Basic information

2012/0336(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Financial rules applicable to the general budget of the Union: financing of European political parties Amending Regulation (EU, Euratom) No 966/2012 2010/0395(COD) See also 2012/0237(COD) **Subject** 8.40.01.02 President, members, mandates, political groups 8.70 Budget of the Union 8.70.01 Financing of the budget, own resources 8.70.02 Financial regulations 8.70.03 Budgetary control and discharge, implementation of the budget	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	GRÄSSLE Ingeborg (PPE)	18/12/2012
	Shadow rapporteur HERCZOG Edit (S&D) GARDIAZABAL RUBIAL Eider (S&D) LYON George (ALDE)	

Committee for opinion	Rapporteur for opinion	Appointed
CONT Budgetary Control	The committee decided not to give an opinion.	
JURI Legal Affairs	The committee decided not to give an opinion.	
AFCO Constitutional Affairs	GUERRERO SALOM Enrique (S&D)	17/09/2012

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3334	2014-09-22

European Commission	Commission DG	Commissioner
	Budget	LEWANDOWSKI Janusz
European Court of Auditors		

Key events

Date	Event	Reference	Summary
29/11/2012	Legislative proposal published	COM(2012)0712	Summary
10/12/2012	Committee referral announced in Parliament, 1st reading		
30/05/2013	Vote in committee, 1st reading		
05/06/2013	Committee report tabled for plenary, 1st reading	A7-0200/2013	Summary
16/04/2014	Decision by Parliament, 1st reading	T7-0422/2014	Summary
16/04/2014	Results of vote in Parliament		
22/09/2014	Act adopted by Council after Parliament's 1st reading		
22/10/2014	Final act signed		
22/10/2014	End of procedure in Parliament		
04/11/2014	Final act published in Official Journal		

Technical information

Procedure reference	2012/0336(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EU, Euratom) No 966/2012 2010/0395(COD) See also 2012/0237(COD)
Legal basis	Euratom Treaty A 106a-pa Treaty on the Functioning of the European Union TFEU 322-p1
Other legal basis	Rules of Procedure EP 165
Mandatory consultation of other institutions	European Court of Auditors
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/11406

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE506.200	04/03/2013	

Committee opinion	AFCO	PE507.930	24/04/2013	
Amendments tabled in committee		PE510.552	29/04/2013	
Committee report tabled for plenary, 1st reading/single reading		A7-0200/2013	05/06/2013	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0422/2014	16/04/2014	Summary

Council of the EU

Document type	Reference	Date	Summary
Draft final act	00068/2014/LEX	22/10/2014	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2012)0712	29/11/2012	Summary
Commission response to text adopted in plenary	SP(2014)471	09/07/2014	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N7-0058/2013 OJ C 067 07.03.2013, p. 0001	07/02/2013	Summary

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Regulation 2014/1142
OJ L 317 04.11.2014, p. 0028 Summary

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.
- **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.

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

2012/0336(COD) - 07/02/2013 - Court of Auditors: opinion, report

Opinion No 1/2013 concerning 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 and concerning the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 966/2012 as regards the financing of European political parties.

Whilst acknowledging that the Commission's proposals address a number of shortfalls in the provisions currently in force, the Court feels that some further issues need to be addressed in order to encourage a European political culture of independence, accountability and responsibility, to strengthen scrutiny and avoid the potential abuse of the funding rules.

The main points are as follows:

Donations: the Court considers:

- the definition proposed for the term 'donation' is **too narrowly worded**, leaving room for European political parties and foundations to circumvent transparency requirements and maximum thresholds;
- the proposal does not specifically regulate donations from natural or legal persons who provide **goods and services** for EU institutions or for other public authorities involved in the management of EU funds;
- no rules are proposed on donations to entities which are **related, directly or indirectly, to European political parties** or foundations or are otherwise under their effective control;
- the proposal does not specifically regulate **donations from private entities based in non- member countries or from international organisations** .
- clear rules should be set in respect of donations from the **public authorities of EU Member States** to European political parties and European political foundations

Contributions: whilst the proposal limits donations to a value of EUR 25 000 per year and per donor, no ceilings are set for individual contributions from members of political parties and foundations.

Loans: there are no provisions on loans, their sources and their terms and conditions, which means that there is a risk of rules on donations and contributions being circumvented by receiving loans at particularly advantageous conditions.

Sanctions: the maximum amount for fines is limited to 10 % of the annual budget of the party in question corresponding to the year in which the sanction is imposed. Fines would be decided by Parliament. For irregularities related to donations and contributions, the Court recommends a less discretionary approach. The amount of a fine should be a **multiple of the irregular amounts involved, without a maximum ceiling**.

Furthermore the Court recommends that mandatory administrative and financial penalties should also apply where the European Parliament or the Court are prevented from exercising their audit powers.

Direct donations to candidates or elected representatives: the Court draws attention to the need for rules regarding the funding of political parties to apply mutatis mutandis to the funding of campaigns of individual candidates for European elections or elected representatives. This would mitigate the risk of the provisions on the funding of political parties being circumvented by direct donations to candidates or elected representatives.

Eligibility conditions for EU funding and some other concepts: these should be defined in greater detail including:

- the nature of the expenditure of European political parties which may be funded from the EU budget. Such a definition would provide useful guidance for the calls for contributions to be issued by the European Parliament;
- the **proposal amending the financial regulation** should also make it clear that European political parties receiving a contribution from the general budget shall not receive other funds from the budget.

Accounts and reporting obligations: in order to enhance comparability and transparency, it would be preferable to have a standardised, accruals-based, presentation of accounts and detailed reporting obligations, **using a compulsory model**, which would apply to all political parties and foundations independently of the law applicable in the Member State in which they have their seat. Furthermore, those in charge of external audit should be selected, mandated and paid by the European Parliament to ensure consistency in the performance of the external audit function and facilitate the monitoring of this activity.

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

2012/0336(COD) - 05/06/2013 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Budgets adopted the report by Ingeborg GRÄSSLE (EPP, DE) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 966/2012 as regards the financing of European political parties.

The committee recommends that Parliament's position adopted at first reading, according to the ordinary legislative procedure, should be to amend the Commission's proposal as follows:

Registration: the report stated that if the formation of political parties at European level were to take place independently of their formal registration, they should acquire the legal status of European political parties only by means of formal registration.

Contributions: one of the committee's objectives has been to ensure the highest possible degree of coherence between this proposal and the proposal for a regulation on the statute and funding of European political parties and European political foundations, by adapting the report to the modifications of the financial rules in the Giannakou report. The amendments take up points made by the Court of Auditors in its Opinion 1/2013.

Members also clarified the following:

- **reimbursable costs** should include administrative expenditure and expenditure linked to, *inter alia*: (i) technical assistance, meetings, events, including cross-border events and joint events with political groups in the European Parliament; (ii) information, publications; (ii) research and studies; (iii) campaigns conducted in the context of elections to the European Parliament; (iv) and referendum campaigns at a European level;
- expenditure linked to **campaigns conducted in the context of elections to the European Parliament** should be reimbursed in accordance with the rules laid down in the Regulation on the statute and funding of European political parties and European political foundations;
- exceptionally, contributions should also be used to **finance national, regional or local referendum campaigns**, provided that the subject of the referendum in question is Union legislation, the functioning of a Union institution or the ratification of changes to Union treaties;
- contributions could be used to **reimburse expenditure relating to contracts concluded by European political parties**, provided that there were no conflicts.

Moreover, contributions should not be used:

- to grant directly or indirectly any personal advantage, in cash or in kind, to any individual member or staff of a European political party;
- to fund directly or indirectly national, regional or local elections, candidates or referendum campaigns, except as provided for referendum campaigns relating to Union legislation, Union institutions or changes to Union treaties.

Lastly, European political parties receiving a contribution should not receive directly or indirectly other funds from the budget. In particular, **donations** from the budgets of political groups in the European Parliament should be prohibited.

Evaluation procedure of contribution requests: if the application is rejected, the authorising officer should inform the applicant of all possible judicial and extrajudicial remedies available.

Rules applicable to contributions: the proposed amendment is aligned to Article 124(2)(c) of the Financial Regulation (scope and form of grants – lump sums, unit costs and flat-rate financing) and adds a requirement to quantify lump sums, flat rates and unit costs in the call for contributions.

Use of contributions: contributions by third parties to joint events should not be considered as part of the own resources of a European political party.

Report on the use of contributions: European political parties should **broadly and publicly report** the use of Union contributions in a citizen-friendly, searchable database. They should publish, at least on their website, the final report and accounts.

Rules on the carry-over of grants to EU political parties: Members suggested giving European political foundations some additional flexibility in their financial planning by preserving Article 125(6) of the Financial Regulation as amended.

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

2012/0336(COD) - 16/04/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 598 votes to 44 with 20 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 966/2012 as regards the financing of European political parties.

Parliament adopted its position at first reading under the ordinary legislative procedure. The amendments adopted in plenary were the result of a compromise between Parliament and Council. They amend the Commission's proposal as follows:

Contributions: direct financial contributions from the budget may be awarded to European political parties in view of their contribution to forming European political awareness and to expressing the political will of the citizens of the Union in accordance with the provisions of Regulation of the European Parliament and of the Council on the statute and funding of European political parties and European political foundations.

The amendments clarified the following:

- contributions may be used to reimburse expenditure relating to contracts concluded by European political parties, provided that there were no conflicts of interest when they were awarded;
- contributions should not be used to grant directly or indirectly any personal advantage, in cash or in kind, to any individual member or staff of a European political party;
- European political parties receiving a contribution should not receive directly or indirectly other funds from the budget. In particular, donations from the budgets of political groups in the European Parliament should be prohibited.

The appropriations set aside for independent external audit bodies or experts should be charged directly to the budget of the European Parliament.

Evaluation procedure: if the application is rejected, the authorising officer should inform the applicant of the available means of administrative and/or judicial redress.

Rules on contributions: where lump sums, flat-rate financing and unit costs are used, they should be defined in the call for contributions with their respective amounts and rates, where applicable. The call for contributions should also contain a description of the methods for determining lump sums, unit costs or flat-rate financing, which should be based on objective means such as statistical data, certified or auditable historical data of the European political parties or their usual cost accounting practices

Use of contributions: contributions by third parties to joint events should not be considered as part of the own resources of a European political party.

Record keeping: European political parties should keep all records and supporting documents, and other records pertinent to the contribution for five years following the submission of the annual final report and accounts.

Selection of external audit bodies or experts: the selection should be done through a public procurement procedure. The term of their contract should be no longer than 5 years. After two consecutive terms, they should be deemed to have conflicting interests, which may negatively affect the performance of the audit.

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

2012/0336(COD) - 22/10/2014 - Final act

PURPOSE: to amend the Financial Regulation so as to take into account new rules on the statute and funding of European political parties and European political foundations.

LEGISLATIVE ACT: Regulation (EU, Euratom) No 1142/2014 of the European Parliament and of the Council amending Regulation (EU, Euratom) No 966/2012 as regards the financing of European political parties.

CONTENT: this amended Regulation **adds specific rules on contributions from the EU budget to European political parties** in view of their contribution to forming European political awareness and to expressing the political will of the citizens of the Union in accordance with Regulation (EU, Euratom) No 1141/2014 on the statute and funding of European political parties and European political foundations.

In its resolution of 6 April 2011 on the application of Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding, the European Parliament, in the light of experience gained, suggested a number of improvements regarding the financing of European political parties and European political foundations.

The main amendments introduced are the following:

Contributions: in principle, the contributions to European political parties:

- shall only be used to reimburse the percentage set out in Article 17(4) of Regulation (EU, Euratom) No 1141/2014 of the operating costs of European political parties directly linked to objectives of those parties;
- may be used to reimburse expenditure relating to contracts concluded by European political parties, provided that there were no conflicts of interest when they were awarded;
- shall not be used to: (i) directly or indirectly grant any personal advantage, in cash or in kind, to any individual member or member of staff of a European political party; (ii) directly or indirectly finance activities of third parties, in particular national political parties or political foundations at European or national level, whether in the form of grants, donations, loans or any other similar agreements.
- European political parties receiving a contribution shall not directly or indirectly receive other funding from the budget. In particular, **donations** from the budgets of political groups in the European Parliament shall be prohibited.

Use of financial support: the amend Regulation exempts European political parties from submitting annual work programmes but **oblige them to justify ex post the sound use of EU funding**. The authorising officer responsible should verify if the funding has been used to pay reimbursable expenditure as established in the call for contributions within the time limits laid down in this Regulation.

Contributions to European political parties should be spent by the end of the financial year following that of their award, after which, any unspent funding should be recovered by the authorising officer responsible.

ENTRY INTO FORCE: 24.11.2014. The Regulation shall apply from 1.1.2017.