

FINANCIAL IMPLICATIONS OF THE POLITICAL PARTY FUNDING BILL

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Introduction

Purpose of the bill

- To establish Represented Political Party Fund (RPPF)
- To establish Multi-Party Democracy Fund
- The regulation of private funding to political parties
- Annual disbursement of public money through the RPPF

Clause 2(1)

Clause 3(1)

The Electoral Commission to establish and administer the two funds

Clause 21(1)

The funds to be administered in a unit in the Electoral Commission reporting to the accounting officer of the Electoral Commission

Clause 21(1)

Main functions that will guide the administration of the funds

- Distribution of fund to political parties
- Monitoring and compliance
- Record keeping and reporting
- Promotion and communication

Clause 6(1)

Clause 14(1)

Clause 22(1)

Structure of the unit administering the funds

Following should be developed before finalising the structure for the Unit;

- Process map – governance structure, administration, reporting and communication structure
- Developing of systems, policies and procedures guiding the administration
- Organizational structure should be aligned to the mapping of the policies, processes and systems
- Organizational structure should be evaluated by an HR practitioner in line with the Bill before finalising.

Principles for the financing of the structure (start-up cost)

Phased-in approach to allow the establishment the funds and to develop the policies, procedures and systems. The focus should be on;

- Establishment and limited fund raising for the MPDF according to regulations
- Appointment of the manager heading the funds and two managers responsible for the two funds respectively
- Development of reporting regulations and systems
- Reporting and disclosure by political parties contesting the 2019 elections
- Training and awareness-raising of affected stakeholders of the new legislation and implementation timelines

Principles for the financing of the structure (start-up cost) continue

The funds should be incubated in the IEC following a shared services model.

- Costing to be financed following the phased-in approach – Total = R20 million
 - Compensation – R5.5 million
 - Goods and Services – R14.3 million
 - Capital – R215 000
- Long-term funding of the Act – the fund should in the long term be self financed.
- Funding that are be available when one fund has been established. Combined total – R1.173 billion (RPPF –R149.394 million; Legislatures – R585.391 million and Parliament – R438.743 million)

Process for establishing one Representative Political Party Fund

- Mechanism to combine all funds in the provinces into one Representative Political Party Fund
- If there are Provincial Laws regulating the funds in the Provinces this legislation regulating the such funds in the provinces must be repealed by the relevant Provincial Legislatures
- The remainder of money in such funds must be dealt with in the repeal legislation
- The Bill only provides for the repeal of the Represented Political Parties Act 1997 as well as transitional measures in order to provide guidance how matters need to be dealt with under the new Act

Budget process

Adjustment Budget Process

- Unforeseen and unavoidable criteria (PFMA section 30)
Adjustments due to significant and unforeseeable economic and financial events affecting fiscal targets
- Funding become available in December 2018 / January 2019

Medium Term Expenditure Committee process

- Funding allocated according to priorities set in the budget mandate paper.
- Reprioritization of baselines in accordance of priorities
- Savings due to cost containment
- Funding becomes available from 1 April 2019

Procedures of the establishing of a new fund;

- This should be established in accordance with the guidelines issued by the Office of the Accountant General.

Other costing issues

Cost of compliance mean additional cost for small political parties;

- Audit cost to ensure compliance in terms of legislation

Additional skills sets required by the unit administering the funds;

- Cost implication for the unit

Other policy matters requiring clarity

- The interface with the PFMA, the Bill refers to the FMP&PLA
- The interface with PAIA in terms of disclosure of private funding
- Harmonizing the legislation for establishing funds in the provinces not addressed
- Bill does not provide funding for smaller parties only participating in the local elections
- Establishing of the fund as a separate entity to separate election activities from the administration of these funds.
- Correcting reference to Auditing Profession Act (Bill refers to Professions)

Addendum costs breakdown

Expenditure Category	Description Exp Items	R'000 2018/19	R'000 2019/20	R'000 2020/21
1. Compensation of employees	Inclusive remuneration packages X 4	5 500	11 000	11 000
	Office rental	0	1 000	0
	Telecommunications	0	25	0
	Subsistence and travel (including international travel)	3 000	3 150	3 150
	Advertising	5 000	5 000	5 250
	Conferences and workshops	2 000	2 000	2 100
	Printing and stationery	1 000	1 000	1 050
	Repairs and maintenance	500	500	525
	Audit costs	1 000	3 000	3 150
	Storage	0	0	150
	Professional and other services	1 515	10 000	10 500
	Subscriptions and membership fees	250	250	263
2. Administrative Exp	Domestic requirements and meals on premises	20	90	95
	Computers/laptops	60	60	0
	Printers	20	20	0
	Heavy duty copier	0	150	0
	Shredder	0	15	0
	Office desks	0	70	0
	Chairs	0	240	0
	Boardroom furniture	0	110	0
	Storage cabinet	60	60	0
3. Assets	Credenzas	75	45	0
Total		20 000	37 785	37 233

THANK YOU