General budget of the European Communities: financial regulation, funding of political parties at European level

2007/0820(CNS) - 24/10/2007 - Legislative proposal

PURPOSE: to amend Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, following the Permanent Representatives Committee's decision to split taken on 24 October 2007.

PROPOSED ACT: Council Regulation.

BACKGROUND: Regulation (EC) No 2004/2003 provides that the European Parliament is to publish a report on the application of the Regulation, including - where appropriate - possible amendments to be made to the funding system of political parties at European level. In its Resolution of 23 March 2006 on the application of Regulation (EC) No 2004/2003, the European Parliament considered that that Regulation should be improved on a number of points in the light of the experience gained since its entry into force in 2003 (see INI/2005/2224).

CONTENT: the rules governing the financing of political parties at European level should be adapted to take better account of the special conditions under which political parties operate, including shifting political challenges and agendas creating budgetary impacts that political parties cannot predict when drawing up their annual work programmes and budgets. To that end limited access to carrying funding over from one year to the first quarter of the following year should be introduced.

In order to enhance parties' long-term financial planning capabilities, to take account of funding needs that vary from one year to another, and to strengthen the incentives for parties not to rely on public funding alone, political parties at European level should be allowed to establish limited financial reserves based on own resources generated from sources other than the budget of the European Union.

The purpose of this proposal is to take account of Parliamentary views and amend Regulation EC, Euratom) No 1605/2002 in a bid to improve the efficiency of funding political parties at a European level. The proposed changes are:

- to allow the parties to carry funding over from one year to the first quarter of the following year. Under this arrangement, if a political party at European level realises a surplus of income over expenditure at the end of the financial year for which it received an operating grant, part of that surplus (up to 25% of the total income for that year) may be carried over the following year – on condition that it be used before the end of the first quarter of the following year; and
- to allow political parties at European level to establish limited financial reserves independent of the EU budget. In order to comply with the “no profit” rules, own resources (such as donations and membership fees) the first 15% of the eligible costs that will be borne by the party will not be taken into account. This provision will not apply if the financial reserves of a political party exceed 100% of its average annual income.