



COUNCIL OF EUROPE	CONSEIL DE L'EUROPE
PARLIAMENTARY ASSEMBLY	ASSEMBLÉE PARLEMENTAIRE

Recommendation 1516 (2001)1^[1]

Financing of political parties

1. Citizens are showing growing concern with regard to corruption linked to political parties' gradual loss of independence and the occurrence of improper influence on political decisions through financial means. The Assembly, stressing that political parties are an essential element of pluralistic democracies, is seriously preoccupied by this situation.
 2. A number of scandals linked to the financing of political parties in several Council of Europe member states in all parts of Europe over recent years has demonstrated that this issue must be addressed as a matter of urgency in order to prevent the loss of citizens' interest in the political life of their respective countries.
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3. In order to maintain and increase the confidence of citizens in their political systems, Council of Europe member states must adopt rules governing the financing of political parties and electoral campaigns.
4. The Assembly is of the opinion that the general principles on which these rules should be based must be formulated at European level.
5. In this connection, the Assembly takes note of the activities of the Council of Europe's bodies in this field, in particular of the guidelines for financing political parties, adopted by the European Commission for Democracy through Law (the Venice Commission) in March 2001, and of the ongoing work of the Council of Europe's Working Group on the Funding of Political Parties (GMCF) aimed at formulating recommendations to member states on "common rules against corruption in the funding of political parties and electoral campaigns".
6. The conditions in which political parties exercise their activities have changed over recent decades and nowadays they need substantial financial resources to gain visibility and to obtain political support for their ideas. Therefore, the Assembly considers that the regulation mechanisms must take these realities into account and empower political parties to obtain sufficient resources to carry out their tasks and functions.
7. The Assembly believes that the rules on financing political parties and on electoral campaigns must be based on the following principles: a reasonable balance between public and private funding, fair criteria for the distribution of state contributions to parties, strict rules concerning private donations, a threshold on parties' expenditures linked to election campaigns, complete transparency of accounts, the establishment of an independent audit authority and meaningful sanctions for those who violate the rules.

8. Accordingly, the Assembly considers that:

A. As regards sources of finance

- i. States should encourage citizens' participation in the activities of political parties, including their financial support to parties. It should be accepted that membership fees, traditional and non-controversial sources of finance, are not sufficient to face the everincreasing expense of political competition.
- ii. Political parties should receive financial contributions from the state budget in order to prevent dependence on private donors and to guarantee equality of chances between political parties. State financial contributions should, on the one hand, be calculated in ratio to the political support which the parties enjoy, evaluated on objective criteria such as the number of votes cast or the number of parliamentary seats won, and on the other hand enable new parties to enter the political arena and to compete under fair conditions with the more well-established parties.
- iii. State support should not exceed the level strictly necessary to achieve

the above objectives, since excessive reliance on state funding can lead to the weakening of links between parties and their electorate.

- iv. Besides their financial contributions, states may contribute indirectly to financing political parties based on law, for example by covering the costs of postage and of meeting rooms, by supporting party media, youth organisations and research institutes; and also by granting tax incentives.
- v. Together with state funding, private funding is an essential source of finance for political parties. As private financing, in particular donations, creates opportunities for influence and corruption, the following rules should apply:
 - a. a ban on donations from state enterprises, enterprises under state control, or firms which provide goods or services to the public administration sector;

- b. a ban on donations from companies domiciliated in offshore centres;
- c. strict limitations on donations from legal entities;
- d. a legal limit on the maximum sum of donations;
- e. a ban on donations by religious institutions.

B. As regards expenditure during election campaigns

States should impose limits on the maximum expenditure permitted during election campaigns, given that in the absence of an upper threshold on expenditure there are no limits to the escalation of costs, which is an incentive for parties to intensify their search for funds.

C. As regards transparency

Financing of political parties must be fully transparent, which requires political parties, in particular:

- i. to keep strict accounts of all income and expenditure, which must be submitted, at least once a

year, to an independent auditing authority and be made public;

- ii. to declare the identity of donors who give financial support exceeding a certain limit.

D. *As regards control*

States should establish independent auditing bodies endowed with sufficient powers to supervise the accounts of political parties and the expenses linked to electoral campaigns.

E. *As regards sanctions*

In the case of a violation of the legislation, political parties should be subject to meaningful sanctions, including the partial or total loss or mandatory reimbursement of state contributions and the imposition of fines. When individual responsibility is established, sanctions should include the annulment of the elected mandate or a period of ineligibility.

F. *As regards “third parties”*

The legislation on financing political parties and on electoral campaigns should also apply to entities related to political parties, such as political foundations.

9. The Assembly therefore recommends that the Committee of Ministers:

- i. adopt “common rules against corruption in the funding of political parties and electoral campaigns”, taking into account the work of the Multidisciplinary Group on Corruption (GMC) pursuant to a proposal of its Working Group on the Funding of Political Parties (GMCF) and the above-formulated principles, as well as the guidelines adopted by the European Commission for Democracy through Law in March 2001;
- ii. invite member states to adopt legislation on financing political parties and electoral campaigns based on the above-formulated principles reflected in Council of Europe guidelines.

2[1] *Text adopted by the Standing Committee, acting on behalf of the Assembly, on 22 May 2001 (see [Doc. 9077](#), report of the Political Affairs Committee, rapporteur : Mrs Štěpová.)*
