are through fundraising events, donations and interest income. The parties have not been too forthcoming about their sources of income but anecdotal evidence suggests that these types of income are fairly limited. The DTA, which did make its accounts available, earns more than 99% of its income from state funding. Hall hire, rental income, miscellaneous income and interest income combine to equal less than 1% of revenues.

3. International comparisons

The International Institute for Democracy and Electoral Assistance's handbook [Funding of Political Parties and Election Campaigns](#) compares political party finance laws in 111 countries across a variety of measures. The results for Namibia, Germany and South Africa are contained in Annex 1, along with a global average.

When it comes to laws and regulations, it can be seen through the figures in the annex that in all 28 categories Namibia is above average or average. It should be stressed again that Namibia's laws and regulations are not always enforced, a problem similar that of Germany.

3.1. The German model favours transparency

Germany has one of the most transparent party financing models in the world. It emphasizes the right of the people to know, as well as their need to receive as much information as possible to be able to make an informed decision about whom to vote for. Transparency guards against moneyed interests playing too large a role in the democratic process.

The German Constitution (Grundgesetz) of 23 May 1949 stipulated that parties "must account to the public for the sources of their funds." The Constitution was amended in 1983 to say parties "must publicly account for the sources and use of their funds and for their net assets." Parties must provide annual reports that include a balance of income and expenditures and a balance of assets and liabilities. These reports are then verified by accountants and presented to the speaker of parliament. Parties also have to attach a list of all donors who contributed amounts of more than EUR10,226. (N\$81,000) (Austin and Tjernström 2004:11)

In Germany, as in the rest of Europe, there is a strong balance between private and public funding. Membership dues account for about one-third and public grants for another. About 85-90% of membership dues are small donations from individuals. Public funding began in 1959. The funding has to partially be approved by taxpayers

but the threshold for access to this money is one of the lowest in the world. Germany has a tax credit, matching funds and a flat grant. To qualify for access a party needs 0.5% of the national vote (in a Federal or European election) or a 1.0% vote in one of the 16 state elections. There are two ceilings to the subsidies: parties must raise a matching amount from private sources and the public subsidy per party may not exceed EUR125 million (N\$1.0 billion).

Party foundations, including the Hanns Seidel Foundation Namibia, also receive public funding. About six parties receive 95% of the funding, with another 10 smaller parties sharing the remainder.

The final third is comprised of donations and *Sonderbeitrag*, which are payments by officeholders themselves to the party. These assessments are also popular in The Netherlands. There are no legal limits for contributions by individuals or corporations but tax incentives are limited and disclosure is required for big donors. Large donations, exceeding EUR3,068 (N\$24,500) almost completely disappeared by 1990, making up around 6%-9% of income across the parties.

All parties receive free media time during election campaigns, although this is based on performance in the last elections and on current representation in the legislature.

A full financial report is submitted by each party that includes details on income, expenditures, assets and debts. The report is then published in a parliamentary paper (*Bundestags-Drucksache*).

Germany has one of the most highly developed reporting regimes in the world but it was tested in 1999 when two major scandals erupted involving the Christian Democratic Union (CDU). In both cases, CDU officials failed to declare funds. The party's branch in Hesse had not reported considerable assets held in a foreign bank and former Chancellor Helmut Kohl over many years had access to a slush fund. The scandals have highlighted that Germany's laws are rigorous but disclosure and enforcement have been less effective. (Austin and Tjernström 2004:136) The response by the German government was to withhold the full amount of the public subsidy to the CDU. In the second scandal, Kohl helped raise legal donations to pay a fine of EUR5.1 million (N\$40.8). Since then, a commission of experts has been reviewing the existing legislation.

3.2. South Africa shares state funds more justly

Party financing in South Africa is very similar to Namibia with two major exceptions: how parties are regulated and how much money is given to opposition parties.

In South Africa political parties are regulated but neither political parties nor donors have to disclose any of the contributions made to parties. There are no bans on what type of contributions parties can receive and no bans or provisions in place regarding foreign funding. This may be in part because the ruling party, the African

National Congress (ANC), like SWAPO relied heavily on foreign funding in the run up to Independence. There are no laws against anonymous donations.

Another way in which South Africa differs from Namibia is that the ruling party, which is equally dominant, receives around 60% of party funding, compared to 76% in Namibia. Over the 1998-2000 period, the five largest opposition parties received ZAR43 million compared to ZAR64 million for ANC over the same period. The ANC is unlikely to see its dominant position challenged anytime soon but the existence of a vibrant opposition keeps the ruling party on its toes.

4. Best practices and Recommendations

Political parties are an essential ingredient for democracy. Therefore it is important that political parties have the necessary financial resources to be able to conduct their activities in a professional manner. This paper will conclude with a number of best practices and recommendations that Namibia may want to consider ensuring the long term survival of its multi-party democracy system.

- The Government should consider drafting a white paper or even an Act laying out specific rules and guidelines surrounding political party financing. The legislation should be in the same spirit as the original idea to fund political parties to “sustain the survival and promotion of the multi-party, democratic political system and to prevent dependence on foreign aid to political parties in Namibia.” (Tshilunga 1996.)
- The Auditor-General should be given wider power to be able to enforce the requirement that political parties must submit audited accounts. Because this information is potentially politically sensitive, the Auditor-General should be given the utmost independence to audit, question and challenge these accounts when it sees fit to do so.

The Government and political parties alike should aim to address the three overarching questions about party financing that are being debated today:

4.1. How free should parties be to raise and spend funds as they like?

- Parties should be allowed to raise funds domestically from individuals and companies alike. Putting reasonable limits on how much money can be raised and in which manner would prevent elites from having too much influence. The spending of funds should be limited to normal and acceptable costs associated with running a political party and campaigning.
- Like in Germany, parties should strive for a mixture of sources for funding. Too much support from either the private or the public sector would contradict the pluralism of democracy and should therefore be avoided. Ideally, one third would come from the state to cover expenses for the head

office. Another third would come from membership dues to cover expenses for maintaining local branches. The final third, stemming from fundraising, would be used for extraordinary expenses like election campaigns and the purchase of office equipment.

- Parties should be stricter about membership, allowing only “paid-up” members to represent themselves as only these members should be able to attend party functions. Membership fees are not high and it would encourage voters to take a greater interest and sense of ownership in their party. Why are parties not demanding that their members pay dues regularly? Parties often complain about a lack of resources but membership should have its costs to go along with its benefits.
- Parties should allow regional branches to retain most of the membership fees collected in their respective areas, parties would see their regional presence expand because local officials would have a greater incentive to raise funds and to promote the party. A certain percentage of these fees could be transferred back to the head office.
- Party officials should donate a small part of their official salaries to the party coffers.
- Parties should be allowed to own businesses and enter into profit-making ventures, as long as they are reported. Fund-raising is an important function of political parties. Parties should be allowed to enter into profit-making arrangements but such activities should be kept at arm’s length and should be required to pay corporate taxes, so as not to create an unfair advantage for politically-linked businesses.
- Foreign funding should be handled carefully with political parties having to provide, on a case by case basis, a rationale for why receiving such funds is necessary and acceptable.

4.2. How much information about party finance should the voter be entitled to have?

- Political parties, especially those receiving state funds and qualifying for tax breaks, should submit an audited account of their finances to Government at the end of every fiscal year in a timely and easy to understand manner. An auditing firm should confirm that the figures confirm to Namibian law. Due to political sensitivities and possible pressure surrounding such funding, both the Auditor-General and auditing firm should ensure the information is correct.
- The parties should consider publishing these records in their entirety to give voters the necessary information to make informed decisions. But because

there is still fear among some Namibians active in opposition parties, such transparency may in fact hurt opposition parties, and thereby restrict democracy, more than it helps.

- Large donations should be reported and their source should be disclosed to avoid undue influence by elites and corporations.
- The amount and source of foreign donations, whatever the size, should always have to be disclosed.

4.3. How far should public resources be used to support and develop political parties?

- Only parties represented in the National Assembly should be funded. There are arguments for and against providing financing to parties not represented in Parliament – in Namibia’s case NUDO, the RP, SWANU and WRP. There are examples from across the world of crafty entrepreneurs forming “parties” solely to qualify for national funding. Although this may not yet be the case in Namibia, with so many other worthy causes competing for the Government’s finite resources the current method of only funding parties represented in Parliament seems fair and democratic.
- All registered political parties with representation in the National Assembly should continue to receive a lump sum. Through formula financing the rest of the support could continue to be proportional to election results. A slight revision of the current formula would provide for a more generous distribution of finances to smaller parties. The continued dominance of the ANC suggests a ruling party should not be threatened by this. Cabinet and National Assembly should consider drawing up legislation that gives smaller parties a fighting chance, thereby protecting the multi-party state. The formula must be drawn up in a way that strikes a fair balance between helping smaller parties and not punishing SWAPO for its strong popularity during elections.
- Party contributions, up to a reasonable amount, by individuals and companies should be tax deductible to give citizens an incentive to participate in the democratic process.
- Any state support for political parties, through direct funding with public money or through tax breaks, should be heavily scrutinized, requiring at the very least that political parties submit audited accounts on a timely basis that are easy to understand.

5. Conclusion

Namibia is credited for having a multi-party system that allows for different voices and ideas to be heard. The government is unusual among other African nations in providing financial support to opposition parties. Doing so helps ensure that Namibia will remain stable and democratic into the future.

Although it will be too late to introduce new laws and regulations ahead of the November 2004 national elections, there are two problems that Namibia needs to resolve: making parties more transparent and accountable (like in Germany) and finding a way for opposition parties to receive a larger amount of state funding (like in Germany and South Africa) so as not to give the ruling party an unjust advantage. That said, The SWAPO Party should also not be punished for its strong popularity.

The Government of Namibia can rightly point at its achievements but rather than resting on its laurels should strive to rise above the global average and adopt world-class party financing laws and regulations that will ensure that opposition parties can continue to complement the good results that the ruling party has thus far achieved. A country without a healthy opposition is no longer a democracy.

Political parties themselves should be more proactive in their efforts to seek funds and to find alternative sources of income beyond the Government. Finally, members of political parties, at the very least, should be pushed to pay their dues, volunteer and to help raise money for the party. Democracy by its very nature requires the support of its citizens. It would not be fair to lay the burden of democracy on only the Government itself.

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7. Appendix: Overview

Political Finance Laws and Regulations in Germany, Namibia, South Africa and Global Averages (Austin and Tjernström 2004)

	Germany	Namibia	South Africa	Global Average
Is there a system of regulation for the financing of political parties?	Yes	Yes	Yes	Yes (64%)
What body is responsible for administration and enforcement of the regulations?	The Speaker of Parliament	The Auditor General	National Electoral Management Body	National Electoral Management Body (63%)
Is there provision for disclosure of contributions to political parties?	Yes	Yes	No	Yes (53%)
Do donors have to disclose contributions made?	No	No	No	No (86%)
Do political parties have to disclose contributions received?	Yes, total amounts have to be disclosed by categories	Yes	No	Yes (52%)
Is there a ceiling on contributions to political parties?	No	No	No	No (71%)

Is there a ceiling on how much a donor can contribute?	No	No	No	No (73%)
Is there a ceiling on how much a party can raise?	No	No	No	No (92%)
Is there a ban on any type of donation to political parties?	Yes	Yes	No	Yes (55%)
Is there a ban on foreign donations to political parties?	No, but must come from within EU	No	No	No (64%)
Is there a ban on corporate donations to political parties?	No, but receive no tax benefits	No	No	No (80%)
Is there a ban on donations from government contractors to political parties?	No	No	No	No (74%)
Is there a ban on trade union donations to political parties?	No	No	No	No (85%)
Is there a ban on anonymous donations to political parties?	Yes, if over EUR500	Yes, if foreign.	No	No (58%)
Is there a ban on in kind donations to political parties?	No	No	No	No (95%)
Is there a ban on any other type of donations to political parties?	Yes, several	No	No	No (74%)

Is there provision for public expenditure by political parties?	Yes	No	No, unless from the Represented Political Parties Fund	No (52%)
Is there a ceiling on disclosure of party election expenditure?	No	No	No	No (76%)
Do political parties receive direct public funding?	Yes	Yes	Yes	Yes (59%)
When do political parties receive direct public funding?	Election period and between elections	Election period and between elections	Election period and between elections	Election period and between elections (58%)
What is the purpose of the direct public funding?	Non-earmarked	General party administration, election campaign activities	General party administration, election campaign activities, other	General party administration (45%), election campaign activities (69%)
What is the basis for the direct public funding?	Performance at previous election	Performance at previous election	Equal funding, current representation in the legislature based on a formula	Performance at previous election (38%), current representation in the legislature (38%)
Do political parties receive indirect public funding?	Yes	Yes	Yes	Yes (71%)

Are political parties entitled to free media access?	Yes	Yes	Yes, but only SABC Radio is required to broadcast	Yes (64%)
What are the criteria for allocating broadcast time?	Equal time, performance at previous election, current representation in the legislature, other	Equal time, performance at previous election	Equal time	Equal time (69%)
Are political parties entitled to special taxation status?	Yes, exempt from income, inheritance and property taxation	Yes, money received not taxable	No	No (72%)
Are donors to parties entitled to any tax relief?	Yes, tax credits and tax deductions	No information	No	No (82%)
Are political parties entitled to any other form of indirect public funding?	No, only caucus subsidies granted	No	No	No (76%)

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