



EUROPEAN UNION

THE EUROPEAN PARLIAMENT

THE COUNCIL

**Brussels, 17 September 2014
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2012/0336 (COD)

PE-CONS 68/14

**FIN 267
INST 149
PE 232
CODEC 756**

LEGISLATIVE ACTS AND OTHER INSTRUMENTS

**Subject: REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL amending Regulation (EU, Euratom) No 966/2012 as regards
the financing of European political parties**

REGULATION (EU) NO .../2014
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of

amending Regulation (EU, Euratom) No 966/2012
as regards the financing of European political parties

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 322 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the Court of Auditors¹,

Acting in accordance with the ordinary legislative procedure²,

¹ OJ C 4, 8.1.2014, p. 1.

² Position of the European Parliament of 16 April 2014 (not yet published in the Official Journal) and decision of the Council of ...

Whereas:

- (1) Political parties at European level are important as a factor for integration within the Union.
- (2) Article 10 of the Treaty on European Union and Article 12(2) of the Charter of Fundamental Rights of the European Union state that political parties at European level contribute to forming a European political awareness and to expressing the political will of the citizens of the Union.
- (3) On 4 November 2003 the European Parliament and the Council adopted Regulation (EC) No 2004/2003 on the regulations governing political parties at European level and the rules regarding their funding¹.
- (4) 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 funding², 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.

¹ OJ L 297, 15.11.2003, p. 1.

² OJ C 296 E, 2 .10.2012, p. 46.

- (5) On ... the European Parliament and the Council adopted Regulation (EU) No .../2014¹⁺ repealing Regulation (EC) No 2004/2003 and laying down new rules for, inter alia, the funding of political parties and political foundations at European level, in particular with regard to funding conditions, the award and distribution of funding, donations and contributions, financing of campaigns for elections to the European Parliament, reimbursable expenditure, the prohibition of funding, accounts, reporting and audit, implementation and control, penalties, cooperation between the Authority for European political parties and foundations, the authorising officer of the European Parliament and the Member States, and transparency.
- (6) Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council² ("the Financial Regulation") should include rules on contributions from the general budget of the Union to European political parties as envisaged by Regulation (EU) No .../2014⁺⁺. Those rules should allow political parties at European level to have a broader degree of flexibility as regards the time limits for using those contributions, as the nature of their activities so requires.

¹ Regulation (EU) No .../2014 of the European Parliament and of the Council of ... on the statute and funding of European political parties and European political foundations (OJ L ...).

⁺ OJ: please insert the number and the date of the regulation from document 2012/0237(COD), PE-CONS 62/14, and complete the footnote.

² Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

⁺⁺ OJ: please insert the number of the regulation from document 2012/0237(COD), PE-CONS 62/14.

- (7) The system of financial support to European political parties through an operating grant as provided for in Article 125(6) of the Financial Regulation is not suited to their needs, in particular the obligation to submit an annual work programme, a requirement that does not exist in the legislation of Member States. Therefore, the financial support given to European political parties should take the form of a specific contribution, to match the specific needs of the European political parties. However, given that European political foundations continue to be subject to the grant provisions of the Financial Regulation, it should be possible for the limited carry-over for three months currently provided for by Article 125(6) of the Financial Regulation to apply to them.
- (8) Although financial support is awarded without an annual work programme being required, European political parties should justify ex post the sound use of Union funding. In particular, 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.
- (9) Union funding awarded to finance the operating costs of the European political parties should not be used for other purposes than those established in Regulation (EU) No .../2014⁺, in particular to directly or indirectly finance other entities such as national political parties. The European political parties should use the contributions to pay a percentage of current and future expenditure and not expenditure or debts incurred before the submission of their applications for contributions.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

- (10) The award of contributions should also be simplified and adapted to the specificities of the European political parties, in particular by the absence of selection criteria, the establishment of a single full pre-financing payment as a general rule, and by the possibility to use lump sums, flat-rate and unit cost financing.
- (11) The contributions from the general budget of the Union should be suspended, reduced or terminated if the European political parties infringe the obligations laid down in Regulation (EU) No .../2014⁺.
- (12) Penalties that are based both on the Financial Regulation and on Regulation (EU) No .../2014⁺, should be imposed in a coherent way and should respect the principle of ne bis in idem. In accordance with Regulation (EU) No .../2014⁺, administrative and/or financial penalties provided for by the Financial Regulation are not to be imposed in one of the cases for which penalties have already been imposed on the basis of Regulation (EU) No .../2014⁺.
- (13) The Financial Regulation should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

Article 1

Regulation (EU, Euratom) No 966/2012 is amended as follows:

(1) In paragraph 2 of Article 121, the following point is added:

"(j) contributions to European political parties referred to in Title VIII of Part Two."

(2) Article 125 is amended as follows:

(a) The second subparagraph of paragraph 3 is deleted;

(b) Paragraph 6 is replaced by the following:

"6. If a European political foundation within the meaning of Regulation (EU) No .../2014 of the European Parliament and of the Council*⁺ realises a surplus of income over expenditure at the end of a financial year in which it received an operating grant, the part of that surplus corresponding to up to 25 % of the total income for that year may, by derogation from the no-profit principle laid down in paragraph 4 of this Article, be carried over to the following year provided that it is used before the end of the first quarter of that following year.

* Regulation (EU) No .../2014 of the European Parliament and of the Council of ... on the statute and funding of European political parties and European political foundations (OJ ...).⁺

⁺ OJ: please insert the number, the date and the publication reference of the regulation from document 2012/0237(COD).

(3) In Part Two, the following Title is added:

"TITLE VIII

CONTRIBUTIONS TO EUROPEAN POLITICAL PARTIES

Article 204a

General provisions

1. For the purposes of this Regulation, European political parties shall mean the entities registered as such in accordance with Regulation (EU) No .../2014⁺.
2. 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 Regulation (EU) No .../2014⁺.

Article 204b

Principles

1. Contributions shall only be used to reimburse the percentage set out in Article 17(4) of Regulation (EU) No .../2014⁺ of the operating costs of European political parties directly linked to objectives of those parties, as specified in Article 17(5) and Article 21 of that Regulation.
2. 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.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

3. Contributions shall not be used to 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. Contributions shall not be used to 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. Contributions shall not be used for any of the purposes excluded by Article 22 of Regulation (EU) No .../2014⁺.
4. Contributions shall be subject to the principles of transparency and equal treatment, in accordance with the criteria laid down in Regulation (EU) No .../2014⁺.
5. Contributions shall be awarded by the European Parliament on an annual basis and shall be published in accordance with Article 35(2) of this Regulation and with Article 32(1) of Regulation (EU) No .../2014⁺.
6. 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. In no circumstances, may an item of expenditure be financed twice by the budget.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

Article 204c

Budgetary aspects

Contributions shall be paid from the European Parliament section of the budget. The appropriations set aside for independent external audit bodies or experts referred to in Article 23 of Regulation (EU) No .../2014⁺ shall be charged directly to the budget of the European Parliament.

Article 204d

Call for contributions

1. Contributions shall be awarded through a call for contributions published each year, at least on the website of the European Parliament.
2. A European political party may be awarded only one contribution per year.
3. A European political party may receive a contribution only if it applies for funding on the terms and conditions laid down in the call for contributions.
4. The call for contributions shall determine the eligibility criteria to be met by the applicant as well as the exclusion criteria.
5. The call for contributions shall determine, at least, the nature of the expenditure that may be reimbursed by the contribution.
6. The call for contributions shall require an estimated budget.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

Article 204e

Award procedure

1. Applications for contributions shall be duly submitted within the time limit applicable in writing, including, where appropriate, in a secure electronic format.
2. Contributions shall not be awarded to applicants who are, at the time of a contribution award procedure, in one of the situations referred to in Articles 106(1) and 107 and point (a) of Article 109(1) and those who are registered in the central exclusion database referred to in Article 108.
3. Applicants shall be required to certify that they are not in one of the situations referred to in paragraph 2.
4. Contributions shall be awarded through a contribution agreement or decision as specified in the call for contributions.
5. The authorising officer responsible may be assisted by a committee to evaluate and establish the contribution agreement or decision. The authorising officer responsible shall specify, with due regard to the principles of transparency and equal treatment, the rules regarding the composition, appointment and functioning of such committee, and the rules to prevent any conflict of interests.

Article 204f

Evaluation procedure

1. Applications shall be selected on the basis of the award criteria set out in Regulation (EU) No .../2014⁺ from applications that comply with the eligibility and exclusion criteria.
2. The eligibility criteria shall determine the conditions for an applicant to be able to receive a contribution in accordance with the rules laid down in Regulation (EU) No .../2014⁺.
3. The decision of the authorising officer responsible on the applications shall state at least:
 - (a) the subject and the overall amount of the contribution;
 - (b) the name of the selected applicants and the amounts accepted;
 - (c) the names of any applicants rejected and the reasons for that rejection.
4. The authorising officer responsible shall inform applicants in writing of the decision on their applications. If the application for funding is rejected or the amounts requested are not awarded in part or in full, the authorising officer responsible shall give the reasons for either the rejection of the application or the non-award of the amounts requested, with reference in particular to the eligibility and award criteria referred to in paragraphs 1 and 2. If the application is rejected, the authorising officer responsible shall inform the applicant of the available means of administrative and/or judicial redress as provided for by Article 97 of this Regulation.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

Article 204g

Form of contributions

1. Contributions may take any of the following forms:
 - (a) reimbursement of a percentage of the reimbursable expenditure actually incurred;
 - (b) reimbursement on the basis of unit costs;
 - (c) lump sums;
 - (d) flat-rate financing;
 - (e) a combination of the forms referred to in points (a) to (d).
2. Only expenditure which meets the criteria established in the calls for contributions and which has not been incurred prior to the date of submission of the application may be reimbursed.

Article 204h

Rules for contribution

1. Unit cost shall cover all or certain specific categories of reimbursable expenditure which are clearly identified in advance by reference to an amount per unit.

2. Lump sums shall cover, in global terms, certain expenditure necessary for carrying out a specific activity of the European political party. Lump sums shall be used only in combination with other forms of contributions.
3. Flat-rate financing shall cover specific categories of reimbursable expenditure which are clearly identified in advance by applying a percentage.
4. Where lump sums, flat-rate financing or unit costs are used, they shall be defined in the call for contributions with their respective amounts and rates, where applicable. The call for contributions shall also contain a description of the methods for determining lump sums, flat-rate financing or unit costs, which shall 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. The contribution agreement or decision shall include provisions that allow verifying that the conditions for the award of lump sums, flat-rate financing or unit costs have been complied with.

Article 204i

Pre-financing

The contributions shall be paid out in full through one single pre-financing payment, unless, in duly justified cases, the authorising officer responsible decides otherwise.

Article 204j

Guarantees

The authorising officer responsible may, if he or she deems it appropriate and proportionate, on a case-by-case basis and subject to risk analysis, require the European political party to lodge a guarantee in advance in order to limit the financial risks connected with the pre-financing payment only when, in the light of the risk analysis, the European political party is at imminent risk of being in one of the situations described in points (a) and (d) of Article 106(1) of this Regulation or when a decision of the Authority for European political parties and foundations established under Article 6 of Regulation (EU) No .../2014⁺ ('the Authority') has been communicated to the European Parliament and the Council in accordance with Article 10(4) of that Regulation.

The provisions laid down in Article 134 of this Regulation on the pre-financing guarantee for grants shall apply *mutatis mutandis* to guarantees which may be required in the cases foreseen in the first paragraph of this Article to pre-financing payments made to European political parties.

Article 204k

Use of contributions

1. Contributions shall be spent in accordance with Article 204b.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

2. Any part of the contribution not spent within the financial year covered by that contribution (year n) shall be spent on any reimbursable expenditure incurred by 31 December of year n+1. Any remaining part of the contribution that is not spent within that time limit shall be recovered in accordance with Chapter 5 of Title IV of Part One.
3. European political parties shall respect the maximum co-financing rate laid down in Article 17(4) of Regulation (EU) No .../2014⁺. Remaining amounts of the previous year's contributions may not be used to finance the part which European political parties must provide from their own resources. Contributions by third parties to joint events shall not be considered to be part of the own resources of a European political party.
4. European political parties shall use the part of the contribution that has not been used within the financial year covered by that contribution before using contributions awarded after that year.
5. Any interest yielded by the pre-financing payments shall be considered as part of the contribution.

Article 204l

Report on the use of the contributions

1. The European political party shall, in accordance with Article 23 of Regulation (EU) No .../2014⁺, submit its annual report on the use of the contribution and its annual financial statements for approval to the authorising officer responsible.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

2. The annual activity report referred to in Article 66(9) of this Regulation shall be drafted by the authorising officer responsible on the basis of the annual report and the annual financial statements referred to in paragraph 1 of this Article. Other supporting documents may be used for the purposes of drafting that report.

Article 204m

Payment of the balance

1. The amount of the contribution shall not become final until the approval of the annual report and the annual financial statements referred to in Article 204l(1) by the authorising officer responsible. Approval of the annual report and the annual financial statements shall be without prejudice to subsequent checks by the Authority.
2. Any unspent amount of pre-financing shall not become final until it has been used by the European political party to pay reimbursable expenditure which meet the criteria defined in the call for contributions.
3. Where the European political party fails to comply with its obligations related to the use of contributions, the contributions shall be suspended, reduced or terminated after the European political party has been given the opportunity to present its observations.

4. The authorising officer responsible shall verify before making the payment of the balance that the European political party is still registered in the Register referred to in Article 7 of Regulation (EU) No .../2014⁺ and has not been the subject of any of the penalties provided for in Article 27 of that Regulation between the date of its application and the end of the financial year covered by the contribution.
5. Where the European political party is no longer registered in the Register referred to in Article 7 of Regulation (EU) No .../2014⁺ or has been the subject of any of the penalties provided for in Article 27 of that Regulation, the authorising officer responsible may suspend, reduce or terminate the contribution and recover amounts unduly paid under the contribution agreement or decision, in proportion to the seriousness of the errors, irregularities, fraud or other breach of obligations related to the use of contribution, after the European political party has been given the opportunity to present its observations.

Article 204n

Control and penalties

1. Each contribution agreement or decision shall provide expressly for the European Parliament, European Anti-Fraud Office and the Court of Auditors to exercise their powers of control, on documents and on the premises, over all European political parties, contractors and subcontractors who have received Union funding.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

2. Administrative and financial penalties which are effective, proportionate and dissuasive may be imposed on applicants by the authorising officer responsible, in accordance with Article 109 of this Regulation and with Article 27 of Regulation (EU) No .../2014⁺.
3. Penalties referred to in paragraph 2 may also be imposed on European political parties which, at the moment of the submission of the application for contribution or after having received the contribution, made false declarations in supplying the information requested by the authorising officer responsible or failed to supply such information.

Article 204o

Record keeping

1. European political parties shall keep all records and supporting documents pertaining to the contribution for five years following the submission of the annual report and the annual financial statements referred to in Article 204l(1).
2. Records related to audits, appeals, litigation or the settlement of claims arising out of the use of the contribution shall be retained until the end of such audits, appeals, litigation or settlement of claims.

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).

Article 204p

Selection of external audit bodies or experts

The independent external audit bodies or experts referred to in Article 23 of Regulation (EU) No .../2014⁺ shall be selected through a public procurement procedure. The term of their contract shall be no longer than five years. After two consecutive terms, they shall be deemed to have conflicting interests which may negatively affect the performance of the audit."

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2017. The second subparagraph of Article 125(3), and Article 125(6) of Regulation (EU, Euratom) No 966/2012, in their version prior to the amendments made by Article 1 of this Regulation, shall continue to apply as regards acts and commitments relating to the funding of political parties at European level made until 31 December 2017.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the European Parliament
The President

For the Council
The President

⁺ OJ: please insert the number of the regulation from document 2012/0237(COD).