

# EUROPEAN PARLIAMENT

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**A6-0412/2007**

25.10.2007

**\*\*\*I**

## **REPORT**

on the 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 (COM(2007)0364 – C6-0202/2007 – 2007/0130(COD))

Committee on Constitutional Affairs

Rapporteur: Jo Leinen

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the 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 (COM(2007)0364 – C6-0202/2007 – 2007/0130(COD))**

**(Codecision procedure: first reading)**

*The European Parliament,*

- having regard to the Commission proposal to the European Parliament and the Council (COM(2007)0364),
  - having regard to Article 251(2) and Article 191 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0202/2007),
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Constitutional Affairs and the opinions of the Committee on Budgets and the Committee on Budgetary Control (A6-0412/2007),
1. Approves the Commission proposal as amended;
  2. Invites its Bureau to examine by which means a political party at European level can be granted a transitory period of three months in order to reconstitute its membership if in the course of the financial year its membership has fallen below the minimum requirements of the regulation as amended;
  3. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
  4. Instructs its President to forward its position to the Council and the Commission.

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Text proposed by the Commission

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Amendments by Parliament

### Amendment 1 RECITAL 6

(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

(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.

European level should be allowed, **by derogation from the non-profit rule laid down in Article 109(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>1</sup>**, to establish limited financial reserves based on own-resources generated from other sources than the budget of the European Union. ***This derogation is an exceptional provision justified by the specific and unique role of political parties.***

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<sup>1</sup> OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

#### *Justification*

*Clarifies the adoption procedure for this regulation.*

#### Amendment 2 RECITAL 7

(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.

(7) In order to ***improve the*** conditions 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. ***The same level of co-funding should be required for political foundations at European level.***

#### *Justification*

*Clarification. See also Amendment 17.*

#### Amendment 3 RECITAL 8

(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

(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.

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. ***Political parties at European level act in the context of European Parliament elections in particular in order to highlight the European character of those elections. In accordance with Article 8 of the Act concerning the election of the Members of the European Parliament by direct universal suffrage, the funding of and limitation of election expenses at European Parliament elections is governed in each Member State by national provisions. National provisions apply for election expenses in national elections and referenda.***

#### Amendment 4

##### ARTICLE 1, POINT 1

Article 2, paragraph 4, introductory part (Regulation (EC) No 2004/2003)

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:

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

#### *Justification*

*To bring the criteria for foundations into line with those for parties (Article 3(a) of Regulation 2004/2003).*

#### Amendment 5

##### ARTICLE 1, POINT 2 A (new)

Article 4, paragraph 2, point (a) (Regulation (EC) No 2004/2003)

*(2a) Article 4(2), point (a), shall be replaced by the following:*

*"(a) documents proving that the applicant satisfies the conditions laid down in Articles 2 and 3;"*

Amendment 6

ARTICLE 1, POINT 3

Article 4, paragraph 4 (Regulation (EC) No 2004/2003)

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

4. A political foundation at European level may **only** apply for funding **from the general budget of the European Union** through the political party at European level with which it is affiliated.

Amendment 7

ARTICLE 1, POINT 3

Article 4, paragraph 6 (Regulation (EC) No 2004/2003)

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).

6. Funding allocated to a political foundation at European level **shall** only be used for the purpose of financing the activities of the former in accordance with the provisions of Article 2(4). **On no account may it be used to finance election campaigns.**

*Justification*

*Clarification seems to be required here. See Article 8 (amended) concerning the admissible use of funding by European political parties.*

Amendment 8

ARTICLE 1, POINT 5

Article 6, paragraph 1, point (b) (Regulation (EC) No 2004/2003)

(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.

(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 **per year and per donor.**



### *Justification*

*Clarification and consistency with the threshold in article 6(1)(d).*

#### Amendment 9

##### ARTICLE 1, POINT 5

Article 6, paragraph 2 (Regulation (EC) No 2004/2003)

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.

2. Contributions to a political party at European level from national political parties which are members of a political party at European level ***or from a natural person who is a member of a political party at European level*** shall be admissible. ***Contributions to a political party at European level from national political parties or from a natural person*** may not exceed 40 % of that party's annual budget.

#### Amendment 10

##### ARTICLE 1, POINT 5

Article 6, paragraph 3 (Regulation (EC) No 2004/2003)

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.

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 ***and must not derive from funds received by a political party at European level pursuant to this Regulation from the general budget of the European Union.***  
***The burden of proof shall rest with the political party at European level concerned.***

### *Justification*

*This restrictive amendment is necessary to explicitly prevent a foundation from also receiving*

*the 15% own contribution to its financing indirectly from EU funds, as would happen if a party received funds from the Union budget and then made a contribution to the foundation.*

Amendment 11

ARTICLE 1, POINT 6

Article 7, paragraph 1 (Regulation (EC) No 2004/2003)

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.

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 ***or candidates. These national political parties and candidates*** shall continue to be governed by national rules.

Amendment 12

ARTICLE 1, POINT 6

Article 7, paragraph 2 (Regulation (EC) No 2004/2003)

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.

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 candidates*** or of foundations at national level.

Amendment 13

ARTICLE 1, POINT 8, POINT (A A) (new)

Article 9, paragraph 2 (Regulation (EC) No 2004/2003)

***(aa) Paragraph 2 shall be replaced by the following:***

***"2. The valuation of movable and immovable property and its depreciation shall be carried out in accordance with detailed rules for implementation of this Regulation to be adopted in accordance with paragraph 1."***

*Justification*

*Regulation (EC) 2909/2000 was repealed in 2005. Arrangements for the valuation of property therefore need to be laid down in implementing rules to be adopted by Parliament under the procedure referred to in paragraph 1.*

Amendment 14

ARTICLE 1, POINT 8, POINT (C)

Article 9, paragraph 7 (Regulation (EC) No 2004/2003)

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.

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, ***justified by the specific and unique role of the political parties***, 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. ***The independent external auditor responsible for the annual certification referred to in Article 9(3) shall also be required, where appropriate, to attest that the provisions governing such carry-overs have been implemented correctly.***

*Justification*

*To facilitate control and audit operations, carry-overs should be confined to legal commitments already entered into in year n.*

Amendment 15

ARTICLE 1, POINT 8, POINT (C)

Article 9, paragraph 9 (Regulation (EC) No 2004/2003)

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. 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. ***The independent external auditor must also certify that these provisions have been***

*complied with correctly.*

Amendment 16  
ARTICLE 1, POINT 8 A (new)  
Article 9 a (new) (Regulation (EC) No 2004/2003)

***(8a) The following Article 9a shall be inserted:***

***"Article 9a***

***Transparency***

***The European Parliament shall publish jointly in a section of its website created for that purpose – for each financial year for which grants have been paid – the following documents:***

***– a table of the amounts paid to each political party and each political foundation at European level;***

***– the provisions for the implementation of this Regulation adopted by the Bureau of the European Parliament."***

Amendment 17  
ARTICLE 1, POINT 9  
Article 10, paragraph 2 (Regulation (EC) No 2004/2003)

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.

2. Funding charged to the general budget of the European Union shall not exceed 85% of ***those costs*** of a political party ***or political foundation*** at European level ***which are eligible for funding***. The burden of proof shall rest with the relevant political party at European level.

*Justification*

*More flexible wording that has already been used in the Financial Regulation, The Financial Regulation implementing rules and the 2004 Bureau decision. Without this correction, there would be no stipulated maximum percentage for the financial contribution to the budget of a political foundation, thereby causing a legislative loophole.*

Amendment 18

ARTICLE 1 A (new)

*Article 1a*  
*Transitional provision*

*The provisions laid down by this Regulation shall apply to grants awarded to the European political parties as from the financial year 2008.*

*For the financial year 2008, any applications for funding of political foundations at European level pursuant to Article 4(4) of Regulation (EC) No 2004/2003 shall relate exclusively to eligible costs incurred after 1 September 2008.*

*European political parties that have duly submitted their applications for grants for 2008 may, within three months following the entry into force of this Regulation, submit a supplementary application for funding based on the modifications introduced by this Regulation and, where appropriate, an application for a grant for the foundation affiliated to that political party. The European Parliament shall adopt appropriate implementation measures.*

## EXPLANATORY STATEMENT

The rapporteur welcomes the Commission's proposal in its entirety and recommends that it be adopted, together with the proposed amendments, which are primarily for clarification. He reserves the right to table other amendments which may prove necessary in the light of the Council deliberations.

The proposal deals with three issues which were all raised in the last resolution of the European Parliament on European political parties, in which the situation as regards financing thus far was assessed and proposals for improvement and further development were put forward<sup>1</sup>. The issues were:

1. adjusting the financing rules to the specific requirements of political parties with regard to the use of funds<sup>2</sup>,
2. recognising that European political parties have a role to play in the context of elections to the European Parliament and, in this regard, explicitly recognising the legality of the use of funds for this purpose<sup>3</sup>, and
3. the possibility of funding, at European level, political foundations which complement the activities of the European political parties through information and educational work<sup>4</sup>.

The issues in more detail:

### 1. Financing rules

In order to avoid repetition, the reader is advised to consult the detailed explanatory memorandum given in the Commission proposal. There are two requests made by European political parties which have turned out in practice to be justified:

- carrying over up to 25% of the total income of a party in one year to the first three months of the next year, thereby providing greater flexibility in spending at the transition between one financial year and the next and enabling changed circumstances to be dealt with in the short term, and

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<sup>1</sup> Resolution of 23 March 2006, on the basis of the report presented by the Committee on Constitutional Affairs A6-0042/2006, rapporteur: Jo Leinen

<sup>2</sup> Paragraph 13 (d) and (e) of the resolution

<sup>3</sup> Paragraph 14 (c) of the resolution

<sup>4</sup> Paragraph 14 (a) of the resolution

- the possibility of accumulating reserves over several years as own resources (donations, contributions from member parties and individual members) up to a certain amount, fixed by the Commission proposal at 100% of the average total funding of European political parties. The first of the new rules represents a derogation from the so-called 'no-profit rule' of Article 109 of the Financial Regulation, the essence of which is that at the end of a financial year, the whole of a 'grant' awarded to a facility deemed eligible for assistance must have been spent. It has been established that the Financial Regulation's concept of a 'grant', which forms the basis on which the financing of the European political parties is organised, is applicable only in a limited way to the characteristics and needs of political parties.

The second is also considered and, indeed, designated by the Commission as a derogation from the 'no-profit rule'. It can, however, be interpreted as a clarification formulating the sense and purpose of the rule which states that no surplus may remain at the end of the year as a result of a 'grant', but that this does not apply to own resources deriving from third party donations.

## 2. The role of European political parties in elections to the European Parliament

The Commission's proposal clarifies a question which is not explicitly dealt with in the existing Regulation. It has always been asserted that there would be no point in parties at European level being recognised unless they were permitted to play a role in campaigns for elections to the European Parliament. In fact, the existing wording of the rule which forms their legal basis, which was introduced by the Treaty of Maastricht (Article 191 of the EC Treaty), already suggests this interpretation. After all, how can such parties be expected to play a part in developing European political awareness and contribute to the formation of a European consciousness among citizens if they are not permitted to take part in election campaigns? To engage in such activities, European political parties can also draw on financial assistance they have been granted. Activities of a European political party in a campaign for elections to the European Parliament which supplement the campaigns of national parties cannot be considered as inadmissible 'financing' of the relevant member party or parties.

The text of the corresponding provision of the proposal (Article 8, third paragraph) of the Regulation, as amended, contains one flaw, which has come about due to ambiguous wording in the existing version of the Regulation (Article 3 (d)). Article 8, third paragraph talks of 'elections to the European Parliament in which they (the European political parties) participate as required in Article 3(d)', but this does not mean that European political parties must put up their own candidates to stand for election, something they have thus far been unable to do; it means that its member parties must do so, or at least have announced their intention to do so.

## 3. Funding of political foundations at European level

The most significant innovation of the Commission's proposal is to make it possible to fund not just European political parties but also political foundations at European level which are affiliated to them from the Union budget. Political foundations linked to parties are a feature of many Member States, and cross-border cooperation between political foundations can

already be seen in a number of forms<sup>5</sup>. However, for a long time there was no regulatory framework or financial basis for the creation of foundations linked to existing political families at European level to perform functions which the European political parties could not carry out or could not do so to a satisfactory degree. In order to remedy this, the Commission has introduced a pilot project for 2007 which will enable the establishment of European political foundations to be funded and their activities to be organised<sup>6</sup>. With a limit fixed at two years, this is just a temporary solution until there is a legal basis for financing. European political foundations are likely to be given the tasks of European public policy education, observing and analysing debates and processes (the think tank function), and the creation of a platform for cooperation between existing national foundations.

The newly inserted provisions on European political foundations can be summarised as follows:

- Foundations must, like parties, be founded in accordance with the laws of the Member States and have legal personality. They may be founded either as separate entities or be created by the amalgamation of existing foundations or other organisations. As with parties, there is no provision in the Regulation for 'registration' or the associated 'recognition'. There will simply be the possibility of receiving funding, subject to certain conditions, from the European Parliament's operating budget.
- Funding presupposes that each foundation is linked to a European political party which is funded by the European Union. In each case, the Regulation places the responsibility for setting down the details of the relationship and an 'appropriate degree of separation' between the party and foundation in terms of the day-to-day management and the governing structures with the two bodies.
- Foundations must have a field of activities in line with the typical make-up of a political foundation (as defined in Article 2(4) (new)) and must adhere to the principles of freedom, democracy, respect for fundamental rights and freedoms and the rule of law. Fulfilment of this condition can be verified by 'appropriate application' of the review procedures envisaged for the parties (Article 5 of the Regulation). A foundation shall be excluded from the right to receive funding if this is denied to the party to which it is linked.
- Foundations shall claim funding 'through the political party at European level with which they are affiliated'. This wording must be made more precise in the implementing provisions of the European Parliament.
- Foundations may only use funds for activities in line with their definition as foundations. They may not be used to finance, whether directly or indirectly, political parties or national foundations (Article 7, amended; see clarifying amendment 5).
- Foundations are also subject to the same requirements as parties with regard to accounting and the admissibility of donations. They may receive up to 40% financing from contributions

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<sup>5</sup> such as the European network of political foundations

<sup>6</sup> Budget line 15 06 07



from foundations which are affiliated to them as members, and from European political parties (see Amendment 6).

- The provisions of Article 9 concerning 'implementation and control' should also apply to funding awarded to foundations (the end of Article 4(5) (new) of the Regulation). The new provisions concerning carrying over funds to the following year and building up reserves also apply to foundations.

- The distribution of the funding is subject to the same formula for foundations as for the parties with which they are connected (Article 10(1) of the Regulation): 15% in equal shares, and 85% in proportion to the number of elected members of the European Parliament of the affiliated party.

- There is a uniform maximum funding rate of 85% of the annual budget for parties and foundations. In both cases the rate is calculated according to the specific characteristics of the beneficiaries (see Amendment 17).

- The European Parliament has until 15 February 2011 at the latest to produce a report evaluating the implementation of the amended Regulation.

10.10.2007

## OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Constitutional Affairs

on the proposal for a European Parliament and Council regulation amending Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding  
(COM(2007)0364 – C6-0202/2007 – 2007/0130(COD))

Draftswoman: Catherine Guy-Quint

### SHORT JUSTIFICATION

Article 191 of the Treaty acknowledges the fundamental role played by political parties at European level in forming a European awareness and expressing the political will of the citizens of the Union. The article also provides a basis for public funding of political parties at European level. It does not, however, make any reference to political foundations at European level.

The Commission proposal is partly a response to the following declaration negotiated by the Committee on Budgets and its rapporteur in connection with the revision of the Financial Regulation in December 2006<sup>7</sup>:

#### *2. Draft Commission declaration on the financing of European political parties*

*"The Commission undertakes to submit, if possible, before February 2007 a proposal for amending Regulation (EC) No 2004/2003 of the European Parliament and of the Council of 4 November 2003 on the regulations governing political parties at European level and the rules regarding their funding by introducing appropriate provisions for exempting from the no-profit rule set up in Article 109 of the Financial Regulation the own resources, in particular contributions and membership fees, aggregated in the annual operations of a political party at European level which exceed the 25% of eligible cost to be borne by the beneficiary according to Article 10(2) of Regulation (EC) No 2004/2003."*

The amendments tabled therefore mainly cover political parties at European level and compliance with the Financial Regulation applicable to the general budget of the European

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<sup>7</sup> Texts Adopted of 13 December 2006, P6\_ta(2006)0557.

Communities.

It should be noted that during the 2008 budget procedure two amendments to the draft budget for 2008 were tabled on political foundations at European level, with a view to creating a line in the European Parliament section with a token entry and EUR 5 million placed in the reserve pending the adoption of a legal basis.

## AMENDMENTS

The Committee on Budgets calls on the Committee on Constitutional Affairs, as the committee responsible, to incorporate the following amendments in its report:

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Text proposed by the Commission

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Amendments by Parliament

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Amendment 1  
RECITAL 4 A (new)

***(4a) Where implementation of the action requires financial support to be given to a third party, such as a political youth organisation, the political party at European level may give such support under the terms laid down in Article 120(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>1</sup> and Article 184a of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>2</sup>.***

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<sup>1</sup> OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

<sup>2</sup> OJ L 357, 31.12.2002, p. 1. Regulation as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

*Justification*

*To bring the legislative proposal into line with Parliament's views.*

Amendment 2  
RECITAL 6

(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.

(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, ***by derogation from the non-profit rule laid down in Article 109(2) of Regulation (EC, Euratom) No 1605/2002***, to establish limited financial reserves based on own-resources generated from other sources than the budget of the European Union.

*Justification*

*Clarifies the adoption procedure for this regulation.*

Amendment 3  
ARTICLE 1, POINT (1)  
Article 2, point 4 a (new) (Regulation (EC) No 2004/2003)

***4a. "funding" means a grant within the meaning of Article 108(1) of Regulation (EC, Euratom) No 1605/2002;***

*Justification*

*Clarification of terminology and consistency with the Financial Regulation.*

Amendment 4  
ARTICLE 1, POINT (5)  
Article 6, paragraph 1, point (b) (Regulation (EC) No 2004/2003)

(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

(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.

exceeding EUR 500 *per year and per donor*.

*Justification*

*Clarification and consistency with the threshold in article 6(1)(d).*

Amendment 5

ARTICLE 1, POINT (5)

Article 6, paragraph 2 (Regulation (EC) No 2004/2003)

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.

2. Contributions to a political party at European level from national political parties which are members of a political party at European level **or from a natural person who is a member of a political party at European level** shall be admissible. **Contributions to a political party at European level from national political parties which are members of the party** may not exceed 40 % of that party's annual budget.

*Justification*

*Clarification, because some political parties at European level allow natural persons to become members on an individual basis.*

Amendment 6

ARTICLE 1, POINT 8 A)

Article 9, paragraph 1, indent 2 (Regulation (EC) No 2004/2003)

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

The implementing procedures of this Regulation are laid down by the **European Parliament**.

*Justification*

*To make the procedure for the adoption of implementing rules more transparent, emphasising public accountability.*

Amendment 7

ARTICLE 1, POINT (8 A A) (new)

Article 9, paragraph 2 (Regulation (EC) No 2004/2003)

*(aa) Paragraph 2 is replaced by the following:*

*"2. The valuation of movable and immovable property and its depreciation shall be carried out in accordance with detailed rules for implementation of this Regulation to be adopted in accordance with paragraph 1."*

*Justification*

*Regulation (EC) 2909/2000 was repealed in 2005. Arrangements for the valuation of property therefore need to be laid down in implementing rules to be adopted by Parliament under the procedure referred to in paragraph 1.*

Amendment 8

ARTICLE 1, POINT (9)

Article 10, paragraph 2 (Regulation (EC) No 2004/2003)

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.

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

*Justification*

*More flexible wording that has already been used in the Financial Regulation, the Financial Regulation implementing rules and the 2004 Bureau decision.*

**Procedure for awarding a European Parliament grant  
in respect of financial year N**

Year N-1	June N-1	Publication by the EP of a call for proposals laying down eligibility criteria, the Community funding arrangements (Art. 110(2) of the Financial Regulation) and the dates for the award procedure
	15 November N-1	Deadline for submission of grant applications by beneficiaries
Year N	15 February N	Bureau decision on the allocation of appropriations and the award of grants to political parties at European level
	15 March N	Deadline for signing the grant award agreement between the European political party and the authorising officer by delegation
	30 March N	Payment of 80% of the grant by way of pre-financing
Year N+1	31 March N+1	The EP publishes details of the technical support provided to each political party at European level in an annual report.
	30 June N+1	Details of all the grants awarded by Parliament during a given financial year are published on Parliament's Internet site during the first six months of the following financial year.
	Date T before 15 May N+1	Submission by the European political party of an application for payment of the balance, together with a final report on the implementation of the programme of activities, a final financial statement of the eligible costs incurred, a comprehensive summary of revenue and expenditure and an external audit report
	T+60 days	Approval by the EP Bureau of the activity report and the final financial statement
	T+90 days	Payment of balance or recovery of sums unduly paid by Parliament
		Retention of documents: The beneficiary must keep at Parliament's disposal the documents relating to the grant award agreement for a period of five years from the date on which the balance is paid.
		Checks and audits: The beneficiary must ensure that Parliament can carry out an audit of the way the grant has been used. Such audits may be carried out throughout the lifetime of the grant award agreement, up to the date on which the balance is paid, and for a period of five years from the date on which the balance is paid.

## PROCEDURE

<b>Title</b>	Regulations governing political parties at European level and the rules regarding their funding	
<b>References</b>	COM(2007)0364 - C6-0202/2007 - 2007/0130(COD)	
<b>Committee responsible</b>	AFCO	
<b>Opinion by</b> Date announced in plenary	BUDG 3.9.2007	
<b>Drafts(wo)man</b> Date appointed	Catherine Guy-Quint 17.7.2007	
<b>Discussed in committee</b>	13.9.2007	9.10.2007
<b>Date adopted</b>	8.10.2007	
<b>Result of final vote</b>	+: 20 -: 0 0: 0	
<b>Members present for the final vote</b>	Richard James Ashworth, Reimer Böge, Herbert Bösch, Joan Calabuig Rull, Gérard Deprez, Brigitte Douay, Ingeborg Gräßle, Catherine Guy-Quint, Anne E. Jensen, Wiesław Stefan Kuc, Janusz Lewandowski, Nils Lundgren, Vladimír Maňka, Mario Mauro, Rovana Plumb, Nina Škottová, László Surján, Ralf Walter	
<b>Substitute(s) present for the final vote</b>	Thijs Berman, Richard Corbett	



## **OPINION OF THE COMMITTEE ON BUDGETARY CONTROL**

for the Committee on Constitutional Affairs

on the proposal for a European Parliament and Council regulation amending Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding  
(COM(2007)0364 – C6-0202/2007 – 2007/0130(COD))

Draftswoman: Véronique Mathieu

### **SHORT JUSTIFICATION**

The revision of Regulation No 2004/2003 which the Commission proposes has the following purposes:

- to allow 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;
- to allow 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%;
- to enable political foundations at European level to play an important role in underpinning and promoting the activities and objectives of political parties at European level;
- to establish clearly that appropriations received from the EU budget may also be used for the financing of campaigns conducted by political parties at European level in the context of European Parliament elections, provided that this does not constitute direct or indirect financing of national political parties or their candidates.

Your draftswoman notes that each year the Bureau of the European Parliament considers a report from the Secretary-General on the implementation of the budget heading concerning grants to political parties at European level and that the Commission proposal is intended to rectify the weaknesses and eliminate the lacunae identified in these reports and in Parliament's

resolution of 23 March 2006<sup>8</sup>.

Your draftswoman is on the whole in favour of the Commission proposal, as it corresponds to the wishes already expressed by Parliament.

However, after studying the proposal in depth, your draftswoman has identified a few points which deserve a certain amount of thought, and she has therefore drafted a limited number of amendments with the aim of clarifying the text, without calling into question the desirability of the proposal.

These amendments do not require any elucidation, but your draftswoman would like to mention one additional point.

The significance and practical scope of the new paragraphs 8 and 9 of Article 9, as currently formulated, are not entirely clear. Your draftswoman has not proposed any specific amendment. However, she would ask the committee responsible to consider the exact wording of these paragraphs before voting on the proposal, in order to clarify their significance and legal effect.

## AMENDMENTS

The Committee on Budgetary Control calls on the Committee on Constitutional Affairs, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission	Amendments by Parliament
<p>Amendment 1 ARTICLE 1, POINT (1) Article 2, point 4, introductory part (Regulation (EC) No 2004/2003)</p>	
<p>4. "Political foundations at European level" means an entity or network of entities which has legal personality in <i>a</i> Member State, <i>is affiliated with a</i> 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:</p>	<p>4. "Political foundations at European level" means an entity or network of entities which has legal personality in <i>the</i> Member State <i>in which its seat is located that is separate from that of the</i> political party at European level <i>with which it is affiliated</i>, and which through its activities underpins and complements the objectives of the European political party by performing, in particular, the following tasks:</p>

<sup>8</sup> Report by the AFCO committee on political parties at European level, A6-0042/2006.

### *Justification*

*To bring the criteria for foundations into line with those for parties (Article 3(a) of Regulation 2004/2003).*

#### Amendment 2

##### ARTICLE 1, POINT (2 A) (new)

Article 4, point 2, point (a) (Regulation (EC) No 2004/2003)

***(2a) Article 4(2)(a) is replaced by the following:***

***"(a) documents proving that the applicant satisfies the conditions laid down in Articles 2 and 3;"***

#### Amendment 3

##### ARTICLE 1, POINT (3)

Article 4, paragraph 4 (Regulation (EC) No 2004/2003)

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

4. A political foundation at European level ***shall*** apply for funding ***separately from*** the political party at European level with which it is affiliated.

### *Justification*

*To separate the procedures applying to foundations from those applying to parties.*

#### Amendment 4

##### ARTICLE 1, POINT 5

Article 6, paragraph 1, first subparagraph, point (b) (Regulation (EC) No 2004/2003)

(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***.

(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 2500***.

#### Amendment 5

##### ARTICLE 1, POINT (5)

Article 6, paragraph 3 (Regulation (EC) No 2004/2003)

3. Contributions to a political foundation at

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.

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 ***and must comply with the provisions of Article 10(2). The burden of proof shall rest with the political party at European level concerned.***

Amendment 6

ARTICLE 1, POINT (6)

Article 7, paragraph 1 (Regulation (EC) No 2004/2003)

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.

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 ***or individual candidates***, which shall continue to be governed by national rules.

Amendment 7

ARTICLE 1, POINT (6)

Article 7, paragraph 2 (Regulation (EC) No 2004/2003)

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."

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 individual candidates*** or of foundations at national level."

Amendment 8

ARTICLE 1, POINT (8 B A) (new)

Article 9, paragraph 3 a (new) (Regulation (EC) No 2004/2003)

***(ba) The following paragraph is inserted:***

***"3a. The authorising officer by delegation responsible may also, where he deems it***

***appropriate, carry out ex-post and on-the-spot checks in accordance with Article 60(4) of the Financial Regulation."***

Amendment 9

ARTICLE 1, POINT (8 C)

Article 9, paragraph 7 (Regulation (EC) No 2004/2003)

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.

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.

***The independent external auditor responsible for the annual certification referred to in Article 9(3) shall also be required, where appropriate, to attest that the provisions governing such carry-overs have been implemented correctly.***

***Only expenditure duly committed before the end of year n may be carried over to the following financial year.***

*Justification*

*To facilitate control and audit operations, carry-overs should be confined to legal commitments already entered into in year n.*

Amendment 10

ARTICLE 1, POINT (8 C)

Article 9, paragraph 9 (Regulation (EC) No 2004/2003)

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. 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. ***The independent external auditor must also certify that these provisions have been***

*complied with correctly.*

Amendment 11  
ARTICLE 1, POINT (8 A) (new)  
Article 9 a (new) (Regulation (EC) No 2004/2003)

*(8a) The following Article 9a is inserted:*

*"Article 9a*

*Transparency*

*The European Parliament shall publish jointly in a section of its website created for the purpose - for each financial year for which grants have been paid - the following documents:*

- a table of the amounts paid to each political party at European level or to each foundation;*
- the annual audit certificates issued by the independent external auditors referred to in Article 9(3), second subparagraph;*
- the annual report of the Secretary-General of the European Parliament on the activities funded, as referred to in Article 12;*
- the provisions for the implementation of the present regulation adopted by the Bureau of the European Parliament."*

## PROCEDURE

<b>Title</b>	Regulations governing political parties at European level and the rules regarding their funding
<b>References</b>	COM(2007)0364 - C6-0202/2007 - 2007/0130(COD)
<b>Committee responsible</b>	AFCO
<b>Opinion by</b> Date announced in plenary	CONT 3.9.2007
<b>Drafts(wo)man</b> Date appointed	Véronique Mathieu 17.7.2007
<b>Date adopted</b>	4.10.2007
<b>Result of final vote</b>	+: 12 -: 2 0: 1
<b>Members present for the final vote</b>	Jean-Pierre Audy, Mogens N.J. Camre, Paulo Casaca, Esther De Lange, Szabolcs Fazakas, Ingeborg Gräßle, Dan Jørgensen, Rodi Kratsa-Tsagaropoulou, Bogusław Liberadzki, Nils Lundgren, Hans-Peter Martin, Jan Mulder, Bart Staes, Paul van Buitenen
<b>Substitute(s) present for the final vote</b>	Véronique Mathieu

## PROCEDURE

<b>Title</b>	Regulations governing political parties at European level and the rules regarding their funding		
<b>References</b>	COM(2007)0364 - C6-0202/2007 - 2007/0130(COD)		
<b>Date submitted to Parliament</b>	27.6.2007		
<b>Committee responsible</b> Date announced in plenary	AFCD 3.9.2007		
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	BUDG 3.9.2007	CONT 3.9.2007	JURI 3.9.2007
<b>Not delivering opinions</b> Date of decision	JURI 3.10.2007		
<b>Rapporteur(s)</b> Date appointed	Jo Leinen 2.5.2007		
<b>Discussed in committee</b>	16.7.2007	11.9.2007	1.10.2007
<b>Date adopted</b>	22.10.2007		
<b>Result of final vote</b>	+: 18 -: 4 0: 0		
<b>Members present for the final vote</b>	Jim Allister, Enrique Barón Crespo, Bastiaan Belder, Jens-Peter Bonde, Richard Corbett, Jean-Luc Dehaene, Andrew Duff, Ingo Friedrich, Bronisław Geremek, Anneli Jäätteenmäki, Sylvia-Yvonne Kaufmann, Timothy Kirkhope, Jo Leinen, Íñigo Méndez de Vigo, Rihards Pīks, Adrian Severin, Johannes Voggenhuber, Dushana Zdravkova		
<b>Substitute(s) present for the final vote</b>	Costas Botopoulos, Elmar Brok, Carlos Carnero González, Alain Lamassoure, György Schöpflin		