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COMMISSION STAFF WORKING DOCUMENT

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) 360 final}

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LIST OF ABBREVIATIONS

AFCO	European Parliament Committee on Constitutional Affairs
APPF	Authority for European political parties and foundations
BUDG	European Parliament Committee on Budgetary Control
CoFE	Conference on the Future of Europe
ECA	European Court of Auditors
EDAP	European Democracy Action Plan
EPRS	European Parliament Research Service
EU	European Union
EUCJ	European Union Court of Justice
EUPF	European political foundation
EUPP	European political party
EUPP/F	European political parties and foundations
EUPP/F Regulation	Regulation 1141/2014 on the statute and funding of European political parties and European political foundations
INGE	European Parliament Special Committee for foreign interference in all democratic processes in the EU, including disinformation
GAG	Council Working Party of General Affairs
NGO	Non-governmental organisation
OSCE/ODIHR	Office for Democratic Institutions and Human Rights of the Organisation for Security and Co-operation in Europe
REPRESENT	Research Centre for the Study of Parties and Democracy
TEU	Treaty on the European Union
TFEU	Treaty on the Functioning of the European Union

LIST OF REGISTERED EUROPEAN POLITICAL PARTIES AND THEIR AFFILIATED FOUNDATIONS

European People's Party (EPP)	Wilfried Martens Centre for European Studies
Party of European Socialists (PES)	Foundation for European Progressive Studies (FEPS)
Alliance for Liberals and Democrats for Europe Party (ALDE)	European Liberal Forum (ELF)
European Democratic Party (EDP)	Institute of European Democrats (IED)
European Free Alliance (EFA)	Coppieters Foundation
European Green Party (EGP)	Green European Foundation (GEF)
Identité et Démocratie Parti (ID)	Identité et Démocratie Fondation
European Christian Political Movement (ECPM)	Sallux – ECPM Foundation
European Conservatives and Reformists Party (ECR)	New Direction – The Foundation for European Reform
Party of the European Left (PEL)	Transform Europe

FOREWORD

The present impact assessment supports the revision of Regulation No 1141/2014 on the statute and funding of European political parties and European political foundations pursuant to Article 38 of the Regulation (evaluation clause). Due to the specificities of the Regulation, the impact assessment has a number of limitations.

First and foremost, the Regulation is very young (adopted in 2014 but in force only since 2017) and has only been applied at one election to the European Parliament in 2019. Therefore, evidence on its way of functioning is limited. Some of its provisions, namely on sanctions and the verification mechanism for compliance with EU values, have never been applied. In these cases, the impact assessment drew on feedback from stakeholders (European political parties and foundations, the European Parliament's Authorising Officer, the Authority for European political parties and foundations, international organisations) to propose changes to the current rules. The impact assessment also draws on two external studies on the evaluation of the current EUPP/F Regulation and the possible impacts of its revision.

In addition, the Regulation applies to a very limited number of actors: 20 European political parties and foundations in the entire EU, the Authority for European political parties and foundations and the European Parliament's Authorising Officer. Therefore, the revision of the Regulation is not expected to have the impacts usually analysed in most impact assessments: environmental, economic and social impacts. The working assumption in the impact assessment is that most of its impacts will be observed in the area of fundamental rights and democracy. Also, given the limited number of actors, the causal links between modifications in the regulation and impacts are assessed qualitatively rather than quantitatively.

1. BACKGROUND AND POLICY CONTEXT

1.1. Policy and legal context

European political parties (hereinafter, EUPPs) are transnational party alliances whose objective is to 'contribute to forming European political awareness and express the will of citizens in the Union'[1].

The first EUPPs were formed between 1974 and 1976 in the run-up to the first direct elections to the European Parliament. They were first legally recognised in the Treaty of Maastricht, but it was the Treaty of Nice that allowed for the regulation of their governance and financing[2]. Consequently, Regulation 2004/2003[3] defined the conditions for recognising EUPPs and laid down the rules governing their funding from the EU budget. They thus gained their financial independence from political groups in the European Parliament[4]. Regulation No 2004/2003 was amended in 2007 allowing EUPPs to use some of their finances for campaigning in the run-up to the elections to the European Parliament. The 2007 amendment also extended the Regulation's scope to European political foundations (hereinafter, EUPFs), which are think tanks affiliated to EUPPs.

In 2011, the European Parliament evaluated Regulation No 2004/2003 and identified room for improvement regarding internal party democracy and conditions for access to funding. The Commission came forward with a legislative proposal in 2012 whose objective was 'to increase the visibility and recognition, efficiency, transparency and accountability of European political parties and foundations'[5].

Regulation No 1141/2014 on the statute and funding of European political parties and European political foundations[6] (hereinafter, EUPP/F Regulation) was adopted in 2014 and entered into force on 1 January 2017. Funding under the EUPP/F Regulation commenced for activities starting from the 2018 financial year. It established a European legal personality for European political parties and foundations (hereinafter EUPP/F), defined the criteria for their registration

[1] Article 10(4) TEU

[2] Article 191(2) of the Treaty of Nice.

[3] Regulation (EC) No 2004/2003 of the European Parliament and of the Council of 4 November 2003 on the regulations governing political parties at European level and the rules regarding their funding, OJ L 297, 15.11.2003. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32003R2004

[4] Until then, political groups channeled their appropriations to EUPPs who also relied on them for human resources and office space. This practice was criticised by the European Court of Auditors, Special report No 13/2000 on the expenditure of the European Parliament's political groups. OJ C 181, 28.06.2000. Available at: https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2000:181:0001:0016:EN:PDF

[5] 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, COM(2012)499 final of 12.09.2012. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52012PC0499&qid=1627213933830

[6] Regulation (EU, Euratom) No 1141/2014 of the European Parliament and of the Council of 22 October 2014 on the statute and funding of European political parties and European political foundations, OJ L 317, 4.11.2014. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014R1141

and set out rules for their governance. It also created an independent oversight body, the Authority for European political parties and foundations (hereinafter, APPF), and strengthened the control mechanisms. Simultaneously, specific provisions on contributions from the budget to European political parties were introduced in the Financial Regulation by Regulation No 1142/2014[7]. These provisions are now found in 221 to 232 of the Financial Regulation[8].

The EUPP/F Regulation was amended twice in order to address, in the run-up to the 2019 elections to the European Parliament, its most critical loopholes by a limited number of targeted amendments:

- The first of these amendments[9], following a request by the European Parliament, aimed at increasing the transparency of the links between European and national political parties, and tightened the conditions for registration as a European political party, rendering it contingent upon the applicant being supported by seven national political parties from seven different Member States. Therefore, unlike in the past, individual parliamentarians could no longer support an application for registration. As a result of this, in 2018 the APPF deregistered two EUPPs[10] and one affiliated EUPF[11], because they did not provide proof that they satisfied the tightened minimum representation requirements.

- The second amendment[12] was triggered by the 'Facebook/Cambridge Analytica' case and was adopted in the framework of the Commission's 2018 European elections package[13]

[7] Regulation (EU, Euratom) No 1142/2014 of the European Parliament and of the Council of 22 October 2014 amending Regulation (EU, Euratom) No 966/2012 as regards the financing of European political parties (OJ L 317, 4.11.2014, p. 28).

[8] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.07.2018, p.1).

[9] Regulation (EU, Euratom) 2018/673 of the European Parliament and of the Council of 3 May 2018 amending Regulation (EU, Euratom) No 1141/2014 on the statute and funding of European political parties and European political foundations, OJ L 114I, 4.5.2018. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:32018R0673

[10] Decision of the Authority for European Political Parties and European Political Foundations of 13 September 2018 to remove Alliance for Peace and Freedom from the Register, OJ C 417, 16.11.2018. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2018.417.01.0011.01.ENG&toc=OJ:C:2018:417:TOC

Decision of the Authority for European Political Parties and European Political Foundations of 29 August 2018 to remove Alliance of European National Movements from the Register, OJ C 417, 16.11.2018. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2018.417.01.0009.01.ENG&toc=OJ:C:2018:417:TOC

[11] Decision of the Authority for European Political Parties and European Political Foundations of 13 September 2018 to remove Europa Terra Nostra from the Register, OJ C 418, 19.11.2018. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2018.418.01.0004.01.ENG&toc=OJ:C:2018:418:TOC

[12] Amending Regulation (EU, Euratom) 2019/493 of the European Parliament and of the Council of 25 March 2019 amending Regulation (EU, Euratom) No 1141/2014 as regards a verification procedure related to infringements of rules on the protection of personal data in the context of elections to the European Parliament, OJ L 85I , 27.3.2019. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R0493.

aimed at securing free and fair elections. The amendment introduced a verification procedure aimed at imposing sanctions on EUPP/Fs that deliberately influence, or attempt to influence, the outcome of elections to the European Parliament by taking advantage of data protection breaches. This amendment also granted the APPF additional resources and enhanced its independence.

These amendments were adopted through the ordinary legislative procedure in a record time, since the provisions had to be in place in time for the elections to the European Parliament of May 2019.

In July 2019, President von der Leyen announced a new European Democracy Action Plan in her Political Guidelines[14] , to address challenges to democracy, including increasing threats of external interference in European elections. The action plan, adopted on 3 December 2020, announced inter alia a legislative proposal to ensure greater transparency on paid political advertising and the review of the legislation on the financing of European political parties. The two initiatives are planned for adoption in the Commission's Work Programme for 2021 before the end of 2021[15]. The initiative on paid political advertising complement the revision of the EUPP/F Regulation by providing for specific requirements for EUPPs to use political ads and a review process for the Authority to take note of breaches of the rules visible on the basis of EUPP disclosures.

The European Parliament's resolution on stocktaking of European elections[16] also proposed to amend the EUPP/F Regulation in order to allow EUPP/F to fully participate in the European political space, to campaign, to be able to use campaign funds and stand in elections to the European Parliament, to increase the transparency of their funding (especially as regards the management of funds from the EU budget and when funding comes from member parties), and to prohibit donations from private and public bodies from non-EU Member States. It stressed, nonetheless, that, with a view to fostering pan-European political bonds, membership fees from political parties located in countries belonging to the Council of Europe could be allowed provided that this takes place within a framework of enhanced transparency.

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[13] Content of the 2018 electoral package available at: https://ec.europa.eu/commission/presscorner/detail/en/IP_18_5681

[14] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Democracy Action Plan, COM/2020/790 final. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A790%3AFIN&qid=1607079662423

[15] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and THE Committee of the Regions Commission Work Programme 2021 A Union of vitality in a world of fragility, COM/2020/690 final. Available with its annexes at: https://ec.europa.eu/info/publications/2021-commission-work-programme-key-documents_en

[16] European Parliament's Resolution A9-0211/2020 on stocktaking of European elections (rapporteur P. Durand). Available at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0211_EN.html

Pursuant to Article 38 of the EUPP/F Regulation, its application shall be evaluated in 2021. The revision clause calls on the European Parliament to publish its evaluation by 31 December 2021 and, no more than six months after the publication of that report, the Commission has to present a follow-up report, which may be accompanied by a legislative proposal to amend it.

The European Parliament's Committee on Constitutional Affairs (hereinafter, AFCO) is working on its own-initiative report pursuant to Article 38 of the EUPP/F Regulation. The draft report, which is currently planned for adoption during the second plenary session of October 2021, points out the remaining legal obstacles that may be preventing EUPP/Fs from achieving their full potential as active players in the European democracy. The draft report calls, *inter alia*, for:

- distribution of funding based on the number of votes obtained during the latest elections to the European Parliament, as opposed to the number of seats obtained as a result of those same elections;
- lowering of the co-financing threshold for EUPP from the current 10% to 5%;
- recognition of different kinds of membership for EUPPs (e.g., associate membership with political parties located in accession and neighboring countries, as well as in former EU Member States);
- simplification of the current double accounting system, which is widely considered as being too burdensome.

On 12 July 202, the European Parliament Committee on Budgetary Control (hereinafter, CONT) adopted an opinion to the AFCO report, in which:

- calls for the transparency of funding and insists that funding should exclusively support political activities in line with Article 2 TEU;
- sees the possibility for improvements, particularly regarding the level of detail and comparability of the requested information on EUPP activities in campaigns to the elections to the European Parliament;
- suggests reducing the required own resources for EUPP to 5% of the eligible expenditure;
- calls on the Commission to clearly define the requirements related to the visibility of the affiliation of national political parties to EUPP.

This impact assessment supports the legislative proposal that the Commission intends to adopt pursuant to Article 38 of the EUPP/F Regulation and to the Commission's political priorities. It draws on the outcome of the informal consultations that the Commission carried out with the main stakeholders, the outcome of the open public consultations on the European Democracy Action Plan and on the revision of the EUPP/F Regulation, and two external studies on the evaluation of the current EUPP/F Regulation and the possible impacts of its revision.

AFCO is also working on a separate legislative own initiative report on the reform of the European electoral law. Mr Ruíz Devesa's (S&D/ES) draft report of 1 July 2021 proposes the

introduction of an EU-wide constituency in which lists would be headed by each political family's candidate for the position of President of the Commission. The draft report also suggests including *'common provisions governing expenditure linked to the electoral campaign for the elections to the European Parliament for each entity admitted for the purpose of tabling a list of candidates for members of the European Parliament in the EU-wide constituency'*. It therefore calls for strong coordination with the upcoming revision of the EUPP/F Regulation. However, the scope of AFCO's report is broader and its adoption has been postponed to 2022 in order to accommodate the outcome of the Conference on the Future of Europe. Bearing this in mind, the revision of the EUPP/F regulation should remain neutral and accommodate any of the possible outcome of the Conference, notably as regards the possibility of introducing a lead candidate system or transnational lists.

1.2. Current challenge

One of the Commission's six headline ambitions is 'A new push for European democracy'. This implies fostering the European dimension of European elections and increasing the link between citizens and European decision-making processes.

Increasing citizens' turnout at the elections to the European Parliament remains a challenge. Currently, 55% of Europeans 'totally agree' that 'the voice of EU citizens should be more taken into account for decisions relating to the future of Europe'. Way above all other items, 'voting in European elections' is seen as the main way of making sure one's voice is heard by decision-makers at EU level. While the, turnout was 50.6% of EU citizens in 2019, which represents a sharp increase compared to the 42.6% turnout in 2014, it remains lower than at national elections[17] and far from participation levels seen before 1999. It is expected that a greater visibility and activity of EUPPs would contribute to foster citizens' participation in the election to the European parliament.

EUPP/F should play an important role in increasing European citizens' involvement in European politics. According to International IDEA[18], however, they face a specific challenge in achieving this objective because European institutional and electoral frameworks do not provide the same structure and tools for EUPP as their national counterparts are used to working with, and which enable national parties to attract the attention and interest of citizens or to be featured in the media. Any possible revision of the EUPP/Fs Regulation should take this specificity into account.

The Commission's report on the 2019 elections to the European Parliament[19] points to the multiple challenges faced by the European democracy, not only from within the EU but also

[17] Special Eurobarometer 500, Future of Europe (October-November 2020). Available at: https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2021/future-of-europe-2021/en-key-findings.pdf

[18] Van Hecke S. at al., (2018), Reconnecting European Political Parties with European Union Citizens, International IDEA Discussion paper 6/2018. https://www.idea.int/sites/default/files/publications/reconnecting-european-political-parties-with-european-union-citizens.pdf

[19] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Report on the 2019 elections to the European Parliament,

from outside, such as rising extremism, election interference, the spread of manipulative information and threats against journalists.

Foreign interference has become a major security challenge for democracies. The EU provides no exception and, in the last few years, has significantly stepped up its efforts to counter this threat. A specific type of foreign interference is the foreign funding of political parties, be it national or European. At the national level, regulations banning or limiting foreign funding are currently in place in most Member States, but there is still significant variation across them[20]. At EU level, the recent reforms of the EUPP/F Regulation have banned contributions from abroad. Notwithstanding such changes to political parties' regulations, cases of foreign funding are still being reported in several Member States, with foreign actors exploiting regulatory loopholes to channel funds or provide other types of support[21]. Furthermore, the European Parliament's resolution on stocktaking of European elections[22] highlighted the need to strengthen some of the rules applicable to the EUPP/F in order to prevent external interference, in particular by improving transparency as regards sources of funding for EUPP so as to tackle indirect funding by foreign interests channeled through national means or private donations. This challenge will have to be taken into consideration when assessing the possibilities for allowing membership fees from member parties located in non-EU countries.

1.3. Procedural issues and consultation of interested parties

From the outset, the Commission aimed at a very inclusive approach, identifying and consulting the main stakeholders throughout the preparation of its legislative proposal[23].

Between November 2020 and June 2021, the Commission reached out to all EUPP/Fs, as well as to the APPF and the European Parliament's Authorising Officer for an initial, informal exchange of views. During the same period, 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 (hereinafter, GAG) and AFCO Members and coordinators of political groups in the Parliament.

The Commission also met with a number of experts, such as the representatives of the Office for Democratic Institutions and Human Rights of the Organisation for Security and Co-operation in Europe (hereinafter, OSCE/ODIHR), the Research Centre for the Study of Parties and Democracy (hereinafter, REPRESENT) and the European Democracy Consulting, for a

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COM(2020)252. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0252&qid=1627216994733

[20] Bressanelli, E. (2021), Investing in destabilisation: How foreign money is used to undermine democracy in the EU, https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/INGE/DV/2021/06-22/Investingindestabilisation_EXPO_STU2021653631_EN.pdf

[21] INGE Working document on covert funding of political activities by foreign donors of 22 April 2021 (rapporteur Sandra Kalniete). Available at: https://www.europarl.europa.eu/doceo/document/INGE-DT-689654_EN.pdf

[22] Idem footnote 14.

[23] For details, see Consultation Strategy in Annex II.

discussion on the revision of the EUPP/F Regulation and the Commission's initiative on the transparency of paid political advertising.

The roadmap/inception impact assessment on the revision of the EUPP/F Regulation was published for comments between 17 March and 14 April 2021, and public consultation was open for feedback between 30 March and 22 June 2021.

In that framework, 21 replies were received, 19 online and two by email, from 14 Member States. Of the 19 online respondents, seven were EU citizens, six were non-governmental organisations (hereinafter, NGO), one was a representative of a national authority in a Member State, one represented a research organization, one represented a company and three represented other organisations. The two replies received by email were submitted by a Member State and an NGO. While the consultation received limited number of replies, 62.5% of the respondents found the EUPP/F Regulation either useful or very useful. Almost half of the respondents (47.4%) believed that EUPP do not fulfil their role in representing European citizens, and almost 80% of the respondents considered that EUPP lacked visibility for European citizens.

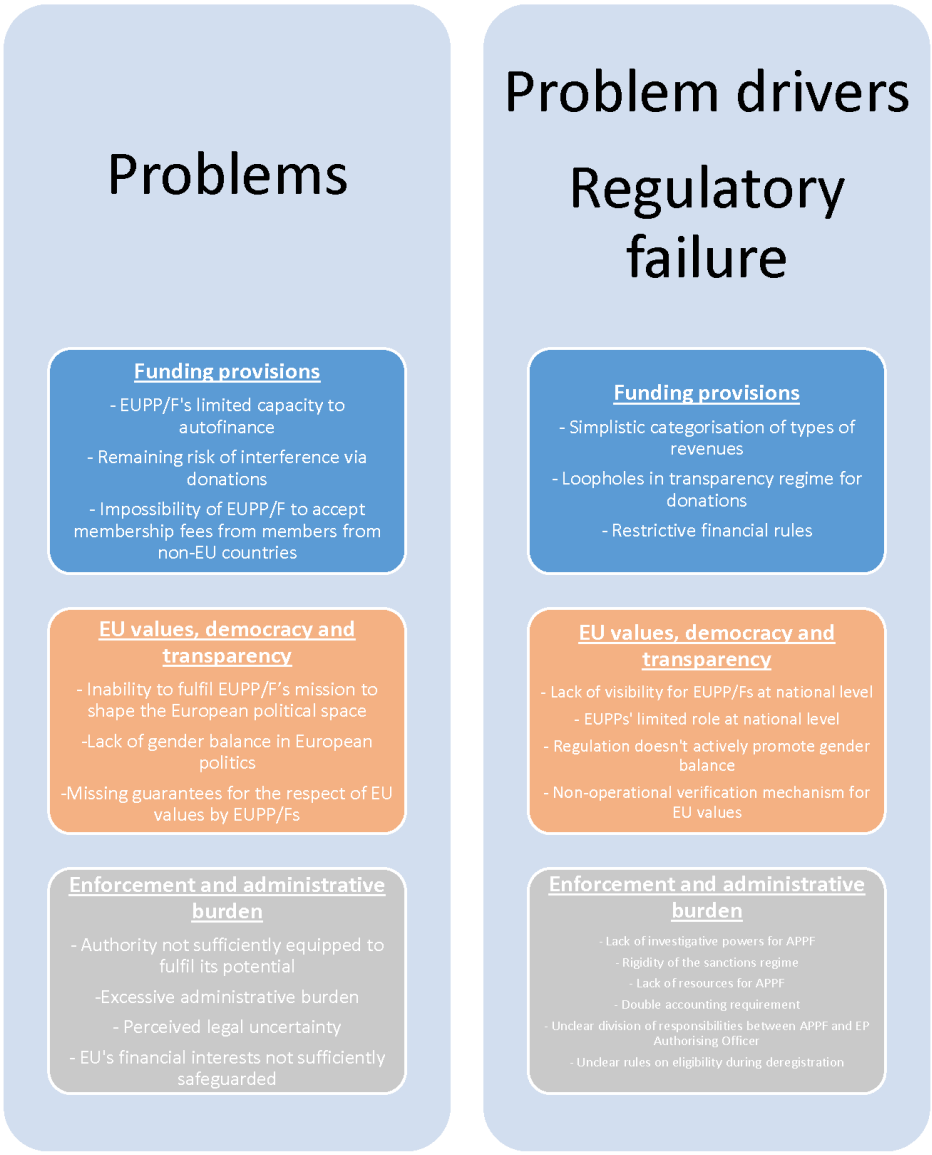
In addition, the Commission also drew on the feedback received, between 15 July and 15 September 2020, to the open public consultation on the European Democracy Action Plan (hereinafter, EDAP) that showed broad support to the scope of the revision of the EUPP/F Regulation.

The full analysis of the feedback received via these three channels can be found in Annex II.

2. PROBLEM DEFINITION

Based on the informal consultations with relevant stakeholders, the open public consultation and the analysis of the application of the EUPP/F Regulation, the Commission could identify a number of shortcomings in the current regime. These shortcomings are linked to a) the funding of EUPP/F and b) EU values, democracy and transparency, and c) enforcement and administrative burden. The Commission considers that the problems identified under the funding provisions of the Regulation are the most pertinent in the Regulation's underperformance. The remaining loopholes in the financial provisions, undermine EUPP/Fs financial viability, their ability to fulfill their constitutional mission, and allow increased risk of potential foreign interference and weak financial management.

Figure 1 – Identified problems and their drivers



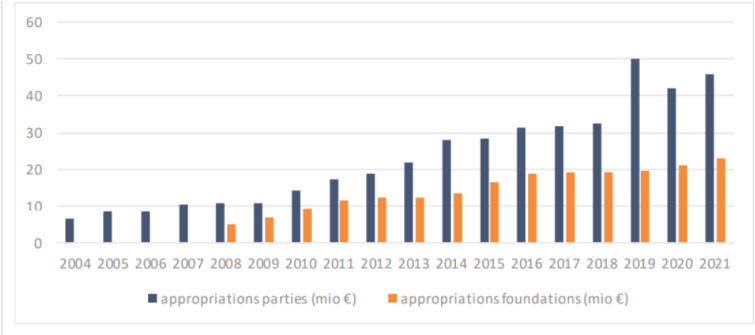
2.1. The problems that require action

a) Funding provisions

i) Article 17(4) of the EUPP/F Regulation establishes a ceiling for public funding for EUPP at 90% of their total eligible expenditure. For EUPF, this ceiling is set at 95% of their total eligible expenditure[24]. This means that EUPP/F have to secure, respectively, 10% and 5% of their expenditure from own resources.

EUPP have been entitled to annual funding from the EU budget since 2004, and EUPF since 2007. The total amount of EU funding for EUPP/F has significantly increased over time. While EUPP benefited from EUR 6.5 million of EU funding in 2004, this amount rose to EUR 46 million in 2021, with a peak in the 2019 election year when EUR 50 million was earmarked for them. At the same time, EU funding for EUPF increased from EUR 5 million in 2008 to EUR 23 million in 2021.

Figure 2 – Level of EU funding for European political parties and foundations



Source: European Parliament Research Service

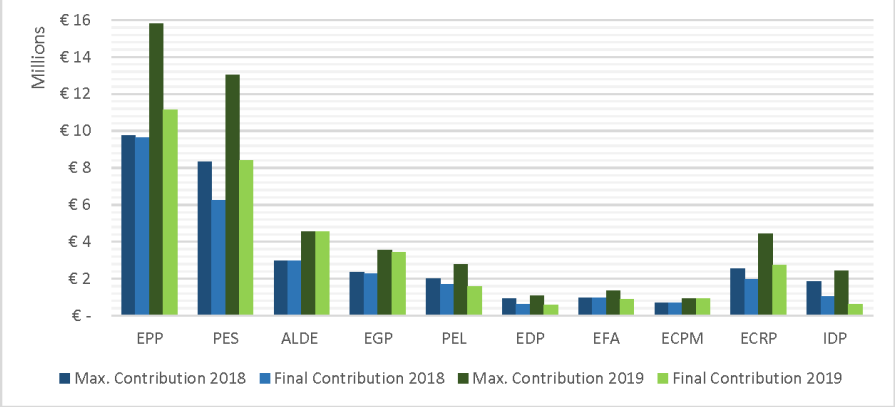
If EUPP/F do not manage to collect the matching own resources, their EU funding would be lowered until it corresponds to 90% and 95% of the total expenditure, respectively.

This means that, if EUPP/F wanted to benefit from the increased budgetary resources, they would have to secure more own resources over the years, in absolute terms. This, however, has proven problematic not only for smaller political parties and foundations, but even for the larger ones (see Figure 3 below)[25].

[24] Before the 2018 amendment of the EUPP/F Regulation, the ceiling for both EUPP and EUPF was set at 85% of their total eligible expenditure.

[25] I. Anglmayer (2021), Statute and funding of European political parties under Regulation 1141/2014 -ex post evaluation, p.10. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662646/EPRS_STU(2021)662646_EN.pdf

Figure 3 – Maximum eligible contribution and final contribution to EUPPs from the EU budget per year



Source: W. Wolfs, based on the reports of the Secretary-General of the European Parliament and Financial Overviews of the European Parliament's DG FINS[26]

The European Parliament's study on the ex-post evaluation of the EUPP/F Regulation[27] argued that this budgetary pressure had led to 'questionable practices' and 'creative solutions' regarding the financial management of these organisations and pointed to irregularities identified by the European Parliament's Authorising Officer and the European Court of Auditors[28].

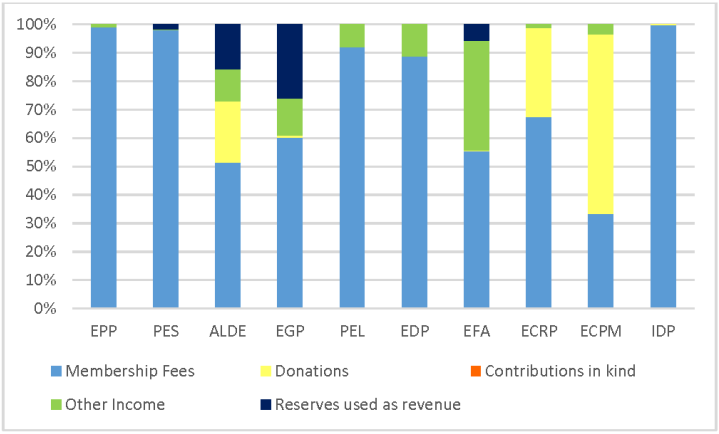
ii) The EUPP/F Regulation does not provide enough guarantees against unwanted foreign interference in European politics. Foreign actors may be able to circumvent the current provisions through intermediaries based in EU Member States, using funds originating from non-EU Member States. For most EUPPs, donations only constitute a small share of own resources but, as shown in the graph below, the risk of foreign interference is real in case of those EUPPs that rely heavily on them.

Figure 4 – Own resources structure of European political parties (2018-2019)

[26] Wolfs W. (2021), Impact assessment study – Revision of Regulation 1141/2014, unpublished.

[27] I. Anglmayer (2021), Statute and funding of European political parties under Regulation 1141/2014 -ex post evaluation. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662646/EPRS_STU(2021)662646_EN.pdf

[28] European Court of Auditors, Opinion 5/2017 concerning the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU, Euratom) No 1141/2014 of the European Parliament and the Council of 22 October 2014 on the statute and funding of European political parties and European political foundations, para. 11 and 12. Available at: https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44564



Source: W. Wolfs, based on the financial reports of the European political parties and foundations[29]

iii) Currently EUPP/Fs have members from outside the EU (see Annex VI for the list of non-EU countries where EUPP/F's members come from). Until the entry into force of the EUPP/F Regulation, it was common practice for non-EU members to contribute membership fees to the revenues of European political parties. Under the current EUPP/F Regulation, and in order to safeguard against foreign interference, EUPP/F cannot accept membership fees from their member parties located in non-EU Member States. This prohibition was confirmed by ruling T-107/19 of the European Union Court of Justice (hereinafter, EUCJ) of 25 November 2020[30]. The prohibition under the current regime, however, hinders the EUPP/F auto-financing capacity, especially in the light of the UK withdrawal from the EU, due to which EUPP/F have lost some of their long-standing national affiliates. In addition to the financial problem it causes, EUPP/F argue that this prohibition sends the wrong political message both to their previous, pro-European members and to their members in candidate and neighbourhood countries.

b) EU values, democracy and transparency

i) The mission of EUPP/F is to contribute to shaping a truly European political space, while Eurobarometer surveys consistently show a lack of European political awareness among citizens. For instance, 43% of EU citizens would be more inclined to turn out on

[29] Wolfs W. (2021), Impact assessment study – Revision of Regulation 1141/2014, unpublished.

[30] Judgment of the General Court of 25.11.2020, Alliance of Conservatives and Reformists in Europe/European Parliament, T-107/19, EU:T:2020:560. Available at: https://curia.europa.eu/juris/document/document.jsf;jsessionid=D94B8C2205E30C3FDCC31F18436119E5?text=&docid=234334&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=1694530

election's day if they were better informed about the EU and its impact on their daily life[31]. In addition, in a Eurobarometer survey following the 2019 elections to the European Parliament, respondents said having chosen their party of reference almost equally based on the party's proposals on European (43%) *versus* national (42%) issues. The other main reason for choosing a party was that the respondent always votes for them (40%)[32]. This indicates a need to strengthen the European dimension of the elections to the European Parliament and the ability of EUPP/F to promote European political awareness.

ii) The Venice Commission[33] recommends that the internal functions and processes of political parties should generally be free from State interference. They make recommendations for additional actions in three areas: national minorities, people with disabilities and gender.

Article 3 of the EUPP/F Regulation, laying down the recommendations for registration, is already aligned with the recommendations of the Venice Commission on minorities. Concerning people with disabilities, there is a specific recommendation of the Council of Europe, which is also in line with Article 21 of the current Regulation, on non-discrimination. Gender is the area where the Venice Commission goes the furthest in its recommendations, referring to national best practices, including mandatory gender quotas.

The European Parliament, in its report[34] on the 2012 Commission proposal[35] for the EUPP/F Regulation, called for ensuring gender equality in the composition and in the formation of the European political parties and within their affiliated European political foundations while fully respecting internal party democracy. The European Parliament's amendments, however, were not retained during the interinstitutional negotiations. In 2018 and 2019, during the previous two revisions of the EUPP/F Regulation, both Council and Parliament were reluctant to touch upon internal party democracy issues and could only agree to a voluntary measure on gender equality in Recital 5, which has proven insufficient to ensure gender parity.

[31] Special Eurobarometer 477 (2018) – Democracy and Elections. Available at: https://ec.europa.eu/commfrontoffice/publicopinion/index.cfm/Survey/getSurveyDetail/search/477/surveyKy/2198

[32] European Parliament Special Eurobarometer 91.5. Available at: https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2019/post-election-survey-2019-complete-results/executive-summary/en-post-election-survey-2019-executive-summary.pdf

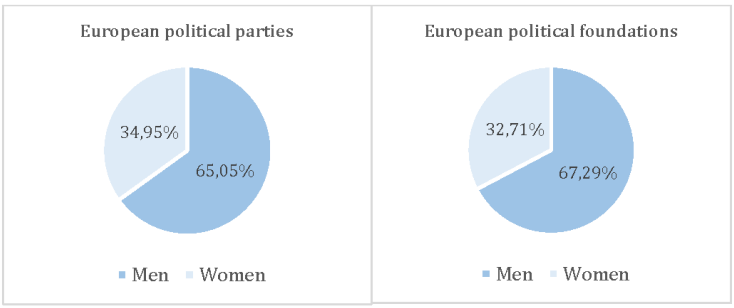
[33] European Commission for Democracy through Law (Venice Commission) & OSCE Office for Democratic Institutions and Human Rights (2020), Guidelines on Political Party Regulation (2nd edition), paragraph 61. Available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e

[34] Available at https://www.europarl.europa.eu/doceo/document/A-7-2013-0140_EN.pdf

[35] COM(2012) 499, available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012PC0499&from=EN

The World Economic Forum's Global Gender Gap Report[36] found that the gender gap in political empowerment remains globally the largest of the four gaps tracked[37], with only 22% closed to date, having further widened since the 2020 edition of the report by 2.4 percentage points. At the current rate of progress, the World Economic Forum estimates that it will take 145.5 years to attain gender parity in politics. While there has been a positive trend towards gender balance in the composition of the European Parliament after the 2019 elections, there is still progress to be made in achieving gender parity. As of January 2021, the percentage of female Members of the European Parliament stood at 38.9% compared to 16.6% in the first directly elected legislature in 1979[38]. This is above the world average for national parliaments and above the European average for national parliaments, which stands at 30.5%. However, the European Parliament's Research Service (hereinafter, EPRS) points to large differences between Member States, and identifies the low share of women among candidates as an underlying cause in countries with a low proportion of female Members elected to the European Parliament. This, in turn, may be due to internal political party processes. It appears that EUPPs missed an opportunity to encourage their national member parties to promote gender balance on party lists[39]. In addition, gender parity in EUPP/F governing bodies has not been achieved either.

Figure 5 – Share of men and women in EUPP/F governing bodies



Source: W. Wolfs, based on Register of the Authority for European political parties

[36] World Economic Forum (2021), Global Gender Gap Report 2021. Available at: http://www3.weforum.org/docs/WEF_GGGR_2021.pdf

[37] The three other tracks being economic participation and opportunity, educational attainment, and health and survival.

[38] Shreeves R. with Boland N. (2021), Women in politics in the EU – State of play. Available at: https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/689345/EPRS_BRI(2021)689345_EN.pdf

[39] Only two of the six largest European political parties had mentioned gender equality in their election manifesto and none had called specifically for the adoption of gender quotas.

and European political foundations[40]

iii) The EUPP/F Regulation's mechanism to verify the EUPP/F compliance with EU values has never been triggered to date. However, the Commission's Annual Rule of Law Report for 2020[41] identified serious challenges, cases where the resilience of rule of law safeguards is being tested and where shortcomings become more evident. This raises the question of whether or not the current mechanism is fit for purpose.

c) Enforcement and administrative burden

i) The EUPP/F Regulation established, for the first time, an independent supervisory body, the APPF, in order to ensure an impartial oversight over the activities of EUPP/F. Due to various factors discussed in Section 2.2 of this impact assessment (see below), the APPF is currently not sufficiently equipped to fulfil its potential.

ii) The EUPP/F Regulation inflicts substantial administrative burden on EUPP/F, linked, on the one hand, to the use of the International Accounting Standards and, on the other hand, to the triple verification procedure involving the external auditor, the APPF and the Authorising Officer of the European Parliament. While significant variations exist across EUPP/F, they spend around 1 260 h (approximately 0.78 full time equivalent) on an annual basis on administrative tasks, with an additional EUR 20 000 spent on tasks that are outsourced. Out of these EUR 20 000, EUPP/Fs spend on average more than EUR 8 000[42] on the preparation of the annual financial statements in accordance with the international accounting standards, which is usually an outsourced task. While this can be manageable for the middle-sized and larger EUPP/F – although their expenses are on average also higher because of their larger size – it puts a particular strain on the functioning of the smaller ones. With regard to triple verification process of the accounts, the examination of the financial reports by both the APPF and the Authorising Officer of the European Parliament (in addition to the assessment of the external auditor) leads to the double spending of EU taxpayers' money. In addition, the APPF and the European Parliament's Authorising Officer have sometimes applied a diverging interpretation of the rules, leading to an increased workload and legal uncertainty for the EUPP/F[43].

iii) Throughout the consultation process, EUPP/Fs signalled a perceived legal uncertainty due to the unclear division of responsibilities between the APPF, on the one hand, and the European Parliament's Authorising Officer, on the other.

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[40] Wolfs W. (2021), Impact assessment study – Revision of Regulation 1141/2014, unpublished.

[41] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2020 Rule of Law Report - The rule of law situation in the European Union, COM/2020/580 final. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1602583951529&uri=CELEX%3A52020DC0580

[42] Wolfs W. (2021), Impact assessment study – Revision of Regulation 1141/2014, p. 5, unpublished.

[43] Based on data received from European political parties and foundations for the external impact assessment study conducted by W. Wolfs, Katholieke Universiteit of Leuven, in June 2021.

iv) At the informal consultations conducted by the Commission, both the APPF and the European Parliament's Authorising Officer indicated that the protection of financial interests of the EU was not sufficiently ensured in case of the deregistration of an EUPP or EUPF.

2.2. Problem drivers

The above identified problems derive from a regulatory failure, i.e. the existing Regulation has failed to achieve its objectives (which remain valid) and has proven needlessly costly. The specific problem drivers can be grouped up according to a) funding provisions, b) EU values, democracy and transparency and c) enforcement and administrative burden.

a) Funding provisions

i) The reasons for EUPP/F's difficulty raising own resources are twofold:

- The EUPP/F Regulation acknowledges only two categories of revenues; namely, contributions and donations. This means that everything which is not a membership contributions is considered as a donation, which are subject to a very stringent legal regime. EUPP/F argue that this categorisation is too simplistic and excludes the possibility to raise own resources from other sources such as sponsorship, publication fees, participation fees, sales, etc. The draft report prepared by AFCO also underlines that the categories of revenue are defined too narrowly in the EUPP/F Regulation[44].

- At the same time, the EUPP/F Regulation does not allow for contributions and donations coming from countries outside the EU. This has particular consequences following the UK withdrawal from the EU, as EUPP/F could not continue collecting membership fees from some of their traditional members[45].

ii) The EUPP/F Regulation contains some loopholes in its transparency regime for donations. Its Article 20 prohibits certain types of donations (namely, donations from non-EU countries, anonymous donations, donations exceeding EUR 18 000). However, these prohibitions are not accompanied by corresponding enforcement powers for the APPF[46]. In addition, NGO voiced their concern over the delays in the publication of information related to donations[47]. They advocate for the real-time publication of such information, especially in electoral period, to avoid foreign interference in elections so citizens can cast their ballot in an informed manner. OSCE/ODIHR also points out to these delays in the publication of

[44] Point 13 of the draft report prepared by AFCO. Available at: https://www.europarl.europa.eu/doceo/document/AFCO-PR-692733_EN.pdf

[45] Based on the Commission's informal consultations with EUPP/F.

[46] See for instance the intervention of M. Adam, Director of the APPF, in AFCO on 15 June 2021.

[47] Kergueno, R. (2017), Fraud and boats: funding European political parties. Available at: https://transparency.eu/boatfraud/

information related to donations and advocate for more frequent reporting on donations (and also contributions)[48].

iii) The APPF considers contributions from non-EU Member States to be inadmissible based on current case law[49] that confirms that entities from outside the EU cannot make financial contributions to EUPP[50]. This hampers EUPP/F's meaningful relations with longstanding partners and previous members and, consequently, they feel limited in fulfilling their mission to promote democratic values beyond the EU's borders.

b) EU values, democracy and transparency

i) A reason why EUPP/F cannot fulfil their potential to create a truly European political spaces could be their lack of visibility at national level. Despite the obligation set out in Article 18(2a) for national affiliates to display the logo of the EUPP they are member of, the European Democracy Consulting found that all EUPPs have national member parties, which do not display their logo on their webpage, with the only exception of the European Democratic Party. Moreover, 85% of national member parties do not display the logo of their EUPP of affiliation in a "clear and user-friendly" manner, if we define this as the top screen of national parties' webpages. EUPP logos are over-represented in the bottom screen, with close to 58% of logos found there. An overwhelming majority of logos are clearly "not visible" (60%, and over 69% if we include websites not displaying any logo). Focusing only on logos 'clearly visible' or 'moderately visible', 71% logos fail the test, and up to 78%, if we include websites not displaying any logo[51].

Another limitation for EUPPs to perform their democratic function could be associated with the current prohibition to fund, directly or indirectly, elections, political parties, candidates or other foundations at national level[52]. To address the ambiguity of 'indirect funding', in the run-up to the 2019 elections to the European Parliament, the APPF and the European Parliament's Authorising Officer developed five principles for campaigns for the elections to the European parliament, the respect of which would mean eligibility for EU funding[53].

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[48] OSCE Office for Democratic Institutions and Human Rights (2021), Submission to the European Commission and to the European Parliament, Preliminary Comments on Reforming Regulation 1141/2014 of the European Parliament and of the Council on the statute and funding of European political parties and European political foundations (unpublished).

[49] Judgment of the General Court of 25.11.2020, Alliance of Conservatives and Reformists in Europe/European Parliament, T-107/19, EU:T:2020:560. Available at: https://curia.europa.eu/juris/document/document.jsf;jsessionid=D94B8C2205E30C3FDCC31F18436119E5?text=&docid=234334&pageIndex=0&doclang=en&mode=lst&dir=&occ=first&part=1&cid=1694530. See paragraphs 155-162 of the judgement.

[50] Annual activity report 2020 of the APPF. Available at: http://www.appf.europa.eu/cmsdata/238104/2020_AnnualActivityReport_AuthorityEUPPsEUPFs.pdf

[51] https://eudemocracy.eu/logos-project

[52] Article 22(2) of the EUPP/F Regulation.

[53] Annual Activity Report 2020 of the APPF, p. 15. Available at: http://appf.europa.eu/cmsdata/238104/2020_AnnualActivityReport_AuthorityEUPPsEUPFs.pdf

While this has improved legal certainty to a certain extent, it did not allow for the increased direct involvement of EUPP/F in campaigns in Member States.

ii) Currently, the EUPP/F Regulation does not contain any transparency obligation on gender parity; co-legislators only agreed to a voluntary measure in Recital 5. While there has been a positive trend towards gender balance in the European Parliament throughout the years, voluntary measures have proven insufficient to ensure gender parity.

iii) The verification mechanism foreseen in Article 10(3) of the EUPP/F Regulation is too complex to be triggered. The APPF can only inform the European Parliament, the Commission and the Council about its doubts concerning compliance by a specific EUPP or EUPF with EU values, but cannot start the verification process without the request by the European institutions to act[54]. The APPF should also consider the opinion of the committee of independent eminent persons. Finally, the APPF's decision to de-register a non-compliant EUPP can be overruled by the European Parliament and the Council within a three-month period on grounds related to the assessment of compliance with the conditions for registration. The procedure, thus, includes several thresholds that make the enforcement of the compliance requirement more difficult. Furthermore, the exact object of the verification mechanism is unclear. Namely, the EUPP/F Regulation does not specify if only the compliance of EUPP/F themselves should be verified, or also that of their national member parties. These weaknesses have a negative impact on the effectiveness of the compliance mechanism, and on the ability of the EU institutions to hold EUPP/F accountable for a potential breach of respect for the EU's fundamental values. The mechanism, therefore, only constitutes a limited deterrence for EUPP/F.

c) Enforcement and administrative burden

i) The APPF is currently not sufficiently equipped to fulfil its potential:
- The EUPP/F Regulation does not provide it with sufficient investigative powers in case of donations[55]. The APPF has advocated for clarifying its powers with regard to donors from the European Union (i.e., natural and legal persons) because those actors may act as strawmen to channel funds to EUPP/F, but have no legal obligation to cooperate with the APPF. In addition, the EUPP/F Regulation does not set out minimum documentation standards or internal control mechanisms for accepting donations, so the APPF sometimes lacks the evidence to effectively verify donations as well as mean to obtain it. In the same vein, in its submission to the Commission and the European Parliament, OSCE/ODIHR also pointed to the discrepancy between national best practices and the

[54] Article 10(3) of the EUPP/F Regulation.

[55] Current tasks of the APPF include: decision on the registration and de-registration of European political parties and foundations; verifies that the conditions for registration are being complied with; establishes and manages a register of European political parties and foundations; exercises control of compliance by European political parties and European political foundations with specific obligations (in cooperation with the European Parliament and by the competent Member States); imposes financial sanctions; publishes specific information on its website, in line with Article 32.

EUPP/F Regulation provisions on the powers of the APPF and urged for endowing it with legal enforcement powers, so it can investigate and pursue potential violations[56].

- So far, the APPF has never made use of the sanction regime. According to some views, this could be due to the rigidity of the regime that does not allow the APPF to either prioritise the breaches of the EUPP/F Regulation that should be pursued or to modulate the level and nature of sanctions to make it proportionate to the nature of the breach, including in cases of neglect.

- The APPF also warns about its limited resources in its budgetary plan for 2021: *"Most recent experience suggests that the Authority's new setting is sufficient to handle the day-today, ordinary operations. However, the Authority comes under significant strain when faced with extraordinary or non-recurrent work streams such as formal investigations, litigation before the Union Courts and, potentially, verification procedures of matters related to European elections or matters affecting the respect for the values on which the Union is founded on the part of European political parties or European political foundations, as introduced by the European legislator"*[57].

Table 1 – Total Resources Allocated to the APPF (direct support from the European Parliament + APPF budget item)

2021	EUR 1 542 825
2020	EUR 1 539 200
2019	EUR 1 546 000

Source: APPF Draft Budgetary Plans[58]

ii) The introduction of double accounting standards, operated at the 2018 revision of the EUPP/F Regulation, is seen by all actors involved as unnecessary, ineffective, costly and unfit for the nature of EUPP/F. Stakeholders agree that the administrative cost linked to the introduction of the International Accounting Standards for such small organisations outweighs the benefits. In practice, eight out of ten EUPPs are based in Belgium, so the comparability of accounts is largely ensured. In addition, the APPF concluded, in its 2020 Annual Activity Report, that the use of templates prepared by the APPF has significantly

[56] OSCE/ODIHR (2021), Submission to the European Commission and to the European Parliament, Preliminary Comments on Reforming Regulation 1141/2014 of the European Parliament and of the Council on the statute and funding of European political parties and European political foundations (unpublished).

[57] APPF Draft budgetary plan for 2021, p. 1. Available at: http://www.appf.europa.eu/cmsdata/216549/Draft%20budgetary%20plan%202021.pdf

[58] APPF Draft budgetary plan for 2020. Available at: http://www.appf.europa.eu/cmsdata/214214/Draft_budgetary_plan_2020.pdf and APPF Draft budgetary plan for 2019. Available at: http://www.appf.europa.eu/cmsdata/214215/Draft_budgetary_plan_2019.pdf

increased the comparability of the different EUPPs' and EUPFs' submissions, and has also helped to harmonise the APPF's checks of the different files[59].

iii) The perceived legal uncertainty derives from Article 24(1) of the EUPP/F Regulation which states that *'control of compliance by European political parties and European political foundations with their obligations under this Regulation shall be exercised, in cooperation, by the Authority, by the Authorising Officer of the European Parliament and by the competent Member States'*. The fact that control is not concentrated in the hand of a single body sometimes results in diverging interpretations of the provisions.

iv) Regarding the protection of the financial interest of the EU following the deregistration of a European political party or foundation, the EUPP/F Regulation is currently unclear on the eligibility of their expenditure during the three-month period that the EUPP/F Regulation foresees for the entry into force of a deregistration decision. In addition, the Regulation is not in line with Article 297 TFEU that stipulates that *'(...) decisions which specify to whom they are addressed, shall be notified to those to whom they are addressed and shall take effect upon such notification'*.

2.3. Who is affected by the identified problems and in what ways?

The EUPP/F Regulation applies to a limited number of actors; namely, the ten registered EUPP and their ten affiliated EUPF, the APPF and the Authorising Officer of the European Parliament.

By setting criteria for registering as a EUPP, the EUPP/F Regulation has an impact on pan-European political movements that currently do not meet the required criteria. These movements, therefore, do not benefit from the European legal statute established by the EUPP/F Regulation and, thus, from EU funding.

European Political Parties

As of April 2021, ten EUPPs are officially registered with the APPF (see Figure 6). These are the main actors affected by the shortcomings identified in the current legal regime.

Figure 6 – EUPPs registered with the APPF

[59] APPF Annual Activity Report 2020. Available at: http://www.appf.europa.eu/cmsdata/238104/2020_AnnualActivityReport_AuthorityEUPPsEUPFs.pdf

Source: APPF[60]

The EUPP/F Regulation currently recognises contributions and donations as possible sources of own resources for EUPPs. At the same time, it sets out a 10% co-financing rate that EUPPs need to collect in order to match the public funding they receive. These two provisions together have a negative effect particularly on small EUPPs that would need additional resources to meet the co-financing rate, but these possible revenue sources (sponsorships, participation fees, etc.) are currently not recognised by the EUPP/F Regulation. Therefore, EUPP/F Regulation currently limits the ability of EUPPs to obtain funding.

The current rules prohibit contributions from member parties located in countries outside the EU. This prohibition, coupled with the restrictive definition of membership, poses a problem to some EUPPs that have full or auxiliary members from, for instance, the UK or neighbourhood countries. This problem is at the same time financial (lower level of contributions) and political (not being able to send the message that they are equal members of the European political family). Besides, the lack of transparency of donations might cause unfair advantages to those abusing the system.

The ambiguity of the provisions on indirect funding and the eligibility of expenditure limit the possibility of EUPPs to closely work together with their national member parties, especially on campaigns. This, in turn, does not allow for EUPP to fulfil their potential in awareness raising on European issues in Member States and limits their visibility at national level. This legal constraints also prevent EUPP from, on the one hand, educating citizens on the European cause and, on the other hand, providing training to those who would like to go into politics. Citizens' education and better prepared political activists and candidates would, however, be indispensable for strengthening European democracy.

Double accounting standards increase administrative burden for EUPP without offering real added value. As they are generally small organisations with limited human and financial resources, this additional administrative burden may limit their capacity to carry out their core tasks.

[60] http://appf.europa.eu/appf/en/parties-and-foundations/registered-parties

Some EUPP feel that they face difficulties receiving immediate legal remedy in disputes in the absence of an in between appeal instance against the APPF decisions before the EUCJ. This means that disputes either may stay without legal resolution, or legal remedy is only available in years' time.

European Political Foundations

Currently, ten EUPF are registered with the APPF (see Figure 7). They must be affiliated to a EUPP and they play a vital role in both complementing the objectives of that party and in observing, analysing and contributing to debates on various political topics. Typically, this involves organizing trainings, seminars, conferences and conducting studies on issues relevant for European public policies[61].

Figure 7 – EUPFs registered with the APPF

[61] See information on the European Parliament's website on contracts and grants: https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-foundations

Source: APPF[62]

However, the restricted definition of revenue sources, contributions *versus* donations, does not allow EUPF to properly raise funding. The current definition of contributions does not recognise two-tier memberships; this is not just a financial issue for them, but also a matter of messaging. It also limits their choice of partners for certain activities. In addition, the prohibition of contributions from members located in countries outside the EU has a similar effect on them as on EUPP.

Current rules on the eligibility of expenditure and indirect funding does not allow for fulfilling their mission, namely providing training for future candidates (in particular female candidates) and awareness raising on European political issues. It also hinders proper cooperation with their national members. Also, some EUPFs complained about a lack of legal certainty as the current ambiguity of the definition of indirect funding leaves room for interpretation. This again hinders the organisation of certain activities that their mission would require.

Some EUPFs claim that the current undifferentiated sanctions regime may negatively affect the smaller among them because, for a relatively small irregularity, the sanction may cause bankruptcy. This, in turn, has a negative impact on political plurality.

EUPFs share the same concern as EUPPs regarding double accounting requirements and the availability of legal remedies (see above).

The Authority for European political parties and foundations

The current provisions do not provide sufficient investigative powers to the APPF to trace the origin of donations. Furthermore, the lack of a more nuanced regime on sanctions impedes the APPF's capacity to ensure proper enforcement of the rules contained in the EUPP/F Regulation.

While the available human resources are sufficient to handle day-to-day operations, the APPF reported of coming under strain when faced with multiple overlapping tasks or with extraordinary or non-recurrent work streams such as litigation before the EU courts or formal proceedings pursuant to the EUPP/F Regulation[63].

Citizens

[62] http://appf.europa.eu/appf/en/parties-and-foundations/registered-foundations
[63] Annual Activity Report 2020 of the APPF (2021). Available at: http://www.appf.europa.eu/cmsdata/238104/2020_AnnualActivityReport_AuthorityEUPPsEUPFs.pdf

The 'Future of Europe Special Eurobarometer 2020' identified that the main way for citizens to make sure their voice is heard at EU level is voting at elections to the European Parliament every five years. But, at the same time, there is a desire for 'ordinary citizens' to be involved in policy- and decision-making at the EU level[64]. This is in stark contrast to the declining trend of voters turnout in the elections to the European Parliament until 2009 and 2014.

This discrepancy may be explained by the fact that citizens may not identify clearly the political actors at the EU level, including the EUPPs and their link with their national parties. As identified earlier, not all Member States permit national parties to display the logo of the EUPP they are associated with on their ballot and, oftentimes, the link between national and European political parties is not fully transparent. This makes it more challenging for citizens to understand the relation between the national and European political parties and creates additional distance to the decisions taken at EU level.

In addition, the lack of fair gender representation negatively affects citizens, in particular women. While slightly more than 50% of the European population is female, on average only 38.9% of their European political representatives are so, with large variations per Member States. This leads to underrepresentation of women in European politics and is not in line with Article 23 of the EU Charter on Fundamental Rights[65].

European Parliament and other institutions

The identified shortcomings of the legislation impact not only on the individual EUPP/F but also on the European Parliament and the other European institutions. Lack of transparency and misuse of funds, in particular, challenge the credibility of the EU and its democratic representation and could lead to European citizen's reduced trust in policy- and decision-making at EU level.

3. WHY SHOULD THE EU ACT?

3.1. Legal basis

The legal basis of the initiative is Article 224 of the Treaty on the Functioning of the European Union (hereinafter, 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"*.

Since the TFEU provides for the establishment of the rules governing EUPPs by way of a regulation, any change to the rules currently in place, the EUPP/F Regulation, must be established at EU level in application of Article 224 TFEU.

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[64] https://www.europarl.europa.eu/at-your-service/files/be-heard/eurobarometer/2021/future-of-europe-2021/en-key-findings.pdf

[65] Charter on Fundamental Rights of the European Union (2000). Available at: https://www.europarl.europa.eu/charter/pdf/text_en.pdf

The EUPP/F Regulation's revision clause contained in its Article 38[66] provides for the European Parliament to adopt a report on the application of the EUPP/F Regulation by the end of 2021, and the Commission to present a report on the same matter within six months of the adoption of the Parliament's report, possibly accompanied with an amending legislative proposal, if appropriate. It should be taken into account in this context that any modification concerning fundamental rules of electoral law[67] applicable to the EUPP/F must be in place at least one year before the 2024 elections to the European Parliament; namely, by May 2023 at the latest.

The proposal fully complies with the principle of subsidiarity, since the EU level is the only one at which rules governing the statute and funding of EUPP/F can be laid down. As it has been established in the previous sections of this impact assessment, although the EUPP/F Regulation has provided a useful legal framework for the functioning of EUPP/F up to date, existing loopholes and inefficiencies necessitate further targeted amendments.

The proposal does not go beyond what is necessary to achieve the long-term objective of developing and strengthening European democracy and the legitimacy of the EU institutions, by seeking to make EUPP/F more effective and accountable democratic actors. It therefore complies with the principle of proportionality as well.

4. OBJECTIVES

4.1. General policy objectives

The initiative at stake has three general policy objectives:

- Improve the legislative framework that enables EUPP/F to fulfil their mission in forming European political awareness by ensuring the democratic principles laid down in Article 10 TEU.

- Ensure EUPP/F's higher level of compliance with the EU values, as enshrined in Article 2 TEU.

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[66] Article 38 – Evaluation

The European Parliament shall, after consulting the Authority, publish by 31 December 2021 and every five years thereafter a report on the application of this Regulation and on the activities funded. The report shall indicate, where appropriate, possible amendments to be made to the statute and funding systems.

No more than six months after the publication of the report by the European Parliament, the Commission shall present a report on the application of this Regulation in which particular attention will be paid to its implications for the position of small European political parties and European political foundations. The report shall, if appropriate, be accompanied by a legislative proposal to amend this Regulation.

[67] See Code of Good Practice in Electoral Matters: Guidelines and Explanatory Report - Adopted by the Venice Commission at its 51st and 52nd sessions (Venice, 5-6 July and 18-19 October 2002). Available at: https://rm.coe.int/090000168092af01. See also the Compilation of Venice Commission opinions and reports concerning the stability of electoral law, 14.9.2020, CDL-PI(2020)020. Available at: https://www.venice.coe.int/webforms/documents/?pdf=CDL-PI(2020)020-e.

- Better ensure the sound financial management of EUPP/F, the appropriate enforcement of the Regulation and decrease the level of administrative burden.

4.2. Specific policy objectives

a) Specific objectives contributing to enabling EUPP/F to fulfil their mission in forming European political awareness, by ensuring the democratic principles, laid down in Article 10 TEU

The proposal aims at adapting funding rules to (i) allow EUPP to play an active role in national campaigns on EU-relevant issues and (ii) ensure that EUPP/F can maintain meaningful relations with their member parties located in countries outside the EU, while providing the necessary safeguards against unwanted foreign interference.

The enforcement of the provisions enhancing the link between national and European political parties, and thus the degree of visibility of the latter, should be also improved. These two specific objectives would improve the visibility of EUPPs and allow them to form a common European political awareness.

b) Specific objectives contributing to ensuring European political parties' and foundations' compliance with the EU values, as enshrined in Article 2 TEU

The initiative also aims at promoting gender balance in European politics, and at operationalising the verification mechanism for EUPP/F compliance with EU values by simplifying it and making it easier to apply.

c) Specific objectives contributing to sound financial management, strengthened enforcement and decreased administrative burden

The initiative aims at adapting the typology of revenues to expand the categories of own resources to allow participation fees, sponsorships, publication fees, etc. This would help EUPP/F to secure the 10% co-financing rate to match the EU funding they receive and, thus, improve their financial viability.

The initiative aims at tightening the transparency regime for donations in order to avoid unwanted foreign interference through intermediaries. A due diligence mechanism for EUPP/F requiring that they know the source of donations before accepting them would increase the level of self-compliance with the EUPP/F Regulation, would allow the APPF to better investigate cases of alleged irregularities, and would improve financial transparency of the system overall.

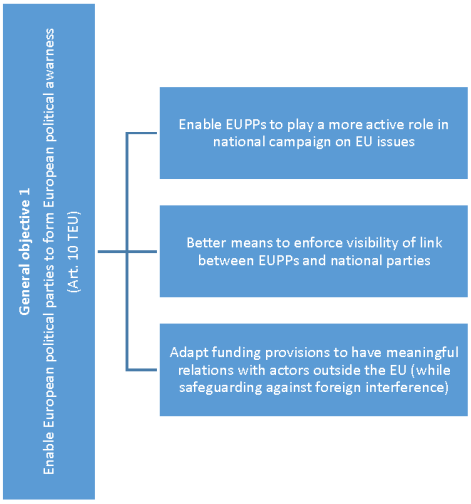
The initiative aims at further empowering the APPF so it can better carry out its supervisory functions.

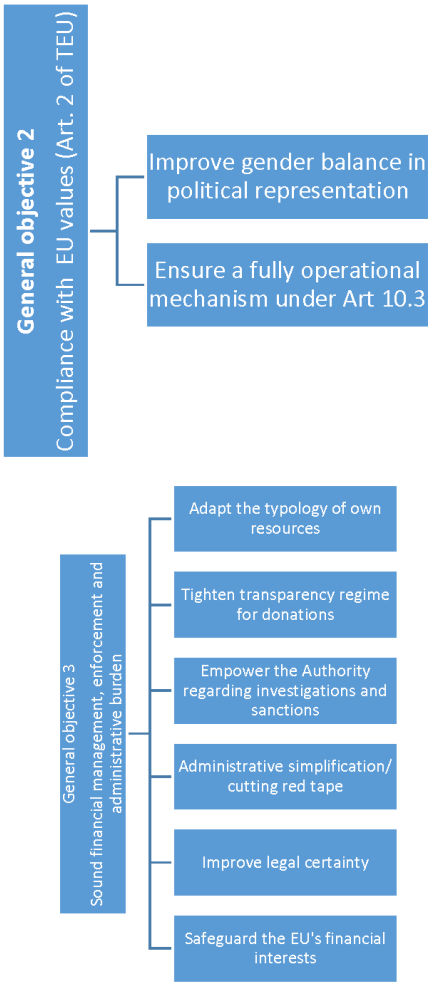
The initiative also aims at cutting the level of administrative burden for EUPP/F. Reduced administrative burden will allow these relatively small organisations to devote more resources to their core activities on democracy building.

It also aims at increasing the level of legal certainty provided by the EUPP/F Regulation by further clarifying the division of tasks and responsibilities between the APPF and the Authorising Officer of the European Parliament. Greater clarity would help to avoid both functional overlaps and diverging interpretations of the legal provisions, which could help EUPP/F identify activities that can benefit from public funding clearly distinguishing them from those that cannot.

Finally, the initiative aims at better protecting the financial interests of the EU by aligning the rules on the entry into force of the deregistration decision with the Treaty on the Functioning of the EU.

Figure 8 – General and specific policy objectives




General objective 2
Compliance with EU values (Art. 2 of TEU)
Improve gender balance in political representation
Ensure a fully operational mechanism under Art 10.3
General objective 3
Sound financial management, enforcement and administrative burden
Adapt the typology of own resources
Tighten transparency regime for donations
Empower the Authority regarding investigations and sanctions
Administrative simplification/ cutting red tape
Improve legal certainty
Safeguard the EU's financial interests

4.3. Consistency with other EU policies and with the Charter of Fundamental Rights of the European Union

4.3.1. European Democracy Action Plan

This revision is one of the items contained in EDAP[68], the action plan announced by President von der Leyen in her July 2019 Political Guidelines[69] in view of addressing current challenges to democracy, including increasing threats of external interference in the elections to the European Parliament. EDAP, which was adopted on 3 December 2020, announced *inter alia* a legislative proposal to ensure greater transparency on paid political advertising and the review of the legislation on the funding of EUPP. Both initiatives are therefore strongly interlinked. The political advertising initiative considers the use of political advertising in all elections, covering a number of problems and relevant actors including service providers in the internal market and EUPPs. It will provide for specific requirements for EUPPs to use political ads, in particular creating a common repository for political ads for EUPPs, and a review process, for the Authority to take note of breaches of the rules visible on the basis of EUPP disclosures. The relevant provisions defining the powers of the Authority will be amended accordingly, to ensure full coherence between these two complementary initiatives. The lead service for the initiative on transparency of paid political advertising is Directorate-General for Justice and Consumers, and its adoption is planned for Q4 2021. .

4.3.2. Conference on the Future of Europe and European Electoral Act

The proposal for the revision of the EUPP/F Regulation will be drafted in a neutral way in order to cater for any future potential developments in the context of the institutional strand of the Conference on the Future of Europe (hereinafter, CoFE), in particular regarding transnational lists and the lead candidate system.

The vast majority of stakeholders concur that, if the relevant parties were to agree on the introduction of transnational lists and/or a legal formalisation (in whatever form) of the lead candidate system, this would have impacts on and consequences for EUPPs. But, at the same time, there is a general understanding that the revision of the EUPP/F Regulation would not be the appropriate framework to address these issues.

This neutrality will also allow for consistency with the potential reform of the EU's Electoral Act that is currently on hold awaiting the outcome of the discussions at the CoFE.

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[68] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the European democracy action plan, COM/2020/790 final. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A790%3AFIN&qid=1607079662423

[69] President von der Leyen (2019), A Union that strives for more – my agenda for Europe. Available at: https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf

4.3.3. Commission's Gender Equality Strategy 2020-2025

By adding specific provisions to promote gender equality in European politics, the initiative is fully consistent with the Commission's Gender Equality Strategy 2020-2025[70] that urges for equal opportunities in participation for representative democracy at all levels – European, national, regional and local. In addition, the Strategy states that *'the Commission will promote the participation of women as voters and candidates in the 2024 European Parliament elections, in collaboration with the European Parliament, national parliaments, Member States and civil society, including through funding and promoting best practices.* ***European political parties asking for EU funding are encouraged to be transparent about the gender balance of their political party members****'.*

4.3.4. Charter of Fundamental Rights of the European Union

The revision of the EUPP/F Regulation is in line with the principles laid down in the Charter of Fundamental Rights of the European Union[71] as regards political participation:

- **Freedom of assembly and of association (Article 12, EU Charter of Fundamental Rights)**

"1. Everyone has the right to freedom of peaceful assembly and to freedom of association at all levels, in particular in political, trade union and civic matters, which implies the right of everyone to form and to join trade unions for the protection of his or her interests."

"2. Political parties at Union level contribute to expressing the political will of the citizens of the Union."

- **Right to vote and to stand as a candidate at elections to the European Parliament (Article 39)**

"1. Every citizen of the Union has the right to vote and to stand as a candidate at elections to the European Parliament in the Member State in which he or she resides, under the same conditions as nationals of that State."

"2. Members of the European Parliament shall be elected by direct universal suffrage in a free and secret ballot".

[70] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Union of Equality: Gender Equality Strategy 2020-2025, COM(2020) 152 final, p. 14. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0152&from=EN

[71] Available at: https://www.europarl.europa.eu/charter/pdf/text_en.pdf

Increasing transparency will ensure that this right is respected and that citizens have the ability to check if their political will is expressed by the party they support at EU level as stipulated in Article 12 and 39.

- **Non-discrimination (Article 21)**

"1. Any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, language, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be prohibited."

"2. Within the scope of application of the Treaties and without prejudice to any of their specific provisions, any discrimination on grounds of nationality shall be prohibited."

- **Equality between men and women (Article 23)**

"Equality between men and women must be ensured in all areas, including employment, work and pay. The principle of equality shall not prevent the maintenance or adoption of measures providing for specific advantages in favour of the under-represented sex."

Adding a gender dimension to the revision of the EUPP/F Regulation would ensure compliance with Article 21 and 23 to guarantee a balanced representation of both sexes in political parties. The principle allows for measures that lead to a better representation.

5. POLICY OPTIONS

5.1. Baseline scenario

The baseline scenario is to maintain the status quo and do 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.

In view of the upcoming European elections in 2024, the baseline would not allow for higher visibility for European political parties and more interaction between the European and national political parties. The baseline scenario would therefore hinder the achievement of general objective 1 to form European political awareness. In addition, current prohibition to receive membership fees from affiliates from non-EU countries would continue to pose a political and financial problem for EUPP/F. While the number of EU citizens served by the EUPP/Fs has reduced by over 10% since Brexit, their membership has not changed[72], neither has their democracy building mission, which goes beyond EU's borders.

Recently, foreign party funding has been used to unsettle the EU and its Member States[73]. Russia and China are the most visible players in the field, but ultraconservative organisations in the USA have also actively financed and coordinated far-right movements in Europe, particularly in

[72] The EUPP/F Regulation does not prohibit membership from non-EU countries, see Annex VI.
[73] E. Bressanelli (2021), Investing in destabilisation: How foreign money is used to undermine democracy in the EU, https://www.europarl.europa.eu/RegData/etudes/STUD/2021/653631/EXPO_STU(2021)653631_EN.pdf

the run-up to the 2019 elections to the European Parliament[74]. This trend is expected to remain and become even more prominent in the coming years. Keeping the status quo and the current loopholes in the transparency regime for donations in Regulation 1141/2014, coupled with the inability of the APPF to investigate, would therefore expose EUPP/F to this risk.

At the same time, public information on the financial statements of EUPP/F would remain scattered and delays in their publication may persist. For this reason, transparency for the citizens would not be sufficiently ensured.

Difficulties in raising own resources would further undermine the financial viability of EUPP/F. The restrictive categorisation of revenues and the need to match the 10% and 5% co-financing rate may lead to irregularities, as identified by the European Parliament's Authorising Officer in the past[75].

The current Regulation does not contain binding provisions on gender equality and therefore does not ensure coherence with the Commission's Gender Equality Action Plan 2020-2025.

The rigid sanctions regime may lead to disproportionately high sanctions for smaller breaches. This may impede its use in order to avoid undermining the financial viability of European political parties and foundations.

The EUPP/F Regulation should be coherent with possible changes to the 1976 European Electoral Act following the ongoing work in the AFCO Committee on its amendment, which may include the introduction of a common European constituency, should the discussions in the CoFE point in that direction. The current EUPP/F Regulation could not ensure coherence with this development as it would not provide the appropriate legislative framework for EUPPs regarding campaigning for the lead candidates and on transnational lists. Furthermore, the current EUPP/F Regulation cannot ensure coherence with the objectives of the European Democracy Action Plan, and in particular the legislative initiative on transparency of political advertising, as for the time being it does not contain specific rules for the use of political advertising by the EUPPs, and does not provide the Authority with the necessary oversight. powers.

Stakeholders' views on the baseline scenario

While all stakeholders agree that the EUPP/F Regulation provides a useful legal framework for the statute and funding of EUPP/Fs, wide consensus has emerged that the Regulation needs targeted amendments to address the identified loopholes.

[74] Rudolph J. and Morley, T. Covert Foreign Money. Financial loopholes exploited by authoritarians to fund political interference in democracies, p. 1.

[75] I. Anglmayer (2021), Statute and funding of European political parties under Regulation 1141/2014 -ex post evaluation. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662646/EPRS_STU(2021)662646_EN.pdf

5.2. Options for further in-depth assessment

Option 2 focuses on the revision of the funding provisions in the Regulation. The Commission considers that the problems identified under the funding provisions of the Regulation are the most pertinent in the Regulation's underperformance. This option is strictly aligned with the commitment undertaken by President von der Leyen 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 EUPPs[76]. The impact of the additional provisions are analyzed in the impact assessment on the initiative on transparency of paid political advertising. [77]

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

Table 2 – Overview of policy options

Area of problem	Option 1 Baseline scenario	Option 2	Option 3	Objective
Funding provisions	No change	Addressing difficulties matching the co-financing rate Tightening the transparency regime for donations Facilitating meaningful relations with actors outside the	Addressing difficulties matching the co-financing rate Tightening the transparency regime for donations Facilitating meaningful	General objective 3 General objective 3 General objective 1

[76] President von der Leyen (2019), A Union that strives for more – my agenda for Europe. Available at: https://ec.europa.eu/info/sites/default/files/political-guidelines-next-commission_en_0.pdf

[77] SWD No....

Area of problem	Option 1 Baseline scenario	Option 2	Option 3	Objective
		EU	relations with actors outside the EU	
EU values, democracy and transparency	No change	No change	Improving visibility Helping European political parties fulfil their constitutional mission Improving gender balance Simplifying the verification mechanism for compliance with EU values	General objective 1 General objective 1 General objective 2 General objective 2
Enforcement and administrative burden	No change	No change	Empowering the Authority Reducing administrative burden Improving legal certainty Better protecting the EU's financial interests	General objective 3 General objective 3 General objective 3 General objective 3

6. ANALYSIS OF FEASIBILITY AND IMPACTS OF THE POLICY OPTIONS

Due to the specific character of the Regulation, namely that it has direct impact on 20 organisations (10 EUPPs and their 10 affiliated EUPFs), the APPF and the Authorising Officer of the European Parliament, the policy options will have negligible environmental, economic and social impacts. The impact assessment will therefore focus on the options' impacts in the area of fundamental rights and democracy.

6.1. Impacts of policy option 2

Option 2 focuses on addressing the shortcomings of the funding provisions of the Regulation identified in section 2.1. The funding provisions constitute the core of the EUPP/F Regulation, and tackling the identified shortcomings in this area would already contribute to some specific objectives under general objectives 1 and 3, should the Commission decide to propose a more targeted amendment of the Regulation. More specifically, the proposed changes would better ensure the financial viability of EUPP/Fs and would promote sound financial management, while also creating further safeguards against foreign interference.

Two alternative measures were considered to address the **difficulty of European political parties and foundations fulfilling the co-financing obligation under Article 17(4):**

a) recognising additional categories of own resources

b) lowering even further the co-financing rate

Measure a) would not only provide European political parties and foundation with increased flexibility to generate own revenue, but also corresponds better to their political organisation and activities.

However, a number of risks have been identified with this measure. The introduction of a new category of revenue also entails the risk that it is used as a loophole to circumvent the limitations imposed on donations and contributions. Addressing these loopholes might require a too complex revenue structure imposing administrative burden on European political parties and foundations.

To mitigate these risks, it is proposed to impose a ceiling on the total revenue generated through "other own resources" in analogy to member contributions. This latter threshold should be sufficiently low in order to minimize the risk of interference. This solution would be the easiest to implement for European political parties and foundations and would cause the smallest administrative burden on them. Coupled with a ceiling, the measure would therefore not only be effective, but also efficient.

Measure b) would lower the required own resources to receive the entire contribution/grant amount, reducing the internal budgetary pressure on European political parties and foundations. Table 1 simulates the impact of lowering the co-financing obligation from the current 10% to 5% and 2% illustrating the reduced internal budgetary pressure on the parties.

Table 3 – Simulation of required own resources to match maximum contribution

	Max. Contribution 2019	10% Own Resources	5% Own Resources	2% Own Resources
EPP	€ 15 832 805	€ 1 759 201	€ 833 306	€ 323 118
PES	€ 13 051 506	€ 1 450 167	€ 686 921	€ 266 357
ALDE	€ 4 564 976	€ 507 220	€ 240 262	€ 93 163
EGP	€ 3 566 561	€ 396 285	€ 187 714	€ 72 787
PEL	€ 2 782 092	€ 309 121	€ 146 426	€ 56 777
EDP	€ 1 070 523	€ 118 947	€ 56 343	€ 21 847
EFA	€ 1 355 784	€ 150 643	€ 71 357	€ 27 669
ECPM	€ 927 892	€ 103 099	€ 48 836	€ 18 937
ECRP	€ 4 422 345	€ 491 372	€ 232 755	€ 90 252
IDP	€ 2 425 515	€ 269 502	€ 127 659	€ 49 500

Source: W. Wolfs[78]

However, the measure would have a negative impact on EUPP/F's relations with citizens. The co-financing obligation has been introduced in order to incentivise parties to strengthen their financial ties in society. It was already reduced by the 2018 amendment of the Regulation from 15% to 10% for EUPPs and 5% for EUPFs. Easing the co-financing obligation even further would also substantially lower this incentive, while the visibility and connectedness of European political parties and foundations with European citizens and civil society is already rather limited. In addition, lowering the co-financing obligation increases the probability that the European political parties and foundations will financially become almost entirely dependent on public resources, creating an over-dependency on state support. This is a situation that should be avoided, according to the existing international guidelines[79]. For this reason, while the measure would be effective regarding general objective 3, it would not be coherent with general objective 1.

To address the remaining risk of **foreign interference through donations**, two alternative measures are considered:

a) due diligence mechanism for European political parties and foundations

b) introduction of overall ceiling for donations

Measure a) has the potential to strengthen the verification of the identity of the donors, increase the overall transparency of their income and reduce the risk of foreign interference. European political parties and foundations would authenticate that the natural person or entity from whose account the donation was made, was indeed the actor that wanted to make the donation. This is

[78] Wolfs W. (2021), Impact assessment study – Revision of Regulation 1141/2014, unpublished.
[79] European Commission for Democracy through Law (Venice Commission) & OSCE Office for Democratic Institutions and Human Rights (2020), Guidelines on Political Party Regulation (2nd edition), pp. 64-65. Available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e

in line with the provisions on donations in the Regulation (Article 20) that are aimed at maximum transparency and – among others – preventing anonymous donations. For this reason, the measure would be effective in contributing to general objective 3. However, such a due diligence mechanism also implies an increased administrative workload for the parties. To ensure the efficiency of the measure, the due diligence mechanism could be limited to larger donations only (with a value above EUR 12 000). As such, a balance would be struck between increasing transparency and control of the donation regime for EUPPs, while keeping the additional administrative workload limited.

Measure b) would introduce an overall ceiling on donations comparable to the ceiling for contributions from members (capped at 40% of the total annual budget of the EUPP/F). Unless the ceiling for donations is kept substantially low (e.g. 5% or less of the total annual budget), this solution would not solve the main identified problem, namely the possibility for foreign entities to use donors as an instrument for unwanted influence. Setting an overall ceiling on donations might have an additional adverse effect of depriving the EUPP/F of a broad and diversified donor base. In some cases, where EUPPs rely substantially on donations, setting such a low ceiling on donations would substantially limit the fund-raising ability of this EUPP, while the risk of undue interference is currently limited. For this reason, the effectiveness and efficiency of measure b) is considered lower than that of measure a).

To ensure **EUPP/F meaningful relations with actors outside the EU**, while providing the necessary safeguards against unwanted foreign interference, two alternative measures are considered:

a) amend the provisions related to contributions from members to allow such contributions from frmembers of the Council of Europe.

b) add specific criteria that parties in third countries have to fulfil for membership eligibility

Measure a) would send a political message to their affiliates from non-EU members allowing for meaningful cooperation with them. It would also reduce the difficulty for EUPP/F to have sufficient own resources due to their inability to collect membership fees from non-EU countries. The measure is therefore considered to be effective. This measure would however increase the risk of foreign interference, which, in turn would increase the political cost of the measure thereby risking its efficiency and also its coherence with the measure on strengthening the transparency regime for donations to safeguard against interference. This risk could be mitigated by capping the revenue from contributions from non-EU members at a certain level, for example at 5% or 10% of the total own resources.

Measure b) would entail adding specific criteria that member parties from third countries must fulfil in order to be eligible to make membership contributions. Such criteria could include provisions that point to 'like-minded political formations' or 'political formations sharing the core values of the European political party'. However, such provisions can leave room for interpretation which makes a proper legal assessment of compliance with these provisions more difficult. For this reason, the measure is considered less efficient than measure a).

Cost, administrative burden reduction and simplification potential of Option 2

As Option 2 introduces more complex reporting obligations on EUPP/Fs, it would generate additional administrative cost for them, and also for the APPF and the European Parliament's Authorising Officer, who control their financial statements. In case these additional costs are not offset by simplification in other areas, they might take away funds from their core business, namely their political activities.

Stakeholders' views on option 2

EUPP/Fs argued for diversifying the categories of own resources throughout the informal consultation process and at the hearing organised by the AFCO Committee on 22 June 2021 on the application of the EUPP/F Regulation. They also called for the revision of the EUPP/F Regulation to allow for a meaningful cooperation with likeminded parties in non-EU countries.

The APPF has advocated for the introduction of a due diligence mechanism for EUPP/Fs regarding donations in order to close existing loopholes in their transparency regime. The APPF, however, cautioned against allowing for contributions from member parties in non-EU countries.

The European Parliament's AFCO Committee, in its draft report, called for broadening the categories of own resources to improve the financial viability of EUPP/Fs. The draft report also considered that EUPP/Fs should be open to membership from parties or individuals from neighbourhood countries and allowed to receive their contributions, provided that full transparency is ensured.

OSCE/ODIHR, in their submission to the Commission and the European Parliament, calls for reviewing the overall amount of public funding available to European political parties so they can effectively carry out their activities. They also advocate for progressively decreasing the maximum ratio of public-to-private funding of EUPPs.

6.2. Impacts of policy option 3

Option 3 would allow for tackling all identified shortcomings in the impact assessment in addition to those tackled under option 2, contributing to achieving all general objectives. This section does not repeat the proposed solutions under option 2, but focuses on the measures proposed to tackle the problems identified in sections 2.1.b and 2.1.c .(i.e. concerning EU values, democracy and transparency; and enforcement and administrative burden).

To improve the **visibility of the link between European political parties and national member parties**, two measures are considered:

a) introducing sanctions for non-compliance

b) clearly defining the requirements for the visibility of the European political party of affiliation

Measure a) would entail including non-compliance in the list of non-quantifiable infringements in the sanction regime (Article 27). This would mean that if one or more member parties do not publish the logo and programme of the EUPP of affiliation on their websites (as required by Article 18(2a)), this might lead to a financial sanction on the latter. By modulating the sanction that the EUPP might face, the measure would remove the disproportional possibility of a total loss of funding for the European political party. It would still act as a deterrent, and would therefore increase the effectiveness of the regulatory framework.

Measure b) would indeed have a positive effect on the visibility of the European political party, as its logo would be placed on the website on a more prominent place than has been the case until now. However, the measure would not tackle the disproportionality of the consequences of non-compliance. On the contrary, the specification of the provisions might even increase the chances of non-compliance, thus potentially resulting in EUPP losing their entire EU funding. For this reason, measure b) alone is not considered sufficiently effective to address the identified problem.

To address **European political parties' inability to fulfil their constitutional mission**, two measures are considered:

a) allowing EUPPs to use their funds to act in national referendum campaigns on EU issues

b) introducing a campaign grant for European political parties to be used in a fixed period before the European elections

Under Measure a) EUPPs take on the function comparable to civil society organisations and campaign in favour or against the content of the referendum question. This possibility would increase their visibility for EU citizens and would contribute to the development of a European political space. It is considered that European political parties would have a limited capacity to influence the final outcome of the referenda. The sums set out in Table 2 indicate that the financial potential for expenditure on referendum campaigns is not excessive: at current funding levels, expenses of maximum a few €100 000 can be expected, considering that the European parties will not concentrate all their financial resources on one referendum campaign. While such amounts are limited for referendum campaigns in larger member states – during the EU membership referendum in the UK, a total of approximately €38 million was spent on all campaigns combined –[80] they can make a difference in referendum campaigns in smaller member states. In the EU membership referendum in Latvia in 2003 for example, all national parties combined only spent approximately €350 000, meaning that campaign expenses from the European political parties in such cases hold the potential to influence the outcome of the elections.[81]

Table 4 – Selection of total campaign expenditure in EU referenda

[80] The Electoral Commission (2019), Campaign spending at the EU referendum. Available at: https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/elections-and-referendums/past-elections-and-referendums/eu-referendum/campaign-spending-eu-referendum

[81] Although scientific evidence on campaign spending effects on referendum outcomes is diverse.

Year	Country	Referendum	Total Expenditure
2003	Latvia	EU membership	€350 000
2005	Netherlands	EU Constitution	€3 790 000
2005	Spain	EU Constitution	€14 461 763
2016	UK	EU Membership	€38 036 000

Source: W. Wolfs, based on M. van Klingeren, M. Orozco, J. van Spanje, C. De Vreese (2015)[82]

However, there are still countries that will not allow campaigns from 'third parties' in the run-up to referenda. This can be solved by either an imposed harmonisation of the referendum campaign rules in the members states (in analogy to the measures taken for the introduction of the EU legal status for EUPPs), or by acknowledging that EUPPs should obey the national provisions. The latter solution would recognise the principle of subsidiary and allow EU countries to determine their own rules in this respect, but would also create an inequality between Member States, as some will allow the involvement of EUPPs (as 'third parties') in the referendum campaigns, while others will prohibit it[83].

The measure would also entail the risk of indirect funding to national parties, as national political parties usually take a clear position on the referendum question trying to use the referendum campaign for increasing their own electoral support. For these reasons, the measure is considered to be effective in increasing the visibility of EUPP/F, but limited in efficiency and coherence with other provisions of the Regulation.

Measure b) is similar to measure a) but would allow European political parties to use EU funds in electoral campaigns in the run-up to European elections by introducing a campaign grant. This would only be allocated in European election years in addition to the annual operating grant and could only be used in a fixed period before the European elections. As the campaign grant would not be tied to the prohibition on indirect support to national political parties, European political parties could realise their full political potential during the electoral campaigns for the European Parliament. The main counterargument that EU funds could be used to influence national politics is not relevant in this context, since European elections should revolve around European issues, and not around domestic issues.

The campaign grant could also contribute to addressing the limited capacity of EUPPs to find sufficient own resources to match EU funds if it contained a co-financing obligation of 0%. The total funding sum of the operational grants does not have to be increased during election years, and the co-financing obligation of this operational grant can be kept at 10%. The campaign grant

[82] M. van Klingeren, M. Orozco, J. van Spanje, C. De Vreese (2015) Party Financing and Referendum Campaigns in EU Member States, Study for the AFCO Committee, pp. 70-86. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU(2015)519217_EN.pdf

[83] To some extent, this inequality is already present, as some member states allow for national referendums, whereas in other countries this possibility does not exist.

could also use a different distribution key than the operational grants thereby creating a level-playing field where the electoral support from European citizens is based on the strength of the political argument and policy proposals of EUPPs, and not on the differences in their financial resources. Finally, a separate and more stringent transparency regime should apply during the campaign period comprising of the real time publication of data on European political parties' accounts. This regime should encompass expenditure on political advertising to ensure coherence with the initiative on the transparency of political advertising under the EDAP.

However, similarly to referenda, seven Member States (Belgium, Croatia, Estonia, Lithuania, Poland, Portugal and Spain) currently ban campaign expenditure of third parties during the elections. The potential willingness of these countries to exempt EUPPs from this ban could be explored further.

For these reasons, the measure is considered to be effective and be more coherent with the other provisions of the Regulation and other initiatives under the EDAP. Its coherence with national legislation, however, should be further explored with Member States.

To promote **gender balance** in European politics, two alternative measures are considered:

a) introducing a transparency obligation for gender balance at European elections

b) introducing a transparency obligation on gender representation for EUPP/F

Measure a) would entail the re-introduction of the provision that the Commission proposed at the 2018 amendment of the Regulation: *'A European political party shall include in its application evidence demonstrating that its member parties have continuously published on their websites, during 12 months preceding the moment at which the applications is made [...] on the gender representation among the candidates at the last elections to the European Parliament and among the Members of the European Parliament'*. This measure would link the transparency obligation on gender to application for EU funding and could potentially be a powerful tool to promote gender balance. The political viability of this measure, however, may be limited as it was rejected by the co-legislators during the interinstitutional negotiations on the 2018 amendment of the Regulation.

Measure b) would increase the accountability of the European political parties and foundations with regard to gender balance to the citizens. It could provide them with the necessary incentives to improve their internal gender balance. By providing a good example to their national members, EUPPs may incentivise their national members to improve gender balance in their governing structures and on electoral lists. However, as the measure does not publicly expose gender balance in national member parties, it is expected to be less effective than measure a) and does not ensure coherence with international standards that argue against interference with internal party democracy [84]. Nor is the measure coherent with the Commission's Gender Equality

[84] European Commission for Democracy through Law (Venice Commission) & OSCE Office for Democratic Institutions and Human Rights (2020), Guidelines on Political Party Regulation (2nd edition). Available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e

Strategy 2020-2025 that calls for transparency about gender equality in the member parties of EUPPs[85].

To operationalise the **verification mechanism for** the **compliance with EU values**, two alternative measures are considered:

a) lowering the threshold to act by empowering the APPF to launch the mechanism

b) clarifying the obligation for compliance with EU values by the members of a EUPP/F

Measure a) would simplify the procedure that currently only allows for action from the APPF on the receipt of a request either from the European Parliament, the European Commission or the Council of Ministers. It would increase the effectiveness of the mechanism and ensure its impartiality as the APPF is an independent oversight body. However, the current mechanism is the result of a delicate balance, struck by the co-legislators during the negotiations on the previous amendment of the EUPP/F Regulation in 2018. Modifying this might jeopardize the timeline for adoption of the current revision, ahead of the next elections to the European Parliament in 2024.

Measure b) would mean that the mechanism can be applied more broadly. This measure may however raise problems with regard to proportionality as the entire EUPP could be de-registered due to the activities of a single affiliate. For this reason, this measure is considered less efficient than measure a). To mitigate this problem, an additional step could be included in the mechanism before the APPF's final decision to de-register the European political party where the APPF makes recommendations for rectifying the non-compliant behavior. This may however make the process lengthier and in the end less effective.

To further **empower the APPF**, three measures are considered:

a) foreseeing additional resources

b) modulating the sanctions regime

c) increasing the Authority's investigative powers

Measure a) is a prerequisite for the empowerment of the APPF that currently functions with 8 full time staff members. However, the Commission has a limited role in increasing the APPF's budget as the final decision lies with the budgetary authority (Council and European Parliament).

Measure b) foresees increasing the level of discretion of the APPF in assessing any potential infringements. As various stakeholders argue that the inflexibility of the sanctions regime decreases its practical usefulness, providing the APPF with the possibility to impose more

[85] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, A Union of Equality: Gender Equality Strategy 2020-2025, COM(2020) 152 final. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0152&from=EN

gradual sanctions proportionate to the breach, is expected to improve the practical application of the sanctions regime. The introduction of a rectification period for some infringements could also increase the flexibility of the regime without significantly increasing administrative burden. For this reason, the measure is considered to be effective and efficient.

Measure c) would empower the APPF to request more information directly from donors. This would improve the governance and good administration of the funding for EUPP/F, which should result in a decrease of misuse of EU funds, which in turn should improve public trust in the spending of EU funds in particular, and the functioning of the EU institutions in general. For this reason, the measure is considered to be effective. The measure would also be coherent with the due diligence mechanism proposed to tackle foreign interference through donations as the Authority would be able to investigate on any irregularities identified through the mechanism.

To **reduce administrative** burden, it is considered to abolish the double accounting standards. The added value of the obligation to use the international accounting standards is very limited, since it does not provide much additional information that cannot be derived from the other documents submitted to the APPF and the European Parliament's Authorising Officer at the end of the financial year[86]. Neither are they necessary to compare the finances of the various EUPP/F, since the European Parliament provides detailed templates that allow for a detailed comparison regardless of the financial seats of the EUPP/F, while eight out of ten EUPPs are based in Belgium. Removing the obligation to use the international accounting standards will consequently reduce the regulatory burden on EUPP/F without any negative impact on transparency. The indirect effect on EUPP/F will save resources that can be allocated to their core political and policy work. For this reason, the measure is considered to be effective, efficient and coherent with the other provisions foreseen in the revision.

To tackle the perceived **legal uncertainty** a single measure is considered, namely to clarify the division of responsibilities between the European Parliament's authorising officer and the APPF in order to make it more efficient. According to the Venice Commission, any oversight agency for political parties should be independent and non-partisan[87]. In addition, the Venice Commission also finds it essential that the funding of campaign and party finances is overseen

[86] Within six months after the end of the financial year, European political parties and foundations must submit their final reports to the Authority, the European Parliament and the National Contact Point of the Member State. This final report consists of:

- the annual financial statement with all revenue and expenditure, assets and liabilities, both in accordance with the national legislation of the member state in which they have their seat, and in accordance with the international accounting standards as defined in Article 2 of Regulation 1606/2002;
- the report of the external auditor on the annual financial statements;
- an overview of the donations and membership contributions during the financial year.

[87] European Commission for Democracy through Law (Venice Commission) & OSCE Office for Democratic Institutions and Human Rights (2020), Guidelines on Political Party Regulation (2nd edition), paragraph 61. Available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e

by the same body, to ensure consistency[88].To align the Regulation with these international guidelines, it is proposed to clarify the division of their respective responsibilities with a view to eliminating overlaps and reducing the regulatory burden on parties. It would also improve legal certainty by eliminating the possibility of diverging interpretations of the provisions. For these reasons, the measure is considered to be effective and efficient. When clarifying the delineation of responsibilities, coherence with the provisions in the Financial Regulation on the responsibilities of Authorising Officers must be ensured.

To improve the **protection of the EU's financial interests**, a single measure is considered, namely aligning the entry into force of deregistration decisions with Article 297 TFEU. This measure would eliminate the lack of clarity on the eligibility for funding due to the delayed entry into force of the Authority's deregistration decisions and would therefore ensure the appropriate protection of the EU's financial interest. In addition to being effective, the measure would ensure coherence with the Treaty on the Functioning of the European Union. In order to give sufficient time to the deregistered European political party or foundation to reconvert to a national entity before losing its European legal status, one effect of deregistration, i.e. the loss of European legal personality could be postponed to three months following notification of the decision to the addressee, thereby ensuring its proportionality.

Cost, administrative burden reduction and simplification potential of Option 3

Option 3 included all the cost identified under Option 2, however it puts in place mitigating measures to offset them. The abolition of the International Financial Reporting Standards would free substantial resources to comply with the more complex financial reporting obligation. Eliminating overlaps and reducing the regulatory burden on parties by clarifying the division of responsibilities between the APPF and the European Parliament's Authorising Officer, would add to the simplification potential of this option. Furthermore, a more streamlined verification mechanism for compliance with EU values would contribute to simplifying the Regulation.

Stakeholders' views on policy option 3

EUPP/Fs called for facilitating joint activities with their national members so they can better fulfil their constitutional mission. They also urged for clarifying the division of responsibilities between the APPF and the European Parliament's Authorising Officer to increase legal certainty.

The APPF has advocated for a modulated sanctions regime, increasing its investigative powers and the alignment of the entry into force of deregistration decisions with Article 297 TFEU.

[88] European Commission for Democracy through Law (Venice Commission) & OSCE Office for Democratic Institutions and Human Rights (2020), Guidelines on Political Party Regulation (2nd edition), paragraph 271. Available at: https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e

European Parliament's AFCO Committee, in its draft report, called for an increased visibility for EUPP/Fs at national level, including both the visibility of party affiliation and the ability of EUPPs to participate in national referendum campaigns on EU matters. The report also urged for ensuring EUPP/Fs compliance with EU values. The draft report also called for clarifying the hybrid status of the APPF.

OSCE/ODIHR, in its submission to the Commission and the European Parliament, also called for further empowering the APPF with regard to investigations, and for strengthening its independence. They also called for including gender representation in the transparency requirements. The submission urged for increased transparency during the electoral campaign period.

All stakeholders consulted agreed on the need to remove the obligation for EUPP/Fs to present financial statements in accordance with the International Financial Reporting Standards.

7. COMPARISON OF THE POLICY OPTION PACKAGES AND PREFERRED OPTION

7.1. Overview

Regarding the problems identified, inaction from the Commission foreseen by the baseline scenario is the least favourable. Option 2 addresses the most pressing problems identified with funding, and would partially contribute to achieving general objectives 1 and 3. More specifically, the proposed changes would better ensure the financial viability of EUPP/Fs and would promote sound financial management, while also creating further safeguards against foreign interference. For this reason, this option is considered more effective than the baseline scenario, as it addresses the difficulty of European political parties and foundations in fulfilling the co-financing obligation under Article 17(4). Furthermore it allows for meaningful relation of EUPP/Fs with actors outside the EU, while at the same safeguarding against unwanted foreign interference. Option 3 would be more effective than the baseline scenario and more effective than Option 2, because it would tackle all identified problems and would fully contribute to achieving all general objectives. In addition, it is more coherent with other EU policies, such as the Commission's Gender Equality Strategy for 2020-2025 and it also aligns the provisions on deregistration with the Treaty on the Functioning of the European Union. This option also ensures better coherence with the legislative initiative on transparency of paid political advertising (prepared by DG JUST) thanks to the newly envisaged campaign grant and its more stringent transparency regime. This option is also considered to be efficient as the additional administrative burden created, would be offset by the simplification foreseen by the abolition of the double accounting standards.

The baseline scenario would not be favourable for any of the stakeholder groups identified as the problems would persist. Option 2 would create a more favourable situation for all stakeholders as it would increase the financial viability of EUPP/F, provide the APPF with more information on donations, increase transparency for citizens and would ensure better financial management and therefore more credibility for European institutions. Option 3 would create the most favourable situation for all stakeholders. In addition to better financial viability, EUPP/F would benefit from less administrative burden and more legal certainty. The APPF would be further empowered to investigate donations and impose sanctions if necessary. Citizens would receive more

information on European matters and could hold EUPP/F more accountable, and women representation at EU level would be fostered. The credibility of European institutions would be higher due to the additional transparency measures under this option.

Table 5 – Comparison of options for effectiveness, coherence and efficiency

	Baseline scenario (Option 1)	**Option 2**	**Option 3**
Effectiveness in addressing the identified problems			
Funding provisions	0	1	1
EU values, democracy and transparency	0	0	1
Enforcement and administrative burden	0	0	1
Coherence			
European Democracy Action Plan (incl. initiative on the transparency of paid political advertising)	0	0.5	1
Conference on the Future of Europe and European Electoral Act	0	0	1
Commission's Gender Equality Strategy 2020-2025	0	0	1
Charter of Fundamental Rights	0.5	0.75	1
Efficiency			
Potential to reduce administrative burden	0	0	1
Simplification	0	0	1

7.2. Preferred option

Option 3 is the preferred option as it tackles all identified problems in a comprehensive manner and ensures maximum positive impact on all stakeholder groups.

Following the analysis of the alternative measures considered in chapter 6, option 3 should include the following measures:

a) Funding provisions

EUPP/F's difficulty to match EU funds with a 10% and 5% co-financing rate will be addressed by introducing an additional category of own resources. This measure will include a ceiling on revenues from own resources to mitigate the risk of foreign interference and ensure its coherence with other measures addressing this issue. In addition, contributions from members from the Council of Europe would be allowed to ensure EUPP/F's meaningful cooperation with their non-EU members and affiliates. This measure would be accompanied by a cap on the revenues from contributions from non-EU members, and the measure to clarify that EUPP/Fs must ensure that their members located outside the EU comply with equivalent values to those listed in Article 2 of the TEU, in order to limit the risk of foreign interference, while allowing for meaningful relations with longstanding partners and promoting democratic values beyond EU's borders. Finally, a due diligence mechanism will improve the transparency of donations to minimise the risk of foreign interference from this source.

While the mix of measures adds requirements to the accounting and reporting system for EUPP/F, the abolition of the international double accounting standards should offset the administrative burden created here. In addition, the improved transparency regime and financial viability for EUPP/F would justify this choice.

b) EU values, democracy and transparency

Regarding the **visibility of the link between EUPPs and national member parties**, the two measures analysed in chapter 6 (sanctions for non-compliance and clear definition of visibility requirements) could actually be complementary. While it was found that clarifying the criteria of visibility would alone not be sufficient, with a more adapted and operational sanctions regime it could increase the effectiveness of the regulatory framework.

To ensure the **meaningful cooperation between EUPPS and their national affiliates**, both the possibility for EUPPs to use EU funds in national referendum campaigns on EU issues, and the creation of a campaign grant for EUPPs to be used in a fixed period ahead of the European elections could be granted. Both have the capacity to reinforce cooperation between the European and national level and therefore increase the visibility of EUPPs. In addition, the more stringent transparency regime would support other measures under the revision to ensure public accountability and fighting foreign interference.

To **promote gender equality**, the Commission will retable its proposed measure at the 2018 revision of the Regulation as it is expected to bring better results for gender balance at European elections than regulating transparency for the governing bodies of EUPP/F.

To ensure **compliance with EU values**, the EUPP/F Regulation will be amended in order to clarify that the respect for EU fundamental values should apply to both the EUPP itself, as well as its member parties. While this would not make the verification mechanism for compliance with EU values lighter, it would still make it more enforceable, as it would bring more clarity and legal certainty. .

c) Enforcement and administrative burden

To further empower the APPF, two of the three measures analysed in chapter 6 will be retained. The **investigative powers** of the APPF will be increased so it can request information directly from donors. The **modulation of the sanctions regime** will also increase the level of discretion of the APPF in assessing any potential infringements. These measures, together with the introduction of a due diligence mechanism under the funding provisions and **the clarification of responsibilities between the APPF and the European Parliament's Authorising Officer**, will enable the APPF to better detect irregularities and sanction them. However, these measures will require additional human and financial resources for the APPF. While the Commission does not have the power to address this issue under the revision of the Regulation, it will propose increasing the APPF's budget to the budgetary authority.

To reduce the **current administrative burden** caused by the use of international double accounting standards, the revision will require EUPP/F to keep their accounts according to the national system of the Member State of registration only. This measure will support all the other measures in the revision by freeing human and financial resources in EUPP/F so they can concentrate on their core activities or on complying with the Regulation in a more effective way.

The clarification of responsibilities between the APPF and the European Parliament's Authorising Officer would be retained as it will increase legal certainty for EUPP/F and reduce administrative burden both on citizens and EU institutions.

The entry into force of deregistration decisions will be aligned with Article 297 TFEU as it will improve the protection of the financial interests of the EU.

It is expected that the chosen measures strike the right balance between creating an enabling legislative framework for EUPP/F so they can contribute to creating European political awareness while ensuring a more stringent oversight over them, without creating significant additional administrative burden.

8. MONITORING AND EVALUATION

Table 7 below sets out the monitoring indicators per specific objective. The indicators will be applied on a 1- or 5-year term to track the progress made towards the achievement of the specific objectives set for this revision.

Table 7 – Monitoring indicators per specific objective

Specific objectives	Proposed indicators

Improved financial viability of European political parties and foundations (specific objective: adapt the category of own resources and meaningful relations with non-EU members)	The amount of European political parties and foundations that received less EU funds than earmarked due to the inability to raise the 10% co-financing / year
Transparency of donations (specific objective: tightening the transparency regime for donations)	Number of irregularities detected by the APPF / year
European political parties fulfilling their constitutional mission	a) Effective participation of EUPPs in campaigns for national referenda on EU matters that took place in a 5 year cycle b) number of cross-EU campaigns that European political parties ran in the run-up of the European elections
Improving visibility of affiliation	Proportion of member parties that do not display the logo of their European party of affiliation in a 'clear and user-friendly' manner / year
Operational verification mechanism for compliance with EU values	Cases opened by the APPF / 5 years
Improving gender balance	a) Proportion of female candidates at European elections b) Proportion of female Members of European Parliament
Empowerment of the APPF	a) Number of irregularities detected by the Authority / year b) Number of actions taken under the new, modulated sanctions regime / year
Reduced administrative burden	Working hours spent on the preparation of the annual financial statements and accompanying notes / 5 year
Legal certainty	Number of requests for clarifications submitted by EUPP/Fs to the APPF and the Authorising Officer of the European Parliament / 5 year

Annex I: Procedural Information

LEAD DG, DECIDE PLANNING/CWP REFERENCES

This Impact Assessment Report was prepared by Unit SG.F.1 'Relations with the European Parliament and Consultative Committees' of the European Commission's Secretariat-General. The Decide Planning reference of the initiative is PLAN/2020/9262. This initiative is part of the Commission's 2021 Work Programme[89]. Furthermore, parts of the initiative represent actions proposed by the European Commission to implement the European Democracy Action Plan[90].

ORGANISATION AND TIMING

Several services of the Commission with an interest in the initiative have been involved in the development of this analysis.

Three Inter-Service Steering Group (ISSG) meetings, consisting of representatives from various Directorates-General of the Commission, were held in 2020 and 2021.

The first meeting took place on 7 December 2020, attended by DG BUDG, CNECT, COMM, JRC, JUST, LS and the Secretariat-General (SG). The second meeting was held on 1 July 2021 with the same representatives. The third meeting was held in the same format on 22 July 2021. This was the last meeting of the ISSG before the submission to the Regulatory Scrutiny Board on 25 August 2021. The meetings were chaired by SG.F.1. SG.F.1 considered the comments made by DGs in the final version of the impact assessment. ISSG Members gave their green light to the impact assessment on 29 and 30 July through written procedure.

CONSULTATION OF THE RSB

SG.F.1 held an upstream meeting with the members of the Regulatory Scrutiny Board on 17 June 2021. The Impact Assessment report was examined by the Regulatory Scrutiny Board on 22 September 2021. The Board gave a positive opinion with reservation.

Table 1: Changes introduced to the Impact Assessment report

RSB meeting comments	Reflection in text
The report is not sufficiently clear how this initiative links with the one on transparency of political advertising.	Section 4.3.1 has been updated to clarify the links between the two initiatives.

[89] https://ec.europa.eu/info/publications/2021-commission-work-programme-key-documents_en

[90] https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/european-democracy-action-plan_en

The report does not sufficiently analyse and substantiate with evidence the key problems it aims to tackle. It does not sufficiently explain the order of magnitude of the problems nor the order of importance – if any – among the objectives.	The report now clarifies why the problems linked to the funding provisions are considered to be the most urgent to tackle. The report contains quantified information on administrative burden, gender (dis)parity and some aspects of funding to underpin the problems the initiative tries to tackle. The foreword explains the methodological limitations that the initiative faces due to the specificities of the EUPP/F Regulation.
The report does not sufficiently bring out feasible alternative options. It does not establish clearly the links between problem drivers, objectives and options.	The report has been updated regarding the hierarchy of identified problems, which clarifies the choice of options.
The report does not sufficiently analyse the heightened foreign interference risks of extending membership of European political parties and foundations to all members of the Council of Europe. It does not explore feasible alternative extensions of EUPP/F membership.	The report has been updated to explain that the membership of EUPP/Fs already includes countries from the Council of Europe, in some cases it goes even beyond it (see new Annex VI). Opening up the possibility to collect contributions from members from Council of Europe countries strikes a balance between a complete ban and the reality of current membership. A complementary ceiling on the proportion of contributions from non-EU countries vis-à-vis the total amount of contributions from members will be introduced to mitigate the risk of foreign interference.

On top of the above listed main recommendations of the RSB, the amended SWD also addresses the more detailed set of comments made by the RSB:

The report should better explain the planned interaction with the parallel initiative on transparency of political advertising and how this might affect the scope of the revision. It should consider how to better incorporate this initiative in its baseline and policy options.	As indicated above, Section 4.3.1 has been updated to clarify the links between the two initiatives. The baseline scenario has also been updated and now refers to the initiative on the transparency of paid political advertising.

The report should make better use of objective evidence to explain the relative importance of the problems and be more specific which of the identified problems are the most pertinent in the Regulation's underperformance. It should consider potential risks for interference or corruption in the current financing system. It should justify why the lack of gender balance is more problematic than other imbalances in political representation. It should be clearer on how the current funding provisions prevent EUPP/Fs from fulfilling their tasks.	A hierarchy of problems has been established, stating that the problems related to the funding provisions are the most urgent to address. The report proposes measures to tackle interference though donations by strawmen. The report creates the link between funding provisions and the EUPP/Fs' ability to fulfil their mission. Additional language has been introduced to explain ensuring gender equality through the EUPP/F Regulation has been on the agenda since 2013. The report contains quantitative evidence that gender equality has not been achieved in the European Parliament.
The baseline should include the fact that the number of EU citizens served by EUPP/Fs has reduced by over 10% since Brexit. The report should provide a more encompassing set of feasible policy options to achieve the objectives. It should justify the need for an option that does not address all objectives and whether all objectives have the same importance. It should be clear how the policy options each address the objectives and what the link is with the problems identified.	The baseline has been updated with a reference to Brexit. Further clarification has been added regarding the choice of policy options.
The report should be more systematic in comparing all feasible options according to the Better Regulation criteria of 'effectiveness', 'efficiency' and 'coherence', as well as according to the impacts of these options. The report should explain better why impacts in the area of fundamental rights are defined according to the definition by the Venice Commission of the Council of Europe instead of the definition of the EU Charter of Fundamental Rights.	Table 5 has been updated to compare options based on effectiveness, coherence and efficiency. The report still contains reference to the Venice Commission that has targeted guidelines for the functioning and financing of political parties, which serve as best practices in this area.
The report should analyse better how extending the membership of EUPP/Fs to the 47 members of the Council of Europe could create new risks, particularly related to unwanted foreign interference from actors identified in the report. The report should look into alternative definitions of membership to establish meaningful relations with relevant external actors.	The report has been updated to explain that the membership of EUPP/Fs already includes countries from the Council of Europe, in some cases it goes even beyond it (see new Annex VI). Opening up the possibility to collect contributions from members from Council of Europe countries strikes a balance between a complete ban and the reality of current membership. A

	complementary ceiling on the proportion of contributions from non-EU countries vis-à-vis the total amount of contributions from members will be introduced to mitigate the risk of foreign interference.
The report should analyse more thoroughly the impacts of the different options in terms of costs, administrative burden reduction and simplification potential. The report should be more detailed in explaining the type and magnitude of costs of each of the options and how these costs compare to the options' expected benefits.	An additional box has been added at the end of options 2 and 3 on their costs, administrative burden and simplification potential.
The report should make better use of all feedback received from stakeholders and in particular illustrate better how different stakeholder groups view the different policy options and the associated costs and benefits.	An additional box has been added at the end of options 2 and 3 presenting stakeholders' views on them.

Annex II: Stakeholders' Consultation

CONSULTATION STRATEGY

The consultation activities has fed into the European Commission's revision of Regulation 1141/2014 on the statute and funding of the EUPP/F. In order to collect the views of all stakeholders, the European Commission has built its consultation strategy on the following components:

- Wide-ranging informal consultations with main stakeholders
- Feedback to Roadmap/Inception Impact Assessment
- Open Public Consultation on the revision of the Regulation
- Open Public Consultation in the framework of the European Democracy Action Plan

INFORMAL CONSULTATION WITH STAKEHOLDERS

The Commission conducted a series of informal meetings with selected stakeholders, in order to gather feedback from their experience with the current regulation, as well as to explore their views on the need and opportunities for further revision. The Commission reached out to:

- All European political parties registered with the APPF,
- All European political foundations registered with the APPF,
- The APPF,
- The Directorate General for Finance at the European Parliament.

Six European political parties and eight European political foundations expressed willingness to meet the Commission.

All **European political parties** highlighted the administrative burden, caused by the double accounting standard requirement. Five out of the six consulted parties were specifically against the use of the International Financial Reporting Standards (IFRS). Three out of six parties complained of the lack of coherence between the Authority and the Authorising Officer of the European Parliament, with one of them even suggesting delegating all control powers to the Authority. Three out of the six consulted parties complained that the categorization of the sources of revenues is too restrictive and advocated introducing a new category of 'own resources'. All of the consulted parties suggested a more nuanced approach allowing for contributions/membership fees from members from non-EU countries. Two parties signaled difficulties fulfilling the co-financing obligation. Five out of the six consulted parties signaled the need to clarify the definition of indirect funding, and pointed to the fact that the current too restrictive interpretation impeded the proper interaction with their national affiliates. One consulted party suggested lowering the registration criteria.

Seven out of eight consulted **European political foundations** took a stance against the use of the International Financial Reporting Standards (IFRS). Three foundations signaled issues with the co-financing rate. One of them pointed out the difficulties to raise the matching 5% co-financing, and two preferred that the co-financing obligation should be abolished. Six political foundations suggested the introduction of a new category of revenues - 'own resources'. Three foundations suggested the introduction of an intermediate level of appeal for the decisions of the Authority. Three political foundations advocated allowing membership fees from non-EU countries. One political foundations stressed the need for a more nuanced sanctioning regime. They also called for the possibility to widen the scope of the foundations to democracy education. Three foundations talked about the ambiguity of the definition of indirect financing. They complained that currently they cannot properly carry out their functions due to the too restrictive interpretation of its definition.

The Commission consulted **the Director of the Authority for the European political parties** and foundations and took into consideration his experience in implementing the Regulation.

The Commission met twice with the team of **the European Parliament's Authorising Officer** and discussed the possibilities for technical improvements to the financial provisions of the Regulation.

In addition, the Commission met representatives of the **Office for Democratic Institutions and Human Rights of the Organisation for Security and Co-operation in Europe (OSCE/ODIHR)**, the Research Centre for the Study of Parties and Democracy (REPRESENT) and the European Democracy Consulting for a discussion on the revision of Regulation 1141/2014 and the Commission's upcoming initiative on the transparency of political advertising on 10 May 2021. OSCE/ODIHR followed up the meeting with a submission to the European Commission and to the European Parliament with their preliminary comments on the revision of the Regulation. The submission provides an overview of the relevant provisions of the latest OSCE/ODIHR-Venice Commission Guidelines on Political Party Regulation, outlines relevant practices in OSCE participating States and includes 40 recommendations to improve the existing legal framework.

FEEDBACK TO ROADMAP/INCEPTION IMPACT ASSESSMENT

The Commission received 8 replies to the roadmap/inception impact assessment, including feedback from AFCO Member Mr BOESELAGER (Greens/DE, elected from European political movement Volt Europa), European Free Alliance and its affiliated Coppieters foundation. Mr BOESELAGER called for a broad overhaul of Regulation 1141/2014 so EUPPs can fully deliver on their role in creating a 'healthy European democracy'. The European Free Alliance and the Coppieters Foundation recommended allowing income from its members outside the EU, clarifying the definitions of contributions and donations and establishing additional sources of income, reviewing the distribution key for budget distribution among European political parties and foundations, strengthening European political parties' and foundations European legal personality, adding an intermediary step for appeals, and abolishing double accounting standards. Citizens argued for more transparency and voiced their concern over the timing of the proposal.

OPEN PUBLIC CONSULTATION

Disclaimer: the analysis uses aggregated results, as the distribution of responses did not change per type of respondent for the majority of questions. Whenever, it was justified by diverging views, responses were analysed by individual groups. The individual comments were left anonymous not to cause a bias in the analysis.

1. Approach

The public consultation took place between 30 March 2021 and 22 June 2021.

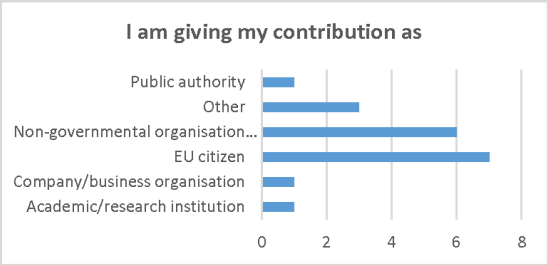
The first part of the questionnaire aimed at getting an insight into the respondents' profiles and feeling of involvement and representation in European political parties. The second section dealt with transparency and funding for European political parties and foundations, as well as with sanctions, representation and gender balance. Several open questions invited the respondents to elaborate on their opinions, share issues they encountered and provide suggestions for improvement of the Regulation.

The questionnaire was translated into all official EU languages and uploaded on the Have Your Say platform of the European Commission.

2. Responses to the public consultation

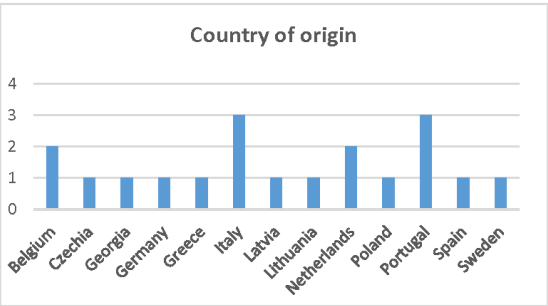
2.1. Respondent profile

Throughout the consultation period and within the timeframe provided, 19 respondents filled in the online questionnaire and two respondents sent their contribution via e-mail. The table below shows the typology of the participating stakeholders for those who responded the online EUSurvey: seven were EU citizens, one was a Member State, six were non-governmental organisations, one was a research organization, and there were one company and three other organisations. The two contributions received by mail included one non-governmental organisation and one national authority.



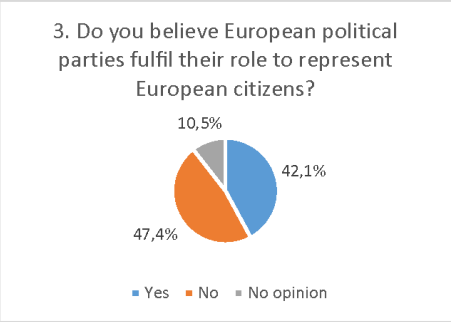
Given the small number of respondents, the following answers cannot be seen as a representative sample and have to be analysed with caution. However, all viewpoints mentioned will be taken into account for the review of the Regulation.

In terms of country of origin, the respondents came from various geographical areas of Europe, including one contribution from Georgia, many non-governmental organisations representing many or all EU Member States.



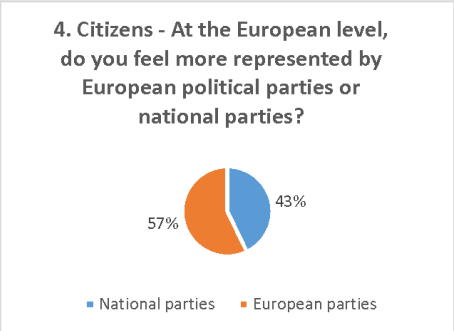
All respondents that filled out the questionnaire were familiar with the difference between European political parties and European Parliament's political groups.

2.2. Representation of European citizens

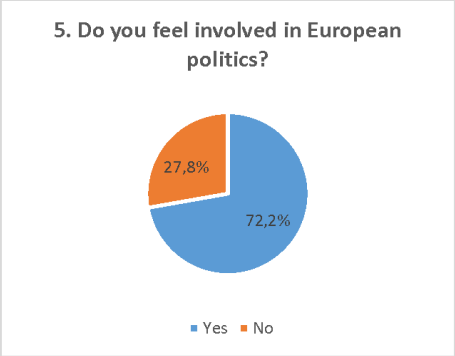


Almost half of the respondents believed that European political parties do not fulfil their role in representing European citizens. When elaborating on the underlying reasons for their choice, almost all respondents mentioned (i) the lack of visibility of the parties to citizens and (ii) their inability to mobilize citizens, partly because no individual membership is possible. Comments focussed on the visibility of the connection between national and European political parties. In addition, respondents saw a lack of homogeneity within European political parties and an affiliation mostly with national parties and topics rather than with European issues. To some European citizens, the role of the European political parties was seen as too vague and the parties invisible.

Those respondents agreeing European political parties represent citizens stressed the importance of the role of European political parties in linking national parties with the European level, representing a large number of citizens of various backgrounds and improving the role of democracy in EU decision-making.



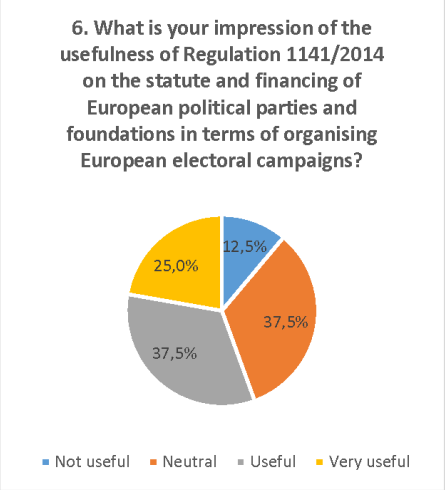
When asking if respondents felt better represented by national or European political parties on a European level, half-selected European. When specifically looking at the sample of EU citizens responding to the consultation, slightly more respondents felt represented by the European political party.



72% of all respondents felt involved in European politics. This percentage was the same amongst EU citizens filling in the survey and went up to 84% amongst participating non-governmental organisations.

When asked what they felt were the most critical issues to be addressed by the revision of the Regulation, one respondent mentioned registration requirements and suggested to replace the current requirements by (i) lowering the number of Member States in which the party needed to be represented and (ii) defining 'presence' based on "citizens' or members signatures with a minimum number per Member State based on their population". The need for transnational lists and for greater publicizing of initiatives in which citizens can get involved in (such as consultations) were raised.

2.3. Organisation of electoral campaign, visibility and financing



25% of the respondents considered the Regulation very useful. Disclosure of finances was highlighted as one important point to be revised as well as participation of European citizens in European political party life and in the foundations.

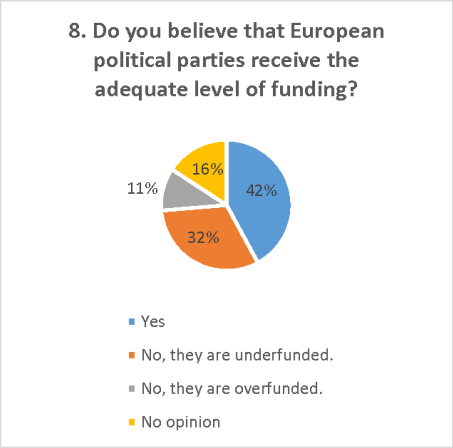
37.5% of the respondents found the Regulation useful. They pointed out the importance of the Regulation, was as well as the need "to increase civic participation and inclusiveness of elections, increase the voter turnout, highlight the link between national and European political parties and strengthen the European dimension of European elections". This included that "The members of the European Parliament should be elected on the basis of a single electoral law that applies in all EU Member States. To increase the European dimension and enhance the democratic legitimacy of the European elections, transnational lists with lead candidates need to be established." Transparency and improving control over European political parties were other points mentioned by respondents.

One of the four respondents with a neutral impression (accounting for 37.5% of the respondents) also pointed towards the need for clearer rules on electoral campaign financing and on the financing of joint activities with national political parties, and lack of visibility of European

political parties. They suggested a separate fund for campaign financing and a digital reporting system as possible solutions. The other respondents highlighted the need for reform and lack of visibility towards citizens. In addition, respondents asked for "some clarifications on donations and 'other own resources', donations from a third country, indirect funding, different types of membership, right to appeal".

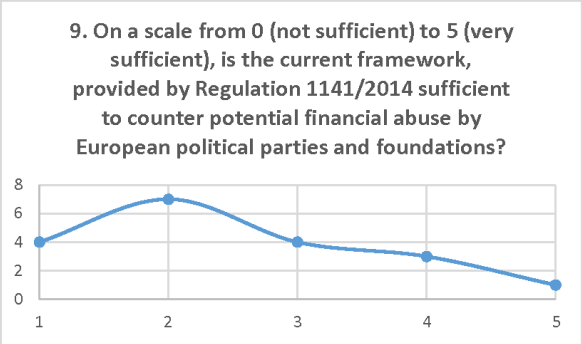
Only one citizen pointed towards the fact that the Regulation is currently not useful, especially as regards campaigning, explaining that it "only allows European political parties to spend money on European elections campaign. When campaigning, however, European political parties must not finance national parties or candidates" campaigns (prohibition of indirect funding), thus making difficult the organisation of any common and, for the meaning of European citizens, useful activity".

79% of respondents believed that European political parties are not sufficiently visible for European citizens. They reasoned that this is partially related to the issue of not allowing for indirect funding for activities at national level, with a need for clear roles for these joint activities and potentially a separate fund for EU election campaigns. They pointed towards the large distance between citizens and European political parties, but also as regards the work of the European Commission and the European Parliament and their roles in general. Suggestions to improve the visibility of the European political parties included better usage of European political party logos on ballots and national political parties websites, endorsement of the European political parties' programme by national political parties, discussions of EU issues at national elections, separate European and national elections and engagement with civil society especially outside the "Brussels bubble". Additional suggestions included EU education in school curricula and more media attention to European political parties by for instance hosting televised debate rounds between the different European political party group leaders. The lead candidate system and the organisation of primaries were mentioned as a way of increasing visibility.

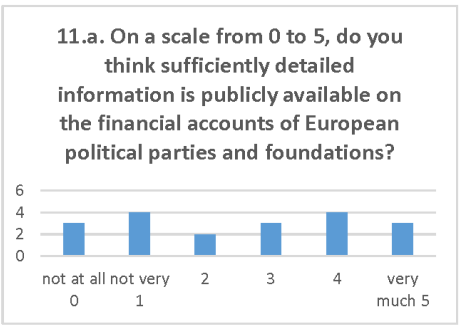


On funding, about 42% of respondents believed that European political parties receive an adequate level of funding, while 11% believe they are overfunded, and 32% that they are underfunded.

The next question addressed the framework's ability to counter potential financial abuse. Those giving a low ranking to the sufficiency of the Regulation (with a score of 1, or not very sufficient) stressed the importance of transparency and that the economic sanctions are impossible to apply in practice and do not serve the intended purpose.

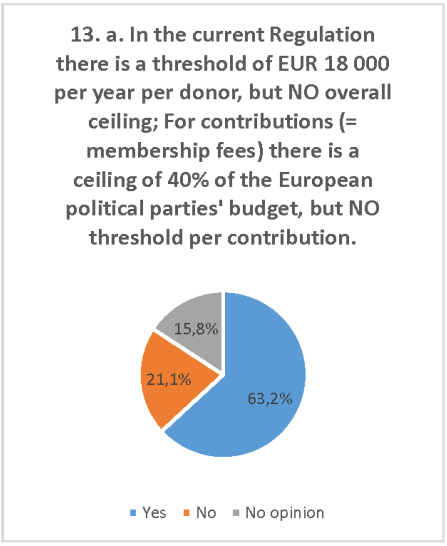


Limitations to just core activities, better user-friendliness and transparency of the data, and the financial account management were mentioned by other respondents (with a score of 2). In addition, the need for adapting the definitions of 'donations', to add a category of "'other own resources' which includes sponsorship, contributions joint activities, conference fees, sales of publications" and of 'indirect funding', to better allow for training activities, were highlighted by several respondents. On the question on whether there might be a need for additional measures to counter foreign influence on European political parties, half of the respondents responded yes, a quarter no.



Opinions were very widespread on the question of adequate financial information on European political parties and foundations, with the same number of respondents stating currently provided information is sufficient, as those stating it was not. In addition 89.5% of respondents stated that financial information on EUPPFs should be available in an online database with none of the respondents opposing this view.

Additional replies provided suggestions on how to increase transparency of European political parties and foundations in terms of funding. One suggestion included to have stricter rules on identifying donors, and giving more details on itemized spending and income. Overall, several respondents stressed the need for user-friendliness of the audit reports and donations website. Putting in place a system that allows for crosschecking financial data with other public data and cooperating with national authorities were suggested to increase transparency.



68.4% of respondents were in favour of adapting the level of sanctions in proportion to the level of abuse.

63.2% of the respondents were in favour to adjust or renew the ceilings for donations and contributions. 21.1% were against this proposal, and 15.8% had no opinion on the matter.

All respondents agreed that European political foundations should be allowed to organise

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seminars, conferences, study days or other educational or promotional events in the Member States to promote themselves, as well as the European Union and its principles and policies.

One contribution suggested to either raise the ceiling or introduce an additional category for funding, especially in the context of events.

Open answers were given on **question 14: Are there any other suggestions on the financing of European political parties and foundations you would like to make?**

Maximum transparency, definitions for donations and indirect funding and cyber-security were repeated issues for this response. Donations from third-countries were in particular need for review to reflect the nature of the European democratic space but, at the same time, avoid foreign interference. For protection against foreign interference, one national authority suggested that the means to identify donors could be improved.

One respondent suggested the reduction of the co-financing rate for European political parties from 10 to 0% and a lowering of the threshold for donations. Another respondent suggested different forms of party funding with a mixture of lump sums, member-based and vote-based funding and/or matching private funding. One national authority strongly urged for capping donations and contributions with as minimum revision a cap on donations.

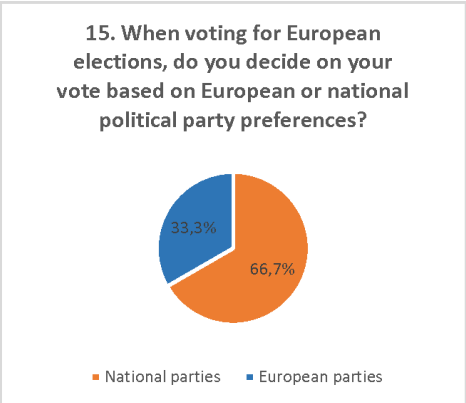
A system of appeal for decisions made by the Authority on Political Parties and Foundations was mentioned three times. One contribution proposed to create a mechanism of administrative recourse against its decisions, to have an alternative, and less costly alternative, to the Court of Justice of the European Union. In addition, it was suggested that the mandate and resources of the Authority on Political Parties and Foundations could be reviewed to strengthen its investigative and sanctioning powers.

The contribution of a Member State sent by e-mail was strongly in favour of prohibiting direct or indirect funding of European political parties by foreign powers (through national parties or private donations), and pointed to the Declaration of France, Lithuania and Latvia on the protection of democracies of 28 September 2020. In addition, it suggested recommendations to Member States to ban foreign funding of national political parties and electoral campaigns.

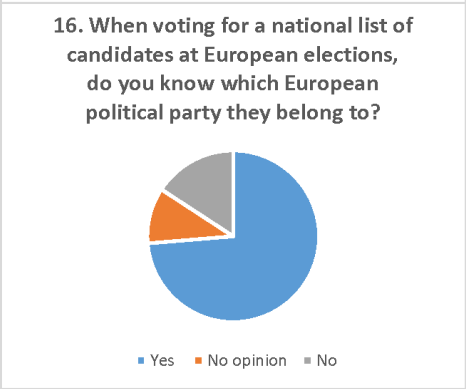
However, it was pointed out from another organisation's contribution that a prohibition of indirect funding should not extend to participation in generalised training or networking activities, which would create a barrier for young people to participate and engage in all levels of politics.

In addition, other types of funding should be considered especially in the context of projects. These could include sponsorships, project based revenues, or participant fees in activities. The current lack of clarity has, for instance, consequences for participation of members from third countries in events and their participation fees.

Finally, one more comment extended to the question of membership and to add an additional category, such as observer, to avoid members without voting rights falling into the category of donations.

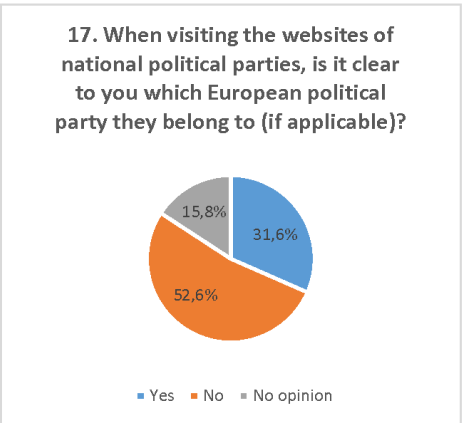


Two thirds of the respondents indicated that they voted based on their national party preferences during European elections.



Almost three quarters of the respondents knew to which European political party belonged the candidates on the national list that they voted for.

However, half of the respondents pointed out that, when visiting the website of a national political party, it was not clear to them which European political party they belong to.



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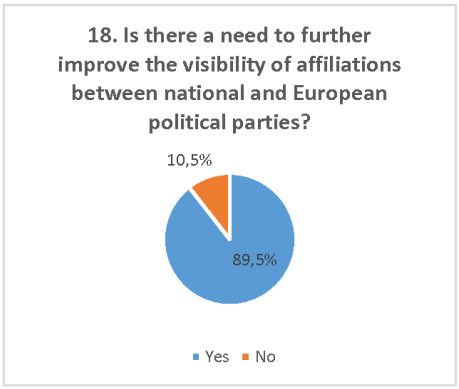
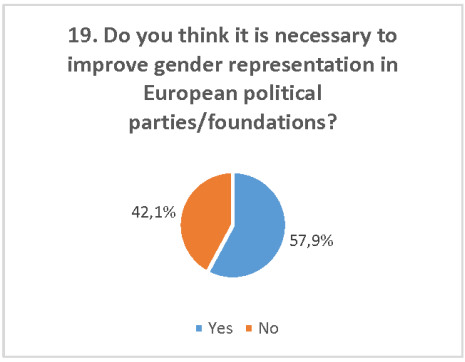


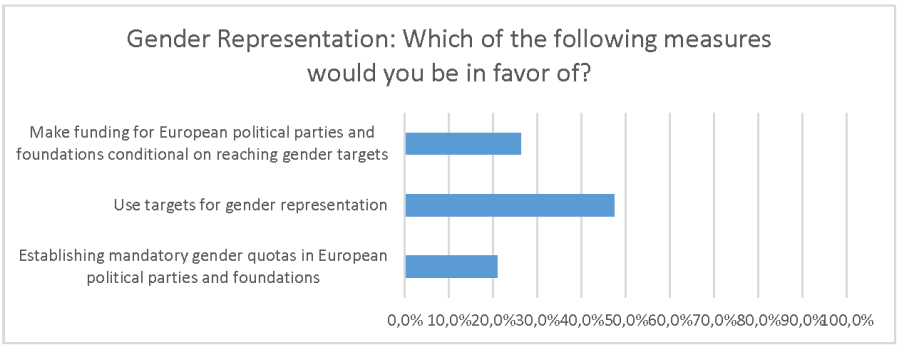
The need for improved visibility of the link between the European and the national party level was underlined by 89.5% of respondents, who agreed that greater visibility was needed to show the affiliation between national and European political parties. Several suggested ensuring that the European political party logo was also on the national party's ballot sheet, their website, campaign and information material and social platform and including information on their respective European political party in their official material. Three respondents mentioned trans-national and fully European lists in this context.

One contribution mentioned, in addition, that, in general, the transparency requirements for online advertising of digital platforms should be strengthened, including to make it possible to identify the natural or legal person on whose behalf the advertisement is displayed.

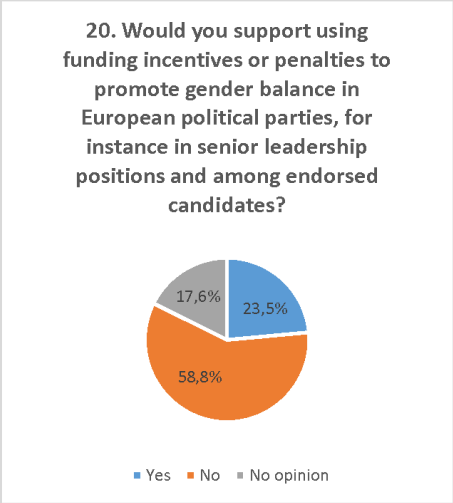


58% of the respondents felt that it was necessary to improve gender representation in European political parties, as opposed to 42.1% of respondents that were against this view.

One contribution sent by mail explicitly stated the support of gender parity.



Among the proposed measures for improved gender representation, the use of targets received the highest support (40% of the respondents in favour). Conditional funding or mandatory gender quotas only reached above 20%. None of the proposed actions were supported by a majority of the respondents.



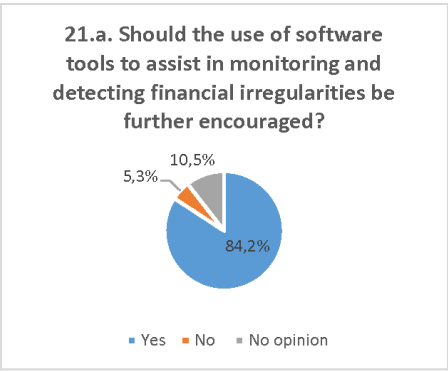
These stances are reflected in the following question. Almost 60% of the respondents were against using funding incentives for creating a gender balance. Their main reasoning included a focus on competence, merit and ability rather than on gender or artificial quotas. Gender balance was seen as something that needed to be grown 'naturally' or already in the political parties running for EU election.

Of those in favour for financial incentives, several stressed this as a temporary measure because current change is too slow. Examples of the five EU countries tying their finances to gender balance were given. One respondent stressed that quotas and limitations were not a recommendable path to follow but rather the support of empowerment and support schemes for female talents. This was also brought up in a second response with the suggestion to link public funding to gender-related activities.

21. Are there any other suggestions on the transparency of gender representation that you would like to make?

Overall, comments on the topic were very mixed. When asked for additional suggestions on transparency of gender representation, one respondent stated concern that this issue was leading to tensions in the relations between party members and was pointing rather to the topic of discrimination in general.

One contributing non-governmental organisation suggested that "EuPPs should make public how gender balance quotas are implemented in their parties in the annual activity reports and their websites. EuPP should also be obliged to disclose their membership gender representation. At all levels of leadership and at all governmental levels, there needs to be a certain gender balance".



On the question of using software tools to assist monitoring and detecting financial irregularities, 84.2% of the respondents agreed that this should be encouraged.

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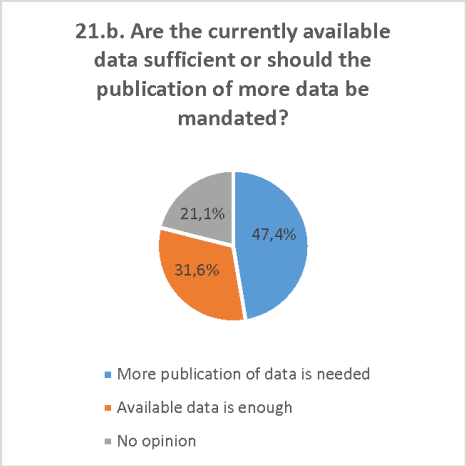
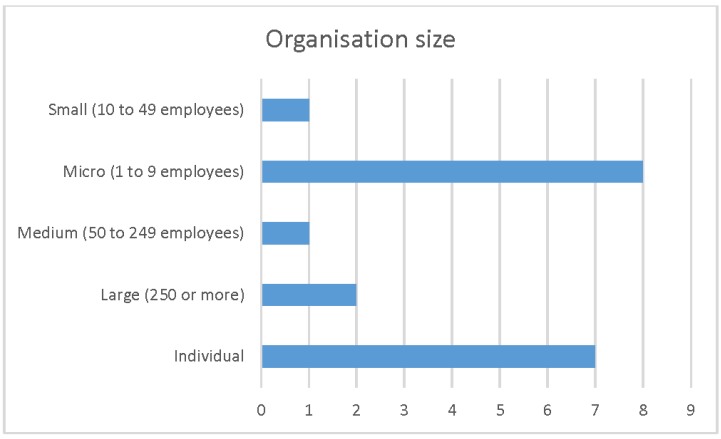
Almost half of the respondents indicated that more data should be made available for this purpose. One third of the respondents stated that the available data is sufficient.



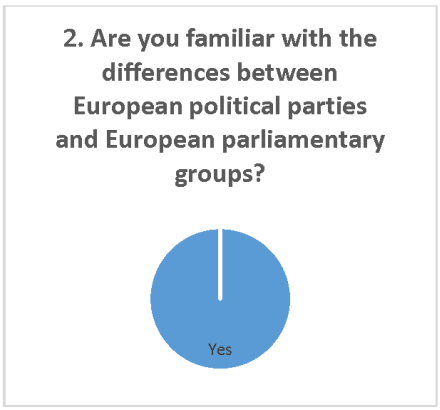
Additional points made included the need to clarify the **rules for the admission of members of European political foundations** in order to limit the risks of foreign interference.

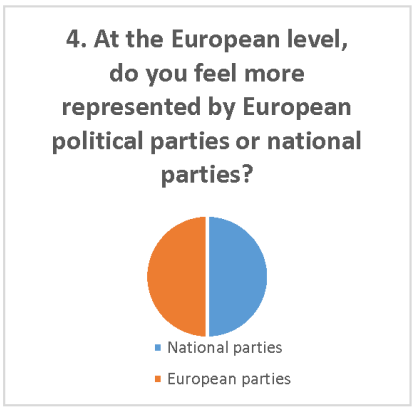
3. Annex

The following provides a breakdown of responses and additional graphs for the questions that were not visualized in the main text.

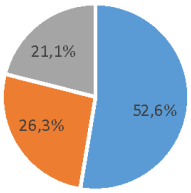


The majority of contributions came from individuals or micro and small companies. Only three contributions were from medium and large companies.

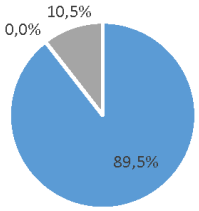




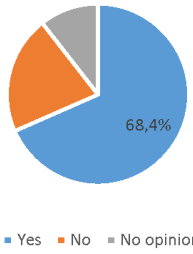
10. Do you think that additional measures are necessary to counter foreign (non-EU) influence on European political parties and foundations?



11.b. Should all financial account information for European political parties and foundations be publicly available in an online database?



12. Currently, the Regulation foresees a fixed amount of sanctions in case of abuse. Should the Regulation adapt the level of sanctions proportionate to the level of abuse?



13.b. Should the European political foundations be allowed to organise seminars, conferences, study days or other educational and promotional events in the Member states to promote themselves and the European Union, its principles and policies?

Annex III: Who is affected by the initiative and how?

Overview of benefits – preferred option		
Description	Amount	Comments
Increased financial viability for EUPP/Fs	n/a	Co-financing obligation would be easier to match for EUPP/Fs
Decreased risk of foreign interference through intermediaries making donations	n/a	The due diligence mechanism would make it easier for the APPF to track donors
Meaningful relations with likeminded affiliates outside the EU	n/a	Promoting democratic values beyond the EU's borders.
Improved visibility of affiliation between EUPPs and national member parties	n/a	Raising awareness of the existence and activities of EUPPs and strengthening the link between the national and European level
Greater opportunities for EUPP/Fs to fulfil their constitutional role and raise European political awareness	n/a	The possibility to participate in campaigns would allow for bringing European political issues in the forefront of European elections and in national referenda on European issues
Promoting gender balance in a more explicit manner	n/a	Increased transparency on gender balance is expected to create peer pressure
Increased respect for EU values	n/a	More operational verification mechanism should increase compliance with EU values
Increased compliance with the Regulation	n/a	The modulated sanctions regime and the strengthened APPF would better address infringements.
Reduced administrative burden	n/a	The proposal addresses inefficiencies.
More legal certainty	n/a	Clearer division of labour between the APPF and the Authorising Officer of the European Parliament.
EU's financial interests better protected and coherence with TFEU guaranteed.	n/a	

Overview of costs – Preferred option							
		Citizens		EUPP/Fs		APPF / EP Authorising Officer	
		One off	Recurrent	One off	Recurrent	One off	Recurrent
Funding provisions	Direct costs	n/a	n/a	n/a	More complex financial reporting obligations	n/a	More complex verification process
	Indirect costs	n/a	n/a	n/a	n/a	n/a	n/a
EU values, democracy and transparency	Direct costs	n/a	n/a	n/a	More complex financial reporting obligations	n/a	More complex financial reporting obligations
	Indirect costs	n/a	n/a	n/a	n/a	n/a	n/a
Enforcement and administrative burden	Direct costs	n/a	n/a	n/a	n/a	n/a	n/a
	Indirect costs	n/a	n/a	n/a	n/a	n/a	n/a

Annex IV: Description of the analytical methods used

Due to the specificities described in the foreword, notably the limited number of actors involved, the impact assessment used rather a qualitative methodology. No sophisticated statistical tools, such as modelling were used.

Evidence was collected through the consultation of main stakeholders (interviews using open questions) and through the 3-month long open public consultation (see Annex II).

This evidence was complemented by desk based research, carried out both by the Commission services and two external studies. Financial data used was publicly available on the website of the European Parliament or on website of the APPF, or taken over from the European Parliament's ex-post evaluation study on the application of the Regulation[91]. The full bibliography of the consulted literature can be found in Annex V.

[91] Anglmayer I. (2021), Statute and funding of European political parties under Regulation 1141/2014 -ex post evaluation. Available at: https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662646/EPRS_STU(2021)662646_EN.pdf

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Annex VI: Membership in EUPPs

	Affiliated parties from outside the EU					
Political parties	**Former EU Member States**	**EFTA countries**	**Candidate countries**	**Neighbourhood countries (Eastern Partnership)**	**Council of Europe members**	**Others**
European People's Party (EPP)	-	**Norway** (1 associated and 1 observer member) **Switzerland** (1 associated member)	**Albania** (1 associated member) **Montenegro** (1 associated member) **North Macedonia** (1 associated member) **Serbia** (2 associated members)	**Armenia** (2 observer members) **Belarus** (3 observer members) **Georgia** (2 observer members) **Moldova** (3 observer members) **Ukraine** (4 observer members) **Lebanon** (2 partners) **Morocco** (2 partners)	**Albania** (1 associated member) **Armenia** (2 observer members) **BiH** (4 observer members) **Georgia** (2 observer members) **Moldova** (3 observer members) **Montenegro** (1 associated member) **North Macedonia** (1 associated member) **Norway** (1 associated and 1 observer member) **Serbia** (2 associated members) **Switzerland** (1 associated member) **Ukraine** (4 observer members)	**Kosovo** (1 observer member)
Party of	**UK** (2 full	**Iceland** (1	**Albania** (1	**Armenia** (1	**Albania** (1	

	Affiliated parties from outside the EU					
Political parties	**Former EU Member States**	**EFTA countries**	**Candidate countries**	**Neighbourhood countries (Eastern Partnership)**	**Council of Europe members**	**Others**
European Socialists (PES)	members)	associate) **Norway** (1 full member) **Switzerland** (1 associate)	associate) **North Macedonia** (1 associate) **Montenegro** (2 associates) **Serbia** (1 associate) **Turkey** (2 associates)	observer) **Georgia** (1 observer) **Moldova** (1 associate) **Egypt** (1 observer) **Israel** (2 observers) **Palestine** (1 observer) **Tunisia** (1 observer) **Morocco** (1 observer)	associate) **Andorra** (1 observer) **BiH** (1 associate) **Georgia** (1 observer) **Iceland** (1 associate) **Moldova** (1 associate) **Montenegro** (2 associates) **North Macedonia** (1 associate) **Norway** (1 full member) **San Marino** (1 observer) **Serbia** (1 associate) **Switzerland** (1 associate) **Turkey** (2 associates) **UK** (2 full members)	
Alliance for Liberals and Democrats for Europe Party (ALDE)	**UK** (1 full and 1 affiliate member)	**Iceland** (1 full member) **Norway** (1 full member) **Switzerland** (1 full member)	**Montenegro** (1 full member) **North Macedonia** (1 full member)	**Armenia** (2 affiliates) **Azerbaijan** (1 affiliate) **Belarus** (1 affiliate) **Georgia** (2 affiliates) **Moldova** (1 full member) **Ukraine** (2 full and 2 affiliate members)	**Andorra** (1 full member) **Armenia** (2 affiliates) **Azerbaijan** (1 affiliate) **BiH** (1 full and 1 affiliate member) **Georgia** (2 affiliates) **Iceland** (1 full member) **Moldova** (1 full member)	**Gibraltar** (1 affiliate) **Kosovo** (1 full member)

	Affiliated parties from outside the EU					
Political parties	**Former EU Member States**	**EFTA countries**	**Candidate countries**	**Neighbourhood countries (Eastern Partnership)**	**Council of Europe members**	**Others**
					Montenegro (1 full member) **North Macedonia** (1 full member) **Norway** (1 full member) **Russia** (2 affiliates – Yabloko and Partiya Narodnoy Svobody) **Switzerland** (1 full member) **Ukraine** (2 full and 2 affiliate members) **UK** (1 full and 1 affiliate member)	
European Democratic Party (EDP)	-				**San Marino** (1 affiliated member)	
European Free Alliance (EFA)	**UK** (4)		**Serbia** (1)		**Serbia** (1) **UK** (4)	**Nagorno Karabakh** (1)
European Green Party (EGP)	**UK** (2 full members)	**Norway** (1 full member) **Switzerland** (1 full member)	**Albania** (1 full member) **Montenegro** (1 candidate) **North Macedonia** (1 full member) **Turkey** (1 candidate)	**Azerbaijan** (1 associate member) **Belarus** (1 associate member) **Georgia** (1 full member) **Moldova** (1 full member) **Ukraine** (1 full member)	**Andorra** (1 full member) **Azerbaijan** (1 associate member) **Georgia** (1 full member) **Moldova** (1 full member) **Montenegro** (1 candidate) **North Macedonia** (1 full member) **Norway** (1 full member)	

	Affiliated parties from outside the EU					
Political parties	**Former EU Member States**	**EFTA countries**	**Candidate countries**	**Neighbourhood countries (Eastern Partnership)**	**Council of Europe members**	**Others**
					Russia (1 associate member) **Turkey** (1 candidate) **Ukraine** (1 full member) **UK** (2 full members)	
Identité et Démocratie Parti (ID)	**UK** (1 member)[92]				**UK** (1 member)	
European Christian Political Movement (ECPM)	**UK** (1 full member and 1 associate)	**Switzerland** (1 full member)	**Macedonia** (1 full member) **Serbia** (1 associate member)	**Armenia** (1 associate) **Georgia** (1 full member and 1 associate) **Moldova** (1 full member and 3 associate) **Ukraine** (1 full member)	**Armenia** (1 associate) **Georgia** (1 full member and 1 associate) **Macedonia** (1 full member) **Moldova** (1 full member and 3 associate) **Serbia** (1 associate member) **Switzerland** (1 full member) **Ukraine** (1 full member) **UK** (1 full member and 1 associate)	
European Conservatives and	**UK** (2 full members)	**Iceland** (1 full member)	**Albania** (1 full member) **Macedonia** (1	**Azerbaijan** (1 full member) **Armenia** (1 full	**Albania** (1 full member) **Azerbaijan** (1	**Australia** (1 full member) **Canada** (1

[92] This is according to their webpage. According to the information on the APPF's website, the 'For Britain' is no longer member.

	Affiliated parties from outside the EU					
Political parties	**Former EU Member States**	**EFTA countries**	**Candidate countries**	**Neighbourhood countries (Eastern Partnership)**	**Council of Europe members**	**Others**
Reformists Party (ECR)[93]			full member) **Montenegro** (1 full member) **Serbia** (1 full member)	member) **Belarus** (1 full member) **Georgia** (1 full member) **Moldova** (1 full member) **Israel** (1 full member) **Tunisia** (1 full member)	full member) **Armenia** (1 full member) **Georgia** (1 full member) **Iceland** (1 full member) **Macedonia** (1 full member) **Moldova** (1 full member) **Montenegro** (1 full member) **Serbia** (1 full member) **UK** (2 full members)	full member) **Columbia** (1 full member) **Faroe Islands** (1 full member) **Kenya** (1 full member) **Kosovo** (1 full member) **New Zealand** (1 full member) **Northern Cyprus** (1 full member) **Tanzania** (1 full member) **USA** (1 full member)
Party of the European Left (PEL)	**UK** (1 full member, 1 partner)	**Switzerland** (1 full member)	**Turkey** (1 full member)	**Belarus** (1 full member) **Moldova** (1 full member)	**Moldova** (1 full member) **Switzerland** (1 full member) **Turkey** (1 full member) **UK** (1 full member, 1 partner)	**Northern Cyprus** (2 observers)

[93] Table completed based on the latest information on the APPF's webpage – here all of these parties seem to be full members. However, the party's statute talks about 5 membership categories... ECR's webpage is also unclear about the categories of membership: https://ecrparty.eu/about#parties

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