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# IN SEARCH OF a new party-funding model

The intersection of money and politics does not necessarily result in corruption, writes *Judith February*, but transparency regarding the sources of funding remains crucial for policy-making to be open and principled. The time has come for a re-think of the current system of party funding.

## Party funding and accountability

A strong democracy requires healthy political parties. In turn, political parties require resources to sustain and operate a basic party structure sufficient to represent people, develop the capacity to contest elections and contribute creatively to policy debate.

Yet, how parties raise money and how transparent they are regarding the sources of funding remains crucial if policy-making is to be open and principled. Given the high levels of inequality in South Africa, those who are able to buy influence through political donations are more likely to do so, thereby drowning out the voices of the poor and marginalised.

This is the danger of the lack of accountability within the current *laissez-faire* position.

Given the multi-faceted nature of the challenge, it requires a creative and urgent response from civil society and from within political parties themselves (not only the ANC) as to how we can arrive at some form of regulation which will at the very least result in greater accountability and perhaps in the longer term a change in the political culture as regards party funding.

## The case for and against increased public party funding

There is already substantial public funding of political parties, and has been ever since the 1997 Public Funding of Represented Political Parties Act was passed - around R70 million in the current financial year. There have been muted calls for an increase in this figure from across the political spectrum. Some believe that this will result in less dependence on either corporate or dodgy donors. Minority parties hope that it will increase the overall amount available and therefore enhance their ability to compete.

While there is a respectable case for increasing public funding as a result of the various scandals related to the funding of political parties, it is hard to imagine that the taxpayer would have much appetite for increased public funding in the continued absence of a broader framework of regulation and governance.



In 2007, the ANC resolved to 'champion the introduction of a comprehensive system of public funding of representative political parties... as part of strengthening the tenets of our new democracy. This should include putting in place an effective regulatory architecture for private funding of political parties... The incoming NEC must urgently develop guidelines and policy on public and private funding, including how to regulate investment vehicles'

## The way forward

So what then might be the way forward?

International experience has shown that there is no panacea for the influence of money on the political system. In the US, the UK and Germany, regulation has helped create greater transparency, yet scandals still occur. It therefore seems as if the 'missing ingredient' is the demand from citizens themselves that those in power be held to account for the way in which policy is made and who influences the outcome of decisions which affect their lives - whether that applies to 'tracking' in the Karoo or a bid for power-stations by Chancellor House.

Citizens need to be in a position to join the dots between decisions made as a result of undue influence by companies or other secret private donors and the fact that this may well lead to poor delivery of basic public services.

The time has clearly come for concrete options to be put on the table and for all sectors of society (namely business, civil society or political parties) to be engaged in the process of advocating for legislative reform. A quick comparative glance at the complex system in the United States probably indicates that the simpler one keeps legislation, the better. In the Netherlands, the regulatory framework remains relatively lax, with the majority of donations to political

parties coming from membership dues as well as public subsidies. The 'autonomy' option favoured by Sweden has its roots in that country's traditions of openness.

The German system, interestingly enough, suggested publicly by Mathews Phosa a few months ago, might provide a way forward. As a 'transparency option,' it is noteworthy for its comprehensive regulations and controls in both the public and private realms and its emphasis on 'the right of the people to know' and 'the quest for transparency

achieved by rules enshrined in national legislation.'

Under the assumption that a ban on private funding of political parties would constrain the rights of both the donor and the party, such donations are permitted so long as they are disclosed to voters.

Given these various options, what is the best way forward for South Africa? A middle option that balances tight regulations with a *laissez faire* system might include

### Public funding

- Funding restricted to parties taking into account the PR electoral system
- Funding for electoral and/or operational costs, depending on resource availability and priorities
- Creative and extensive use of indirect public funding opportunities
- Allocations must be open and transparent through a system of extensive public disclosure, including expenditure
- A proper distribution formula in place for allocations
- Principles of proportionality and equity taken into account with allocations (e.g. taking into account last election count, membership fees, private donations)
- A weighing formula to benefit smaller parties
- Maintaining ratio between public and private support and reduction in parties' reliance on private sources to a tolerable level
- Taking into account the cost burden on the state

### Private funding

- Both foreign and local funding allowed
- However, there should be limitations on the sources and type of funding (possibilities include in-kind contributions and shares as a means to source funds)
- Foreign funding limited to governments or parliamentary groups, registered expatriate voters and endowment funds
- Foreign funding should be to the benefit of all parties and the principle of proportionality and equity should be achieved
- Funders should be identified at all times, as well as the type/amount of funding
- Funding of operational costs of parties by local private donors should be outlawed
- Certain donors should be excluded, e.g. anonymous donors (above certain fairly low levels) and those that infringe the Constitution

The time has come for us to exercise our minds urgently on the question of party-funding reform. As always, the devil will be in the detail.

Another option for South Africa is for party donations, both public and private, to be channelled into a National Democracy Fund and managed by an independent body according to guidelines and regulations. This would mean that corporate organisations that donated funds as part of their social responsibilities would pledge their financial support to this fund without directly funding a particular political party.

The structure of public funding regimes and private funding regulations for political parties is contingent upon the country's political context and electoral history.

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