

Financial rules applicable to the general budget of the Union: financing of European political parties

2012/0336(COD) - 29/11/2012 - Legislative proposal

PURPOSE: to amend the Financial Regulation so as to take into account changes proposed by the Commission in its proposal for a Regulation on the statute and funding of European political parties and European political foundations.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the [proposal for a Regulation of the European Parliament and of the Council on the statute and funding of European political parties and European political foundations](#) - which will replace current Regulation (EC) No 2004/2003 - contains new rules regarding, *inter alia*, the funding of political parties and political foundations at European level. Their effectiveness requires that they are accompanied by a corresponding set of financial rules anchored in the Financial Regulation (Regulation (EU, Euratom) No 966/2012).

The proposal follows the [European Parliament resolution](#) of 6 April 2011 regarding the financing of the European political parties which considers that, in light of the experience gained, the financing of European political parties and European political foundations should be improved as regards a number of points. In particular, it calls for an end to the system of grants and the creation of a new financing instrument in the Financial Regulation “devoted solely and tailored specifically to the funding of European Parties and foundations”.

IMPACT ASSESSMENT: after a detailed analysis, it is proposed that **political parties** should indeed be financed through a new instrument ("contributions") rather than through an operating grant, as it is currently the case.

As regards European **political foundations**, it is considered that they should continue to receive an operating grant. The Commission feels that the request of the European Parliament to exclude European political foundations also from the grant system is not justified given that the specific characteristics of European political parties are not the same as the European political foundations.

LEGAL BASIS: Article 322 of the Treaty on the Functioning of the European Union (TFEU), in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof.

CONTENT: the Commission proposal establishes **a new Title VIII be inserted in part Two of the Financial Regulation dedicated to Contributions to European political parties** and it repeals the specific provisions regarding European political parties which are currently provided for under Title VI (grants) of part One.

The proposal introduces the following elements:

- **Abolition of the "annual work programme":** in accordance with Parliament's resolution, the payment of contributions shall not be a precondition for the presentation of an annual work programme and an estimated operating budget.
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- **Introduction of eligibility criteria:** the authorising officer should request directly from the Registry of European political parties (set up in the EP) certificates confirming that European political parties are duly registered and are in compliance with relevant obligations (e.g. presentation of accounts) and have not been suspended or subject to any administrative penalty as foreseen in the proposal for a Regulation on the statute and funding of European political parties and European political foundations.
- **Abolition of the selection criteria:** the selection criteria will not be required in the new Title, since there is little value in verifying the financial and operational capacity of European political parties to represent its citizens, *a fortiori* when no annual work programme or estimated budget is submitted.
- **Control on their statutory obligations:** a provision has been introduced which will explicitly require that European political parties should not be subject to debarment from the Registry or subject to an administrative penalty during the financial year covered by the contribution. In such cases, their contributions would be reduced or terminated and any pre-financing paid recovered. The authorising officer should request such confirmation to the EP Registry before making the payment of the balance.
- **Controls on expenditure and not on actions:** while financial support should be awarded without an annual work programme and estimated operating budget, European political parties should justify *ex post* the sound use of Union funds. In particular, the authorising officer should verify if the EU funds have been used to pay reimbursable expenditure as established in the call for contributions within the time limits laid down in this Regulation.
- **Time limits to use of EU funds:** Parliament called for the possibility to 'build up reserves and carry-over of funds'. The new Title does not prevent European political parties from building reserves from their own sources. In addition, European political parties should also benefit from a certain flexibility regarding the time limits to use the EU funds awarded. However, EU funds that have not been spent should be used within a reasonable time.
- **Financing and pre-financing methods:** as in the case of grants, contributions may be paid either through the reimbursement of a percentage of the expenditures incurred or through a system of predefined lump sum, unit costs, and flat rate (forfaits). Contributions should be paid in one pre-financing payment covering 100% of the sum, unless the authorising officer decides otherwise for duly justified reasons.
- **Interest on pre-financing:** by derogation from the Financial Regulation, any interest yielded by the pre-financing amounts received by the European political parties should be used to pay reimbursable expenditures within the following two financial years.
- **Penalty and control regime:** as in the case for grants, the new Title should include the standard provisions regarding the control of the EP, OLAF, and the Court of Auditors. It should also include the same penalty regime (administrative and financial penalties) which is applicable to grant beneficiaries.

BUDGETARY IMPLICATION: the envisaged modification of the Financial Regulation has no budgetary implications.