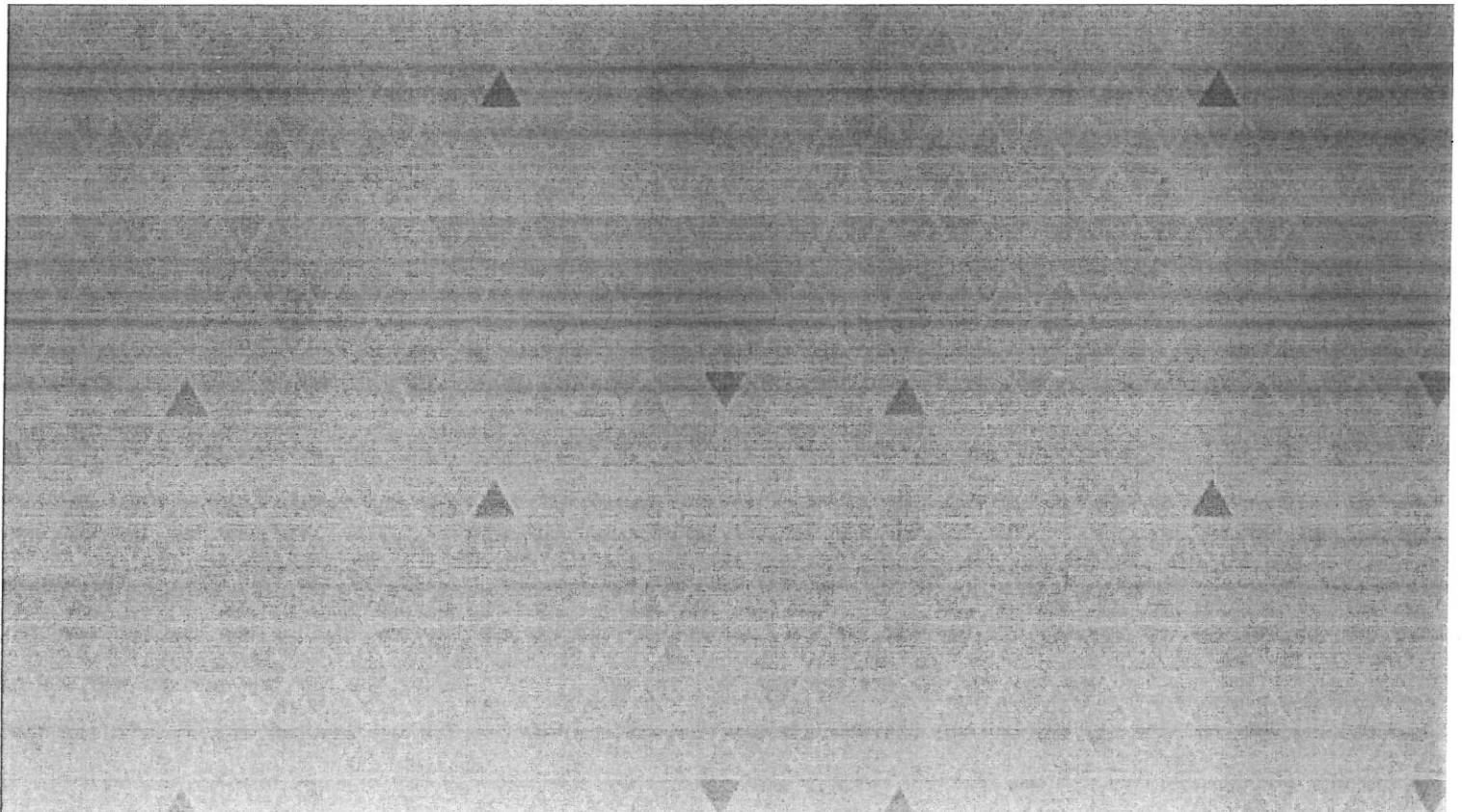


Public Affairs Research Institute

Party Political Funding and the South African State

Submission to the Parliamentary Ad Hoc Committee into the Funding of
Political Parties

July 2017



Compiled by: Crispian Olver, Mbongiseni Buthelezi and Ryan Brunette

CONTACT INFORMATION

PARI Executive Director	Ivor Chipkin +27 011 482 1739 ichipkin@pari.org.za
PARI Project Lead	Crispian Olver +27 082 568 0415 colver@iafrica.com
PARI Administrator	Mpho Mohapi +27 011 482 1739 mmohapi@pari.org.za
PARI Address	26 Rhodes Avenue Parktown West Johannesburg 2193

Table of Contents

1. Background.....	3
2. Strengths and weaknesses of party funding system	3
3. Use of state resources for party campaigning.....	4
4. Impact of party funding on institutional capacity of state	6
5. Factions and their funding within parties.....	8
6. Recommendations.....	9
7. References	12

1. Background

The Public Affairs Research Institute (PARI) is an academic institution attached to the Universities of the Witwatersrand and Cape Town which undertakes research and policy development in relation to public administration and state institutions. Our approach is multi-disciplinary, and we aim to be evidence based and collaborative, as well as critical and independent. We have pioneered the field of institutional studies in South Africa, undertaking some of the leading research work on the nature and functioning of the South African state.

PARI has a particular interest in the issue of political party funding because it impacts on the functioning of the state in two interrelated ways. Deficiencies in the regulation of political party funding have led to the rise of business models within parties in the control of the state, in which the party is funded on the back of deals involving the leveraging of state power. This usually takes the form of an exchange, between business and a political party, of finance for favourable regulatory or procurement decisions. Power relations in this exchange vary. In some cases, powerful business actors are seen to exploit both state and party in their own interests. In other cases, emerging entrepreneurs are exploited by parties, with irregular and substantial solicitation of resources for party political activity, under threat of being denied fair competition for government contracts, serving to undermine their productive growth.

Parties also make use of state resources in various less obvious ways to assist them in their campaign activities, ranging from denying other parties or their supporters legitimate access to a range of state resources, to using employment in the administration as a base for party political activities. The latter activities are not explicitly criminalised in terms of legislation, although they arguably contravene provisions of the Constitution (RSA 1996), the Electoral Act (No. 48 of 1997) (RSA 1998a) and the Promotion of Administrative Justice Act (No. 3 of 2000) (RSA 2000), as well as codes of conduct for public representatives and civil servants. Both of these mechanisms flourish in circumstances where the institutional capacity of the state is weak, and often the capacity of the state is deliberately weakened for this purpose. This creates a vicious cycle in which the state is progressively and systematically brought under political control for purposes other than the public interest, blurring the crucial line between party and public administration.

This brief submission outlines our understanding of the problem. It also puts forward some potential solutions. PARI would welcome an opportunity to engage further with the Ad Hoc Committee on the issues raised in this paper, as well as to provide any additional research support that the committee might feel is necessary.

2. Strengths and weaknesses of party funding system

South Africa has an uneven system of controls for the funding of political parties, some of which are best practice in terms of global standards, and some of which are entirely unregulated. Public funding is made available for electoral campaigns of political parties from three sources. Section 236 of the Constitution requires that political parties represented in national and provincial legislatures must receive public funding, allocated on an equitable and proportional basis. In terms of the Public Funding of Represented Political Parties Act (No. 103 of 1997) (Republic of South Africa 1997) the Represented Political Parties Fund provides annual funding to all parties represented in the National Assembly and provincial legislatures.¹ Funds are allocated based on proportionality (90% of funds) and equity (10% of funds). The management of the Represented Political Parties' Fund vests in the Independent Electoral Commission (IEC). Political parties must be able to account separately for the public funding they receive. The Auditor

¹ In terms of regulations 3 and 4 under the Act.

General of South Africa conducts an annual audit of the Fund. Parallel and similar arrangements have been established in terms of provincial legislation in a number of provinces.

There is a large body of international experience and research which supports the principle of public funding for political parties. By providing a measure of financial security, the influence of private interests, especially large corporate interests, on political parties is lessened, facilitating the development of more equitable democratic processes. At the same time, there are limits to public funding. Parties need to be accountable to voters and members, and the process of raising and accounting for funds is an important part of that accountability. Removing the obligation of fundraising from political parties is not in the interests of democracy.

South Africa has a few areas in which the funding of political parties falls well short of international best practice. There are limited mechanisms that prohibit the use of government resources in support of or against political parties. This is at least implicit in a range of legal instruments, including the Electoral Act, Promotion of Administrative Justice Act and the Constitution. In terms of private contributions to political parties in particular there is virtually no specific regulation. Parties are not required to disclose who funds them. Donations to political parties are not required to be reported or disclosed. Likewise, in-kind donations do not need to be reported or disclosed, nor do third party fund raising efforts. There are no limits placed on cash donations, anonymous donations, or loans. There is no limit placed on the amounts that can be contributed, nor on contributions from overseas. Parties are not constrained in terms of what amounts they can spend on election campaigns, either for parties or individual candidates. In sum, this makes South Africa a laggard in international terms (for instance Feigenblatt et al 2014).

The international literature on funding of political parties notes that in the absence of regulations, large corporates and wealthy individuals are able to translate their financial muscle into political power by exchanging party donations to subvert democratic and administrative processes, attaining favourable policies, government tenders and other forms of preferment. These adverse consequences are corroborated in South Africa (see Butler 2010), including in ongoing research by PARI. The effect is to distribute power away from the country's poor, also to redirect public resources from essential services such as health, housing, and education into the hands of politically connected elites.

We focus this paper on the way in which deficiencies in the regulation and practice relating to party political financing impact on the functioning of the state.

3. Use of state resources for party campaigning

The use of state resources for electoral advantage during campaigns is a global problem. In 51 out of 54 countries surveyed non-financial state resources such as vehicles, buildings and staff are often directed towards political ends. Only three countries - Austria, the United Kingdom, and Sweden - avoided the abuse of public resources during the most recent election campaign (Feigenblatt et al 2014:13).

The Electoral Act and the Code in terms of the Act does not explicitly prohibit the use of state resources to influence election outcomes, although it does prohibit undue influence and intimidation, as well as prohibit offering any inducement or reward to a person to vote for or join a party, or influence political party allegiance. However the Code does not explicitly prohibit the use of state resources to benefit political parties. This is an important lacuna.

The Code of Conduct contained in regulations issued in terms of the Public Service Act (No. 103 of 1994) (Department of Public Service and Administration 2016) obliges public servants to adhere to certain

basic values and principles, which prohibit partisan behaviour². For example, the Code states that government employees must serve the public in an unbiased and impartial manner; not abuse their position in the public service to promote or prejudice the interest of any political party or interest group; and recognise the public's right of access to information. Employees are required to deal with other employees and members of the public professionally and equitably irrespective of, amongst others, political persuasion.

The Public Service Commission is charged with monitoring and enforcing the code, although in practice they have limited powers and capacity to monitor and act on instances of transgressions.

Political leaders in national and provincial government are required to conduct themselves in terms of the Code of Ethics for Members of the Executive promulgated in terms of the Executive Members' Ethics Act (No. 82 of 1998) (Republic of South Africa 1998b). The Code of Ethics, *inter alia*, forbids executive members from exposing themselves to any situation involving the risk of a conflict between their official responsibilities and their private interests, and from using their position or any information entrusted to them to enrich themselves or improperly benefit any other person. In terms of the definitions such other person may include a political party. The Public Protector is charged with investigating and prescribing sanctions for deviations from the Code.

In practice, there have been frequent instances at each level of government in which political leaders and officials have used their office to benefit particular parties. For instance, in the build up to the 2014 national and provincial elections, there was an increase in the reported instances of the abuse of state resources. Susan Booyesen, a political scientist at the University of the Witwatersrand, noted that the ANC's campaign benefited from public resources. Booyesen asserts that "in no preceding campaign had the state been as enabled to play a role. Multiple national and provincial government departments delivered services and handed out food parcels and other 'gifts' as close as possible to election time and campaign visits" (Booyesen 2014:23). A study by the Community Agency for Social Enquiry (CASE) found a number of instances of what they termed economic intimidation, in which households dependent on social grants were told that voting for the opposition would result in the loss of grants and the denial of jobs, contracts, services and development opportunities (Bruce 2014). The independent Electoral Institute for Sustainable Democracy in Africa's (EISA) report on the 2014 elections reported on opposition parties in the Free State province being routinely denied permission to use public venues and stadiums for political events, as well as the South African Social Security Agency (Sassa) handing out blankets and food at ANC pre-election events (EISA 2014). This was also taken up by Booyesen, who noted that SASSA and provincial departments delivered truckloads of campaign gifts (such as food parcels, blankets and bicycles) to communities in advance of campaign visits by ANC leadership (Booyesen 2014:24).

The Public Protector confirmed receiving various complaints regarding the above incidents, and thereafter released a report³ in which she found that the conduct of SASSA and its officials in distributing state provided food parcels at a political party event and allowing a leader of a political party who does not work for government to distribute such food parcels was inconsistent with the provisions of Section 195 of the Constitution and constituted improper conduct (Public Protector 2016:6). In the same report she required the Minister of Social Development to develop a policy setting out a clear separation between state and party activities and make sure all provincial state functionaries and employees were aware of this policy; and to ensure that "no government platform or state functionary is required or

² These 2016 regulations build on the previous Code of Conduct for public servants issued in 2008 in terms of the Public Service Act, and contain many of the same clauses.

³ See statement in <http://www.news24.com/elections/news/food-parcels-must-not-be-given-out-at-political-rallies-madonsela-20160412>. The report that was released related to on an incident of distribution of food parcels during the 2009 election campaigns by Mr J Malema, then President of the ANCYL.

allowed to use their position, power and public resources under their control to market political party matters" (Public Protector 2016:9)

4. Impact of party funding on institutional capacity of state

The funding of political parties on the back of their influence over the administrative processes of the state has been widely criticised in South Africa. For instance, political parties raise funds through party-owned business interests, membership fees and funds raised by regional structures. Most political parties require their public representatives to make monthly contributions to the party. Political parties have been known to approach public servants in the administrations under their control to make donations to the party. While morally questionable, most of these activities are not prohibited by legislation and do not fall into our definition of corruption.

The Progressive Business Forum established by the ANC explicitly sells seats to important functions at which delegates will be able to interact with government leaders. The PBF website (Progressive Business Forum 2017) advertises 'interaction with ANC policy makers at Ministerial, MEC and Metro Executive levels' and promises participants that they will be able to network and exchange ideas, information and contacts with ANC elected representatives from all three spheres of government. It also offers opportunities 'to join ANC led trade missions and conferences around the world to specially selected countries'. Chancellor House Trust has been set up by the ANC as an investment vehicle, with the intention of securing empowerment deals in companies benefiting from state influence and contracts. The Mail & Guardian noted that Chancellor House targeted investments in sectors of the economy where government created opportunities such as business rights or contracts (Hunter 2015). The 25% equity deal with Hitachi linked to a R38 billion tender for construction work on an Eskom power station attracted particular scrutiny. In the 2004 election the ANC received an R11 million donation from oil company Imvume Holdings, which shortly before had received an advance payment of R15 million from state-owned PetroSA for procurement of oil condensate (Money and Politics Project 2011:4). The PIC has been an active funder of some of these deals, utilising funds on behalf of the Government Employees' Pension Fund to finance a range of politically connected empowerment deals. These activities are not only confined to the ANC, which only suffers greater attention due to its political majority. The Democratic Alliance, for example, accepted substantial funding from German financier Jurgen Harksen while he was a fugitive from justice seeking to avoid repatriation to Germany in 2002 (Money and Politics Project 2011:5). The DA's acting Western Cape leader, Bonginkosi Madikizela, has been in the news recently because the costs of his 'lavish birthday party' were paid for by a contractor doing business with the provincial Human Settlements department of which he is the MEC⁴. Ongoing research by PARI, often in distinct but related areas, suggests that these better publicised instances only represent a small proportion of essentially pervasive practices. Indeed, such practices have become essential to most contemporary analyses of the South African political scene (for instance Southall 2013).

PARI is also conducting ongoing research into national, provincial and local government institutions that highlights key long-term trends and seeks to answer questions about what drives institutional capacity in the state, including what undermines it. The task of turning the South African state towards party political ends was in many respects necessary and justified in the immediate post-apartheid period. Here South Africa followed the classical pattern of politicisation of public administration following on from a major turnover in political leadership. Together with the weakening of the apartheid era Public Service Commission, political discretion was introduced into the design of posts and the recruitment process, and combined with a pre-existing lack of entrance exams and career advancement, reduced administrative autonomy (Chipkin 2016). In contradistinction to the model of an impartial, meritocratic bureaucracy,

⁴ See <http://ewn.co.za/2017/06/22/wc-mec-under-fire-over-surprise-birthday-party-corruption-claims>

loyalty and adherence to party policy have been given higher values, and experience, skills and autonomy have been relatively devalued. As a consequence of resulting losses in capacity and autonomy, checks and balances within the administration have been undermined. Increasingly it has become clear that this process of politicisation created opportunities for less democratically justifiable elaborations, with the process progressively running free of democratic control (see Chipkin 2012).

We have documented, for instance, how at local government level the appointment of municipal managers and the managers immediately reporting to them have become the subject of intense political contestation, and political considerations and party loyalty frequently trumped meritocratic principles (Olver 2016). Decision making about these appointments was often elevated to the majority party regional office, and sometimes to the provincial level. Political mandates even extended down to appointments of Deputy Directors and more junior staff, despite the power to make these appointments vesting in the administration.

While the original driver behind this assertion of political control might have been an effort to eradicate the legacy of the apartheid bureaucracy, in the course of extending deeper into the middle management layer it has been directed at controlling the allocation processes within the state for corrupt purposes. Corruption is defined as the use of public office for private gain and which deviates from accepted norms (Huntington 1976). However, our experience is that the gain involved in these transactions is as often linked to party political funding as to personal enrichment. We have observed how political leaders and officials exchange favours with funders – for example the allocation of a housing contract in exchange for party campaign funding – which means that they “pay each other”, even if payment takes place at different times and in different ways. Such exchanges remain corrupt, regardless of the intended beneficiary, as the rules and accepted norms around the allocation process have been subverted.

The term ‘political corruption’ has been used to cover instances that do not necessarily involve private gain, but instead the use of resources to benefit a political party or candidate. It can also include the promised use of political office once in power. In our experience instances of political corruption have included the receipt of funds from corrupt transactions, the unauthorised use of government resources to benefit political parties, the promise of regulatory decisions or contracts once in political office, and spending on illegal activities such as vote buying especially in internal party elections.

What started out as a conscious exercise to bring the state under the political direction of the party has led to the hollowing out of institutional capacity. PARI has documented supply chain management practices in some detail, and observed what we refer to as the emergence of a ‘contract state’ that outsources most of its core functions, with decentralised control of supply chain management in multiple sites at national, provincial and local spheres (PARI 2014). Not occurring in terms of any formal policy drive, outsourcing has instead been a response to declining state capacity as well as attempts to utilise public procurement to generate party finance and private accumulation. The effect has been to erode the state’s ability to generate its own capacity through a process of learning-by-doing. In result, there has been a considerable decline in the state’s capacity to manage contractors. Sometimes there has occurred an outsourcing of outsourcing, through the contracting out of purchasing management units. What this has often led to is an erosion of the sorts of management processes necessary to ensure contractor performance, itself necessary to ensure that contractors build the productive capacity needed to graduate into competition in the private and international sectors. Such productive capacity is further undermined by the diversion of business finance into party finance, an especially onerous burden for smaller, politically weaker contractors.

The flow of finances from the relatively controlled environment of the state into the political parties and beyond has been tracked by the flow of decision-making power from these sites. At both local and national level there has been a steady bypassing of the formal and legalistic mechanisms of the state. Decision making both within the ruling party and the state has often drifted toward more informal

networks. Chipkin refers to “multiple and fluid 'kitchen cabinets' in the government, the movement itself and outside” (Chipkin 2016:19). This has created a ‘shadow state’ that operates outside of the scrutiny of either the party or the normal oversight mechanisms of the state.

The term ‘state capture’ has been the topic of much public debate recently, and while its meaning is imprecise, we understand it to point toward the more systematic application of corrupt relationships to the whole arsenal of state power - the formation of laws, regulations, allocation of budgets and incentives, and other government policies. It is a *systemic* form of political corruption that directs the exercise of state power to the benefit of private individuals or firms (Pradhan et al. 2000). State regulatory agencies are said to be “captured” when they regulate businesses in accordance with the private interests of the regulated as opposed to the public interests for which they were established.

In our experience the unregulated nature of private financing of political parties has legitimated a series of corrupt relationships in the state, and led to numerous instances in which state allocation processes have been captured by outside interests. Fighting this process from within the state itself is a futile exercise unless corresponding restrictions and oversight is placed on private sector financing of political parties.

5. Factions and their funding within parties

There is another phenomenon which needs attention in relation to party financing, and this is the use of private funds for purposes of campaigning for position within the party itself. Across all political parties these contests have attracted considerable private interest. As the majority party in national government and eight out of the nine provinces, contestations within the ANC are particularly intense. The ANC itself openly acknowledges this in its latest policy discussion documents: “the political life of the organisation revolves around insidious internal strife and factional battles for power. This is a silent retreat from the mass line to palace politics of factionalism and perpetual in-fighting. The internal strife revolves around contestation for power and state resources, rather than differences on how to implement the policies of the movement” (ANC 2017:16). The diagnostic report delivered at the ANC’s recent National Policy Conference bluntly states that “divisions and factions have become a seemingly permanent feature of the movement” (Mantashe 2017).

The power of a faction depends on the loyalty that it can command, which in turn depends on the resources it can mobilise and dispense. Funding for party activities – media and T-shirts, holding rallies or conferences, travelling and subsisting while at events – is increasingly limited, and a large proportion of funding is channelled via factions rather than via the party itself. The patronage that is dispensed is mostly to enable activists to mobilise – referred to as ‘resources’ - and for most activists it is fairly simple requirements – petrol money, airtime, catering, media, T-shirts and other paraphernalia. There are many reasons that activists belong to factions, including ideology, culture and ethnicity, but loyalty ultimately depends on the resources that come with it, i.e. it has a price (Olver 2016).

Netshitenzhe (2012) in his analysis of the ‘sins of incumbency’ within the ANC, noted that intra-party patronage and corruption have taken root: “The political centre is unable to correct the local mediators to mass constituencies and the foot-soldiers on whom it relies to garner votes. In pursuit of numbers, a price is attached to a Conference delegate's vote... a toxic leadership then begets toxic members, some of whom actually demand financial and other incentives to vote in particular ways.” Vote buying is confirmed in the ANC’s Diagnostic Report, which states that “the use of money to buy votes for elections in the party, is at the heart of the decline of the quality of structures across the board. Money has replaced consciousness as a basis for being elected into leadership positions at all levels of the organisation” (Mantashe 2017). Politics within the organisation is increasingly about bargaining for loyalty and resources, which makes it transactional rather than programmatic or ideological. The ‘decline

in the ideological outlook of the movement' means that 'principles get replaced by expediency, greed and corruption' (Mantashe 2017: 4).

In PARI's experience factional contests along such lines often have the most deleterious consequences for the normal operation of the state. Councils, in certain ways foreshadowing contemporary disruptions in parliament, have often been unable to conduct their work, as factional battles generate deliberate attempts to prevent quorum and collapse council meetings. Vital functions, including for instance the authorisation of grants-in-aid to old age homes, have occasionally been stalled. Factionalism tends to drive deeper politicisation of public administration, as factions mobilise within the administration, producing destructive competition for position ahead of perceived factional turnover. The effect is a general loosening of administrative procedure and discipline. A number of cases reveal the immense difficulty of restraining such dynamics after they emerge. In some localities fluidly realigning factions have been embedded in the administration, continuing to fund factions outside of it, driving factional dynamics further (see for example Mukwedeya 2015).

6. Recommendations

Within the ambit of party funding reform, there is a spectrum of possible solutions to the issues raised above, which we have surveyed, and we believe the following are potentially applicable in the South African context:

1. Requiring political parties and party members to report on both public and private funding received to an independent body such as the IEC. The extension of the scope of application of legislation to party members is intended to address the funding of factional dynamics within parties.
2. Disclosing public and private funding of political parties and party members to the public in an easily accessible format.
3. Placing restrictions on the receipt of private funding, for instances by placing a cap on individual amounts from sources, by prohibiting overseas funding, or restricting certain types of funding (e.g. cash receipts or anonymous donations).
4. Increasing the amount of public funding available so as to off-set the influence of private funding. This could include the extension of tax benefits to all reported donations, which would have the added advantage of incentivising reporting and disclosure, both on the part of the political parties and party members and on the private donors.
5. Preventing and prohibiting the use of other state resources to support a political party or candidate. We recommend that prohibition be inscribed through amendment of the Electoral Act. Prevention should be achieved through improving the capacity of the Public Service Commission to monitor infractions in the Code of Conduct for Public Servants.
6. Restricting expenditure on campaigns, either in terms of the quantum that may be spent, or in terms of the types of activities that may be supported.
7. The establishment of dedicated capacity to monitor, receive complaints, and investigate campaigns to ensure compliance with party funding prescripts. Preferably, such capacity should be established in a new, independent entity, with institutionalised relations with existing, naturally supportive structures in the IEC and the South African Revenue Service (SARS). The establishment of this capacity in the IEC or SARS is not advisable, as this might constitute political risk to their existing, more vital functions.
8. The Ad Hoc Committee might consider exploring other innovative mechanisms for using party funding reform to deepen democratic participation. Wright (2010) makes reference to a 'democracy card' system, which allocates annually to all registered voters a sum (say R100) to be spent on the party or candidate of their choice. Effectively, this would involve a distinctive

mechanism for distribution of public funding, providing a more regular linkage between voters and incumbents than is feasible through processes of election and government formation (see Ackerman and Ayres 2004).

PARI supports the extension of reporting requirements for political parties to account for all private monies allocated to them. It has been noted that within South Africa's peer group of developing democracies in Sub-Saharan Africa and BRICS (excluding the basically single-party system of China), South Africa stands alone in failing to provide for transparency of party political funding (Money and Politics Project 2011:11). The survey of 54 countries mentioned above found that 83% of the sample required parties or candidates to submit financial reports that include information on contributions and expenditures annually or within the campaign period (Feigenblatt et al 2014:13). The Public Funding of Represented Political Parties Act provides an existing legal framework for the regulation of public funding that could logically be extended to private sources of funds. The Act establishes a framework for distribution, use, reporting, and accountability for funds, which can be done under the supervision of the IEC or as argued above, another independent body set up for this purpose. We believe this mechanism should be extended to cover all private and public contributions towards political parties, not only during election periods. We recommend that outside election periods, annual reporting of party donations is sufficient as a starting point, but that during election periods such reporting should be required on at least a quarterly if not a monthly basis.

Linked to the issue of reporting are provisions for transparency in party financing. While the information that is currently reported to the IEC in terms of the Public Funding of Represented Political Parties Act is made available on request, in practice obtaining access to this data is not easy. This difficulty mirrors issues found in other countries. In general, the public is unable to easily access much of the financial information that is reported to oversight authorities. The survey of 54 countries found that only two countries – Australia and the United States – make all reported information available online in easily readable formats. 19 countries do not regulate public disclosure at all. 21 countries have laws mandating that all financial information reported to the oversight authority be made available to the public within two days of a request; 24 more require financial reports to be publicly accessible (Feigenblatt et al 2014:42).

PARI supports the automatic publishing of party financing data on the IEC website, as well as its auditing by the Auditor General in terms of compliance with legislative requirements.

PARI also supports the introduction of regulations with respect to private funding of political parties, including requirements placing limits or controls on certain amounts. Of the 54 countries surveyed (Feigenblatt et al 2014:34):

- 14 countries place a maximum limit on what corporations may contribute to campaigns. In 24 others, corporate donations are either completely banned or restricted with respect to only political parties or candidates.
- 25 countries restrict the amount that individuals can donate.
- 35 countries restrict or limit anonymous contributions.
- 47 countries require that in-kind donations must be reported to the electoral authority. Of these, 35 countries require all donations to be reported, while the remainder require donations over a certain threshold to be reported.
- Four countries ban cash donations. 17 more allow cash donations that fall under a specific threshold.
- 23 countries require loans to parties to be disclosed, and 14 more require only parties or candidates, not both, to report loans received.

The issue of foreign contributions also needs to be considered. Many political parties currently receive large contributions from foreign interests. For example, the ANC has received substantial donations from China, Saudi Arabia, Libya, Malaysia, and Angola totalling over R2 billion (Money and Politics Project 2011:5).

PARI broadly supports a mix of the above measures – a cap on contributions from private individuals and corporations, including in-kind donations, and a restriction on anonymous donations and cash donations above a certain threshold. We also support restrictions being placed on foreign contributions, either to limit the amounts that can be received or to exclude them outright.

PARI recommends that South Africa build on the existing system of public funding for political parties by increasing the amount allocated. The Money, Politics and Transparency survey of 54 developed and developing countries found that 39 of the countries in the sample had systems of direct public funding for parties or candidates. Of those, 37 had legally defined transparent and equitable allocation mechanisms for allocating public funding (Feigenblatt et al 2014:29). The principle of public funding of political parties is therefore well established. This can be complemented by market based mechanisms and incentives. For example, a portion of this public funding can be made available through tax exemptions. Currently donations to political parties do not qualify as tax exempt, and attract donations tax for which the donor is liable. Tax exemptions on donations are contingent on reporting the donations to SARS, and will create a dual system of reporting and accountability to SARS on the part of both donors and recipients. At the same time as incentivising private donations to political parties, the measure will go a long way to building transparency into the party funding system.

Alongside an increase in public and private funding for political parties, PARI proposes that a certain proportion of public funds are earmarked for public policy and research purposes. Building the capacity of political parties to develop sound public policy for governance and public administration will be in the public interest, because it will promote a level of policy literacy and sophistication which will be carried into government by whichever party/ies win the right to govern particular institutions. Such earmarking could take the form of funding for policy institutes or foundations linked to political parties, similar to the Konrad Adenauer Foundation and the Friedrich Ebert Foundation which are German political foundations associated with the Christian Democratic Union and the Social Democratic Party respectively. PARI recommends that public funding should incentivise the establishment of policy institutes attached to but independent of political parties.

PARI recommends that the Electoral Act should be amended to explicitly prohibit the use of state resources to influence election outcomes, including involvement of public servants, in their official roles, in party political campaigns, the use of state resources at party political events, and the accelerated roll-out of state programmes immediately before an election.

Of crucial concern is the creation of an independent capacity (either within the IEC or as argued above preferably elsewhere) to monitor and enforce the above provisions. Fewer than half of countries surveyed carried out three or more investigations into political finance issues during the most recent election campaigns. Of the oversight authorities that conducted investigations, only 7 published the full results of their investigations promptly and in an easily accessible manner. Any capacity to enforce party funding prescripts, moreover, should be politically independent. Mechanisms more open to political control create a risk of selective enforcement. Independent enforcement capacity should have legislated and institutionalised relations with existing monitoring capacity especially in SARS and the IEC.

Finally, declining voter turnout, especially among young people, is widely feared as reflecting a democratic deficit which is reaching serious proportions (see Booysen 2014 for an interesting analysis of this trend). Party funding reform could be treated as an opportunity for not only constraining illicit activity but also deepening democracy. Alternative mechanisms for distribution, such as the democracy

card system presented above, could build on existing systems operated by banks and overseen by SASSA, both of which have effectively extended modern financial technology to all South Africans. All registered voters could receive say a R100 'people's power contribution', ring-fenced for expenditure on political parties or registered candidates. With minor adjustments, this would require much the same system as that envisaged for a basic income grant. The legislative drafting process, at least, should anticipate such innovations, on the presumption that a new party funding act, like the old one, will have a lifespan of some twenty years.

7. References

- Ackerman, Bruce, and Ian Ayres. 2004. *Voting with Dollars: A New Paradigm for Campaign Finance*. New Haven, Conn.; London: Yale University Press.
- Booyesen, Susan. 2014. 'Election 2014 and the ANC's Duet of Dominance and Decline'. *Journal of African Elections*, South Africa's 2014 Elections, 14 (1).
- Butler, Anthony (ed.). 2010. *Paying for Politics: Party Funding and Political Change in South Africa and Global South*. 1st ed. Johannesburg: Jacana Media.
- Chipkin, Ivor. 2016. 'The State, Capture and Revolution in Contemporary South Africa'. Working paper. PARI Working Paper. Johannesburg: Public Affairs Research Institute.
- Department of Public Service and Administration. 2016. *Regulations Issued in Terms of Public Service Act (No. 103 of 1994)*.
- Hunter, Qaanitah. 2015. 'Hitachi and Chancellor House: How the Events Unfolded'. *The M&G Online*, September 29, M&G online edition. <https://mg.co.za/article/2015-09-29-hitachi-and-chancellor-house-how-the-events-unfolded/>.
- Huntington, Samuel P. 1976. *Political Order in Changing Societies*. 11. printing. New Haven: Yale Univ. Press.
- Mantashe, Gwede. 2017. 'A Diagnostic Organisational Report'. ANC 5th National Policy Conference. Johannesburg: African National Congress.
- Mukwedeya, Tatenda G. 2015. 'The Enemy within: Factionalism in ANC Local Structures — the Case of Buffalo City (East London)'. *Transformation: Critical Perspectives on Southern Africa* 87 (1): 117–34.
- Netshitenzhe, Joel. 2012. 'Competing Identities of a National Liberation Movement and the Challenges of Incumbency'. *ANC Today*, June 15.
- Olver, Crispian. 2016. 'State Capture at a Local Level - a Case Study of Nelson Mandela Bay'. Case study. PARI Working Paper. Johannesburg: Public Affairs Research Institute.
- Pradhan, Sanjay, James Anderson, Joel Hellman, Geraint Jones, Bill Moore, Helga Muller, Randi Ryterman, and Helen Sutch. 2000. *Anti-Corruption in Transition: A Contribution to the Policy Debate*. Washington, D. C.: World Bank.
- Progressive Business Forum. 2017. 'Progressive Business Forum Participant Benefits'. Organisation. *African National Congress Progressive Business Forum*. <http://www.pbf.org.za/show.php?id=3532>.
- Republic of South Africa. 1996. *Constitution of the Republic of South Africa*.
- . 1997. *Public Funding of Represented Political Parties Act (No. 103 of 1997)*.
- . 1998a. *Electoral Act (No. 73 of 1998)*. <http://us->
- . 1998b. *Executive Members Ethics Act (No. 82 of 1998)*.
- . 2000. *Promotion of Administrative Justice Act (No. 3 of 2000)*.
- Southall, Roger. 2013. *Liberation Movements in Power: Party and State in Southern Africa*. Pietermaritzburg: University of KwaZulu / Natal Press.

