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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject: 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 (recast)

– Executive summary of the impact assessment report

Delegations will find attached document SWD(2021) 360 final.

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Brussels, 25.11.2021
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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT
Accompanying the document
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 (recast)

{COM(2021) 734 final} - {SEC(2021) 577 final} - {SWD(2021) 359 final}

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| Executive Summary Sheet |
| Impact assessment on the revision of Regulation 1141/2014 on the statute and funding of European political parties and foundations. |
| A. Need for action |
| What is the problem and why is it a problem at EU level? |
| <p>European political parties are transnational party alliances whose objective is to ‘contribute to forming European political awareness and express the will of citizens in the Union’ (Article 10(4) TEU). Their statute and funding is governed by Regulation 1141/2014. While the Regulation has been amended twice ahead of the 2019 European elections, there is room for improvement of:</p> <ul style="list-style-type: none"> - funding provisions - EU values, democracy and transparency - enforcement and administrative burden. |
| What should be achieved? |
| <p>The revision’s main objectives are as follows:</p> <ol style="list-style-type: none"> 1. Improve the legislative framework that enables European political parties and foundations to fulfil their mission in forming European political awareness by ensuring the democratic principles laid down in Article 10 TEU. 2. Ensure European political parties and foundations’ higher level of compliance with the EU values enshrined in Article 2 TEU. 3. Better ensure European political parties and foundations’ sound financial management, ensure the Regulation’s appropriate enforcement and reduce the level of administrative burden. |
| What is the value added of action at the EU level (subsidiarity)? |
| <p>The legal basis of the initiative is Article 224 of the Treaty on the Functioning of the European Union (TFEU) which provides that ‘the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall lay down the regulations governing political parties at European level referred to in Article 10(4) of the Treaty on European Union and in particular the rules regarding their funding’.</p> <p>Since the Treaty provides for the establishment of the rules governing European political parties by way of a regulation, any change to the rules currently in place must be established at EU level in application of Article 224 TFEU.</p> |
| B. Solutions |
| What are the various options to achieve the objectives? Is there a preferred option or not? If not, why? |
| <p>The baseline scenario (option 1) is to maintain the status quo and not revise Regulation 1141/2014 as last amended by Regulation (EU, Euratom) 2019/493. However, this policy option leaves the problems identified above unresolved and may not be fit for future developments.</p> <p>Option 2 focuses on the revision of the funding provisions in the Regulation. This option is strictly aligned</p> |

with the commitment President von der Leyen made in her political guidelines to put forward legislative proposals under the European Democracy action plan to ensure greater transparency on paid political advertising and clearer rules on the financing of European political parties¹. This option would improve the financial viability of European political parties and foundations, create additional safeguards against foreign interference through donations and allow European political parties and foundations to engage in more meaningful relations with likeminded member parties from non-EU countries.

Option 3 goes beyond the mere revision of the funding provisions to also include other parts of the text of the Regulation that, according to the Commission's analysis and the input received from stakeholders, could benefit from targeted improvement. In addition to revising the funding provisions, this option includes reducing the administrative burden, strengthening enforcement and the sanctions regime, operationalising the verification mechanism for EU values and promoting gender equality.

The impact assessment proposes going with option 3, as this option serves best the general objectives of the revision.

What are different stakeholders' views? Who supports which option?

European political parties, foundations, the Authority for European political parties and foundations and the European Parliament's Authorising Officer agreed that Regulation 1141/2014 provided a useful legal framework for their activities and that the system created was not in need of an overhaul. During the informal consultations, they did, however, inform the Commission of a number of shortcomings and loopholes.

These observations were confirmed in the draft report of the Committee on Constitutional Affairs of the European Parliament (AFCO).

The Commission also organised an open public consultation between 30 March 2021 and 22 June 2021. Among the respondents were EU citizens, NGOs, Member States, a research organisation, a private company and other organisations. While the majority of the respondents found Regulation 1141/2014 either useful or very useful, they considered that European political parties lacked visibility and were not equipped to fulfil their constitutional mission.

In addition, the Commission also drew on the feedback received from the open public consultation on the European Democracy action plan (between 15 July 2020 and 15 September 2020) that showed broad support to the scope of the revision of Regulation 1141/2014, with a special regard to more transparency on financing and the affiliation between the national and European level.

The Commission also engaged in a wide-ranging outreach exercise with the co-legislators, notably through the Member States' representatives in the Council Working Party on General Affairs and AFCO Members and political groups' coordinators in the Parliament.

At these informal and formal consultations, stakeholders expressed their support to revise the legislation through targeted amendments to address all the problems that had been identified.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise of main ones)?

Option 3 is the preferred option, as it tackles all the problems identified in a comprehensive manner and

¹ https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf

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| ensures maximum positive impact on all stakeholder groups. The measures envisaged under this proposed policy option would serve best the general objectives of the revision. It includes a combination of measures aimed at addressing the remaining loopholes in the funding provisions, promoting EU values, democracy and transparency, and strengthening enforcement and alleviating the administrative burden, thus helping the European political parties and foundations to fulfil their constitutional mission. |
| What are the costs of the preferred option (if any, otherwise of main ones)? |
| Some measures aimed at consolidating the financial reporting system for European political parties and foundations could become more complex to integrate. This initial administrative burden would, however, be offset by the elimination of the double accounting system currently in the Regulation. |
| What are the impacts on SMEs and competitiveness? |
| No significant impact. Due to the specific nature of the Regulation, namely that it has direct impact on 20 organisations (10 European political parties and their 10 affiliated European political foundations), the Authority for European political parties and European political foundations and the Authorising Officer of the European Parliament, the policy options will have negligible environmental, economic and social impacts. |
| Will there be significant impacts on national budgets and administrations? |
| Ditto. See above. |
| Will there be other significant impacts? |
| The impact assessment focuses on the options' impacts in the area of fundamental rights and democracy, namely a stronger role for the European political parties and foundations, helping to create a European democratic space. At the same time, the European political parties and foundations would be subject to sounder financial management and increased transparency, which would ultimately benefit EU voters and allow them to make a better informed choice before the European elections. |
| Proportionality? |
| The proposal is proportionate, as it does not entail a complete overhaul of the system, but only targets the remaining loopholes, following the two previous revisions of this Regulation, as identified by the main stakeholders. |
| D. Follow up |
| When will the policy be reviewed? |
| Article 38 of the Regulation contains a revision clause stipulating that every 5 years the European Parliament has to publish a report on the application of this Regulation, after consulting the Authority for the European political parties and foundations. This report must indicate, where appropriate, any possible amendments that are to be made to the statute and funding systems. At the latest 6 months after publication of the Parliament's report, the Commission must present its own report on this Regulation's application. If appropriate, this report could be accompanied by a legislative proposal for further amendment of the Regulation. |