**1. Report of the Ad Hoc Committee on the Funding of Political Parties, dated 20 March 2018**

The ad hoc Committee on the Funding of Political Parties having considered the financial implications of the Political Party Funding Bill [Bill 33 – 2017], reports as follows:

1. **Introduction**

1.1 On 6 June 2017 the National Assembly (NA) resolved to establish the ad hoc Committee on the Funding of Political Parties (the Committee) in terms of NA Rule 253(1)(a). The Committee was charged with inquiring into and making recommendations on the funding of political parties represented in national and provincial legislatures with a view to introducing, if necessary, amending legislation. The Committee had to report to the National Assembly by 30 November 2017.

1.2 On 28 November 2017 the Committee tabled the Political Party Funding Bill [B33 – 2017] and recommended to the National Assembly that Parliament should pass the proposed legislation which provides for and regulates the funding of political parties represented in national and provincial legislatures. The Committee lapsed on 30 November 2017.

1.3 On 28 February 2018 the National Assembly resolved to re-establish the Committee in its previous form in order for it to consider and report in greater detail on the financial implications of the proposed legislation. In doing so, the Committee was to take into account its previous work. The Committee is due to report to the National Assembly by 30 March 2018.

1.4 This report serves to inform the National Assembly of the outcome of the Committee’s consultation with National Treasury and the Independent Electoral Commission (IEC).

**2. Consultation**

2.1 On 14 March 2018 the IEC and the National Treasury briefed the Committee on the outcome of their discussions around the resources required to establish and administer the Represented Political Party Fund (RPPF) proposed in Clause 2(1) of the Bill, and the Multi-Party Democracy Fund (MPDF) proposed in clause 3(1) of the Bill. They emphasised the need to ensure that the political party funding regulatory mandate did not interfere or impede electoral operations.

2.2 They IEC reported that the Bill expands the scope of its party funding mandate, and therefore required additional skills and expertise in the areas of, for example, investment planning and management; investigations and enforcement; party-funding research and policy development; and fund-raising. The IEC reiterated that its existing mandate and obligations made it impossible for the establishment of the two funds to be financed from the organisation’s baseline allocation.

2.3 Per the IEC’s initial projections, starting-up the new funds would have required R11 million for compensation of employees, and R34 million for administrative expenses and assets. After consultation with the National Treasury, however, it was established that R45 million was unaffordable.

2.4 The IEC and National Treasury further agreed that the legislation should be implemented in phases. The following aspects of the legislation would be prioritised for implementation ahead of the 2019 national and provincial elections:

* the establishment of the RPPF;
* the establishment of the MPDF;
* represented political parties’ annual reporting and disclosure of all resources; and
* research and policy development.

2.5 In light of the above a start-up budget of R20 million in the first year, and a total of R95 million by the end of the MTEF was proposed. Spending in the first year will be towards:

* the establishment of, and limited find-raising for the MPDF;
* the development of provisional reporting regulations and systems;
* limited reporting and disclosure by political parties contesting the 2019 national elections; and
* limited training and awareness-raising of affected stakeholders of the new legislation and implementation timelines.

2.6 In light of the above, the parties agreed to an initial budget of R20 million allocated after the legislation was enacted, and via the relevant parliamentary process. The budget would be spent on compensation of employees (R5.5 million); goods and services (R14.3 million); and capital (R215 000.00). As the legislation would only be enacted months after the start of the 2018/19 financial year, the funds would be allocated through the adjustment budget or the Medium Term Expenditure Committee (MTEC) process.

**3. Recommendations**

3.1 The Committee proposes no amendments to the Bill, which was tabled in the National Assembly in November 2017.

3.2 With regard to the financial implications to the State, we recommend that:

* the legislation be implemented in phases, as proposed in paragraphs 2.4 and 2.5 above;
* that the start-up budget for the establishment of the two funds be limited to R20 million in the first year, and to R95 million over the MTEF; and
* that, in the first year of implementation, the IEC reports quarterly to the relevant parliamentary committee on progress made.

**4. Acknowledgement**

The Committee thanks the IEC and the National Treasury for their participation in this final phase of its work.

**Report to be considered.**