

# European political parties and political foundations – Statute and funding

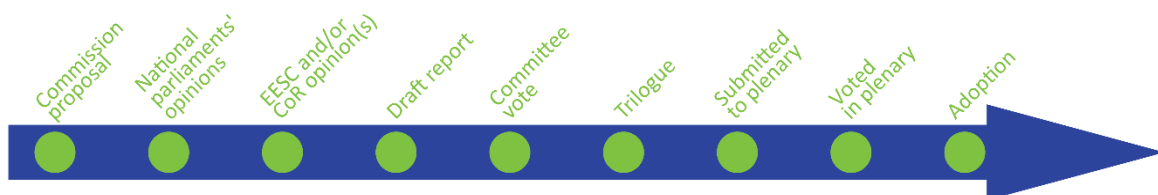
## OVERVIEW

On 13 September 2017, the European Commission adopted a proposal to amend the rules on the statute and funding of European political parties and European political foundations. The proposal aimed to revise the existing, 2014, regulation ahead of the 2019 European elections, to address specific loopholes. The limited number of proposed amendments focus on providing more transparency, improving democratic legitimacy and strengthening enforcement. However, a more thorough revision will be considered at a later date.

Stakeholders shared the view that the 2014 regulation needs revising in advance of the 2019 European elections. Furthermore, the proposal came as a direct response to the European Parliament resolution of 15 June 2017, which called for the revision of the current legislation. Following agreement in trilogue in March 2018, the new regulation entered into force on 4 May 2018.

## Proposal for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 1141/2014 of the European Parliament and the Council of 22 October 2014 on the statute and funding of European political parties and European political foundations

<i>Committee responsible:</i>	Constitutional Affairs (AFCO)	COM(2017) 481
<i>Rapporteurs:</i>	Rainer Wieland (EPP, Germany) Mercedes Bresso (S&D, Italy)	13.9.2017 2017/0219 (COD)
<i>Shadow rapporteurs:</i>	Morten Messerschmidt (ECR, Denmark) Jasenko Selimovic (ALDE, Sweden) Helmut Scholz (GUE/NGL, Germany) Pascal Durand (Greens/EFA, France) Gerolf Annemans (ENF, Belgium) Fabio Massimo Castaldo (EFDD, Italy)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Procedure completed.</i>	Regulation (EU, Euratom) 2018/673 <a href="#">OJ L 114 I, 4.5.2018, pp. 1-6.</a>	



## Introduction

In his State of the Union address on 13 September 2017, the Commission President, Jean-Claude Juncker, announced the adoption of a [proposal](#) for a regulation amending the rules on the statute and funding of European political parties and European political foundations. The proposed changes are in direct response to a [resolution](#) of the European Parliament of 15 June 2017, while the debate that the Commission had with the Parliament's Constitutional Affairs Committee (AFCO) on 12 July 2017 contributed greatly to preparatory work on the draft regulation. With this proposal, the Commission is putting forward a limited number of well-targeted amendments to the [existing regulation](#), aiming to improve its biggest shortcomings ahead of the 2019 European elections. The proposed amendments are geared towards enhancing **transparency**, enabling people to know who they are voting for, improving **democratic legitimacy**, so that funding reflects the European electorate more closely, and tightening up on **enforcement**, thus discouraging all kinds of abuses of funds. The proposal should be adopted by April 2018 allowing it to apply as of the 2019 financial year.

## Context

European political parties were established before the first direct European elections and have since gradually developed their infrastructure and influence. They represent transnational political federations of national political parties from several Member States sharing a political affiliation. Although they are not identical to the [political groups](#) in the European Parliament, they cooperate closely with them.

European parties were first recognised in the [Treaty of Maastricht](#) (Article 138a), while the [Treaty of Nice](#) (Article 191) provided for the adoption of regulations governing political parties at European level as well as for the rules regarding their funding.

Currently, the role of the European political parties is set out in the Treaty on European Union (Article 10(4) [TEU](#)) and Article 12(2) of the [Charter of Fundamental Rights of the European Union](#), stipulating that they 'contribute to forming European political awareness and to expressing the will of citizens of the Union'.

Since July 2004, and the entry into force of the first [regulation](#) on European political parties' governance and funding, adopted in November 2003, European parties have been able to receive funding from the EU budget. However, their statute and organisation was initially governed by legal provisions in the Member State in which their seat was located (Article 3a of the regulation). Although the importance of European political parties was now recognised in the Treaties, and they were entitled to funds from the EU budget, their truly European dimension could not be fully realised while their organisation depended on the legislative provisions of individual Member States. This situation was criticised by the European Parliament, and in 2006 Parliament [called](#) on the Commission to revise the rules to give European political parties legal personality as well as making changes to rules on their funding. Parliament reiterated its calls for a revision of the regulation in a [resolution of 6 April 2011](#). The Commission recognised the need to improve the legal and financial framework so as to allow European political parties and foundations to become more visible and relevant actors in the Union's political system. As a result, a new [regulation](#) was finally adopted in October 2014, and came fully into application as of 1 January 2017.

## Existing situation

At present, European political parties are regulated by [Regulation \(EU, Euratom\) 1141/2014](#), which replaced [Regulation \(EC\) 2004/2003](#). The Commission introduced that proposal with a view to boosting the profile, recognition, effectiveness, transparency and accountability of European political parties and European political foundations.

Under the current regulation, political parties and foundations have the opportunity to become **European legal entities** and, as a result, gain greater access to funding from the EU budget. The acquisition of European legal personality and resulting ability to be registered as a European political party or European political foundation is subject to the following requirements:<sup>1</sup>

- the organisation must have its seat in a Member State;
- it must be represented by Members of the European Parliament (MEPs) or members of national or regional parliaments in at least one quarter of Member States, or have received, in at least one quarter of the Member States, at least 3 % of the votes cast in each of those Member States at the most recent European elections;
- in its programme and activities it needs to respect the values upon which the Union is founded, as expressed in Article 2 TEU (human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of people belonging to minorities);
- it must have participated in elections to the European Parliament, or have expressed publicly the intention to participate in the next elections to the European Parliament;
- it must not be a profit-making organisation.

Article 6 of the regulation established an independent [Authority for European Political Parties and European Political foundations](#) (the Authority) for the purpose of [registering](#) and de-registering, controlling and, if necessary, imposing sanctions on European political parties and foundations. The Authority regularly verifies that upon their registration, European political parties and foundations continue to comply with the requirements set out in Regulation (EU, Euratom) 1141/2014, including cases of possible failure to respect fundamental European values. The European Parliament, the Council and the Commission may lodge a request with the Authority to verify whether a specific party or foundation is complying with stipulated requirements. In such cases, the Authority must consult a committee of independent eminent persons (Article 11) for an opinion.

## Funding

After the European political party has been registered by the Authority and therefore acquired European legal personality, and provided that it is represented in the European Parliament by at least one member, it can apply for funding from the general budget of the European Union. Financial contributions or grants from the EU budget can cover up to 85 % of a party's overall eligible<sup>2</sup> expenditure. In 2018, a total of **€32.44 million** has been made available for [grants](#) to European political parties within the [EU budget](#) (item 402), and **€19.32 million** for [grants](#) to European political foundations (item 403). The remaining expenses of parties and foundations are covered by their own resources, such as membership fees and donations. The ceiling on donations is set at €18 000 per donor annually (Article 20(1) of the regulation) while donors' names, as well as details of their corresponding donations, must be publicly disclosed for any donation above €3 000. For donations of between €1 500 and €3 000, the donors' identity is published only with their written consent or is otherwise reported as a 'minor donation' (similarly, any donation by

a natural person not exceeding €1 500 per year is considered a 'minor donation' and the donor's identity need not be disclosed).

### **Distribution key for grants from the EU budget**

The appropriations available in the EU budget for eligible European political parties (item 402) and European political foundations (item 403) are distributed according to the following distribution key: 15 % of the appropriations is distributed in equal shares among the beneficiary European political parties or foundations, while the remaining 85 % is distributed among the beneficiary European political parties in proportion to their share of elected members of the European Parliament (Article 19 of the regulation).

### **Parliament's starting position**

On 22 April 2016, the three main European political parties<sup>3</sup> addressed a joint letter to the Commission, pointing out that the existing rules required revision.

In July 2016, Parliament's Secretary-General presented the Bureau with a report<sup>4</sup> concerning the funding of political parties and political foundations at European level. The Bureau forwarded it to the AFCO committee and the European Commission for further consideration. The report addressed certain issues that remained unanswered by the existing regulation. After intensive discussions, the AFCO committee decided to present an oral question to the Commission and, in January 2017, on behalf of the Committee on Constitutional Affairs, Danuta Hübner (EPP, Poland) used a [parliamentary question](#) to invite the Commission to address a number of issues and consider presenting a new legislative proposal. In March 2017, as a follow-up to the parliamentary question, Parliament held a [plenary debate](#), where the Commission took note of Members' concerns and suggestions, and confirmed its willingness to engage with the Parliament and the Council in monitoring the implementation of the new rules<sup>5</sup> and engaging constructively in the formal reviews scheduled for 2018. The main concerns expressed in the parliamentary question and during the debate, and which would require revision of the legal framework were:

- the level of co-financing;
- the possibility of multi-party membership of Parliament's Members;
- the number of members required for funding;
- the financing of referendum campaigns;
- the introduction of a financial capacity criterion;
- the need to tighten control over European political parties' respect for the fundamental values of the EU;
- the building of financial reserves.

On 15 June 2017, Parliament adopted a [resolution](#) on the funding of political parties and political foundations at European level, regretting the numerous shortcomings of Regulation 1141/2014, particularly in respect of the level of co-financing (own resources), and of the possibility of multi-party membership of Members of the European Parliament. Parliament called on the Commission to take a closer look at all the shortcomings and to propose a revision of the regulation as soon as possible.

### **Preparation of the proposal**

Despite the changes introduced and progress made with Regulation 1141/2014, and following the results of the 2014 European elections,<sup>6</sup> the Commission accepted that the existing rules needed to be amended ahead of the next European elections.

As a result of the requests from the European Parliament and following dialogue with various stakeholders (including representatives of European political parties and political groups in the European Parliament, MEPs, the secretariat of the European Parliament, the Authority for European Political Parties and European Political Foundations, and national experts), the Commission drafted a limited number of targeted amendments to the existing regulation. The aim of the amendments is to close the loopholes identified before the 2019 European elections.

### The changes the proposal would bring

In the State of the Union address on 13 September 2017, President Juncker announced the adoption of the proposal for new rules on the financing of European political parties and foundations. The Commission proposed a limited number of targeted amendments as a response to the Parliament [resolution](#) of 15 June 2017.

The specific proposals made by the Commission concern the following:

- *Registration of European political parties – Article 3(1)b*

Only political parties, and no longer individuals, can sponsor the registration of a European political party. The current situation, where individual members are, under certain conditions,<sup>7</sup> allowed to sponsor the registration of a European political party has led to practical problems linked to **multi-party membership**, i.e. members of one national party sponsoring the registration of more than one European political party. This change does not prevent individual membership, but such membership can no longer be relevant to the registration criteria.

- *Allocation of funds from the EU budget – Article 17(4)*

Financial contributions or grants from the EU budget can cover up to 90 % of overall eligible expenditure of a European political party and 95 % of eligible costs incurred by a European political foundation (compared to the current 85 %). **Lowering the co-financing requirement** to 10 % for parties and 5 % for foundations is expected to ease the difficulties faced by parties and foundations in meeting the current co-financing threshold. It is also expected to reduce the use of contributions in kind, as their valuation has proven to be difficult.

- *Distribution of funds from the EU budget – Article 19(1)*

The funds from the EU budget allocated to European political parties overall will be distributed so as to reflect European election results more closely. The Commission proposes to amend the distribution key by **lowering the fixed amount distributed equally** to all eligible European political parties from 15 % to 5 %, and thereby increasing the share of funding distributed in proportion to the number of MEPs among the beneficiary European political parties. In that way the financing of European political parties will be a better reflection of the actual share of each party's vote in the European elections.

- *Transparency – Article 18(3)a*

European political parties are required to report on the publishing of their logo and programme as well as information on gender balance on their member parties' websites as an additional condition for receiving funding from the EU budget. Making this link between national and European political parties provides for greater transparency and enables citizens to better understand the impact of their votes at European level.

- *De-registration and recovery of funds – Article 27 and Article 30(2)*

The Commission has recognised a lack of clarity and transparency in the existing rules regarding the procedure for the de-registration of a European political party or foundation in cases where it ceases to comply with the registration criteria or has been registered on the basis of false information. The proposed amendments should enable the Authority to enforce the rules more effectively. By introducing changes to Article 30, the Commission is extending the scope of possible measures to recover funds wrongly paid.

### Advisory committees

The EU Treaties do not provide for the mandatory consultation of the advisory committees in this procedure (Article 224 of the Treaty on the Functioning of the European Union (TFEU)). Nevertheless, the Commission suggests in its proposal that the European Economic and Social Committee (EESC), the European Committee of the Regions (CoR) and the Court of Auditors be consulted. The Permanent Representatives Committee (Coreper II) [decided](#) at its meeting on 11 October to ask the two advisory committees and the European Court of Auditors to give their opinions as soon as possible. The EESC issued an [opinion](#) on 7 December 2017, in which it generally welcomes the Commission's proposal but suggests some changes regarding the publication of parties' programmes and information about the diversity of candidates on electoral lists. In its [opinion](#) of 14 December, the European Court of Auditors also welcomes the Commission proposal, in particular the provisions aimed at improving sound financial management, accountability and transparency of funding. The Court emphasises that the rules on donations and loans should be tightened up, and reiterates its recommendation from 2013 regarding the removal of the maximum ceiling for fines.

### National parliaments

The deadline for the submission of reasoned opinions was 14 November 2017. Those national parliaments that [examined](#) the proposal agree that the proposed changes comply with principle of subsidiarity.

### Stakeholders' views<sup>8</sup>

According to the Commission's explanatory statement, it was in close dialogue with the relevant stakeholders while preparing the proposal. Meetings were held with representatives of European political parties, political groups in the European Parliament, MEPs, the secretariat of the European Parliament, the Authority for European Political Parties and European Political Foundations and national experts. There was broad consensus that certain loopholes needed to be closed ahead of the 2019 European elections. Stakeholders recognised some other shortcomings of the regulation currently in force, but these were considered less urgent.

### Legislative process

The Commission adopted the [proposal](#) and submitted it to the European Parliament and the Council on 13 September 2017, in accordance with the ordinary legislative procedure, based on Articles 224 and 294 TFEU.

In the Parliament's AFCO committee, Rainer Wieland (EPP, Germany) and Mercedes Bresso (S&D, Italy) were appointed rapporteurs on 28 September 2017. The draft report was presented to an extraordinary meeting of the committee on 23 October 2017 and a [vote](#) was held in the committee on 21 November 2017. During the

same committee meeting, the decision to enter into negotiations and the composition of the negotiating team were approved and the committee's decision was announced at November II plenary session.

In the Council, the Commission proposal was presented during a meeting of the Working Party on General Affairs (GAG) on 28 September 2017. The proposal was further examined at four GAG meetings in 2017. Presidency suggestions for redrafting were discussed from December 2017 to February 2018. On 21 February 2018, the Permanent Representatives Committee (Coreper II) agreed on the text of Council's position and decided to enter into negotiations with the European Parliament.

The positions of the two co-legislators were very close, which allowed for an agreement to be reached swiftly, after only one trilogue meeting, on 27 February 2018. Coreper II endorsed the compromise text at its meeting of 7 March 2018. Following the AFCO committee's approval of the [text](#) on 21 March, the European Parliament adopted the text at first reading during its [April 2018](#) plenary session, by 561 votes to 89, with 36 abstentions. After the Council's approval on 26 April, it entered into force on 4 May 2018, the day it was published in the Official Journal. The main changes the new [regulation](#) brings concern:

- *Registration of European political parties – Article 3(1)b*

Rules regarding registration of European political parties are strengthened, allowing only political parties (and no longer individuals) to be considered when calculating the representation requirements for forming a European political party. Furthermore, its member parties cannot be members of another European political party.

- *Allocation of funds from the EU budget – Article 17(4)*

European political parties and their affiliated foundations will be able to use a larger share from the EU budget. Ninety per cent of the annual reimbursable expenditure indicated in the budget of a European political party, and 95 % of the eligible costs incurred by a European political foundation, will be funded from the EU budget.

- *Distribution of funds from the EU budget – Article 19(1)*

The amount of EU budget funds distributed equally to all eligible European political parties is lowered from 15 % to 10 %, thereby increasing the share of funding distributed in proportion to the number of MEPs among the beneficiary European political parties.

- *Transparency – Article 18(2)a*

European political parties are required to report on the publishing of their logo and programme on their member parties' websites as an additional condition for receiving funding from the EU budget.

- *De-registration and recovery of funds – Article 27 and Article 30(2)*

The Authority shall remove a European political party or European political foundation from the register if it no longer fulfils the conditions for registration, or if the information on the basis of which the registration decision was taken is incorrect or misleading. In the event of an infringement, the Authorising Officer of the European Parliament will terminate the contribution or grant agreement, and recover amounts unduly paid from EU budget.

## EP supporting analysis

[Feasibility of a future European statute of European political parties: legal framework and desirable provisions](#), Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, June 2007.

## Other sources

[Statute and funding of European political parties and European political foundations](#), Legislative Observatory (OEIL), European Parliament.

## Endnotes

- <sup>1</sup> Article 3 of Regulation (EU, Euratom) 1141/2014 on the statute and funding of European political parties and European political foundations.
- <sup>2</sup> According to Article 17(5) of Regulation (EU, Euratom) 1141/2014, eligible expenditures include administrative expenditure and expenditure linked to technical assistance, meetings, research, cross-border events, studies, information and publications, as well as expenditure linked to campaigns.
- <sup>3</sup> The European People's Party, the Party of European Socialists and the Alliance of Liberals and Democrats for Europe.
- <sup>4</sup> The Secretary-General drafted a report on 27 May 2016 presenting the state of play to the Bureau and pointing out the major concerns and shortcomings of the current regulation (a summary of main points raised can be found under item 4 of the minutes of the [European Parliament Bureau meeting of 4 July 2016](#)).
- <sup>5</sup> According to Article 41(3) of Regulation (EU, Euratom) 1141/2014, it started to apply from 1 January 2017.
- <sup>6</sup> In its [report](#) on the 2014 European elections, the Commission found that more needed to be done to strengthen the transparency of the elections and enhance the European dimension of the political debate. The purpose of the report was to assess the implementation of its [recommendation of 12 March 2013](#), in which it had recommended, inter alia, that Member States encourage national political parties to indicate the link between them and the European political parties they were affiliated to, before and during European elections.
- <sup>7</sup> Article 3, [Regulation \(EU, Euratom\) 1141/2014](#).
- <sup>8</sup> This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

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