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As over 20 million voters head for the voting polls on 14 April 2004, the issue of private funding of political parties has emerged and attracted much attention in South Africa. The debate is intensified by a number of scandals regarding corporate funding of political parties; the Idasa campaign to force disclosure of business funding of political parties and the release of the AngloGold policy on party political donations.

The question is whether corporations should be encouraged or even allowed to use shareholder money for political purposes. And if so, what principles should apply?

André Fourie, NBI: Chief Executive argues that, "a functional multi-party democracy is important for sustainable development and economic growth. In other words, democracy is good for business. It is therefore in the interests of companies to support the democratic process".

**How?**

This can be done in a number of ways, such as supporting capacity building, engaging in policy dialogue and strengthening public institutions. To augment these strategies, another option is to consider providing funding for political parties in order to promote the quality of public policy and democratic governance. The NBI supports the consolidation of a sustainable democratic system and the promotion of good corporate governance.

In this context, the NBI recently convened an informal dialogue between senior business leaders to discuss the issue of corporate contributions by public companies. Following the debate it was suggested that it may be worthwhile to distribute a short discussion document to NBI member companies to consider this issue. A senior participant in the meeting stated that, "a company no longer needs to be ashamed to be seen to fund political parties. Within a free and democratic South Africa, it is possible to openly support the political system from a business perspective, as long as there is disclosure and transparency". This sentiment reflects the maturity of the political system during the year South Africa celebrates ten years of democracy.

The purpose of this brief is thus to support member companies in thinking through the implications of party political funding and to stimulate debate on this important topic.

Clearly, there is a concern that “soft” donations by companies could be seen to be trying to buy influence in general, or to bribe public officials regarding a particular contract or procurement decision. Fourie stated at the meeting that “... a genuine commitment towards a transparent process on accountable party political funding would assist companies to make a positive contribution to a functional, multi-party democracy in South Africa.”

“It will further be helpful if leading corporations can discuss common principles for funding political parties, regardless of whether they choose to provide such funding or not. Such principles need to be flexible enough to allow for both innovative and individual corporate responses, rather than a ‘one-size-fits-all’ approach. Individual corporations should be able to take decisions that make sense in the context of their operations, taking into account the perspectives of their shareholders and other stakeholders.”

The meeting agreed that, whether corporations have decided to fund the political or electoral process or not, the following principles seem vital in this regard:

- Transparency (the policy to fund political parties or not and its application must be open to public scrutiny);
- Disclosure (the policy should be communicated in a transparent manner and be published in the company’s annual report, at the very least);
- Good governance (the oversight of policy implementation should rest with the main board of the company or a competent sub-committee thereof);
- Clear principles for distribution of funds between political parties should be agreed and implemented.

It appears that there is a clear case for corporations to consider a transparent funding approach to political parties in South Africa. The key objective of such funding must be to contribute to the development and consolidation of an effective, multi-party democratic system. It is worth noting that the Global Reporting Initiative (GRI) recommends that corporations report any amount of money paid to political parties and institutions whose primary function is to support political parties or candidates.

The NBI is grateful to Barloworld for hosting the dialogue. This document aims to stimulate debate on the topic of party political donations by business in South Africa and does not represent the views of NBI member companies.



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