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Private funding of South African political parties

(This is an abridged version of the full report which is available for purchase. The 52 page report may be used throughout your company.)

“A clear policy on political funding provides for certainty, consistency and reduces the suspicion that companies are funding parties for their own narrow and commercial self-interest.”

Corporate Guide to Political Donations

Idasa



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Executive summary

Private funding of South African political parties

(This is an abridged version of the full report which is available for internal use within your company)

“Political parties need money to run election campaigns. However, such monies have the power to corrupt and subvert voter interest in favour of powerful interest groups who donate funds with conditions attached.”

www.whofundswho.org.za

The primary purpose of political donations is to strengthen & consolidate democracy by ensuring that political parties are able to function effectively

The need for private funding of political parties

- Political parties require funding / resources to enable them to function & compete effectively
- Whilst the State does provide some financial support to political parties, it would be too onerous a burden on the State to fully fund all political parties & private donations are thus relied upon to make up the shortfall
- Given that political parties require resources to function effectively, it is important that private funding / donations are forthcoming, either from individuals or companies
 - apart from public funding, political parties may also receive funds from:
 - ❖ members' subscriptions or levies
 - ❖ individual donations
 - ❖ foreign donations
 - ❖ grants from philanthropic foundations
 - ❖ other civil society entities such as trade unions
 - ❖ the corporate sector
- Since multi-party democracy requires effective political parties, companies should be encouraged to make regular & transparent contributions to political parties
 - sustaining a number of political parties that reflect a variety of political views & opinions is necessary to consolidate democratic transformation in SA

In SA, the issue of *private funding to political parties remains unregulated . . .*

Lack of SA regulation: Private funding

- In SA, private funding & donations to political parties is not regulated
 - this lack of regulation is gaining prominence & has become the subject of intense debate in SA, largely as a result of the increasing number & visibility of scandals surrounding such funding
 - private funding of political parties has become one of the last 'legitimate' avenues by which the private sector, foreign governments & in extreme cases, organised criminals, can exert influence over the political process & public policy
- A lack of transparency & regulation over the private funding of political parties may, amongst others:
 - enable political access & influence to be bought via secret donations
 - undermine the value & voice of the ordinary voter
- Whilst regulation is lacking, companies are obliged to create their own frameworks for political funding
 - such frameworks to politically fund parties ought to be based on principles of democracy & sound governance
 - the main aim of the political funding framework ought to be to inform the public of donations made to &/or received by political parties

. . . the argument in favour of the regulation of private political funding is that a lack thereof creates a climate conducive to corruption & unethical behaviour

The need for SA regulation: Private funding

- Broadly speaking, the argument in favour of regulating private funding of political parties is that:
 - by allowing wealthy individuals or corporations to buy political influence by secret donations, the poor, who are unable to buy such influence, may be marginalised even further
- The main objectives for regulating political finance may be summarised as follows:
 - to prevent unethical conduct & corruption
 - to enhance fair competition between political parties
 - to empower voters through disclosure of donations, thereby promoting increased political participation
 - to strengthen political parties as effective participants in the democratic arena
- These objectives may be achieved through:
 - a proper regulatory framework that will restore & protect the integrity of political donations & civil society engagement in the political process

“It is the reluctance to legislate that goes to the heart of the private funding debate: as political parties seek to protect the identity of their benefactors they are condoning the lurking danger posed to South Africa’s democracy by the corrupting tendency of undisclosed funding.”

Vicki Robinson & Stefaans Brümmer. SA Democracy Incorporated - Corporate fronts and political party funding

ISS Paper 129. Nov 2006

There is however *legislation in place in respect of the public funding of political parties*

Current SA legislative environment: Public funding

- The Constitution of the Republic of South Africa*, states in section 236:
 - “To enhance multi-party democracy, national legislation must provide for the funding of political parties participating in national and provincial legislatures on an equitable and proportional basis.”
- To provide for the funding of political parties, the Public Funding of Represented Political Parties Act**, was enacted in 1997
 - this Act established a Represented Political Parties Fund, (“the Fund”) to be administered by the Independent Electoral Commission (IEC)
 - section 5(1) provides that funds may be used: “for any purposes compatible with its functioning as a political party in a modern democracy”
 - broad & generic categories of the development & dissemination of political information are outlined as examples of how the funds should be employed
 - sub-section (3) defines expenditure that is prohibited with these allocated funds & includes:
 - ❖ remuneration or other benefits for any party representative or government official in any sphere of government
 - ❖ financing any action or event that contravenes the code of ethics of elected representatives
 - ❖ financing the acquisition of any business or shares in any business, or any property unless the property is to be used by the party for its normal political activities

To counter misconceptions surrounding the *private funding of political parties*, companies must follow good governance principles when making such donations

Some common principles for funding political parties

- Whilst it is widely accepted that a functional multi-party democracy is important for economic growth & development, and that effective political parties require funding, many companies are reluctant to fund political parties fearing that this could be interpreted as trying to buy influence or bribe public officials
- To assist companies to make more informed decisions, and to better understand the implications of political donations, the National Business Institute, together with senior business leaders proposed the following high-level common principles for such funding of political parties:
 - transparency
 - disclosure
 - good governance
 - clear principles for distribution of funds between political parties should be agreed & implemented
- Two examples of initiatives that support the notion that donations made by companies to political parties ought to be reported / disclosed are:
 - the JSEs Socially Responsible Index (the SRI Index)
 - the Global Reporting Initiative (GRI)
 - ❖ the SRI Index & the GRI guidelines both require companies only to disclose whether donations are made, without having to disclose any detail, or the basis on which the decision to donate is made
- Until such time as legislation that deals with private funding of political parties is promulgated, companies ought to be pre-emptive & establish sound & ethical practices that will set parameters for forthcoming legislation

There are various options companies may consider when funding political parties

Funding political parties: Options

OPTIONS	RULING PARTY	OPPOSITION A	OPPOSITION B	OPPOSITION C
1. Proportional	60%	20%	10%	10%
2. Pro-competition	30%	30%	20%	20%
3. 50% government/ 50% opposition (equal)	50%	12.7%	12.7%	12.7%
4. 50% government/ 50% opposition (proportional)	50%	30%	15%	5%
5. Government & official opposition only (proportional)	70%	30%		
6. Government & official opposition only (equal)	50%	50%		
7. Funding only one party	100%			
8. No funding	0%	0%	0%	0%

Andre Fourie: National Business Institute (NBI)

- In addition to the above, individuals or companies may also choose the following options:
 - make a donation to the IEC’s Political Parties Fund (“the Fund”)
 - create a common fund by way of a Business Trust for funding purposes
 - make donations to other organisations & institutions that protect the democracy, e.g.:
 - ❖ not-for-profit organisations, and / or
 - ❖ independent statutory bodies

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