

## Transparency in the Financing of Europarties

Political finance, including the financing of political parties, can undermine the same democratic values and principles of good governance that it intends to support. Yet, **the purpose of anti-corruption efforts in the area of political finance is not to curtail funding, but rather to ensure that the parties are funded from sources that are neither corrupt nor potentially corrupting**, and are properly accounted for. In this regard, a lack of transparency in political financing poses a major risk for political corruption<sup>1</sup>.

It is therefore of utmost importance to **make information on political financing** available in a timely manner to authorities and to the public - **as comprehensive, detailed, reliable, user-friendly and widely accessible as possible** - in order to ensure a maximum transparency and trust in public institutions<sup>2</sup>. With regard to the financing of political parties, these transparency principles are *inter alia* reflected in Article 7(3) of the United Nations Convention Against Corruption (UNCAC) - which the EU has ratified - as well as in Recommendation (2003)<sup>4</sup> of the Committee of Ministers of the Council of Europe *on common rules against corruption in the funding of political parties and electoral campaigns*, the latter monitored by the "Group of States against Corruption – GRECO".

These standards can serve as basic guidance for the regulation of the financing of European Political Parties but need to be applied within the specific framework of European Union politics. There, **European Parliament (EP) subsidies constituted about 76% of the total revenues of European-level political parties in 2008**<sup>3</sup>. For 2011, the EU budget foresees 17.4 million € for the financing of European Political Parties (Europarties) and another 11.4 million € for the financing of European Political Foundations, which are directly linked to the Europarties. Taken together, this is almost 25% more than the same allocations in the previous budget<sup>4</sup>. It is thus fair to conclude that the direct and indirect financing through European taxpayers' money is crucial for Europarties and that the funds allocated for their work continue to rise way above the general growth of the EU budget (~ +2.9%).

Consequently, Europarties do not only need to comply with the regulations governing political parties at European level and the rules regarding their funding as laid out in Regulation (EC) No. 2004/2003, amended by Regulation (EC) 1524/2007, aiming "at ensuring transparency of sources of funding" (recital 7 of Regulation 2004/2003) but the European Parliament also has to implement these rules in a way that ensures "maximum transparency and financial control" (recital 11). It is noteworthy that **transparency has in fact increased** following the amendment of regulation 2004/2003 in 2007: Financial reports of all parties and foundations

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<sup>1</sup> Political Corruption is understood as "Manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers, who abuse their position to sustain their power, status and wealth" (The Anti-Corruption Plain Language Guide, Transparency International 2009).

<sup>2</sup> Cf.: "Accountability and Transparency in Political Finance: Why, How and What For?", Transparency International Working Paper 1/2008; p. 2;

[http://www.transparency.org/publications/publications/working\\_papers/wp\\_01\\_2008\\_political\\_finance](http://www.transparency.org/publications/publications/working_papers/wp_01_2008_political_finance).

<sup>3</sup> Own calculation; cf. para. 100, European Parliament decision of 5 May 2010 on discharge in respect of the implementation of the European Union general budget for the financial year 2008, Section I – European Parliament, P7\_TA(2010)0136.

<sup>4</sup> Cf. Articles 4 0 2 and 4 0 3 of the EU Budget for 2011.

can be easily found on a central European Parliament website<sup>5</sup> as demanded by Article 9a of the amended regulation. The major Europarties also publish these reports on their respective websites, although quite hard to find in some cases.

Yet, the Parliament itself has stressed several **shortcomings** in its discharge of the 2008 EU budget<sup>6</sup>, noting at the time that “**information and documentation submitted by the parties and the foundations [were] not sufficient in order to comply with the justified expectations of citizens and taxpayers concerning transparency**” (para 115; own highlight). It has recommended to introduce “*a model structure for the description of programme activities and for the final activity reports*” and to carry out “*a sufficient number of ex-post on-the-spot checks of those grants*” (para 107) in order to raise transparency of the spending of EU funds by the Europarties. Verification method could include performing checks based on random selection.

For 2009, all of the party and foundation reports seem to have been independently audited and these reports are published on the European Parliament website, all containing a reasonable breakdown of their budgets. Still, these breakdowns do not always follow exactly the model set out by the Bureau of the European Parliament in 2008<sup>7</sup>, making it difficult for the public - citizens, journalists and other interested parties - to easily compare expenditures and revenues of the Europarties. In order to increase transparency in this regard, it would therefore not only be advisable to make the inclusion of the aforementioned annex obligatory in the way agreed by the EP Bureau but additionally to provide the public with a **searchable and sortable online database allowing a comparative view for all parties and every detail of their reports** (i.e. by filtering just for administrative expenses). The raw data of the database should also be downloadable in a machine-readable, open data format (csv, xml etc.)<sup>8</sup>.

In addition, **special attention should be paid to donations**. In its “*Standards on Political Funding and Favours*”<sup>9</sup>, Transparency International recommends that **reports should list donors and the amount of their donations, including in-kind contributions** (e.g. support for and sponsoring of party events) **and loans**, and should also list destinations of expenditure. Judging from the 2009 reports of Europarties and foundations, donations do not appear to be a major source of funding at the European level yet. The few donations above 500 € seem to be correctly reported (in line with Article 6(1) of Regulation 2004/2003) by the benefiting organisations. Still, donations section in the reports does not provide details on the identity of private donors or contributing parties and individual members. Out of ten parties only two (EU Democrats and ELDR) have identified their private donors by name as well as the amounts of donations received. It would be advisable if the reports would include the field for such information in the standardised format and, in line with the TI recommendation, the regulation and reports also clearly mention “in-kind donations”. Also, it would be

<sup>5</sup> <http://tinyurl.com/Europarties-reports>.

<sup>6</sup> Same source as footnote 3.

<sup>7</sup> Annex to the Decision of the Bureau of the European Parliament laying down the procedures for implementing Regulation (EC) No 2004/2003 of the European Parliament and of the Council on the regulations governing political parties at European level and the rules regarding their funding; OJEU C 252/1; 3 Oct 2008.

<sup>8</sup> See for example: [http://www.fec.gov/finance/disclosure/disclosure\\_data\\_search.shtml](http://www.fec.gov/finance/disclosure/disclosure_data_search.shtml).

<sup>9</sup> “Standards on Political Funding and Favours”, Transparency International Policy Position 01/2009; [http://www.transparency.org/publications/publications/policy\\_positions/ti\\_pp\\_pol\\_funding](http://www.transparency.org/publications/publications/policy_positions/ti_pp_pol_funding).

preferable if, following the proposal made previously, **a comparable database for all donations above 500€ for all Europarty and foundation donors** was provided to the public, updated at least once a year. Donations above a certain limit could also be subject to immediate publication by the parties<sup>10</sup>, for example to allow voters to notice considerable financial contributions made to parties before and during election campaigns.

**The financing of elections is another case not yet clearly addressed** by the regulations guiding the financing of political parties on the European level. Since the 2007 amendment, Article 8 of Regulation 2004/2003 allows the “*financing campaigns conducted by the political parties at European level in the context of the elections to the European Parliament*”. However, the regulation does not allow using these appropriations “*for the direct or indirect funding of national political parties or candidates*”. First of all, it appears to be difficult to draw the line between the financing of a European campaign and the indirect funding of national political parties or candidates<sup>11</sup> taking into account that, so far, voters can only elect national parties and candidates for the EP elections. In its present form, the regulation therefore either limits relevant European campaign activities or forces Europarties into “creative” reporting, going against the aim of transparency of election funding. It seems advisable to clarify this provision. Second, the Europarties’ reports for 2009 (the year of the last European elections) do not make it sufficiently transparent how they have spent their budget on campaign activities. Some are mentioning expenditures related to the EP elections but they are neither very detailed **There seems to be no consistency among parties regarding reporting on election expenses**. For instance, the EPP does not list election expenditure separately, but rather mentions that expenditure related to the European Elections are included in the budget lines on Meetings and Publication Costs, which makes it impossible to distinguish this expenditure from other ongoing party expenses. More significantly, out of 10 parties, only 3 (ELDR, PES and PEL) have provided a separate figure for election expenditure in the standardised form and out of them 2 parties (PES and PEL) had eventually spent significantly higher amounts than originally budgeted.

Thus, following TI’s recommendations for political parties in our *Standards on Political Funding and Favours*, it may be considered to request, **for the next European elections in 2014, a special public report on campaign-related incomes and expenditures**, which could raise public accountability of Europarties in the context of their electoral responsibilities as prescribed by Article 3(1)(d) of Regulation 2004/2003.<sup>12</sup>

### **About Transparency International**

*The Transparency International Liaison Office to the EU is part of the global Transparency International (TI) movement, the leading civil society organisation in the fight against corruption. The mission of the EU Office is to prevent and address corruption and promote integrity, transparency and accountability in the EU institutions and in EU internal and external policies, programmes and legislation.*

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<sup>10</sup> Such a provision can be found, for example, in §25(3) of the German party law.

<sup>11</sup> Noted for example in Joksic, Mladen (2009): *Regulating Europarties: One Step Closer to Integration or Two Steps Back*; MA Thesis; Central European University (Budapest), Department of Public Policy; p. 29; [http://www.etd.ceu.hu/2009/joksic\\_mladen.pdf](http://www.etd.ceu.hu/2009/joksic_mladen.pdf).

<sup>12</sup> This paper has greatly profited from contributions by Tinatin Ninua, Robert Barrett and Michael Koß.