



# South Africa Post-Election Review Policy Series POLICY BRIEF NUMBER 1

## Elite Money and Votes: The Political Economy of South Africa's 2024 Elections

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### EXECUTIVE SUMMARY

The 2024 national elections in South Africa marked a significant change in the country's political landscape, as the ruling African National Congress (ANC) lost its majority for the first time since the advent of democracy. The elections revealed widespread public dissatisfaction with political institutions, economic stagnation and deep-rooted inequality. However, they also hinted at a potential shift in the relationships between the country's political and economic institutions, which have heavily influenced its economic trajectory since the early 1990s. Extractive economic institutions inherited from the apartheid era appear to remain entrenched 30 years after the country transitioned to democracy.

The ANC's electoral defeat signifies a new phase in the negotiation dynamics between the political and economic elites, whose relationship has contributed to lacklustre economic progress, declining public

trust in democratic institutions, growing economic disparity and systemic governance challenges. There is a need to examine the role of political and business elites – particularly in the minerals-energy-finance complex (MEFC) – in shaping South Africa's political economy within the contexts of coalition politics and political party funding. This will require understanding:

- The implications of coalition governance in South Africa at a national level and the reforms required to ensure its functionality.
- The influence of elite financial resources on governance.
- The necessity of transitioning from a deals-based economy to a rules-based governance framework that can promote inclusive economic development and long-term political stability.

## BACKGROUND

Democratic South Africa has seen coalitions formed at all levels of government. The 1994 Government of National Unity (GNU) was particularly significant for the country's long-term political and economic development and the relationship between the economic and political elites. Before the 1994 election, the mining, energy and financial sectors comprised 80% of the Johannesburg Stock Exchange's market capitalisation. However, the influence of these sectors on the country's post-1994 politics has remained somewhat unclear, as direct transactions between political parties and these sectors were not required to be reported before the Political Party Funding Act (Act 6 of 2018), which came into effect in 2021. This is particularly relevant given the ANC's declining electoral performance and the increasing importance of electoral coalitions, with the 2016 local elections being a turning point.

The continued influence of businesses on the country's national political institutions without the need to engage with the ANC raises the question of whether the current GNU represents a shift in the country's elite deal-making from a closed-ordered environment to a more open one or whether it is simply a reconfiguration of the former, similar to the country's GNU in 1994.

Evidence reporting and disclosure of political donations after the promulgation of the Promotion of Access to Information Amendment Act (Act 31 of 2019), in effect from April 2021) suggest that the influence of businesses on South Africa's electoral results is still closely tied to the traditional MEFC. While capable of driving economic growth, this complex comprises extractive economic institutions within South Africa's economic framework, limiting the scope and means for required structural change to the economy.

## POLICY ALTERNATIVES

### 1. Reinvigorating Democratic Institutions

Considering the nature of declining political trust in South Africa's electoral system, there is a need to redirect focus to strengthening democratic institutions, including bolstering the credibility of the Independent Electoral Commission (IEC) and ensuring transparency in governance processes. This involves reforming the electoral system to promote greater accountability of political leaders and reducing the influence of elite funding in politics.

### 2. From Deals to Rules-Based Governance

Due to the previous electoral dominance of the ANC, the current political economy of South Africa is heavily shaped by a deals-based environment where elite actors engage in discretionary, personalised transactions to secure economic benefits. A shift to a rules-based system would enforce the uniform application of laws and policies, reducing opportunities for corruption and favouritism. This necessitates a further review of the nature of party-political funding.

The 2024 elections represent a critical juncture for South Africa's political and economic future. While the formation of the GNU offers an opportunity for collaboration and renewal, it also poses significant challenges to managing coalition governance, ensuring economic stability and addressing deep-rooted inequality. The country must transition from a deals-based political economy dominated by elite interests to a rules-based system that promotes inclusive growth and democratic accountability. South Africa's success in navigating this transition phase will depend on the government's ability to forge a new social contract that balances political stability with economic transformation. This could lay the foundation for a more equitable, transparent and prosperous future.

## POLICY RECOMMENDATIONS

### Recommendations for the Executive

a) Improved transparency regarding private sector initiatives supporting the government after the COVID-19 pandemic. While admirable, within the context of coalition governments, there is a need to codify the nature of these interactions and the reporting responsibilities of these actions between the executive and the legislature.

b) While initiating and conceptualising public-private sector collaboration remains the executive's prerogative, the government should create an institutional framework that channels these partnerships toward sectors that generate broad-based benefits to support inclusive rather than extractive economic institutions.

c) Reverse the repeal in the Electoral Matters Amendment Act of the R100 000 disclosure threshold and the R15 million donation limit clauses of the Political Party Funding Act.

### Recommendations for Political Parties and the National Legislature

a) Because the current GNU represents a broad spectrum of political ideologies, it is essential to create a legislated coalition framework designed to foster long-term coalition stability.

b) A formal coalition governance framework should be established, including written agreements on policy priorities, decision-making processes and dispute resolution mechanisms.

c) To prevent political opportunism, such agreements must include timelines for service delivery targets, performance indicators and financial oversight.

d) Strengthen the enforcement and oversight of the Promotion of Access to Information Amendment Act of 2021 to ensure disclosure of private political funding.

### Recommendations for the Independent Electoral Commission

a) To reduce the influence of elite funding in politics, the IEC must establish stricter oversight mechanisms backed by financial audits and real-time public disclosure of political donations exceeding a certain threshold.

b) Establish a compliance unit within the IEC to monitor political parties' non-compliance.

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