



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the statute and financing of European political parties

(presented by the Commission)

EXPLANATORY MEMORANDUM

Article 191 of the Treaty as modified by the Treaty of Nice states:

Political parties at European level are important as a factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union.

The Council, acting in accordance with the procedure referred to in Article 251, shall lay down the regulations governing political parties at European level and in particular the rules regarding their funding.

Article 191 recognises the important role that European political parties can play in developing political debate at the European level, thereby enhancing the quality of democracy and improving the functioning of the institutions of the Union.

It also recognises that in order to perform the role that the Treaty wishes to assign to them, it will be necessary that they should be at least partially financed from the Community budget.

Article 191, as amended, now provides for the adoption of the appropriate legislative framework by the codecision procedure. This new proposal builds on the constructive work already carried out in the three institutions on the interim proposal based on Article 308 and integrates the areas of consensus achieved in the course of that process.

The purpose of the proposal is to give concrete effect to the intent expressed in the first paragraph of Article 191 by establishing a solid, clear and transparent long-term framework for the European parties and their financing from the Community budget.

The Commission considers that it would be inappropriate to establish intrusive or over prescriptive political requirements for the registration of European political parties, but considers it essential to lay down minimum standards of democratic conduct for such parties.

Accordingly, Article 2 (dealing with the definition of a party) and Article 3 (dealing with registration) lay down that to be registered by the European Parliament a party must:

- have participated or declared their intention to participate in elections to the European Parliament;
- have clearly defined bodies responsible for financial management;
- ensure that the statute and activities of the European political party respect the basic purposes of the Union with regard to freedom, democracy, human rights, fundamental freedoms and the rule of law.

Article 4 establishes a procedure for verification of respect for these obligations contained in the third indent above and would enable the European Parliament to deregister a party which no longer satisfies the conditions for registration.

To ensure transparency, Article 3 requires the publication of the Statutes.

Thus, the registration procedure laid down in Article 3 represents a first, necessary but not sufficient step to obtain financing. A party must first register its statute and then meet the specific additional conditions set out in Article 5 before it can obtain financing. Registered

parties would make application for funding to Parliament which would decide within two months.

The award of Community financing must be reserved for parties that are reasonably representative, either in the European Parliament or in a number of Member States. In this context, the reference in Article 5 of the Regulation to regional parliaments should be interpreted in each Member State in the light of its internal constitutional principles. The following criteria are proposed: elected members in the European Parliament or national or regional Parliaments in at least of third of the Member States, or to have obtained at least five percent of the votes at the most recent European elections in at least one third of the Member States of the Community. The parties must also commit themselves not to accept certain kinds of donations defined in Article 5(d).

Parties would then be eligible for financing from the Union budget in compliance with Article 191 and at the same time with the subsidiary principle. This financing is not intended to replace the autonomous financing of the European parties which must represent at least 25% of the budget of each party.

The distribution between parties eligible for financing is based on objective factors. Each party would receive a flat-rate basic grant plus a second component based on the number of elected representatives in the European Parliament. The two components would account for 15% and 85% of the appropriations respectively.

The proposed budgetary allocation has been revised to take into account the forthcoming increase in the population of the Union resulting from enlargement.

Obviously, the finances of a political party which obtains financing from the Community budget must be transparent. European political parties would be required to publish their accounts and declare their sources of finance (excluding donations not exceeding € 100) from whatever source. Standard reporting, accounting and audit procedures are laid down in accordance with the Financial Regulation.

In order to avoid an inappropriate confusion of functions, it is necessary to provide for an external and independent auditing of the accounts of the parties.

Finally, it has been proposed to finance the action as specific administrative expenditure of the Parliament (section I of the budget), in accordance with the provision for an article entitled "Contribution to European Political Parties" made by the Budgetary Authority in the Parliament's budget for 2002 and 2003.

The provisions of Articles 66, 76 and 116 of the Financial Regulation¹ concerning the responsibility of the authorising officer require that the same authorising officer decides on the subsidies allocated and makes the corresponding budgetary and legal commitments.

¹ OJ L 248 of 16.09.2002.

Proposal for a

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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 Commission²,

Acting in accordance with the procedure laid down in Article 251 of the Treaty³

Whereas:

- (1) It is necessary to make provision for a statute for European political parties and to ensure that they respect fundamental rights and principles of democracy and the state based on the rule of law, in accordance with the Treaty and the Charter of Fundamental Rights of the European Union, and that they have their own managing bodies.
- (2) Provision should be made for the financing of European political parties so as to cover part of their operating costs. In accordance with Declaration No 11 annexed to the Treaty of Nice, the financing may not be used to fund, either directly or indirectly, political parties at national level.
- (3) The conditions laid down by this Regulation should be applied on the same basis to all European political parties, but account should be taken of their actual representativeness in the European Parliament.
- (4) Financing should be given solely to parties that are sufficiently representative at European level so as to avoid financing purely national parties, or parties to which financing has been refused at national level on the grounds that they do not respect democratic principles. This financing should not replace autonomous financing of the parties.
- (5) The nature of the expenditure that can be financed under this Regulation should be defined.
- (6) The appropriations allocated to financing parties should be determined in the annual budgetary procedure.

² OJ C [...], [...], p. [...].

³ OJ C [...], [...], p. [...].

- (7) The appropriations allocated to financing parties will be classified as specific administrative expenditures of the European Parliament and the execution will be under its responsibility as authorizing officer.
- (8) It is necessary to ensure adequate transparency and financial control of European political parties financed from the general budget of the European Communities,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

This Regulation establishes rules on the statute and financing of European political parties.

Article 2

Definitions

For the purposes of this Regulation:

1. "political party" means an association of citizens
 - pursuing political objectives, and
 - either recognised by or established in accordance with the legal order of at least one Member State;
2. "alliance of political parties" means structured cooperation between at least two political parties;
3. "European political party" means a political party or alliance of political parties with a statute registered with the European Parliament in accordance with the conditions and procedures laid down in this Regulation.

Article [3]

Statute

1. Any political party or alliance of political parties may register a statute with the European Parliament subject to the following conditions:
 - (a) the political party or the alliance of political parties is present in at least three Member States;
 - (b) the political party, alliance of political parties, or the components of the alliance must have participated in elections to the European Parliament, or have expressed their intention to do so by filing a written declaration with the European Parliament;

2. The statute shall contain a programme setting out the objectives of the political party or of the alliance of political parties, and shall define in particular the bodies responsible for political and financial management as well as the bodies or natural persons holding, in each of the Member States concerned, the power of legal representation, in particular for the purposes of the acquisition or disposal of movable or immovable property and of being a party to legal proceedings.

The statute and activities of the political party or of the alliance of political parties must respect the principles of freedom and democracy, human rights and fundamental freedoms, and the rule of law.

3. Any amendment to a statute already registered shall be subject to a request for registration addressed to the European Parliament. The European Parliament shall within three months of receiving any such request register any statute or any amendment of a statute already registered. The European Parliament shall verify regularly that the conditions set out in paragraphs 1 and 2 of this article continue to be met by registered parties.
4. The European Parliament shall publish registered statutes.

Article [4]

Verification

1. At the request of one quarter of its members, representing at least three political groups in the European Parliament, the European Parliament shall verify, by a majority of its members, that the condition laid down in Article 3 (2), second sentence, continues to be satisfied by a European political party. Before carrying out such verification the European Parliament shall hear the representatives of the European political party concerned and ask a committee of independent eminent persons to give an opinion on the subject within a reasonable time.

If the European Parliament finds, by a majority of its members, that the condition is no longer satisfied, the statute of the European political party in question shall be removed from the register.

2. The committee of independent eminent persons shall consist of three members, with the European Parliament, the Council and the Commission each appointing one member. The secretariat and financing of the committee shall be provided by the European Parliament.

Article [5]

Financing

1. To be eligible for financing charged to the general budget of the European Communities, a European political party shall demonstrate that it has legal personality in the Member State in which its seat is located and shall:
 - (a) be represented by elected members in the European Parliament or the national Parliaments or regional Parliaments or regional assemblies in at least one third of the Member States, or
 - (b) have received at least five per cent of the votes cast at the most recent European elections in at least one third of the Member States.
2. To obtain financing, a European political party shall file an application with the European Parliament, which shall adopt a decision on the matter within two months and authorise and manage the corresponding appropriations.
3. A European political party which receives financing shall:
 - (a) publish its revenue and expenditure and a statement of its assets and liabilities annually;
 - (b) declare its sources of finance by providing a list specifying the donors and the donations given by each donor, with the exception of donations not exceeding EUR 100;

It shall not accept

- (a) anonymous donations,
- (b) donations from the budgets of political groups in the European Parliament,
- (c) donations from legal bodies in which the State holding exceeds 50% of their capital,
- (d) donations exceeding EUR 5 000 per year and per donor from any natural or legal person other than the legal bodies referred to in point (c) the previous indent and without prejudice to the third subparagraph.

Donations from a political party forming part of the European political party shall be admissible.

Article [6]

Prohibition of financing

The financing of European political parties from the general budget of the European Communities or from any other source may not be used for the direct or indirect financing of national political parties.

Article [7]

Nature of expenditure

Funds received from the general budget of the European Communities in accordance with this Regulation may be used only to meet expenditure directly linked to the objectives set out in the statute. They may not be used to finance election campaigns.

Expenditure includes administrative expenditure and expenditure linked to logistical support, meetings, studies, information and publications.

Article [8]

Implementation and control

1. Appropriations for financing European political parties shall be determined in accordance with the budgetary procedure and shall be implemented in accordance with the Financial Regulation applicable to the general budget of the European Communities.
2. The valuation of buildings, inventory and their depreciation shall be carried out in accordance with Commission Regulation (EC) No 2909/2000⁴.
3. Control of financing granted under this Regulation shall be exercised in accordance with the Financial Regulation and the implementing rules thereto.

Control shall also be exercised on the basis of an 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 and the Court of Auditors.

4. Funds improperly received by European political parties from the general budget of the European Communities shall be refunded.
5. Any document or information required by the Court of Auditors in order to carry out its task shall be supplied to it at its request by European political parties receiving payments charged to the budget.

⁴ OJ L 336, 30.12.2000, p.75.

Where expenditure is committed by European political parties jointly with national parties and other organisations, evidence of the financial outlay incurred by the European political parties shall be made available to the European Court of Auditors.

6. Funding of European political parties as organisations of general European interest, is not subject to the provisions to article 113 of the Financial Regulation relating to the degressivity of such funding.

Article [9]

Distribution

1. Available appropriations shall be distributed annually as follows:
 - (a) 15% shall be distributed in equal shares among the European political parties which satisfy the conditions set out in Article 5;
 - (b) 85% shall be distributed among the European political parties which satisfy the conditions set out in Article 5 and have elected members in the European Parliament, in proportion to the number of elected members.

For the application of these provisions, a Member of the European Parliament may be a member of only one European political party.

2. Financing charged to the general budget of the European Communities, including that provided for in this Regulation, shall not exceed 75% of a European political party's budget. The burden of proof shall rest with the European political party concerned.

Article [10]

Technical support

All technical support from the European Parliament to political parties shall be based on the principle of equal treatment, shall be granted on conditions no less favourable than those granted to other external organisations and associations that may be accorded similar facilities and shall be supplied against invoice and payment.

Article [11]

Entry into force

This Regulation shall enter into force three months following its publication in the *Official Journal of the European Communities*.

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

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): European Political Parties

Activit(y/ies):

TITLE OF ACTION: STATUTE AND FINANCING OF EUROPEAN POLITICAL PARTIES

1. BUDGET LINE(S) + HEADING(S)

Budget line 3710 in section I (Parliament) of the budget entitled “Contribution to the European Political Parties”.

2. OVERALL FIGURES

2.1. Total allocation for action (Part B): € million for commitment

8.4 Mio annually.

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2.2. Period of application:

Indefinite. Annual setting of appropriations.

2.3. Overall multiannual estimate of expenditure:

- (a) Schedule of commitment appropriations/payment appropriations (financial intervention) *(see point 6.1.1)*

€ million *(to three decimal places)*

	Year [n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5 and subs. Years]	Total
Commitments	8.4	8.4	8.4	8.4	8.4	8.4	-
Payments	7.56	8.4	8.4	8.4	8.4	8.4	-

- (b) Technical and administrative assistance and support expenditure *(see point 6.1.2)*

Commitments							
Payments							

Subtotal a+b							
Commitments	8.4	8.4	8.4	8.4	8.4	8.4	-
Payments	7.56	8.4	8.4	8.4	8.4	8.4	-

- (c) Overall financial impact of human resources and other administrative expenditure
(see points 7.2 and 7.3)

Commitments/ payments	0.018	0.018	0.018	0.018	0.018	0.018	-
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TOTAL a+b+c							
Commitments	8.418	8.418	8.418	8.418	8.418	8.418	-
Payments	7.578	8.418	8.418	8.418	8.418	8.418	-

2.4. Compatibility with financial programming and financial perspective

[X] Proposal is compatible with existing financial programming.

2.5. Financial impact on revenue:⁵

[X] Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
Non-comp	Diff	YES	NO	NO	No [3]

4. LEGAL BASIS

Article 191 of the EC Treaty.

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention ⁶

Article 191 mandates the legislator to regulate the statute and financing of European political parties. The aim of this Regulation is create a stable, transparent and legitimate framework for the financing of European political parties. There is a clear need to provide partial financing of parties from the Community budget to enable them to meet the objectives assigned by the Treaty and to do so in a way which will meet the criticism levelled at the existing financing through the budgets of the political groups by the Court of Auditors.

⁵ For further information, see separate explanatory note.

⁶ For further information, see separate explanatory note.

5.2. Action envisaged and budget intervention arrangements

Beneficiaries will be the registered European political parties that meet the conditions laid down in the Regulation so as to enable them to meet the objectives assigned to them by Article 191 of the Treaty.

5.3. Methods of implementation

EUR 8.4 million. This figure represents an estimate of the maximum amount that could be received by the European parties, having regard to their existing own resources and the need to respect the provisions of Article 9 of the Regulation which lays down that Community funding cannot exceed 75% of the total budget of any party.

Subsidies to each of the five existing European political parties. Each party will receive a subsidy that may not exceed 75% of the party's total budget. This subsidy can be made up of two parts:

- (i) all qualifying parties can receive an equal part of 15% of the total budget;
- (ii) the parties that are represented in the European Parliament can receive an amount based on the number of MEPs that this party has. This would be assessed by the formula:

$$\text{Subsidy for each party} = \frac{\text{total budget} \times 0.85 \times \text{MEPs from party}}{\text{total no. MEPs from all qualifying parties}}$$

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B - (over the entire programming period)

(The method of calculating the total amounts set out in the table below must be explained by the breakdown in Table 6.2.)

6.1.1. Financial intervention

Commitments (in € million to three decimal places)

Breakdown	[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5 and subs. Years]	Total
Action 1							-
Action 2							
etc.							
TOTAL	8.4	8.4	8.4	8.4	8.4	8.4	-

6.1.2. *Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)*

	[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5 and subs. Years]	Total
1) Technical and administrative assistance							
a) Technical assistance offices							
b) Other technical and administrative assistance: - intra muros: - extra muros: <i>of which for construction and maintenance of computerised management systems</i>							
Subtotal 1							
2) Support expenditure							
a) Studies							
b) Meetings of experts							
c) Information and publications							
Subtotal 2							
TOTAL							

6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)⁷

(Where there is more than one action, give sufficient detail of the specific measures to be taken for each one to allow the volume and costs of the outputs to be estimated.)

Commitments (in € million to three decimal places)

Breakdown	Type of outputs (projects, files)	Number of outputs (total for years 1...n)	Average unit cost	Total cost (total for years 1...n)
	1	2	3	4=(2X3)
<u>Action 1</u> - Measure 1 - Measure 2 <u>Action 2</u> - Measure 1 - Measure 2 - Measure 3 etc.				
TOTAL COST				

If necessary explain the method of calculation

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

The human and administrative resources required will be covered within the staff allocated to the European Parliament in the budget 2004.

7.1. Impact on human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
		Number of permanent posts	Number of temporary posts		
Officials or temporary staff	A B C	0.1 person per year			Implementing payments under the Regulation
Other human resources					
Total		0.1			

⁷ For further information, see separate explanatory note.

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials	10,800	0.1 x 108,00
Temporary staff		
Other human resources (specify budget line)		
Total	10,800	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
Overall allocation (Title A7)		
A0701 – Missions		
A07030 – Meetings		
A07031 – Compulsory committees ¹		
A07032 – Non-compulsory committees ¹		
A07040 – Conferences		
A0705 – Studies and consultations		
Other expenditure (specify)		
Information systems (A-5001/A-4300)		
Other expenditure – Part A (specify)		
Other expenditures – Other Section I-3710 (Parliament)	8.4 M€	See above
Total	8.4 M€	

The amounts are total expenditure for twelve months.

¹ Specify the type of committee and the group to which it belongs.

I.	Annual total (7.2 + 7.3)	€10,800
II.	Duration of action	Indefinite
III.	Total cost of action (I x II)	€

8. FOLLOW-UP AND EVALUATION

The Parliament will keep the operation of the Regulation under permanent review in the light of the audits and budgets published by the European political parties and will evaluate the action on an ongoing basis in the course of the annual budgetary process.

9. ANTI-FRAUD MEASURES

- The Regulation requires the European political parties to comply with the provisions of the Financial Regulation, to publish their accounts and submit them to the Parliament and the Court of Auditors.