DRAFT REPORT

on the application of Regulation (EU, Euratom) No 1141/2014 on the statute and funding of European political parties and European political foundations (2021/2018(INI))

Committee on Constitutional Affairs

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The European Parliament,

– having regard to Article 10(4) of the Treaty on European Union,
– having regard to Article 224 of the Treaty on the Functioning of the European Union,
– having consulted the Authority for European Political Parties and European Political Foundations and its annual activity reports,
– having regard to the report of the Secretary-General of the European Parliament to the Bureau of 19 April 2021 on the funding of European political parties and European political foundations, at European level,
– having regard to Rule 54 of its Rules of Procedure,
– having regard to the opinion of the Committee on Budgetary Control,
– having regard to the report of the Committee on Constitutional Affairs (A9-0000/2021),

A. whereas European political parties help to raise European political awareness and express the will of Union citizens; whereas strong political parties and foundations at European level are essential for the development of a truly European political sphere;

B. whereas European political parties should cooperate with their national member parties, in order to support them in bringing the Union closer to the citizens;

C. whereas in order to continue to be aware of, to give expression to and where appropriate to mould the will of Union citizens, it is essential that the role and functioning of European political parties and foundations are not limited concerning issues of exclusively European relevance at Union level; whereas those European political parties and foundations should be allowed to use their funds accordingly;

D. whereas sufficient financial means are a prerequisite for European political parties and foundations to assume their tasks, while full transparency and accountability ought to be a condition for receiving public funds from the Union budget;

E. whereas European political parties and foundations can play a role in promoting
European policies on neighbouring countries under the common foreign and security policy and as part of the external relations of the Union; whereas they should therefore be open to membership by parties or individuals from these countries and be allowed to receive contributions from them, provided that full transparency is ensured;

F. whereas it should be possible for the own resources of European political parties and foundations to be formed of all kinds of legally acquired income and not only of contributions and donations;

G. whereas an alignment of the co-financing rate for European political parties with the level imposed on political foundations would prevent the accumulation of debt;

H. whereas the system for administrative control of expenditure should be lightened, and in particular, the requirement to submit accounts according to the International Financial Reporting Standards should be dropped because it does not correspond to the nature of the European political parties and foundations, and represents an unnecessary time-consuming and costly burden;

Evaluation of the application of the regulation

1. Acknowledges that Regulation (EU, Euratom) No 1141/2014 has improved the status of European political parties and European political foundations in comparison with the previous legal framework established by Regulation (EC) No 2004/2003, notably by recognising that those entities have Union legal personality and by setting up an independent Authority for European Political Parties and European Political Foundations (the Authority);

2. Recognises the role of the Authority, which has assumed the tasks entrusted to it under the regulation;

3. Notes, however, that a number of practical difficulties and political obstacles are still preventing European parties and foundations from achieving their full potential as active players in European democracy;

4. Underlines the importance of the registration of European political parties and foundations, since it requires compliance with all its conditions, including respect for Union fundamental values, and makes eligibility for funding from the Union budget conditional upon such compliance, as well as the need to ensure full transparency;

5. Welcomes the reinforcement of the provisions on monitoring respect by European political parties and foundations for the fundamental values of the Union and for the procedure for dealing with infringements, including sanctions and recovery of funds;

6. Considers that the latest amendment of Regulation (EU, Euratom) No 1141/2014, which introduced sanctions for infringements of data protection rules, was a first useful step but should be further strengthened;

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7. Considers that the current system for verifying respect for rules on the use of contributions and grants is too cumbersome;

8. Considers that making European political parties and foundations subject to European and national rules, which are laid down in different legal instruments, is a source of confusion and legal uncertainty;

**Problems identified**

9. Underlines the need to make the definition of indirect funding from European political parties and foundations to national counterparts and members more precise in order to avoid hampering their required cooperation in promoting and explaining European policies;

10. Stresses that the ban on financing referendum campaigns on European issues goes against the purpose of European political parties and foundations;

11. Regrets that the narrow interpretation of the definition of members of a European political party established by case law does not sufficiently recognise the need for flexibility in the internal organisation of European political parties, especially as regards associate members, including those from third countries; is concerned that this narrow interpretation has the effect of preventing, for no good reason, European political parties from receiving financial contributions from such members;

12. Considers that the prohibition of cross-party and cross-foundation membership should be clarified and extended;

13. Underlines that the categories of revenue are defined too narrowly in the regulation and in particular do not take into account other possible legally acquired own resources;

14. Stresses that the co-financing level imposed, in particular on European political parties, has proved very difficult to achieve;

15. Considers that the requirement for the accounts of European political parties and European political foundations to be set up both in accordance with the national audit standards of the Member State in which they are based and in accordance with International Financial Reporting Standards adds no value and entails unnecessary costs and time delays;

**Proposals for improvements**

16. Considers that a clear set of rules and conditions should be established for the joint organisation and co-financing of activities concerning European issues by European political parties and national member parties;

17. Calls for the prohibition on financing referendum campaigns to be lifted, if they are linked to European issues;

18. Insists that different categories of party membership be recognised, that the affiliation of members from candidate countries for accession to the Union, from the European Free
Trade Association, from EU neighbourhood countries and from former Member States be allowed, and that European political parties and foundations be allowed to legally collect membership fees from them;

19. Proposes that the scope of the prohibition on cross-party membership be extended to the members of national and regional parliaments and assemblies;

20. Supports the creation of further categories of revenue, in order to cover all sources of income of political parties rather than just contributions and donations;

21. Advocates the lowering of the required own resources rate for political parties to 5 % instead of 10 % to align it with the rate applicable to foundations;

22. Asks for the obligation for European political parties and foundations to submit their annual financial statements on the basis of the International Financial Reporting Standards, in addition to the Generally Accepted Accounting Principles, to be abolished;

23. Proposes that the expenditure of European political parties and foundations be subject to a self-control mechanism, accompanied by an internal audit system, and subject to oversight by an external auditor and the European Court of Auditors and to public oversight;

24. Is in favour of increasing the transparency of the financing of European political parties and foundations by creating an obligation for the European Parliament to publish the annual financial statements it receives;

25. Is of the opinion that the introduction of a general obligation to report publicly on any donation received regardless of its value would make any external influences on European political parties more transparent;

26. Is, moreover, of the opinion that in order to strengthen the transparency of funding, donations by the same donor to a European political party, its national member parties and their regional substructures should be considered to be a single donation and subject to publication by the European political party;

27. Supports the idea of increasing the importance of the own resources of European political parties when calculating the amount financed by the Union;

28. Proposes that the distribution of Union funds be based on the number of votes received by the European political parties in the last European elections, while ensuring that any significant reduction in the allocations to which a European political party is entitled in the run-up to the 2024 elections resulting from the introduction of such a system are fully taken into account and addressed;

29. Believes, for the sake of legal certainty and clarity, that all provisions applicable to European political parties and foundations, including those that are currently part of the Financial Regulation, should be brought together in a single Union legal act, namely Regulation (EU, Euratom) No 1141/2014;
30. Is of the opinion that the rules on eligibility of expenditure are too narrow and that European political parties should be allowed to finance any activity which contributes to increasing European political awareness and giving expression to the will of Union citizens;

31. Proposes that a genuine European legal status and a European legal personality for European political parties and foundations be established by setting minimum conditions for the structure and functioning of European political parties and foundations while at the same time rendering them more independent from national law;

32. Insists that the national member parties of European political parties must have a democratic structure and respect the fundamental values of the Union;

33. Is of the opinion that the hybrid status of the Authority should be clarified;

34. Proposes that a clear distinction between de-registration as a last resort measure and financial sanctions be established and that the coherence of the financial sanctions regime be enhanced;

35. Considers that the coherence and legal certainty of certain provisions of Regulation (EU, Euratom) No 1141/2014 need to be enhanced, that the reasons for de-registration need to be consolidated, that a common set of rules for the publication, entry into force and effect of de-registration decisions is necessary and that the rules on recovery need to be clarified;

36. Calls on the Commission to take due account of these proposals when drafting and putting forward its proposal for a regulation amending Regulation (EU, Euratom) No 1141/2014;

37. Instructs its President to forward this resolution to the Council and the Commission.