

KEYNOTE ADDRESS BY THE MINISTER OF FINANCE, ENOCH GODONGWANA, ON POLITICAL PARTY FUNDING

19 June 2025

A young democracy like South Africa relies on strong and independent institutions for its longevity and legitimacy. A strong judiciary, a vibrant legislative arm, and an informed and active civil society are indispensable.

These institutions are key to maintaining the checks and balances that are the backbone of any democracy. Among them is the Electoral Court, an independent Auditor General's office and the Public Protector.

Another equally important component is competitive elections by political parties that are not beholden to private interests and therefore should be publicly funded.

Related to the ability to hold free and fair competitive elections is an Independent Electoral Commission that boasts adequate resources and has the capability to enforce rules.

Its neutrality, independence and non-biased nature must be jealously guarded

Political Party Funding in South Africa: Overview

Political funding in South Africa has historically been opaque, with little regulation or public disclosure until recent years.

For much of the democratic era, political parties were not legally required to reveal their sources of private funding, raising concerns about corruption, undue influence, and lack of accountability.

This fundamentally shifted with the Political Party Funding Act (PPFA) of 2018, which came into effect on April 1, 2021.

Key reforms introduced by the PPFA include:

- Mandatory disclosure for donations above a specified threshold, currently R100,000 per donor per financial year, soon to be increased to R200,000.
- Prohibition of donations above a specified limit, currently R15 million per donor per financial year, soon to be increased to R30 million.
- Banning donations from foreign governments or state-owned entities.
- Establishment of the Multi-Party Democracy Fund, with the IEC enforcing the Act and publishing reports.

Despite these advances, challenges remain in enforcement, local transparency, and curbing illicit financing.

The implementation of the PPFA has in some measure led to a significant drop in private funding for many political parties, making it challenging for them to meet operational costs.

PITFALLS

There are other pitfalls to the PPFA that we must be honest about and work hard to be overcome.

For one, all political parties registered to contest national and provincial elections are required to submit annual audited statements.

The majority of parties however, have failed to do so over the past three years and sanctions being pursued by the Commission are still in progress.

Another challenge is that currently, the political party funding legislation does not extend to local government level. This is an area that we must address.

As the National Treasury and a government as a whole, we must commit to improving transparency and oversight of political finance to prevent abuse by illicit networks.

We have made good progress, as seen in our most update from FATF on our journey to being removed from the gray list, where our reforms to resolve systemic weaknesses in anti-money laundering and counter-terrorism financing, and to root the links with political party funding have been recognized.

The Importance of Free and Fair Elections and Political Party Funding

The ability to hold free and fair elections is a vital feature of any democracy, encompassing both procedural (periodic elections) and substantive (freeness and fairness) aspects.

As custodians of the fiscus, we ensure IEC funding for successful elections.

You are all aware of the announcement I made in the much-contested 2025 Budget Speech on funds allocated to the IEC for the hosting of the upcoming local government elections.

We have allocated R885 million for the Independent Electoral Commission and R550 million for the South African Police Service and the South African National Defence Force to maintain public order.

Democracy thrives on continuous debate and a level playing field for the contestation of ideas.

Transparency is at the heart of party-political funding.

To make informed choices when voting, voters need to know who is behind the funding of political parties and what agendas they are pursuing.

We must curtail opportunities for parties with questionable intentions to gain power.

This requires a strong fiscus and responsible public finance management, shunning wastage and ensuring traceability of all money flows.

Critical to such a fiscus are sustainable revenue streams undergirded by a stable macroeconomic framework.

However, in the current environment the performance of the economy and the lower revenue collection, presents us with serious challenges which may hinder the implementation of a common funding pool for political contestants supported by the fiscus.

In addition to the allocations to IEC, from 2011/12 to date, funding of R3 billion has been provided to political parties to provide a baseline of public funding to help smaller or newer parties compete more effectively against well-established and privately funded ones.

Over the MTEF an additional R1.1 in funding will be made available to political parties. Mindful of next year's local government elections, however, we are considering availing even further funding.

Current Challenges and the Way Forward

This gathering coincides with challenges to aspects of the Political Funding Act in court.

The President's power to change the donor threshold is being challenged. So too is the R100,000 donor disclosure limit (especially for deliberately smaller donations).

There are also calls for a reduction in the R15 million donation cap.

It is my hope that these matters are resolved before the local government elections.

The future success of these reforms and the PPFA in particular also demands that political parties model the kind of financial responsibility and transparency that is envisaged in the legislative reforms.

Words must translate action.

It is also important for public institutions like the IEC to enforce the applicable legal requirements on parties, especially the requirement that they timeously present audited financial statements and reports on membership fees.

In terms of the broader public finance ecosystem, the National Treasury is refining procurement processes and amending legislation such as the Public Procurement Act, Public Finance and Municipal Finance Management Acts, to close all loopholes and strengthen financial governance and consequence management.

At the local government level, the current state of instability and inconsistent service delivery highlights the critical need for a political funding regime that fosters stability, transparency, and participation.

An opaque system creates fertile ground for undue influence and misallocation of public funds, directly impacting citizens' lives and eroding trust in our democratic institutions.

A robust, well-enforced framework ensures clear, legitimate sources of political power, empowering communities to hold representatives accountable and fostering a more equitable contestation of ideas.

We urge political leaders to lead by example and encourage civic education around political donations, highlighting the shared responsibility of all stakeholders in promoting clean politics.

Conclusion

In conclusion, what we have in South Africa is not a perfect system of electoral democracy. Our system has clear limitations.

As things stand, political parties are not sufficiently funded, hence their reliance on private funding. It is my view that political parties must be fully publicly funded.

A key question that then arises is what is the appropriate level of funding for political parties and what form should this take?

Another related key question is whether the IEC is the appropriate institution for maintaining oversight on political parties, and for sanctioning their delinquent behavior if any?

Will this not tarnish the image of the IEC in the eyes of political parties and other individuals contesting elections, given that it ought to remain neutral, independent and free of bias?

It is encouraging that so many of you have gathered here today to discuss, debate and find tangible solutions to the challenge to strengthen our democracy through a fair and transparent political process of party funding.

It is in this spirit that we can develop solutions that will ultimately nurture and sustain our young democracy and safeguard its integrity.

Thank you