



national treasury

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Mr DM Stock, MP
Chairperson: Ad Hoc Committee on Funding of Political Parties
COMMITTEE SECTION
P.O. Box 15
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Dear Mr Stock

FEEDBACK: PRESENTATION BY THE NATIONAL TREASURY TO THE NCOP MEETING ON THE POLITICAL PARTY FUNDING BILL [B33-2017]

I refer to the meeting on Thursday, 7 June 2018 which was held in Parliament between the Ad Hoc Committee on the Funding of Political Parties (NCOP) and the National Treasury. Ms Gillian Wilson and Mr Goolam Manack represented the National Treasury.

In response to the question on the recommendation of R80 million as a start-up fund for the implementation of the Political Party Funding Act; this amount is based on the funding for the first year (2019-2020) of the implementation of the Act, and will be adjusted if the Act comes into effect after 1 April 2019. The start-up funding will be requested during the 2019 Mid Term Expenditure Framework (MTEF) process as part of the Electoral Commission of South Africa (IEC) request for funding over this period.

With regard to the salary scales of the organisational structure as recommended by the IEC; the two funds, Political Party Represented Fund and Multi-Party Democracy Fund, as proposed by the Political Party Funding Bill, will be administered as a unit by the IEC. The salary scales of the proposed organisational structure will be determined by the IEC, and it is still subject to a final determination by the Electoral Commission.

On the issue of developing of systems, procedures and structure for the administration of the two funds; the IEC did develop a map setting out the process to develop the systems, procedures and the organisational structure for the administration of the two funds. This was aligned to the funding recommended for the phased-in approach.

Further questions were raised on a number of issues: Firstly, how will we harmonise the funds in the provinces; public funding of political parties in South Africa is regulated by section 236 of the Constitution, which states that "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". The Public Funding of Represented Political Parties Act (103 of 1997) - hereafter referred to as the 1997 Act - is the national legislation which gives effect to this constitutional imperative. However public funding of party activities extends beyond the scope of this Act.

Substantial funds are also appropriated for the same parties by Provincial Legislatures, exceeding the amount transferred from the national sphere. In terms of the Constitution, the power to legislate in respect of funding for political parties is a matter for the Parliament, and Provincial Legislatures may be acting outside the Constitution by allocating funds to political parties in terms of provincial legislation. There is a danger that future legal challenges may render this funding source unconstitutional and void.

The National Treasury is of the view that all public funding of political parties should only be in terms of this current Bill, which is to repeal 1997 Act. Provincial Legislatures should take necessary steps to repeal current provincial legislation which provide for funding of political parties and also address transitional arrangements for funding already allocated to political parties.

Secondly, interface with the PFMA; the current Bill makes provision for the establishment of the Represented Political Party Fund in terms of section 2(1) and for the establishment of the Multi-Party Democracy Fund in terms of section 3(1). Section 5 of the Bill allocates the responsibility for the management and administration of the Funds to a chief executive officer (to be appointed) for the Funds, within a separate unit within the IEC. The IEC is a constitutional institution provided for in Chapter 9 of the Constitution. The IEC is required to comply with the Public Finance Management Act (1 of 1999 - PFMA). For purpose of financial management, including financial reporting, the National Treasury is of the view that the Funds should also comply with the PFMA.

Thirdly, involvement (funding) of the smaller parties; the current Bill does not make provision for funding for smaller parties not represented in the National Assembly or Provincial Legislatures. The National Treasury is in support of setting limited thresholds for funding for smaller parties not represented in the National Assembly or Provincial Legislatures. The deposits to be paid by political parties to the IEC for contesting elections, should still be applied

The National Treasury's view on how does the unit become a separate entity; the Bill makes provision in section 21(1) for the establishment of a separate unit within the IEC to exercise the powers, duties and responsibilities conferred and imposed on the Commission in terms of the Bill.

The National Treasury supports fully the establishment of a unit within the IEC to perform these functions conferred to the IEC. This will limit the potential for establishing a costly duplicate structure.

Kind regards



Mampho Modise
Deputy Director-General: Public Finance

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