



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending Regulation (EC) No 2004/2003 on the regulations governing political
parties at European level and the rules regarding their funding**

(presented by the Commission)

EXPLANATORY MEMORANDUM

1) CONTEXT OF THE PROPOSAL

• Ground for and objectives of the proposal

Article 191 of the EC Treaty recognises the crucial role played by political parties at European level, and provides the legal basis for the Regulation on political parties adopted by the European Parliament and the Council in 2003. With a view to strengthening and optimising the democratic infrastructure of the Union, this proposal aims at improving and adjusting the existing Regulation in light of the experience gained in the past four years¹.

The Regulation has shown itself to be successful in providing the necessary framework for the activities and the funding of political parties at European level. The number of political parties at European level receiving funding via the Regulation has increased from eight to a total of ten, representing a very broad spectrum of political forces in Europe. Funding is provided by Budget line 402 under Chapter 40 of Title IV, in Section I (Parliament) of the EU Budget. Despite the success of the Regulation thus far, it is only natural that there is a need to adjust the framework in the light of experience. The purpose of this proposal is thus to introduce a limited number of changes to Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding, which was adopted in June 2003.

• General context

It remains a firm political objective of the European Union to promote a European public sphere to stimulate an informed participation of citizens in the democratic life of the Union. One of the important lessons of the Commission's promotion of democracy, dialogue and debate through "Plan D" is that there is both a demand and an opportunity for measures to strengthen and expand political dialogue.

In its White Paper on a European Communication Policy, the Commission emphasised the important role of political parties in developing a European Public Sphere. The consultation on the White Paper confirmed the importance of a greater involvement of political parties at the European level generating cross-border public debates across Europe. This could also contribute to support an increase in the levels of participation in the European elections. Likewise, the Communication of the Commission "European elections 2004" highlighted that European political parties may also play a role in promoting an enhanced participation of EU citizens in the democratic process at the European and national level².

There is no simple way – and certainly not one single solution – to meet the democratic and participatory aspirations of citizens. It remains clear that these aspirations must be promoted by a very wide range of initiatives and measures, with a particular value in bottom-up initiatives driven by the active involvement of citizens. It is important to ensure the broadest

¹ OJ L 297, 15.11.2003, p. 1.

² COM(2006) 790: European elections 2004: Commission report on the participation of European Union citizens in the Member State of residence (Directive 93/109/EC) and on the electoral arrangements (Decision 76/787/EC as amended by Decision 2002/772/EC, Euratom).

possible participation of citizens - including not least young people - in the democratic life of the Union, to ensure that all voices are heard.

The European level can help to stimulate and facilitate the achievement of these objectives. This was and remains the underlying reason for the establishment of political parties at European level, playing a crucial role in bridging the gap between politics at national and European level and in giving voice to the peoples of Europe.

2) EVALUATION OF THE CURRENT REGULATION BY THE EUROPEAN PARLIAMENT

Article 12 of the Regulation called for the European Parliament to publish a report evaluating the application of the Regulation. Article 12 stated that the report should "...indicate, where appropriate, possible amendments to be made to the funding system". The European Parliament adopted a Resolution drawing its conclusions on 23 March 2006³.

The European Parliament's Resolution identified a number of problems concerning the functioning of the Regulation and included recommendations for amendments to be made.

The recommendations can be divided into three categories:

a) Recommendations to revise the financial provisions of the Regulation in order to align them with the special needs of the political parties at European level

This category covers in particular allowing the building up of financial reserves, on the basis of funding deriving from sources outside the EU Budget; easing restrictions on the transfer of funding between the different budget categories; ensuring the financial security needed for long-term planning; and allowing the carrying-over of a certain percentage of appropriations from one year to the first quarter of the following year.

b) Recommendations for the Commission to submit proposals on supporting European political foundations that are affiliated with the political parties at European level

This recommendation focuses on the need to stimulate the development of European political foundations to underpin and facilitate the European political parties' efforts to promote political information and debate and specifically calls on the Commission to present a proposal on how to support European political foundations.

c) Various recommendations to revise further aspects of the Regulation in line with the recommendations of relevant stakeholders

This includes notably the problems arising from the absence of a uniform legal status for the European political parties. In addition, the report raises the lack of clarity concerning the rules governing the participation of political parties at European level in election campaigns. Furthermore, Parliament's Report calls for European political youth organisations to be considered in this context.

³ OJ C 292E, 1.12.2006, p. 127.

3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The Commission has carefully considered the European Parliament's recommendations in drawing up this proposal.

It should be emphasised that Parliament itself has taken a number of initiatives to address the shortcomings identified in Parliament's Resolution, by amending on 1 February 2006 the Bureau Decision of 29 March 2004 laying down the procedures for implementing Regulation (EC) No 2004/2003⁴. This implies that this proposal to modify the Regulation is aimed at addressing exclusively those shortcomings which require changes to the Regulation itself, and which cannot be undertaken by Parliament on its own. As mentioned before the relevant Budget line is included in the Parliament section of the EU Budget and the Parliament is the Authorising Officer.

The modifications proposed by the Commission can be divided into three main points. On the issue of improving the financial provisions governing the funding of the political parties at European level, it is proposed to modify those provisions in two respects. Firstly, it is proposed to allow the political parties to carry over by way of derogation from the no-profit rule laid down in Article 109 of the Financial Regulation a certain percentage (25%) of the annual total income from one year to the first quarter of the following year. This provision will enable the parties to better respond to changing political circumstances and priorities, difficult to predict when preparing the annual budgets and work programmes of the parties.

Secondly, it is proposed to allow the political parties at European level to build financial reserves by saving income generated by the parties themselves in excess of a new reduced minimum co-funding level of 15%. New Article 9(8), which also constitutes a derogation from the no-profit rule laid down in Article 109 of the Financial Regulation, will allow the parties a greater degree of financial security and planning, while at the same time providing the parties with a strong incentive to strengthen their own resources and thus decrease their reliance on public funding from European level. In order to assure an appropriate balance, it is proposed to allow parties to build up savings corresponding to 100% of their average annual income. If a party exceeds this level of savings, the level of future public subsidies will be reduced correspondingly.

On the issue of political foundations at European level the Commission considers that such foundations do have an important role to play in underpinning and promoting the activities and objectives of the political parties at European level. European political foundations can underpin and complement the activities of the political parties by undertaking a range of activities that contribute to the debate on European public policy issues and European integration, including by acting as catalysts for new ideas, analysis and policy options. European political foundations may thus bring together all sorts of relevant actors – including national political foundations, and academics – who have the potential to enrich the public debate and to develop new and innovative policy proposals.

Political foundations already play an important role in national political systems in many Member States, inter alia because of the possibilities for political foundations to undertake

⁴ OJ C 150, 28.6.2006, p. 9.

different and more long-term activities from political parties at European level, who for obvious reasons place more emphasis on responding to the day-to-day politics of the Union. Amongst the activities that political foundations could undertake the following could be highlighted:

- observing, analysing and contributing to the debate on European public policy issues and the process of European integration;
- supporting European seminars, training, conferences and studies on such issues between key stakeholders;
- serving as a framework for national political foundations and academics to work together at European level, including youth organisations and other representatives of civil society.

Since the political foundations are closely affiliated with the European political parties, it is proposed that they must submit their application for funding through the political party at European level with which they are linked (cf. new Article 4(4)). In order to ensure transparency – and in line with the principle of activity based budgeting – the appropriations for political foundations at European level could be established as a separate budget line under Chapter 40 of Title IV, in Section I (Parliament) of the EU Budget.

Finally, it is proposed to establish clearly that appropriations received from the EU budget may also be used for the financing of campaigns conducted by the political parties at European level in the context of European Parliament elections, provided that this does not constitute a direct or indirect financing of national political parties or their candidates. This amendment follows logically from the fact that – in accordance with the existing Regulation – political parties at European level must have participated in the elections to the European Parliament or have expressed the intention to do so.

Proposal for a

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amending Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 191 thereof,

Having regard to the proposal from the Commission⁵,

Acting in accordance with the procedure laid down in Article 251 of the Treaty⁶,

Whereas:

- (1) Article 12 of Regulation (EC) No 2004/2003 stipulates that the European Parliament shall publish a report on the application of the Regulation, including – where appropriate – possible amendments to be made to the funding system.
- (2) In its Resolution of 23 March 2006 on the application of Regulation (EC) No 2004/2003⁷, the European Parliament considered that that Regulation should be improved on a number of points in light of experience gained since its entry into force in 2003.
- (3) Provisions to provide financial support for political foundations at European level should be laid down in the context of this Regulation, as political foundations at European level affiliated with the political parties at European level may through their activities support and underpin the objectives of the European political parties notably in terms of contributing to the debate on European public policy issues and European integration, including by acting as catalysts for new ideas, analysis and policy options.
- (4) It remains an important objective to ensure the broadest possible participation of citizens in the democratic life of the Union. In this context political youth organisations can play a special role in fostering interest for and concrete knowledge about the political system of Union amongst young people, actively promoting their participation in democratic activities at European level.
- (5) The rules governing the financing of political parties at European level should be adapted to take better account of the special conditions under which political parties

⁵ OJ C

⁶ OJ C

⁷ OJ C 292E, 1.12.2006, p. 6.

operate, including shifting political challenges and agendas creating budgetary impacts that the political parties cannot predict when drawing up their annual work programmes and budgets. To that end a limited access to carrying over funding from one year to the first quarter of the following year should be introduced.

- (6) In order to enhance the parties' long-term financial planning capabilities, to take account of the varying funding needs from one year to another, and to strengthen the incentives of the parties to rely not only on public funding, the political parties at European level should be allowed to establish limited financial reserves based on own-resources generated from other sources than the budget of the European Union.
- (7) In order to create conditions conducive for the funding of political parties at European level, while encouraging them to ensure adequate long-term financial planning, the minimum co-funding requirement should be adjusted.
- (8) With a view to further enhancing and promoting the European nature of the elections to the European Parliament, it should be established clearly that appropriations received from the EU budget may also be used for the financing of campaigns conducted by the political parties at European level in the context of European Parliament elections, provided that this does not constitute a direct or indirect financing of national political parties or their candidates.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 2004/2003 is amended as follows:

- (1) In Article 2, the following point 4 is added:

"4. "Political foundations at European level" means an entity or network of entities which has legal personality in a Member State, is affiliated with a political party at European level and which through its activities underpins and complements the objectives of the European political party by performing, in particular, the following tasks:

- observing, analysing and contributing to the debate on European public policy issues and the process of European integration;
- organising and supporting seminars, training, conferences and studies on such issues between relevant stakeholders, including youth organisations and other representatives of civil society;
- serving as a framework for national political foundations, academics, and other relevant actors to work together at European level."

- (2) Article 3 is amended as follows:

The following second and third paragraphs are added after point (d):

"A political foundation at European level shall satisfy the following conditions:

(a) it must be affiliated with one of the political parties at European level recognised in accordance with Article 3, as certified by the latter;

(b) it must observe, in particular in its programme and in its activities, the principles on which the European Union is founded, namely the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law.

Within the framework of this Regulation, it remains for each political party and foundation at European level to define the specific modalities for their relationship, including an appropriate degree of separation between the daily management as well as the governing structures of the political foundation at European level on the one hand, and on the other hand the political party at European level with which the former is affiliated."

(3) In Article 4, the following paragraphs 4, 5, 6, and 7 are added:

"4. A political foundation at European level may apply for funding through the political party at European level with which it is affiliated.

5. Funding for a political foundation at European level shall be allocated on the basis of the former's affiliation with a political party at European level, applying the provisions of Article 10(1). Article 9 shall apply to the funds thus allocated.

6. Funding allocated to a political foundation at European level may only be used for the purpose of financing the activities of the former in accordance with the provisions of Article 2(4).

7. The provisions of paragraphs 1 and 3 shall apply *mutatis mutandis* to the political foundations at European level when assessing applications for funding from the general budget of the European Union."

(4) In Article 5, the following paragraphs 4, 5, and 6 are added:

"4. The provisions of paragraph 2 shall apply *mutatis mutandis* to the political foundations at European level.

5. If the political party at European level with which a political foundation at European level is affiliated forfeits its status, the political foundation at European level in question shall be excluded from funding under this Regulation.

6. If the European Parliament finds that any of the conditions referred to in Article 3(c) are no longer satisfied, the political foundation at European level in question shall be excluded from funding under this Regulation."

(5) Article 6 is replaced by the following:

"Article 6
Obligations linked to funding

1. A political party at European level as well as a political foundation at European level shall:

(a) publish its revenue and expenditure and a statement of its assets and liabilities annually;

(b) declare its sources of funding by providing a list specifying the donors and the donations received from each donor, with the exception of donations not exceeding EUR 500.

It shall not accept:

(a) anonymous donations,

(b) donations from the budgets of political groups in the European Parliament,

(c) donations from any undertaking over which the public authorities may exercise directly or indirectly a dominant influence by virtue of their ownership of it, their financial participation therein, or the rules which govern it,

(d) donations exceeding EUR 12 000 per year and per donor from any natural or legal person other than the undertakings referred to in c) and without prejudice to paragraphs 2 and 3.

2. Contributions to a political party at European level from national political parties which are members of a political party at European level shall be admissible. They may not exceed 40 % of that party's annual budget.

3. Contributions to a political foundation at European level from national political foundations, which are members of a political foundation at European level, as well as from political parties at European level, shall be admissible. They may not exceed 40 % of that foundation's annual budget".

(6) Article 7 is replaced by the following:

"Article 7
Prohibition of funding

1. The funding of political parties at European level from the general budget of the European Union or from any other source may not be used for the direct or indirect funding of other political parties, and in particular national parties, which shall continue to be governed by national rules.

2. The funding of political foundations at European level from the general budget of the European Union may not be used for the direct or indirect funding of political parties either at European or national level or of foundations at national level."

(7) Article 8 is replaced by the following:

"Article 8
Nature of expenditure

Without prejudice to the funding of political foundations, appropriations received from the general budget of the European Union in accordance with this Regulation

may only be used to meet expenditure directly linked to the objectives set out in the political programme referred to in Article 4(2)(b).

Such expenditure shall include administrative expenditure and expenditure linked to technical assistance, meetings, research, cross-border events, studies, information and publications.

Such expenditure may also include financing campaigns conducted by the political parties at European level in the context of the elections to the European Parliament, in which they participate as required in Article 3(d). In accordance with Article 7 these appropriations shall not constitute a direct or indirect financing of national political parties or their candidates."

(8) Article 9 is amended as follows:

(a) Paragraph 1 is replaced by the following:

"1. Appropriations for funding of political parties at European level as well as political foundations at European level shall be determined under the annual budgetary procedure and shall be implemented in accordance with the Financial Regulation (Council Regulation (EC, Euratom) No 1605/2002*) and its Implementing Rules applicable to the general budget of the European Communities Commission Regulation (EC, Euratom) No 2342/2002**).

The implementing procedures of this Regulation are laid down by the authorising officer.

* OJ L 248, 16.9.2002, p. 1.

** OJ L 357, 31.12.2002, p. 1."

(b) Paragraph 3 is replaced by the following:

"3. Control of funding granted under this Regulation shall be exercised in accordance with Regulation (EC, Euratom) No 1605/2002 and Regulation (EC, Euratom) No 2342/2002.

Control shall also be exercised on the basis of annual certification by an external and independent audit. This certification shall be transmitted, within six months of the end of the financial year concerned, to the European Parliament.

(c) The following paragraphs 7, 8, and 9 are added:

"7. If a political party at European level realises a surplus of income over expenditure at the end of a financial year for which it received an operating grant, part of that surplus up to 25% of the total income for that year may, by derogation to the no-profit rule laid down in Article 109 of Regulation (EC, Euratom) No 1995/2006, be carried over to the following year under the condition that it will be used before the end of the first quarter of this following year.

8. For the purposes of verifying the no-profit rule, the own resources, in particular donations and membership fees, aggregated in the annual operations of a political party at European level, which exceeds the 15% of eligible costs to be borne by the beneficiary shall not be taken into account.

9. The provisions of paragraph 8 shall not apply if the financial reserves of a political party at European level exceed 100 % of the average annual income of the former."

(9) In Article 10, paragraph 2 is replaced by the following:

"2. Funding charged to the general budget of the European Union shall not exceed 85% of the budget of a political party or foundation at European level. The burden of proof shall rest with the relevant political party at European level.

(10) Article 12 is replaced by the following:

"Article 12
Evaluation

The European Parliament shall publish a report no later than 15 February 2011 on the application of this Regulation and the activities funded. The report shall indicate, where appropriate, possible amendments to be made to the funding system."

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President