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*****I**

REPORT

on the proposal for a European Parliament and Council regulation on the statute and financing of European political parties
(COM(2003) 77 – C5-0059/2003 – 2003/0039(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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PROCEDURAL PAGE

By letter of 19 February 2003 the Commission submitted to Parliament, pursuant to Article 251(2) and Article 191 of the EC Treaty, the proposal for a European Parliament and Council regulation on the statute and financing of European political parties (COM(2003) 77 – 2003/0039(COD)).

At the sitting of 10 March 2003 the President of Parliament announced that he had referred the proposal to the Committee on Constitutional Affairs as the committee responsible and the Committee on Budgets, the Committee on Budgetary Control and the Committee on Legal Affairs and the Internal Market for their opinions (C5-0059/2003).

The Committee on Constitutional Affairs had appointed Jo Leinen rapporteur at its meeting of 17 February 2003.

It considered the Commission proposal and draft report at its meetings of 19 March 2003, 23 April 2003 and 20 May 2003.

At the last meeting it adopted the draft legislative resolution by 20 votes to 8, with no abstentions.

The following were present for the vote: Giorgio Napolitano, chairman; Jo Leinen vice-chairman and rapporteur; Ursula Schleicher, vice-chairman; Teresa Almeida Garrett, Pervenche Berès (for Enrique Barón Crespo), Georges Berthu, Guido Bodrato (for Luigi Ciriaco De Mita), Jean-Louis Bourlanges, Carlos Carnero González, Gianfranco Dell'Alba (for Olivier Dupuis), Giorgos Dimitrakopoulos, Andrew Nicholas Duff, Olivier Duhamel, Lone Dybkjær, Vitaliano Gemelli (for Iñigo Méndez de Vigo, pursuant to Rule 153(2)), José María Gil-Robles Gil-Delgado, Gerhard Hager, Michel Hansenne (for Daniel J. Hannan), The Lord Inglewood, Sylvia-Yvonne Kaufmann, Neil MacCormick (for Monica Frassoni), Hanja Maij-Weggen, Luís Marinho, Hans-Peter Martin, Camilo Nogueira Román (for Johannes Voggenhuber), Gérard Onesta, Jacques F. Poos (for Richard Corbett), José Ribeiro e Castro (for Mariotto Segni), Willi Rothley (for Jean-Maurice Dehousse), Dimitris Tsatsos and Françoise de Veyrinas (for Antonio Tajani).

The opinions of the Committee on Budgets, the Committee on Budgetary Control and the Committee on Legal Affairs and the Internal Markets are attached.

The report was tabled on 21 May 2003.

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a European Parliament and Council regulation on the statute and financing of European political parties (COM(2003) 77 – C5-0059/2003 – 2003/0039(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2003) 77¹),
 - having regard to Article 251(2) of the EC Treaty and Article 191 of the EC-Treaty, pursuant to which the Commission submitted the proposal to Parliament (C5-0059/2003),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Constitutional Affairs and the opinions of the Committee on Budgets, the Committee on Budgetary Control and the Committee on Legal Affairs and Internal Markets (A5-0170/2003),
1. Approves the Commission proposal as amended;
 2. 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;
 3. Instructs its President to forward its position to the Council and Commission.

¹ OJ C not yet published.

Amendment 1
Recital - 1 a (new)

(-1a) It is necessary to provide for a statute for European political parties which determines their status as free democratic and equal under Community law and grants them legal personality allowing them to function effectively at European level and across national borders.

Justification

The need for this was voiced by Parliament in its resolution of 10 December 1996 on the constitutional status of European political parties (hereinafter referred to as 'Epp'), (A4-0342/1996) and is still valid.

Amendment 2
Recital 1

(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.

(1) The rules for financing European political parties from the Community budget need to ensure that access to financing is dependent upon the parties' respect for the principles of democracy, the rule of law, and respect for the fundamental rights and principles enshrined in the Charter of Fundamental Rights of the European Union and the Treaties.

Amendment 3
Recital 3

(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. *deleted*

Justification

The wording conveys the impression, wrongly, that while applying the conditions of this Regulation account should be taken of additional circumstances such as 'representativeness', which is not the case. The criterion of representativeness is one of the conditions laid down by this Regulation which have to be applied equally.

Amendment 4
Recital 4

(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.

(4) Financing should be given solely to parties, **which have a sufficient degree of representativeness at European level as defined by this Regulation**, so as to avoid financing of purely national parties. This financing **is not to** replace autonomous financing of the parties.

Justification

Parties which do not respect democratic principles are precluded from financing at European level for that very reason. Their degree of representativeness is irrelevant in this context.

Amendment 5
Recital 6

(6) The appropriations allocated to financing parties should be determined in the annual budgetary procedure.

(6) The appropriations allocated to financing ***European political*** parties should be determined in the annual budgetary procedure ***as specific expenditure of the Commission, which should be responsible for its implementation.***

Justification

Running a financing scheme for political parties is an executive task for which the Commission is better suited and equipped than other institutions. Parliament assists its political groups, being internal bodies, from its budget .

Amendment 6
Recital 7

(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 authorising officer.

(7) The appropriations allocated to financing parties will be ***included in the Commission's budget as administrative expenditure; the Commission shall be responsible for making the resources available and for monitoring and implementing the appropriations authorised,*** and the execution will be under its responsibility as authorising officer.

Justification

See preceding amendment.

Amendment 7
Recital 8

(8) It is necessary to ensure *adequate* transparency and financial control of European political parties financed from the general budget of the European **Communities**.

(8) It is necessary to ensure *maximum* transparency and financial control of European political parties financed from the general budget of the European **Union**.

Justification

Self-explanatory.

Amendment 8
Recital 8 a (new)

(8a) A special procedure is to be established enabling, on the initiative of the European Parliament, verification as to whether a European political party fulfils the requirements, in terms of respect for fundamental rights and constitutional principles, to be financed.

Justification

Parliament should not be involved in what could appear to be a 'licensing' procedure. Parliament should be empowered, however, to carry out ex-post verification.

Amendment 9
Recital 8 b (new)

(8b) For imperative practical reasons, financing of European political parties under the new arrangement should

***commence at the start of the next
parliamentary term.***

Justification

Self-explanatory.

Amendment 10
Article 1
Subject matter and scope

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

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

Justification

This amendment also concerns the title of the proposal.

The regulation should have a title which reflects its content and does not create false expectations. The proposal, contrary to its title, does not put forward a genuine European statute for Epps; a new legal form common to the Member States' legal systems would not be established; rather, only a registration procedure is provided for and conditions for financing from the European Communities' budget are laid down.

The financing aspect needs to be addressed urgently because of the criticism by the Court of Auditors in its Special Report No. 13 in 2000. It can be dealt with separately from the question of a statute, as already proposed in the 1996 report by the Committee on Institutional Affairs (A4-342/96, Tsatsos report).

There is a tie-in between the statute and the uniform electoral procedure and issues concerning the Statute for Members, which have not yet been settled. The issue of the statute is controversial, and more time seems to be necessary to resolve key issues and to clear up misunderstandings.

Amendment 11
Article 2

Definitions

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;***

"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.

For the purpose of this Regulation:

"European political party" means an association of citizens, or federation of political parties from Member States, recognised by or established in accordance with the legal order of at least one Member State and contributing at European level to forming and expressing the political will of the citizens of the Union while being represented in, or seeking to be represented in, the European Parliament.

Justification

This standardises the definition, taking account of the wording of Article 191 of the EC Treaty.

It emphasizes the role which falls to Epps to participate in the political process at European level through the European Parliament. Registration with Parliament need not be part of the definition (see below).

Amendment 12 Article 3

Statute

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;

Conditions for financing

1. To obtain financing, a European political party shall file an application with the Commission, which shall adopt a decision on the matter and manage the corresponding appropriations.

2. To be eligible for financing charged to the general budget of the European Communities, a European political party

(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.

must:

(a) file a statute and a basic political programme with the Commission;

(b) be represented in the European Parliament by members elected in at least one fourth of the Member States, or be represented in legislative assemblies at national or regional level in at least one fourth of the Member States, or have received at least five percent of the votes cast at the most recent European elections in at least one fourth of the Member States.

3. The statute shall define in particular the bodies responsible for political and financial management as well as the bodies or natural persons holding ***or designated for holding***, in each of the Member States concerned, the power of legal representation ***and the democratic internal party election procedures for them. The statute shall set out the objectives of the European political party.***

4. The European political party or its components 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.

5. Any amendment to a statute ***or basic political programme*** already ***filed*** shall be ***notified to the Commission.***

6. 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.

7. The Commission may ask the European Parliament for its opinion as to whether the European political party fulfils the requirements laid down in the preceding paragraph. The opinion shall be given

within four months.

8. Article 10a (2) to (5) shall apply *mutatis mutandis* to the procedure.

9. The European political party shall also submit a code of conduct demonstrating its sound administrative practice.

Justification

Separate preliminary registration does not seem appropriate as it will create an additional administrative burden and, if linked to a different threshold from that for the financing of European parties, create a two tiers of parties. For the party concerned, there is no benefit from registration as it is merely a precondition for financing. This amendment therefore combines Articles 5 and 3 in part.

The financing scheme should be administered by the Commission on the basis of budget lines added to its section of the general budget. It therefore makes sense for the statute and a basic programme also to be filed with the Commission.

The representativeness criteria must ensure that only genuine cross-border political parties with a minimum level of representation in parliaments or turnout are eligible for financing from the general budget of the European Communities.

The criteria have been scaled down by way of a compromise from one-third of the Member States in the draft-report to one fourth.

Taking on board a suggestion from the Committee on Budgets, the rapporteur now proposes that the Commission can seek confirmation from Parliament if it considers that financing should be refused for non-compliance with democratic principles and fundamental rights.

Amendment 13

Article 4

Verification

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

Further requirements

1. A European political party which receives financing shall:

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.

(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 1 000.

2. A European political party which receives financing 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 15 000 per year and per donor from any natural or legal person other than the legal bodies referred to in point (c).

3. Fees from members of the European political party shall be admissible.

Justification

Replaces the amount of EUR 25 000 in the draft report with EUR 15 000, taking account of amendments tabled by Members and a position taken by a number of delegations within the Council Working Party on General Affairs.

Article 4 on verification should not be deleted; rather, it should be moved to the end of the Regulation.

The wording of this amendment is almost identical to Article 5(3) in the proposal with two exceptions: the amount of EUR 100 in paragraph 3 (b) has been raised to EUR 1 000 and the EUR 5 000 amount in paragraph 3 (b) (d) has been raised to EUR 15 000.

deleted

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.

Justification

Article 5 of the Commission's proposal has been split up. Paragraphs one and two have been modified and integrated into Article 3. Paragraph three has been modified and integrated into Article 4.

Amendment 15
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*

Prohibition of financing

The financing of European political parties from the general budget of the European **Union** may not be used for the direct ***financing of national or regional political parties. Its use shall be exclusively reserved for the financing of European Parliamentary election campaigns and for party activity at any level that is directly associated with the politics of the European Union.***

Justification

To prohibit the financing of election campaigns is stupid. The raison d'être of political parties is to fight election campaigns.

It is also absurd to want to prohibit the indirect financing of national political parties when all political parties, without exception, are devoted to more closely integrated campaigning at all levels, from local to European.

Amendment 16
Article 6 a (new)

Membership fees

Temporary waiving or reduction of membership fees shall not be considered a form of indirect assistance for the purposes of Article 6.

Justification

Seeks to clarify the scope of financing prohibition.

Amendment 17
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.

Nature of expenditure

Funds received from the general budget of the European **Union** in accordance with this Regulation may be used only to meet expenditure directly linked to the objectives set out in the statute. Expenditure includes administrative expenditure and expenditure linked to logistical support, meetings, ***research, cross-border events***, studies, information and

publications.

For the financing of activities in connection with European elections, whether or not they are joint activities involving national parties, Article 8(5) shall apply.

Justification

This clause is about what the money can be spent on, not what it cannot be spent on. In any case, we disagree profoundly with the substance of the attempted prohibition (see our amendment to Article 6).

We add 'research' as a distinct category of permissible expenditure to include, for example, opinion polling and cross-border events.

To be able to perform their acknowledged role under Article 191 of the EC Treaty, European political parties must be able to represent themselves in a manner which appeals to the public. Instead of banning the use of Community funds for such purposes on principle, then, it is more appropriate if there is compliance with the transparency requirement for use of that funding.

Amendment 18 Article 8, paragraph 3 Implementation and control

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.***

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 ***Commission and the*** European Parliament.

Justification

The aim is to make the financing of European political parties as transparent as possible. Control of party finances should therefore be exercised on the basis of annual certification by an external, independent auditor.

The provision that certification would be automatically forwarded to the European Court of Auditors seems excessive. It is sufficient for the Court of Auditors to be supplied by European political parties at any time, upon request, with any document or information required (Article 8(5)).

Amendment 19

Article 8, paragraph 4, subparagraph 1 (new)

The provisions on the collection and use of funds entitlement to which has been forfeited shall be laid down in Council Regulation .../... amending the Financial Regulation (Regulation (EC) No 1605/2002¹).

¹ OJ L 248, 16.9.2002., p. 1.

Justification

As the current Financial Regulation contains no appropriate provisions on penalties, they need to be laid down by way of amendment to the Financial Regulation.

Amendment 20

Article 8, paragraph 5, second subparagraph
Implementation and control

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. *deleted*

Justification

The provision is not necessary because it is covered by the first subparagraph.

Amendment 21
Article 10

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.**

All technical support from the European Parliament **and its political groups** to political parties shall be based on the principle of equal treatment **and** shall be granted on conditions no less favourable than those granted to other external organisations and associations that may be accorded similar facilities. **The European Parliament shall publish details of the technical support given to each European political party in an annual report.**

Justification

Article 10 regulates the European Parliament's technical support for European political parties. That support would be provided on at least the same conditions as those granted to other organisations and associations.

Since these organisations frequently receive technical support for their activities free of charge, it would be illogical to insist on 'invoice and payment' as a general condition for technical support for Epps.

This kind of support should be made public in an annual report by the European Parliament in order to ensure full transparency.

Amendment 22
Article 10 a (new)
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 whether the statute, basic political programme and activities of the European political party respect the principles of freedom and democracy, human rights and fundamental freedoms, and the rule of law in accordance with the Treaty and the Charter of Fundamental Rights of the European Union.

2. 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.

3. If the European Parliament finds, by a majority of its members, that the condition is no longer satisfied, the European political party in question shall be excluded from financing under this Regulation.

4. 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.

5. The decision to exclude a party from financing may be challenged before the Court of Justice.

Justification

The wording of this provision is that of Article 4 of the proposal, brought into line with the fact that separate, preliminary registration is no longer provided for.

Amendment 23

Article 11

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

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

Financing of European political parties will be governed exclusively by this Regulation from the day of the first meeting of Parliament following the 2004 European Parliament elections.

Until that date, financing may continue in accordance with the existing provisions and arrangements.

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

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

Justification

A transitional period is necessary to allow European political parties to adapt to the new financing framework.

The existing European party organisations need a transitional period to set up new organisational structures outside the premises of the European Parliament and cut the financial/organisational links with the respective groups in the European Parliament. The allocation of financial support for European political parties in 2004 should be made on the basis of the results of the June 2004 elections to the European Parliament after European Union enlargement.

Amendment 24
Article 11 a (new)

Evaluation

The Commission shall report to the European Parliament and the Council within two years after the entry into force of this Regulation with a view to making appropriate proposals for amendments before the end of the parliamentary term.

Justification

Takes account of a contribution made within the Council Working Party on General Affairs by the Dutch delegation.

Financing political parties at European level is a new activity for the European Union. Experience gained in applying this Regulation should be reported and amendments envisaged in due course.

Such a reporting/evaluation procedure has become a standard feature in other pieces of legislation which embark on new fields, such as electronic trade and electronic signature.

EXPLANATORY STATEMENT

European integration needs a political process to be legitimate and acceptable. That fact was recognised by the Treaty on European Union, in Article 191, in 1992. Since then the question of providing an appropriate legal and financial basis for European political parties has been one of the issues to be dealt with by the European institutions.

The 1996 Tsatsos report by the European Parliament's Committee on Institutional Affairs¹ underlined the constitutional role of political parties in democratic opinion-formation and stressed the need for the transnational dimension of the political process to develop alongside integration. Before and during the 2000 Intergovernmental Conference, the European Parliament reiterated its demand for the '... requirements for recognition, the statute and funding arrangements (including Community funding) for European political parties' to be adopted by Parliament and Council under the codecision procedure.² Together with the Commission, the European Parliament was successful in having Article 191 enlarged upon in the Treaty of Nice, which now provides a clear legal basis for the Commission proposal considered in this report.

The urgent need for a legally sound and transparent regulation of the activities and the financing of European parties was underlined by the Court of Auditors' report in 2000³, which criticised the practice of cross-financing the existing European parties from the budget of the political groups in the European Parliament. This situation was recognised as being the result of the lack of an independent financial basis for parties at European level. This practice can be regarded as no more than a temporary arrangement until a statute on European parties and their financing is adopted.

The Commission made a first proposal for a regulation on 'the statute and financing of European political parties'⁴ on the basis of Article 308 even before the Treaty of Nice entered into force. In its report, for which Ursula Schleicher was rapporteur, the European Parliament proposed a number of changes to that draft and in particular stated clearly that '*once they have been recognised, European political parties must have legal personality*'.⁵ Legal personality is necessary to ensure that European political parties can work effectively and transparently in all Member States. Despite the efforts of the Belgian Presidency in 2001 the Council could not reach unanimity on the proposal and the Commission withdrew it.

With the entry into force of the Treaty of Nice on 1 February 2003, two important changes have occurred: the new legal basis of Article 191(2) is in place, and the codecision procedure with qualified majority voting in the Council now applies. On this basis, the Commission has made its new proposal, largely reflecting the debates which took place within the Council during the 2001 attempt to reach a common position.

While the Commission's move in proposing new legislation at this time is welcomed by the

¹ A4-0342/96, 30.10.1996

² Leinen-Dimitrakopoulos report, A5-086/2000 (paragraph 8 of the resolution), OJ C 40, 7.2.2000.

³ Special Report No 13/2000, OJ C 181, 28.6.2000, p. 1.

⁴ COM(2000)898 final.

⁵ European Parliament resolution A5-0167/2001, 17.5.2001, Amendment 3.

European Parliament, one crucial shortcoming of the current proposal is that it shies away from a genuinely European statute for the political parties. The draft regulation creates false expectations by calling itself a regulation 'on the statute and financing of European political parties', whereas in fact it simply proposes a way of administering party financing from the Community budget. The rapporteur therefore proposes that that more modest objective be reflected in the title of the regulation.

It follows from this observation that Parliament must call on the Commission to make another proposal as soon as possible which would genuinely establish a European party statute. Given the political sensitivity of the matter, it should be in place at the latest in time for the next European elections after 2004 to ensure that a competitive political process can take root at European level.

While we consider that the Commission proposal, as it stands, addresses only the financing of European parties from the Community budget, it must be said that it properly meets the need for transparency and financial control. It is, however, in the interests of such transparency that responsibility for administering financial resources should lie with the Commission, so as to avoid the impression that the parties already represented in the European Parliament might exercise control over access to party financing.

In the light of the above observations regarding the desirability of a more comprehensive European party statute, the definition of a European party for the purposes of regulating their financing should be fairly broad and include both European-level associations of individuals and alliances of existing parties. The main criterion for the definition of a European party should be its declared and credible involvement in European political activity and, for access to European Union financing, the degree of representativeness as specified in the Regulation.

Of course, a European party receiving financial aid from the Union's budget must respect the principles of democracy and fundamental rights. Oversight of political parties' compliance with these conditions, on the basis of the parties' internal statutes and basic political programmes, ought to be exercised out by the European Parliament.

The internal administration of parties' finances must be transparent and subject to control by external and independent audit and by the European Court of Auditors. A decision to exclude a party from Community financing at the request of the European Parliament, and on the advice of an independent committee, must be subject to legal review before the European Court of Justice. The draft regulation has been amended accordingly.

Any further provisions regarding aspects such as internal organisation of parties, membership structures, and possible procedures for dissolution or prohibition of parties need to be set out in the separate legislative act establishing the party statute.

An important amendment which Parliament seeks to the draft regulation concerns the aim of preventing financing from the Union's budget being used to finance national parties. The objective is clear, and strict separation between the two levels is desirable for reasons of legitimacy, transparency and Member States' political integrity. However, that objective has to be measured against the overall aim of this piece of legislation. Accordingly, it simply does not make sense to prohibit, as the draft regulation does in Articles 6 and 7, European parties

from using any of their income for activities related to national parties (Article 6) or from participating in European election campaigns (Article 7). That would deprive European political parties of their very *raison d'être*, namely to create and sustain a political process at European level. The two articles therefore have to be amended to make it clear that these bans do not apply to activities with a clear European political focus or to European Parliament election campaigns.

The final aspect of the regulation which the rapporteur proposes to amend is the entry into force of the new financing regime for European parties. The changeover from financing and staffing of European political parties via the European Parliament political groups to a new and separate public funding scheme means a profound change for the organisations and individuals concerned. Therefore the parties need time to prepare, and the new regime should not enter into force at a time when both the European parties and the political groups are extremely preoccupied with the European election campaign in early 2004. It thus seems reasonable to make those elections a clear cut-off point and also to make it clear that the new financing system will start when the newly constituted European Parliament first meets.

The role of European political parties will grow in an enlarged European Union facing many new challenges. Forming coherent political views along party lines becomes even more important in a Union becoming more diverse as new members enter. The problems which the European Union faces now demand more democracy. The current constitutional process is clearing the way to move towards a European Union for citizens and states, with political involvement a vital part of our democratic and social life. The draft regulation on financing European political parties is an important first step towards a European party statute, which is necessary before a Union-level political process can be established. It is not the only component: a uniform electoral system with transnational lists, a common statute for Members of the European Parliament, and election of the Commission President by Parliament will have to follow. This Regulation, however, needs to be adopted quickly, and can be, with the changes proposed by the European Parliament, in order to allow European political parties to continue to play their role in the process of European integration.

20 May 2003

MINORITY OPINION

**pursuant to Rule 161(3) of the Rules of Procedure
by Mr Georges Berthu
on the Leinen report**

on the statute and financing of European political parties

The guiding spirit behind the regulation proposed by the Commission on the statute and financing of European political parties (approved overall by the Leinen report subject, in particular, to transfer of management of the system to the Commission) appears to be 'constructivist' or even anti-liberal: 'constructivist' in that it seeks to 'construct' European political parties on a top-down basis; anti-liberal in that it seeks to lock them into a 'statute' not commensurate with a host of European countries' traditions of political liberty.

Furthermore, the rules do not appear to be in conformity with the Treaty: they comply only in part with the definition given in Article 191 of the EC Treaty (old and new wording), which refers more broadly to political parties '*at European level*'. That term does encompass European parties, properly speaking; but it also encompasses action at European level by national parties (grouped together or separately). The proposed regulation would therefore establish inequality of treatment.

In my opinion, 'European' political parties ought to emerge solely from voluntary action and funding by one or more national political parties. European funding, should it really be insisted upon in addition, ought to be allocated on the basis of one neutral and objective criterion only - results achieved at European elections - with no political registration procedure.

30 April 2003

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on Constitutional Affairs

on the proposal for a European Parliament and Council regulation on the statute and financing of European political parties
(COM(2003) 77 – C5-0059/2003 – 2003/0039(COD))

Draftsman: Jan Mulder

PROCEDURE

The Committee on Budgets appointed Jan Mulder draftsman at its meeting of 25 March 2003.

It considered the draft opinion at its meeting of 30 April 2003.

At this meeting it adopted the following amendments unanimously.

The following were present for the vote: Terence Wynn (chairman), Anne Elisabet Jensen (vice-chairman), Franz Turchi (vice-chairman), Jan Mulder (draftsman), Den Dover, Göran Färm, Anne-Karin Glase (for Ioannis Averoff), Ian Stewart Hudghton, Armin Laschet (for Reimer Böge), Juan Andrés Naranjo Escobar, Kyösti Tapio Virrankoski and Ralf Walter.

SHORT JUSTIFICATION

1. This is the second opinion that the Committee on Budgets prepares concerning the statute and financing of European political parties. In its opinion of 25 April 2001, drafted by Mr Carlos Costa Neves, the Committee adopted four amendments concerning the following aspects: publication of detailed list of donors, no donations from publicly owned enterprises, timing of the certification process and sanctions. Your Rapporteur is pleased to note that all four amendments were taken on board in the new Commission proposal. Indeed, the Commission claims that the current text integrates the areas of consensus achieved following the first interim proposal. This is correct to a certain extent, with one big exception: the Commission proposes that the appropriations for funding the European political parties (Epps) be entered in Parliament's budget.
2. Parliament has taken a clear position in its Guidelines resolution for the 2004 financial year (Other Sections), adopted on 11 March 2003, in which it takes the view that appropriations for funding Epps should be entered in the Commission's budget. This is in line with previous positions taken by Parliament. Members will recall that an appropriate budgetary structure was created in the 2001 Budget in Section III, Item B3-500 ("Contributions to European political parties"). An amount of EUR 7 m in commitments was entered against this item in the 2003 Budget. For the sake of completeness, it should be noted also that a similar budgetary structure is available in Parliament's budget with a token entry, namely Item 3710 ("Contributions to European political parties"), as a matter of budgetary precaution.
3. Your Rapporteur does not agree with the proposal of the Commission in this respect and endorses the position that Parliament has already taken in its 2004 Guidelines resolution (Other Sections). Appropriations to finance European political parties are subsidies and cannot be classified as administrative expenditure of the European Parliament. Indeed, the very purpose of this proposal is not only to provide a legal base that provides clarity and transparency for the financing of the Epps, but also to enhance transparency between the Epps on the one hand, and the political groups of the European Parliament on the other hand. The Court of Auditors criticised in its special report No 13/ 2000 the permeability that has existed until now between the Epps and the political groups. If the aim is to enhance transparency and make a clear distinction between the Epps and the political groups of Parliament, the funds should be entered in the Commission's budget. In this vein, article 10 of the draft regulation has to be welcomed also (all facilities and technical support provided by the European Parliament must be supplied against invoice and payment).
4. The Rapporteur considers that the criteria laid down in Article 5 for the financing of Epps and the acceptance of donations are appropriate, but would increase the limit of EUR 5 000 per year and per donor up to EUR 10 000. Concerning Article 7 (Nature of expenditure), which stipulates that funds may not be used for financing election campaigns, the Rapporteur considers that this should not apply to European elections.

5. The Commission proposal does not refer to sponsorships. The Rapporteur considers that reference should be made and it must be ensured that all necessary transparency is provided. Whereas a limit of EUR 10 000 is proposed for donations, is it worth stipulating some type of limitation here? If yes, should the same limit apply as for donations?
6. The level of appropriations, as indicated in the proposal, will be decided in the context of the annual budgetary procedure. Concerning the first year of application, which is expected to be the financial year 2004, the question of start-up cost could be raised. This matter can be considered in the budgetary procedure and requires no reference in the legal base.
7. Last but not least, as to the timing for the entry into force, should the statute be applicable as from the new legislature onwards or before, if the legal base is adopted?

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

AMENDMENT TO THE LEGISLATIVE RESOLUTION

[The European Parliament]

Considers that the budgetary implications of the Commission proposal is compatible with the ceiling of heading 5 ("Administrative expenditure") of the Financial Perspective, without restricting existing policies;

Justification:

The financial statement attached to the proposal entails expenditure in heading 5 ("Administrative expenditure") of the Financial Perspective. Irrespective of whether the funding is placed in section I or section III, it is compatible with the ceiling of heading 5.

AMENDMENTS

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1
Recital 7

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 authorising officer.

Deleted

Justification

In accordance with the position taken by Parliament in its 2004 guidelines resolution (other sections), funding for European political parties should be placed in the Commission's budget.

¹ Not yet published in OJ.

Amendment 2
Article 5, paragraph 2

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.

2. To obtain financing, a European political party shall file an application with the **European Commission**, which shall adopt a decision on the matter, **having regard to the opinion of the European Parliament**, within two months and authorise and manage the corresponding appropriations.

Justification

In accordance with the position taken by Parliament in its 2004 guidelines resolution (other sections), funding for European political parties should be placed in the Commission's budget.

Amendment 3
Article 5, paragraph 3, point (a)

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

(a) publish its revenue and expenditure and a statement of its assets and liabilities annually **in the internet**;

Justification

A measure to improve transparency, following the example of the political groups in Parliament.

Amendment 4
Article 5, paragraph 3, point (b)

(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;

(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, **and a list of sponsorships, specifying the sponsors, the activities sponsored and the sponsored amounts**;

- (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.

- (a) anonymous donations,
- (b) donations **and sponsorships** from the budgets of political groups in the European Parliament,
- (c) donations **and sponsorships** from legal bodies in which the State holding exceeds 50% of their capital,
- (d) donations exceeding EUR **10 000** per year and per donor **and sponsorships exceeding EUR 10 000 per year and sponsor** 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.

Justification

A limit of EUR 10 000 for donations appears appropriate. Transparency is also needed for sponsorships.

Amendment 5 Article 7

7. 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.

7. 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, **with the exception of the European Parliament election campaign.**
Expenditure includes administrative expenditure and expenditure linked to logistical support, meetings, studies, information and publications.

Amendment 6

Article 10

10. 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.

10. All technical support from the European Parliament ***and its political groups*** 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.

Justification

Aims at making a clear distinction between the activities of the political groups in Parliament and the European political parties.

14 May 2003

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

for the Committee on Constitutional Affairs

on the proposal for a European Parliament and Council regulation on the statute and financing of European political parties
(COM(2003) 77 – C5-0059/2003 – 2003/0039(COD))

Draftsman: Helmut Kuhne

PROCEDURE

The Committee on Budgetary Control appointed Helmut Kuhne draftsman at its meeting of 18 March 2003.

It considered the draft opinion at its meetings of 28 April and 12 May 2003.

At the latter meeting it adopted the following amendments by 13 votes to 1, with 0 abstentions.

The following were present for the vote: Herbert Bösch, acting chairman; Paulo Casaca and Freddy Blak, vice-chairmen; Helmut Kuhne, draftsman; María Antonia Avilés Perea, Juan José Bayona de Perogordo, Rijk van Dam, Michiel van Hulst, Brigitte Langenhagen, John Joseph McCartin (for Christopher Heaton-Harris), Jan Mulder (for Antonio Di Pietro), Francisca Sauquillo Pérez del Arco (for Eluned Morgan), Ole Sørensen and Bart Staes.

SHORT JUSTIFICATION

Since the start of the 1990s, political families' European umbrella organisations have endeavoured to put themselves on a legally sound and financially transparent basis and, in the process, have had to overcome the procrastination and resistance of the Council and the Commission, but also sections of the European Parliament.

The entry into force of the Treaty of Nice - specifically Article 191(2)¹ - has created the necessary legal basis for the proposal for a regulation which the Commission has drafted, drawing, in the process, on the consensus achieved between the three institutions on specific issues. It is significant in this connection that the regulation is to be adopted under the codecision procedure.

In the new proposal for a regulation, the Commission has incorporated a number of Parliament amendments² to the old Commission proposal³.

The fact that only European political parties whose statutes comply with the principles of freedom and democracy, human rights, fundamental freedoms and the rule of law would be given financial assistance is extraordinarily important. Compliance with these minimum standards would have to be established, and statutes registered.

In the committee's view, the Commission's new proposal for a regulation also contains a host of features which give prominence to the transparency requirement:

- disclosure by European political parties of all sources of funding, including publicising of all donations exceeding EUR 100;
- obligation for European political parties to give the Court of Auditors evidence of their financial outlay on joint activities involving national political parties;
- financial control would have to be in accordance with the Financial Regulation;
- European political parties' expenditure would be audited by external, independent auditors, with certification to be forwarded to the European Court of Auditors;
- any unduly obtained funds would have to be repaid.

However, the Commission has failed to meet a key demand by Parliament: that provision should be made for financial penalties for non-compliance with the transparency requirement. To ensure that that requirement is abided by, the regulation should provide for penalties by way of a deterrent in the event of infringements. This opinion seeks to have such penalties introduced.

¹ '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.'

² OJ C 34 E, 7.2.2002, p. 341.

³ COM(2000) 898, 13 February 2001.

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 Commission¹

Amendments by Parliament

Amendment 1 Article 4

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.*

1. *The* European Parliament, *on a proposal from its competent committee*, shall *request*, by a majority of its members, *the European Court of Justice to verify whether the conditions* laid down in Article 3 (2), second sentence, *continue* to be satisfied by a European political party.

If the *ECJ* finds that the *conditions are* no longer satisfied, the statute of the European political party in question shall be removed from the register.

deleted

¹ Not yet published in OJ.

Amendment 2
Article 5, paragraph 2

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.

2. **Once** a European political party **has been granted financing**, the European Parliament **shall file an application with the Commission**, which shall within two months **adopt a decision on the authorisation of** the corresponding appropriations.

Justification

This amendment takes account of paragraph 13 of Parliament's resolution of 11 March 2003 on the guidelines for the 2004 budgetary procedure (PA_TA-PRO(2003)03-11).

Amendment 3
Article 5, paragraph 3 a (new)

3a. A European political party which has obtained unlawful donations or has not made disclosures pursuant to Article 5(3) of this Regulation shall forfeit entitlement to funding equivalent to twice the amount unlawfully obtained or not disclosed pursuant to Article 5(3). The party concerned may lodge an appeal against such a ruling.

Justification

To prevent deliberate violation of the provisions of this regulation, provision must be made for financial penalties with a deterrent effect.

Amendment 4
Article 5, paragraph 3, point (b)

(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

(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.

- (a) anonymous donations,
- (b) donations from the budgets of political groups in the European Parliament,
- (c) donations from *public* legal bodies,
- (d) donations exceeding EUR 5 000 per year and per donor from any natural person.

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

Amendment 5
Article 6, paragraph 1 a (new)

Where there is a proven infringement of this prohibition, the guilty party shall also lose its claim to Community funding equivalent to double the amount of the unlawfully used sum. The party concerned may seek legal remedy against this decision.

Amendment 6
Article 7

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,

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, *with the exception of the European Parliament election campaign*.

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

information and publications.

information and publications.

For the financing of activities in connection with European elections, whether or not they are joint activities involving national parties, Article 8(5), second subparagraph, shall apply.

Justification

To be able to perform their acknowledged role under Article 191 of the EC Treaty, European political parties must be able to represent themselves in a manner which appeals to the public. Instead of banning the use of Community funds for such purposes on principle, then, it is more appropriate if there is compliance with the transparency requirement for use of that funding.

Amendment 7

Article 8, paragraph 4, subparagraph 1 (new)

The provisions on the collection and use of funds entitlement to which has been forfeited pursuant to Articles 5(3a) and 6(1a) shall be laid down in Council Regulation .../... amending the Financial Regulation (Regulation (EC) No 1605/2002¹).

¹ OJ L 248, 16.9.2002., p. 1.

Justification

As the current Financial Regulation contains no appropriate provisions on penalties, they need to be laid down by way of amendment to the Financial Regulation.

Amendment 8

Recital 7

(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 authorising officer.

(7) The appropriations allocated to financing parties will be ***included in the Commission's budget as administrative expenditure; the Commission shall be responsible for making the resources available and for monitoring and implementing the appropriations***

authorised, and the execution will be under its responsibility as authorising officer.

13 May 2003

OPINION OF THE COMMITTEE ON LEGAL AFFAIRS AND THE INTERNAL MARKET

for the Committee on Constitutional Affairs

on the proposal for a European Parliament and Council regulation on the statute and financing of European political parties
(COM(2003) 77 – C5-0059/2003 – 2003/0039(COD))

Draftsman: Willy C.E.H. De Clercq

PROCEDURE

The Committee on Legal Affairs and the Internal Market appointed Willy C.E.H. De Clercq draftsman at its meeting of 18 March 2003.

It considered the draft opinion at its meetings of 22 April, 29 April and 12 May 2003.

At the last meeting it adopted the following amendments by 19 in favour and 2 against.

The following were present for the vote Willi Rothley (acting chairman), Bill Miller (vice-chairman), Willy C.E.H. De Clercq (draftsman), Paolo Bartolozzi, Luis Berenguer Fuster (for Carlos Candal), Maria Berger, Michael Cashman (for Arlene McCarthy, pursuant to Rule 153(2)), Bert Doorn, Janelly Fourtou, Fiorella Ghilardotti, José María Gil-Robles Gil-Delgado, Malcolm Harbour, The Lord Inglewood, Piia-Noora Kauppi (for Kurt Lechner), Klaus-Heiner Lehne, Neil MacCormick, Manuel Medina Ortega, Marcelino Oreja Arburúa (for Marianne L.P. Thyssen), Francesco Enrico Speroni (for Ward Beysen), Rainer Wieland and Stefano Zappalà.

SHORT JUSTIFICATION

Political parties play a central role in contemporary democracy, constituting a vital link between the sovereign people and the politicians to whom the exercise of the affairs of the state is entrusted.

The constitutional legitimacy of European political parties (hereafter EPP) stems from Article 191 EC. Transnational political parties play a vital role by contributing to the formation and crafting of a European public opinion. It is also an opportunity to bring Europe closer to people. EPPs will also play a key role in the preparation of the citizens of the applicant countries, within the general area of public debate in the Union.

The scope and intensity of the challenges currently faced by western EPPs is exceptionally great. To pursue them, legal criteria and transparent rules are necessary. This proposal for a Regulation is an important element for providing the conditions necessary to perform such roles. Your draftsman favours giving EPPs an autonomous organisational and financial basis, thereby creating the necessary clarity. For this reason, a number of amendments have been tabled in order to ensure that EPPs can fully pursue the objectives laid down in their statutes. He also suggests a number of improvements, especially concerning the committee of independent eminent persons and the legal framework for monitoring the legal and proper use of the funds granted.

Statute

Your draftsman puts forward that European political parties should have to accept a code of conduct of good practices upon registration of statutes. Funding should be reserved to genuine transnational political parties.

Verification of conditions (Article 4)

Your draftsman agrees that the European Parliament should be responsible for handling the registration of a EPP, as well as for verifying whether an EPP respects fundamental principles such as the principles of freedom, democracy, human rights, and the rule of law. He puts forward that the member of the committee of independent eminent persons should be appointed by the EP for five years. Furthermore, he suggests that the opinion of the committee of independent eminent persons should be rendered public by Parliament.

Legal personality and legal capacity

Your draftsman considers that the best means of ensuring that European political parties can operate in accordance with the tasks conferred on them by Article 191 EC is to endow them with legal personality.

Financing

Your draftsman welcomes the prohibition of financing of national political parties. However, he advocates that temporary waiving or reduction of membership fees is not to be considered a form of indirect assistance to national political parties. The question also arises as to whether the different conditions for registering a statute and for obtaining funding should be maintained.

Nature of expenditure

Your draftsman considers that a clear distinction should be made between national election campaigns and European campaigns that take place at national level, such as referenda in candidate countries.

Entry into force

The entry into force of the proposed Regulation should coincide with the forthcoming EP elections. This would allow enough time for the phasing out of the existing financing arrangements and to prepare for the new framework of financing political parties.

AMENDMENTS

The Committee on Legal Affairs and the Internal Market calls on the Committee on

Constitutional Affairs, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1

Article 3, paragraph 1

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;

deleted

Justification

The conditions for recognition as a political party should if possible be the same as those for financing.

Amendment 2

Article 3, paragraph 2.

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

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 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.

¹ OJ not yet published.

being a party to legal proceedings.

Justification

EPPs should have legal personality.

Amendment 3

Article 3, paragraph 4 a (new)

4a. The political parties shall also submit a code of conduct demonstrating their sound administrative practice.

Justification

Parties should be obliged to adopt a code of conduct demonstrating sound and correct administrative practice.

Amendment 4

Article 4, paragraph 1

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.

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. ***Parliament shall make this opinion public.***

Justification

The opinion of the committee of independent eminent persons should be made public.

Amendment 5

Article 4, paragraph 2

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.

2. The committee of independent eminent persons shall consist of three members, ***appointed by the European Parliament for five years***. The secretariat and financing of the committee shall be provided by the European Parliament.

Justification

Recognition of European political parties and the procedure for doing so are solely a matter for the European Parliament, as the political parties operate there, and Parliament provides their funding and secretariat. The independent eminent persons should be appointed for a period corresponding to the Parliamentary term.

Amendment 6 Article 4 a (new)

Legal personality and legal capacity

4a. From the day of publication of registered statutes, European political parties shall possess in each Member State legal personality and enjoy legal capacity as granted to legal persons under national private law. They may in particular purchase and dispose of movable and immovable property, employ staff and be a party to legal proceedings.

Justification

In order to carry out their political activities without hindrance, the parties need to be able to conduct normal legal transactions.

Amendment 7 Article 5, paragraph 1.

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:

1. To be ***recognised and*** eligible for financing charged to the general budget of the European Communities, a European political party shall demonstrate that it has legal personality and shall:

Justification

EPPs should have legal personality. The conditions for recognition as a political party should if possible be the same as those for financing.

Amendment 8
Article 5, paragraph 3

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

3. Donations **or fees** from a political party forming part of the European political party shall be admissible.

Justification

Membership fees should also be admissible.

Amendment 9
Article 6 a (new)

Membership fees

Temporary waiving or reduction of membership fees shall not be considered a form of indirect assistance for the purposes of Article 6.

Justification

Justification

Seeks to clarify the scope of financing prohibition.

Amendment 10
Article 7, paragraph 1

Funds received from the general budget of the European Communities in accordance with this Regulation may be used only to

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.

meet expenditure directly linked to the objectives set out in the statute. They may not be used to finance *purely national legislative* election campaigns. *Not included are activities referred to in Article 8(5), second sentence.*

Justification

Seeks to clarify the scope of this provision.

Amendment 11

Article 7, paragraph 2

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

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

Staff shall be engaged according to the "Conditions of employment of other servants of the European Communities".

Amendment 12

Article 10

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.*

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

Justification

Covered by the principle of equal treatment.

Amendment 13
Article 11

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.

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

Financing of European political parties will be governed exclusively by this Regulation from the day of the first meeting of Parliament following the 2004 European Parliament elections.

Until that date, financing may continue in accordance with the existing provisions and arrangements.

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

Justification

A transitional period is necessary to allow European political parties to adapt to the new financing framework.