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FOREWORD

1. The delicate issue of the financial resources of political parties has regularly stimulated discussion in various Member States of the European Community. Indeed the involvement of certain parties in cases of bribery and corruption drew attention to the need for national legislation to regulate the income and expenses of parties. On the other hand, some Member States decided to fix a ceiling for electoral campaign expenses, and yet others have preferred to continue both systems. In a fourth group of Member States it was decided not to legislate, in order to preserve the autonomy of the political parties. The following study gives a short summary of the various practices in use in the Community.

2. The report, however, does not include consideration of the question as to whether the revolution in the world of the media and in the field of communication technologies will call eventually for regulatory legislation.

3. It should be noted that parties have developed very sophisticated methods of getting in touch with the voters and of raising funds, each country having its particular features. Indeed a method successfully used in one country can prove unsuitable in another one. In Italy, for instance, the development of private television networks selling advertising space at very high prices has posed a financial problem for candidates; and it is likely that other countries will be confronted with a similar problem in the near future.

4. In the United Kingdom canvassing has always existed and nobody is surprised when someone knocks at the door asking for voluntary financial contributions for a political party. This approach is, however, unconceivable in other countries which expressly prohibit canvassing.

5. Parties in various Member States have tried the direct mailing method of electioneering, which varies from a simple circular bearing a standard text to personalised letters prepared with a laser printer, each of which can be adapted to the person to whom it is addressed. The investment called for by these sophisticated techniques is substantial, but success is not always guaranteed. Other parties have tried to raise funds by publishing advertisements in main national papers but here again the results have ranged from moderate success to substantial financial losses.

6. Sometimes parties sell publications, various articles or even symbolic 'bonds' in order to raise money whereas others despise these commercial practices, which could tarnish their image, and prefer to rely on other sources.

7. One of the most important events of recent years has been the appearance of 'consultancy agencies' specialising in political marketing. In some countries it is now unusual to run for an election without hiring the services of one of these agencies, whose role is to improve the candidate's image. This has had two consequences: not only do the parties in extreme cases tend to lose control of the electoral campaign, which is run exclusively by the agency, but moreover campaign expenses have been growing disproportionately.

8. Apart from in a few countries a substantial increase in expenses, and hence of funds to meet them, seems to be the general trend of the present electoral campaign system.

1. BELGIUM

1.1. There is no official Law providing for public funding of political parties in Belgium. However, political groups represented in the Parliament receive subsidies for their administrative expenses which are granted according to the number of their representatives.

1.2. This amount is paid monthly and is linked to the price index. (In 1985 it was BF 250,000 per year for each Member, multiplied by a certain coefficient in accordance with the price index: for 1986 the coefficient is 285,63, the basic amount being 100).

1.3. Parties can also benefit from a proportion of the salaries of their MP's (fixed in 1974 at BF 752,600 per year and index linked); in this case the amounts are not declared.

1.4. It must also be emphasised that in Belgium political parties are de facto associations and do not have the legal personality; hence their accounts are not submitted to any fiscal control. They cannot accept any donations.

1.5. For this purpose a system of political foundations which support the parties financially and which have a status of non-profit making associations has been established. Furthermore, their accounts are controlled by the fiscal administration.

1.6. Donations made to these foundations by individuals or private corporations are tax deductible up to an amount of BF 2,000,000 (Article 71 of the Fiscal Code).

1.7. The Electoral Code also provides for a certain number of facilities during the electoral campaign which can be regarded as a form of indirect aid. These are the following:

- exemption from fiscal stamp on electoral posters,
- free space for posters granted by Municipal Councils,
- special postage rates for campaign material marked with the words 'electoral paper',

- free access to the state-owned television network in accordance with the importance of the political group at community level,
- a free copy of the electoral list.

1.8. A major new element appeared in 1985 in the form of a draft bill prepared by most of the parties represented in Parliament and aimed at establishing strict regulations for parties' finances. Unfortunately it was not presented to the Chamber because of the forthcoming elections. The text was composed mainly of Laws already existing in other countries especially Germany and Italy.

1.9. It can be summarised as follows:-

- a strict definition is given of political parties and of their activities; they must also have legal personality;
- each party must keep up accounts clearly showing income and expenditure; these two categories being clearly defined (income, for example, includes all kinds of subscriptions, interest from property revenues, like real estate, benefits from profit-making activities, donations and any other facilities which can be evaluated in financial terms).
- parties can accept donations; those exceeding BF 1,000,000 must be mentioned separately in the balance sheet and must also mention the donor's name and address;
- subscriptions exceeding BF 50,000 must be registered separately and the name of the subscriber must be included;
- the annual balance sheet prepared according to the standard procedure must be submitted to the President of the Chamber of Representatives who passes it to the Audit Court.

1.10. The Court must return the balance sheet along with its report to the President of the Chamber within 60 days. Both documents are then sent by the President for publication to the Official Journal within 30 days. If a party fails to present its balance sheet it cannot qualify for any other subsidies or tax deductions.

2. DENMARK

2.1. Subventions have been paid since 1969 to parties represented in the Folketing to support their parliamentary activities. The system was based on an adaptation of the original Swedish proposals, though payments are on a much more modest scale. The amount of money paid has since been increased, partly to take account of inflation and partly because of the increase in the number of parties represented in the Folketing, the Danish Parliament, which has risen from five in 1972 to twelve in 1986.

2.2. Party groups receive every month a basic sum for each of their members in the Folketing of DKR 15,000 (DKR 7.500 if he is a member of the Cabinet); in addition all parties, regardless of their size, receive an extra sum of DKR 60,000 per month for their expenses (figures as at 1 January 1986).

2.3. There is no control over how the parties utilise these funds but every year before 1 March the groups must account for the way in which their funds have been spent by supplying a financial report which includes a balance sheet established according to a standard model (Articles 6,7,8 of the Standing Orders of the Folketing).

2.4. While some parties use these funds exclusively to provide support services for their MPs, others spend at least a proportion on improving the general organisation of the party.

2.5. The Danish constitution, revised in 1953, does not explicitly refer to parties. They are, however, mentioned in the Folketing's Standing Orders. Hence they are not submitted to any control by the fiscal administration and they do not have to disclose donations.

TABLE 1

SUBVENTIONS GRANTED BY THE FOLKETING TO THE POLITICAL GROUPS IN JANUARY 1986

<u>POLITICAL GROUPS IN FOLKETING</u>	<u>DKR</u>
Den socialdemokratiske - Social democrats	907.500,00
Det konservative folkepartis - Conservative People's Party	652.500,00
Venstres - The Left (Liberal)	360.000,00
Det radikale venstres - The Radical Left	210.000,00
Socialistisk folkepartis - Socialist People's Party	375.000,00
Fremskridtspartiets - Progressive Party (Glistrup)	120.000,00
Centrum - demokraternes - Centre Democrats	157.500,00
Kristeligt folkepartis - Christian People's Party	127.500,00
Venstresocialisternes - Left Socialists	135.000,00
 <u>INDIVIDUALS</u>	
Otto Steenhold	7.500,00
Oli Beckmann	7.500,00
Ole Maisted (Frie Demokrater)	<u>15.000,00</u>
TOTAL	3.075.000,00

3. FEDERAL REPUBLIC OF GERMANY

3.1. The Federal Republic of Germany was the first European country to adopt a system of direct state subsidies for political parties. The system of payment is regulated by the Parties Law passed in 1967 and its subsequent amendments of 1969, 1970, 1974, 1979 and 1983 when the text was extensively amended. Public funding of political parties, however, appeared for the first time in 1954; indeed a law passed on 16 December 1954 provided for a reduction for citizens making donations of unspecified amounts to a political party having at least one representative in the Bundestag or in the Bundesrat or to an institute backing one of these parties. The Constitutional Court in Karlsruhe declared this law unconstitutional on the ground that it was likely to favour parties with members belonging to the highest income bracket. It must be emphasised that the Court has constantly tried to safeguard the principle of equality between the various political groups in order to ensure that small parties or even individuals could participate in national political life.

3.2. In 1959 the Government started to make payments to parties after it had provided in the Federal budget for a special amount to be devoted to 'the political education of citizens'. Of this sum, 80% was to be shared equally among all parties represented in Parliament and 20% was to be distributed according to the number of elected members.

3.3. However, once again the Constitutional Court declared this procedure unconstitutional because it could impinge upon the internal autonomy of the party and it was also likely to turn parties into a mere extension of an already over-burdened federal bureaucracy. These problems could have been overcome only by limiting the grant to the refunding of the electorate campaign, elections being considered as the epitome of the parties' determination to share the will of the nation. The Court also emphasised Article 21 of the Constitution, which states that parties must be organised in accordance with the fundamental democratic principles and that the origin of their finances must be publicised. Subsequently, a Parties law was passed in 1967, by which all parties polling at least 2.5% of the total vote in federal elections should receive DM 2.5 per vote cast, payments being spread over the four-year period between Bundestag elections.

3.4. Following a further ruling by the Court at Karlsruhe, the qualification of 2.5% was reduced to 0.5% of the total votes cast. In 1974 the figure of DM 2.5 per vote was raised to DM 3.5. In fact the 1967 Parties Law, although advocating a reimbursement of electoral expenses, represented a system of direct grants.

3.5. After various amendments the current situation can be summarised as follows:

According to Article 18 -

- (1) An amount of DM 5 is granted for each person entitled to vote in the elections.
- (2) The expenditures incurred by the different parties for the electoral campaign are refunded provided they:
 - (a) Poll at least 0.5% of the second votes cast,
 - (b) Poll at least 10% of the first votes cast in an electoral college if in the land to which the college belongs to, no regional list of the party which has been accepted.¹
- (3) The amounts of these expenditures are calculated as follows:
 - (1) For 2(a) in proportion to the second votes cast,
 - (2) For 2(b) with a sum of DM 5 for each vote obtained by the Party in the electoral colleges where they reach a 10% quorum.
- (4) Paragraphs 1 and 3 also apply to individual citizens which means that since 1979 a candidate can run for election without having to be affiliated to a national party.

3.6. Another paragraph was added in 1983 (paragraph 6) specifying that these amounts refunded by the Government cannot exceed the total income of a party as mentioned in Article 24, according to which public grants cannot exceed 50% of a party's budget.

¹ The electoral system of the Federal Republic of Germany is a combination of the relative majority system and of proportional representation. The voters have two votes. With the first they can choose one candidate for each of the 247 electoral colleges of the country (relative majority). With the second they can vote for a list presented by a party at Land level.

3.7. The reimbursement of these amounts is governed by Article 20. Paragraph 1 clearly establishes that on request of a party which satisfies the conditions in Article 18 an amount not exceeding 20% of the whole sum can be paid in the second and third years after the elections and immediately after the ensuing elections, the rest being paid after a written application has been submitted to the President of the Bundestag. The alteration of the Parties Law which was made in 1983 also introduced Article 22a entitled 'compensation for the equality of chances'. According to this Article, all parties polling at least 0.5% of the total second votes cast qualify for an annual amount of money calculated by a very complex mechanism so as to favour the parties with less 'own income' listed in Article 24.

3.8. All these Articles, apart from 22a, also apply to Länder Parliaments' elections.

3.9. As far as the disclosure of expenditures is concerned and according to the principles expressed in Article 21 of the Constitution, the parties are mainly responsible for the control of their own finances. The ledgers must follow the instructions of Article 24 which establishes a list of all expenditures and income (including real estate properties' and other property items) which must be mentioned in the balance sheet. At the end of the year an accountant checks the books. If there are no difficulties the budget, together with a declaration that it complies with the Law, is sent to the 'Steering Committee' of the Party. Before 30 September all the budgets are submitted to the President of the Bundestag who provides for their publication. The Federal Audit Court is not entitled to check the enforcement of the Law and can only control the activities of the President of the Bundestag, who is charged with the distribution of reimbursements for the electoral campaign.

3.10. After recent controversies and the discovery of illegal donations, special attention has been given to the regulation of private contributions and a whole Article, No. 25 of the 1983 Law, has been devoted to the subject. According to paragraph 1 parties are forbidden to accept financial aids from -

- (1) Political foundations,
- (2) Any association or organisation devoted to public benefit, to charity or to religious purposes,
- (3) Any foreign donor unless:

- the money originates from the property owned by a German citizen, as established by the Fundamental Law or from a company owned as to more than 50% by German citizens,
 - the money has been given by a foreign party represented in the European Parliament and represented in one of its political groups or by a foreign member of the European Parliament,
 - the amount of the donation does not exceed DM 1,000.
- (4) Professional associations receiving money expressly collected for political parties,
- (5) Unidentifiable donors making donations exceeding DM 1,000,
- (6) A donor expecting in return economic or political advantages.

3.11. Any donations in excess of DM 20,000 shall appear in the yearly report of incomes with the name and address of the donor; the exact amount is to be specified..

3.12. Moreover individual contributions of up to DM 1,200 are, as 50%, tax deductible; the maximum permitted contributions to parties were fixed at 5% of a person's income or 0.2% of total assets in the case of a corporation.

3.13. Any offences are regulated by Article 23a which was introduced in December 1983. If any illegal grants or any donations are made which are not included in the final report, the Party's electoral campaign reimbursement fund can be reduced by an amount equal to twice the amount of the illegal donation.

3.14. In conclusion, it should be recalled that other possibilities exist for the financing of parties, such as -

- free access to the media in accordance with each party's representation in the Bundestag,
- subsidies for the research institute attached to each of the main parties,
- specific grants for purposes such as study, conferences, foreign journeys by youth organisations, etc.

TABLE 2

THE INCOME OF PARTIES IN 1982

	Members' subscrip tions	MP's contribu tions	Property Income	Income from publica tions and seminars	Donations	Loans	Bundestag payments	EP payments	Other income	Total	DM
CDU	57.0	16.8	4.9	1.7	30.3	1.2	22.1	11.8	0.89	146.9	
CSU	9.6	3.5	0.6	0.2	11.4	5.9	7.9	3.0	0.19	42.3	
SPD	68.5	15.5	3.4	2.2	16.3	6.7	21.6	12.3	3.29	149.9	
FDP	5.5	2.5	0.4	0.19	4.3	2.1	4.7	1.8	1.21	22.7	
Greens	1.1	0.45	0.19	0.42	0.8	0.48	3.7		0.31	7.4	

4. FRANCE

4.1. Despite the numerous bills introduced so far, a comprehensive Law on public financing of parties has not yet been adopted. Nevertheless, they have legal personality insofar as they are constituted in the form of an association (Law of 1901).

4.2. France has opted for the system of indirect benefits aimed at a substantial reduction of the parties' financial needs.

4.3. According to Articles L 167, 216, 217, 242, 243, 244 of the Electoral Code, the State covers the cost of expenses incurred by the Committees which in each Constituency are responsible for despatching and delivering all documents of electoral propaganda.

4.4. Candidates who have received at least 5% of the votes cast are reimbursed by the State for the cost of paper, the printing and the voting papers, posters and circulars, and in addition the cost of bill-posting (parties being prohibited by law from paying these costs). Any candidates (or any list) failing to reach this threshold are not reimbursed.

4.5. For candidates running in a presidential election: the refundable amount, previously set at FF 100.000 has been increased by decree No. 80212 of March 1980 to FF 250.000.

4.6. Indirect financing can also take the form of free access to the media as established by decree No. 67-84 of January 1967. Each party already represented in the Assembly is entitled during the electoral campaign to 3 hours TV and radio broadcasting, one and a half hours being reserved to the opposition and one and a half hours to the majority. In each group the broadcasting time is distributed in accordance with the number of representatives in the National Assembly. New lists are also entitled to free access to the media provided they present a list of at least 75 candidates.

4.7. Another source of financing is represented by the monthly allowance granted to each MP and by the various free services to which they are entitled (secretaries, research assistants etc.). Every member of the Assembly receives a monthly amount of FF 33,458.97. Members belonging to the Socialist Party give FF 8.380 to their party, RPR members give FF 3,500, UDF members give

up to FF 5,000, whereas members of the Communist Party send the total amount to the Treasury of the Central Committee which sends back FF 9.000 as a 'monthly salary'.

4.8. Officially French parties are financed exclusively by the subscriptions of their members and by private donations which are particularly abundant during electoral periods; some parties even launch national campaigns for fund raising.

4.9. However the increasingly important amounts of money committed to the campaigns have aroused some doubts about their origin, and there has been discussion about the need to establish a limit to the candidate's expenses.

4.10. Since 1970 two phenomena have existed in France: on the one hand, and despite Article L 164, which limits the length of the electoral campaign to 20 days, candidates prepare their campaign earlier and earlier and on the other hand traditional methods like participation in rallies or distribution of circulars have become more or less obsolete and have been superseded by new practices. More and more candidates rely on political marketing agencies or consultancy bureaux which can charge, according to the type of election and according to the size of the constituency, from FF 500,000 to FF 5,000,000 but it is extremely difficult to make estimates. It has also been estimated that some candidates at national elections spent more than FF 10m. in their campaigns.

4.11. In this regard, many bills have been introduced in order to curtail practices which are too costly, and to fix a ceiling for each candidate's expenses. Among them some are worth mentioning: Guille in 1971, Commenay also in 1971, Mollet in 1973, Peretti in 1976, Marcihacy in 1976, d'Harcourt in 1978 and Labbé in 1979. They were all largely inspired by the British legislation, and most of them referred to the Representation of the People Act 1954.

4.12. Since 1976 most French bills on public funding of political parties have been based on the German and Italian legislation. In 1976 the Donnez Bill proposed that grants should be made to all parties represented in the National Assembly or which achieved the threshold of 5% of the votes cast. The Court of Auditors would be in charge of verification of the accounts.. A ceiling would be also fixed for electoral campaign expenses. In 1976 the Cabanel Bill authorised public funding of parties on two conditions. They would have

to adopt the status established by the 1901 Law on Associations and they should accept the control of a national committee whose report would be published in the Official Journal. Private donations to parties would be encouraged by tax reductions and candidates could receive an advance for their electoral campaign provided they undertook not to spend more than twice the amount of the advance for the whole campaign.

4.13. This was also approximately the point of view taken by the Crépeau-Defferre Bill, presented in June 1978, which set the ceiling of expenses to FF 100,000 per constituency (plus FF 5,000 for each 10,000 voters above 100,000) for legislative elections. A maximum amount for donations is also set.

4.14. The last bill introduced in France on this subject was presented on 24 September 1979 by Prime Minister Raymond Barre, but the majority of the day refused to enter consideration of the bill on the agenda of the Assembly. The bill proposed an annual contribution by the State to the running expenses of the parties (staff, rent etc.); the cost of the electoral campaign was therefore excluded. The bill also proposed that a certain amount of money should be shared proportionately among those parties having at least 30 representatives in the Assembly. A committee headed by the President of the Court of Auditors would check the accounts and publish its report in the Official Journal.

4.15. This Bill caused a general outcry from the small parties and from some parties of the majority and on the same day the RPR introduced the Labbé Bill, which was concerned only with the funding of electoral campaigns. The Mitterrand Governments have opted not to take action as the subject is considered too touchy and delicate, to quote the Minister of the Interior in reply to a question by Senator Jean Mercier.² The disclosure of parties' incomes would depend on their juridical status; however most of them, being included in the ambit of the 1901 Law or clubs, are not subject to controls

² OJ Senate Debate, 4.11.1982, Annex No. 12

5. GREECE

- 5.1. In Greece, political parties do not have a legal personality, although they are explicitly mentioned in the Constitution.
- 5.2. Law No. 1443 of 22 May 1984 provides for public funding of political parties in order to finance their organisational expenses and to cover their election expenses.
- 5.3. An overall amount corresponding to 0,001% of the national income is distributed every year to political parties represented in Parliament (Article 1). In order to qualify for these subsidies, parties must have obtained at least 3% of the total votes cast and must have presented lists in at least two-thirds of the constituencies during the previous legislative elections.
- 5.4. Coalitions of parties are also entitled to grants provided they obtain 5% of the total vote cast if the coalition is composed of two parties, and 6% if the coalition is composed of three or more parties (Article 2).
- 5.4. The Minister of Interior must, before 1 April in each year, distribute funds according to the rules set in Article 3. 10% of the total sum is equally shared among the qualified parties; the rest is then divided by the total number of votes. The result thus obtained corresponds to the coefficient which is used to calculate the subsidies to each party after it has been multiplied by the number of votes obtained by the party.
- 5.5. The subsidies are to be used exclusively by parties and cannot be transferred to other organisations; they are not submitted to any taxation.
- 5.6. According to Article 4, each party is obliged to keep accounts which must be available at its headquarters. All income and expenses are to be listed according to an established model.
- 5.6. As regards expenses, funds must be devoted exclusively to the parties' organisational expenses or to the reimbursement of their electoral campaigns (cost of election meetings, transport costs, election material, rents, staff costs and so on).
- 5.7. Each party is obliged to publish its balance sheet in two Athens newspapers before 1 April each year.

5.8. The section on 'income' must list in detail: state subsidies, members' annual subscriptions, members' special contributions, MP's contributions, donations from friends of the party, income from real estate, profits from business ventures, bank interest, loans, gifts and fund-raising. The section devoted to expenses must refer to rents, staff cost, propaganda activities, and election expenses.

5.9. The source of contributions and donations, whether they come from individuals or corporations, does not have to be disclosed. However, if they exceed Dr 200,000 per year, the donor's name and address has to be explicitly mentioned in the balance sheet.

5.10. A copy of the balance sheet along with copies of the two newspapers in which it was published are to be sent by each party to the President of the Parliament and to the Minister of Interior.

5.11. Within three months after the publication, a parliamentary committee composed of MPs belonging to the various political groups and headed by the President of the Chamber, must check to ensure whether it complies with the Law (Article 5).

TABLE 3

THE INCOME AND EXPENSES OF PARTIES IN 1985

In Million Dr.

	State Subsidy	Members' subscriptions	MPs' subscriptions	Fund raising	Balance in hand at 31 Dec. 1984	Various
New Democracy	433m.	27m. ³	20m.	524m.	174m.	151m.
Pasok	574m.	35m.	29m.	308m.	5m.	4m.
KKE	146m.	60m. ⁴	65m. ⁵	457m.	5m.	5m. ⁶
KKEes	20m.	70m.	—	—	—	28m. ⁷
EDIK	20m.	—	—	—	—	—

	Total income	Total expenses	Electoral campaign expenses
New Democracy	1,332m.	1,308m.	626m.
Pasok	957m.	952m.	847m.
KKE	749m.	724m.	217m.
KKEes	216m.	214m.	45m.
EDIK	21m.	21m.	3m.

³ Various = loans, business venture etc.
Donations by friends of the party only.

⁴ Ditto.

⁵ MP's allowances + MEPs' allowances + EEC officials entertainment

⁶ Various = loans, business venture etc.
Donations by friends of the party only.

⁷ Aid from friend and income from festivals

6. IRELAND

6.1. In Ireland no law exists which provides for public funding of political parties. However, under the legislation governing salaries of public representatives, leaders of political parties in the Dail receive allowances in order to help them to carry out their parliamentary activities. Political groups of seven members or more are entitled to these grants. For 1985 they were distributed as follows:

Fine Gael	Ir. £ 53,972
Labour Party	Ir. £ 23,131
Fianna Fail	Ir. £192,757

6.2. Political parties are generally regarded as unincorporated associations or private voluntary bodies and their existence is not regulated by the statute. Hence they are not obliged to keep accounts or to publish them, although some do. Parties can appoint trustees to hold property and represent them legally in court. However they are not legally obliged to do so and their appointment does not make the party a trust in the legal sense. The disclosure of donations is not compulsory, and no provision for tax deductions is mentioned by the Law. The ceiling for campaign expenses was abolished by the Electoral Act 1963.

6.3. The electoral system, being based on individual candidates and not on party lists, does not presuppose the existence of parties, although they are recognised in the Standing Orders of the Dail and Senate.

7. ITALY

7.1. The delicate question of public funding of political parties, which has been debated for many years in Italy, was settled by Law No. 195 of 2 May 1974. In June 1978 a referendum called by the Radical Party almost succeeded in abolishing it (56.4% of the Italians voted in favour of public aid and 43.6% voted against). The Law was amended by Laws No. 659 of 18 November 1981, No. 22 of 27 January 1982 and No. 413 of 8 August 1985. However, as far as reimbursement of election expenses is concerned, Law No. 422 of 8 August 1980 extended the provisions of Law No. 195 to regional and european elections, and Law No. 441 of 5 July 1982 created the so called 'record of property owned' for Members of Parliament and for members of the Government and of the regional councils. Although this latter initiative is not strictly related to public funding, it belongs to a wider scheme of controlling the assets of political parties and of their political staff.

7.2. Law No. 195/74 and its subsequent amendments established two funds: an electoral fund from which payments are made only in general election years and an organisational fund, from which annual payments are made.

7.3. All the parties standing for election in at least two-thirds of the constituencies and obtaining at least 300,000 votes or 2% of the total votes cast can qualify for the electoral fund. A different system is provided for those regions with a special status, protecting linguistic minorities where a party can enjoy the benefits of reimbursement provided it can get at least one 'quota' (quoziente) in one of the two Chambers. A total sum of 30 billion lire (before 1986 it was 15 billion) will be paid out at each election in the following way: 20% will be shared equally among all the parties and the rest will be distributed according to the number of votes gained by each party.

7.4. The second fund, relating to the organisational expenses of the parties, consists of a total of 82,866 billion Lire, of which over one-third is allocated to the Senate and two-thirds to the Chamber of Deputies. Every year, by the end of January, the Presidents of the two Chambers share out the amount in the following way: 2% is shared equally among the groups in Parliament, 23% is divided equally among those parties which presented a list in at least 2/3 of the constituencies or which presented their own list in a region with special status protecting the linguistic minorities and 73% is

given to the political groups in accordance with the number of their seats in Parliament. The Presidents of the political groups in Parliament are obliged by the law to transfer 90% of the money received to their respective parties.

7.5. Regional and European elections are governed by the same articles: Law No. 422/80 is an ad hoc initiative since it establishes a reimbursement fund for election expenses of the 1979 European Parliament elections and the regional Council elections in 1980. In the first case 15 billion Lire was granted to all parties who had at least one representative elected, 20% of which was shared equally among the parties, and 80% in accordance with the votes cast. In the second case 15 billion Lire was also granted, 20% of which to be distributed among those parties with at least one member of Council elected and the rest in accordance with the number of votes. Law No. 659/81 altered the ad hoc intervention of the state into a permanent one and introduced minor changes in the criteria governing the distribution of funds.

7.6. As for regional elections the fund to be shared out was estimated at 20 billion Lire and each region (including those with a special status) would receive an amount proportional to the number of its inhabitants. The same figure applied to the European Parliament elections; in both cases the rules qualifying for reimbursement remained the same and the 20% and 80% sharing out were applied.

7.7. Law no. 413/83 fixed the total reimbursement fund for regional elections to 40 billion Lire and the European election reimbursement fund to 30 billion Lire plus a 15 billion Lire bonus for extra electoral expenses for the 1984 campaign.

7.8. Laws no. 195/74 and especially 659/81 with its amendments devoted special attention to the problem of 'illegal funding'. In fact, from the beginning the need was felt to establish a strict legislation providing public funds for parties particularly in order to eradicate the various forms of bribery, and to protect the parties from the pressure exerted by private companies seeking to manipulate them for their own interests. The provisions of the Laws in this field can be summarised as follows -

(a) Political parties and their political organisations, internal factions of parties, parliamentary groups and members of the European Parliament, members of the National Parliament or of the Regional Councils, candidates running for elections and top members of the parties' staffs are forbidden

to receive funds from public corporations (i.e. corporations where the state has at least 20% of the shareholding). Offenders risk a prison sentence from 6 months to 4 years and a fine equivalent to three times the amount illegally received.

(b) Private companies are allowed to contribute provided that the contributions are accepted by the Managing Board and are declared in the annual balance sheet.

(c) For donations exceeding 5 million Lire, the donor and the beneficiary are obliged to make a joint declaration to the President of the Chamber.

7.9. Article 4 of Law No. 659/81 also sets out the rules according to which the balance sheet of each party is drafted, published and controlled. The secretaries of the parties receiving public funds are obliged to publish a balance sheet every year before 31 March in the Official Journal of the Party or in a national newspaper. It must be approved by the responsible committee of the party and must be structured according to a standard model approved by the Presidents of the two Chambers. An explanatory report, included in the balance sheet, must list all the real estate properties, the securities held by the parties in any corporation and the benefits resulting from commercial activities. The report must also mention how public funds have been shared between central administration and the local organisations of the party and must contain a list of the donations. A special part of the report must be devoted to the expenses of the electoral campaign and to the way the funds have been shared out.

7.10. The balance sheet, checked by three official auditors, must be sent to the President of the Chamber of Deputies before 30 April in each year; he, in agreement with the President of the Senate, and with the help of a technical committee, has to verify that it complies with the law. The reports and the figures related to all the parties' activities are then published in a special issue of the Official Journal.

TABLE 4

THE SITUATION OF EACH PARTY IN FIGURES

LIRE

	Incomes 1984	Expenses 1984	Deficit for 1984	Total deficit
DC	50.188.285.919	61.804.396.232	-11.616.110.313	-13.212.921.001
PCI	108.356.827.156	108.266.725.756	+90.101.400	-23.708.975.656
PSI	30.953.434.852	33.865.615.878	-2.912.181.026	-10.953.226.410
MSI	9.123.657.364	9.172.381.779	-48.724.415	-3.642.966.931
PSDI	8.160.795.924	9.546.099.421	-1.385.303.497	-6.659.357.211
PRI	6.709.230.486	7.327.706.430	-618.475.944	+439.955.731
PLI	6.011.607.793	6.445.436.238	-433.828.445	-2.997.108.715
PR	5.865.617.487	6.270.074.619	-404.457.132	-1.003.833.312
DP	2.798.598.939	3.029.550.660	-230.951.721	-580.896.266

Note: Regional parties are not mentioned in the list

7.11. This Table shows that all the parties have overspent except for the PRI. Although Law No. 659/81 sets out a standard model of a balance sheet, the President of the Chamber of Deputies has the last say in the matter. In 1984, for instance, the section concerning the real estate properties was suppressed and the sections devoted to securities and commercial profits were considered for some parties 'extremely vague'. A system of tax deductions for donations is not provided for by the Law, although many experts regard it as one of the best solutions to the problem of controlling the parties' incomes; some regulation of expenses incurred in electoral campaigns' is also felt necessary especially after the creation of private television networks which can sell advertising to candidates for large sums of money.

8. LUXEMBOURG

8.1. Parties do not have legal personality in Luxembourg and no law providing for State grants to parties or the reimbursement of their electoral campaign expenses exists.

8.2. However groups represented in the Chamber of Deputies receive subsidies in order to finance their parliamentary activities as set out in Article 14, Section 7 of the Rules of Procedure of the Chamber:

'In order to support the work of the political groups, the President of the Chamber must put at their disposal the necessary office space and facilities together with financial assistance in proportion to the number of representatives in each group'.

8.3. The amounts are fixed at present as follows -

- For the five first representatives in a group, 120,000 Luxembourg francs³ per representative each year (this basic amount has to be multiplied by a certain coefficient in accordance with the cost of living: for 1986 the coefficient is 422,32, the basic amount being 100).
- For every additional representative LF 50,000 (index linked).

8.4. Political parties do not have to keep accounts and they are not obliged to publish their annual balance sheets. Donations are not tax deductible and are not usually disclosed.

8.5. For electoral campaigns the postal authorities despatch three communications free on behalf of each candidate.

³ The Luxembourg franc is at parity with the Belgian franc.

9. NETHERLANDS

9.1. Dutch political parties have by tradition been reluctant to accept the establishment of a system of state subsidies for political parties. Indeed, in order to prevent encroachment by the State and the business world upon their autonomy, and in order to avoid the changes of bureaucracy, political groups have preferred to rely on their members' subscriptions and on small donations.

9.2. It is estimated that subscriptions are still the main source of income of political parties; for example in 1984 about 60% of the total expenditure of P.v.d.A. (Labour Party) organisations was financed by subscriptions. Some parties link their annual subscription to the income or age of their members. Subscriptions and donations from individuals to parties are tax-deductible provided that they comprise at least 1% but do not exceed 10% of the gross annual income of a citizen (Article 47 of the Income Tax Code).

9.3. Donations made by private corporations are also tax deductible but the minimum amount is fixed at FL. 500 and the maximum at 6% of the total profit (Article 16 of the Corporate Taxation Code).

9.4. However it must be stressed that contributions to parties from private companies are not a common practice and, in order to avoid difficulty some parties have decided to restrict the number and type of donations which they can accept.

9.5. After the traditional major parties had lost a large part of their members during the 1960s the possibility of State help to parties was considered, and in 1968 the leader of the KVP, Mr Schmelzer, put this idea forward. The result of this controversial debate was the Decree of 28 January 1972, providing for subventions to foundations affiliated to those parties represented in the Second Chamber. Hence it was possible to help parties without dealing with the problem of their status, since in the Netherlands parties do not have legal personality.

9.6. These party-linked foundations can be classified into three groups:

- (a) Research institutes have received subsidies since 1972. The amounts are calculated in accordance with the size of the groups in the Second Chamber and cannot exceed the institute's income from other sources on the grounds that, if a foundation is unable to collect money on its own it should not be kept alive artificially by state aid.
- (b) Educational institutes have received state subsidies since 1975 but they must not amount to more than 30% of their expenditure.
- (c) Youth movements have benefited from state aid since 1976 (up to 1981 temporarily and since then more permanently), but such aid is limited to funding not more than 10% of their staff salaries and 30% of their expenditure.

9.7. Subsidies must be applied for in writing, and the necessary financial documents must be enclosed with the application; an advance can be granted for the current or the next financial year but the total amount of the subsidies can be fixed only after the Central Service of Accounts of the Ministry of Finance has approved the financial report of each party.

9.8. Parliamentary groups also receive subventions but in the case of the Netherlands it is arguable that they should be considered as a source of income. They are calculated as follows:

- HFL.1060 per month for each representative; this sum scarcely covers one-third of the secretarial expenses of an MP.
- an annual contribution calculated, in accordance with the size of the group, by multiplying HFL. 1,000 for the leader of the group and HFL. 300 for the other members by a fixed rate annually readjusted.

9.9. It must also be emphasised that free access to the media, which in other countries is regarded as an indirect form of aid, is treated as direct aid in the Netherlands. The Dutch Government offers free broadcasting time to all parties represented in the Second Chamber. Regardless of its size, each party has ten minutes every two weeks on radio and ten minutes every three months on television. In order to meet these production costs in 1984 each party could claim about HFL. 28,000. In regard to election campaign expenditure the authorities offer free space for posters and free access to the media of two

periods each of ten minutes on radio and the same on television; this aid is offered to parties not represented in the Second Chamber but which present candidates in all 18 electoral constituencies. Although the organisation of the election and the counting of the votes are also the responsibility of the Government, everything else must be paid for by the parties. However it must be stressed that electoral campaigns in the Netherlands are not expensive; the total expenditure is estimated at an average of HFL. 1 per voter, whereas in the US it is seven times as much and in Germany 20 times as much.

TABLE 5

TOTAL EXPENDITURE OF DUTCH NATIONAL PARTY ORGANISATIONS AND AFFILIATED ORGANISATIONS; AND THE AMOUNTS CONTRIBUTED BY MEMBERSHIP FEES, STATE-SUBSIDIES AND OTHER RESOURCES IN 1980 IN PERCENTAGES

PARTY	TOTAL EXPENDITURE	MEMBERSHIP FEES	STATE-SUBSIDIES	OTHER	HFL
CDA	HFL. 7.350.000	60	15	25	= 100
PvdA	HFL. 9.420.000	65	14	21	= 100
VVD	HFL. 4,000.000	61	20	19	= 100
D'66	HFL. 1.750.000	43	20	37	= 100

	HFL.22.520.000				

Note: CDA - Christian Democratic Appeal
PvdA - Labour Party
VVD - People's Party for Freedom and Democracy
D'66 - Democrats 1966

10. PORTUGAL

10.1. Political parties in Portugal are recognised by Law and have legal autonomy.

10.2. Decree No. 595/74, passed on 7 November 1974, is regarded as the basic Law governing the activities of political parties. Article 20 prohibits State autonomous organisations, associations recognised by the law, public corporations, local administrations or any organisation established in the public interest to make any donations to political parties; the latter are also forbidden to accept money from foreign persons or corporations and from national corporations.

10.3. However according to Law No. 32/77 of 25 May 1977 political parties represented in Parliament receive annual subsidies which are fixed in relation to the size of such political groups. An amount corresponding to 1/225 of the minimum national income is granted to each political group for each vote obtained at the legislative elections.

10.4. Article 9 of Decree No. 595/74 establishes a system of tax deductions for donations made to political parties. Article 20 sets out the rules for financial control. Parties are obliged to keep accounts and must present an annual report indicating the amount and origin of their income and expenses.

11. SPAIN

11.1. In Spain public funding of political parties consists of a three-fold system providing for reimbursement of electoral campaign expenses; annual subsidies for the parties' current expenses; and regular grants for the political groups represented in the Cortes.

11.2. Act 20 of 18 March 1977 laid down the rules for refunding electoral campaign expenses:

- one million pesetas for each seat obtained in the Chamber of Deputies or in the Senate;
- forty-five pesetas for each vote obtained by a candidate elected to the Chamber of Deputies and fifteen pesetas for each candidate elected to the Senate.

11.3. This Act also regulates the methods of fund-raising for campaigns, in that within 24 hours after the publication of the list, the electoral agent of a candidate (or of a party) is compelled to transmit the number of the bank account at which funds can be deposited to the competent authority. At any time this authority may ask for information on the exact amount deposited, on the names of donors and on any other material aspect. Certain forms of donations are prohibited, such as those from the State administration; from local authorities; from State dependent bodies, from national or provincial companies, or companies in which the State has an important stake, and from foreign persons or foreign corporations.

11.4. Electoral agents are obliged to keep up accounts containing the details and the returns of campaign expenses. These are then to be transmitted to the competent authority which must decide on the lawfulness of the income and of the expenses within thirty days: if any illegal practice is revealed, the candidate concerned has two weeks in order to clarify the situation. After this period the authority is to publish a summary of the accounts, specifying the origin of the funds and their destination; it may also report on any other matter if it should wish to do so.

11.5. Article 54 of 4 December 1978 provides for a financial contribution to be made by the State to the parties' current expenses. The amounts are calculated in accordance with the number of seats obtained and a fixed sum is allocated each year; in 1984 it was one million pesetas for each representative in both Chambers. This Act also regulates the creation, registration and eventual dissolution of parties, which are compelled to adopt legal personality. Moreover their internal structure must respect the usual democratic principles; every party member is entitled to vote and is also eligible for election to the executive committee, further information on the financial and political activities of the party must be kept at the disposal of its members whenever they request it.

11.6. However, parties represented in Parliament can also benefit from a third type of subsidy allocated to the political groups for their parliamentary activities. Each group receives every year a basic amount of 12 million pesetas, to which is added 720,000 pesetas for each representative. The financial activities of 'political associations' are specifically governed by Act 21 of 14 June 1976. It gives an extensive definition of what are to be considered as their financial assets: subscriptions, members' donations, income from property, income resulting from various profitable activities, donations, legacies, subsidies and loans.

11.7. Parties are obliged to keep accounts containing:

- an annual inventory of all their assets,
- a record of all their sources of income including those of the different associations controlled by the parties,
- a list of all their expenses.

11.8. Every year, before the end of March, a copy of the accounts must be transmitted to the Secretary for Home Affairs, who submits them to the Court of Auditors, which checks if they comply with the law.

11.9. It must also be remembered that in Spain political parties can also benefit from various facilities which can be regarded as a form of indirect income. They are mainly: free access to the media during electoral campaigns, special postage rates for campaign material and tax reductions for individual donations to parties.

TABLE 6

Annual budgets of the most important national and regional parties

Union de Centro Democratico	1,000,000,000
Partido Comunista de Espana	280,000,000
Fuerza Nueva	50,000,000
Partido Socialista de los Trabajadores ...	6,000,000
Partido Comunista de Espana (m-1)	5,000,000

MAIN REGIONAL PARTIES

Partido Nacionalista Vasco	200,000,000
Partido Socialista Andaluz	100,000,000
Unidad Andaluza	75,000,000
Unio Democratica de Catalunya	45,000,000
Partido Aragonés Regionalista	25,000,000
Partido Galeguista	15,000,000
Esquerra Republicana de Catalunya	6,000,000

(For 1981 in pesetas, figures do not include electoral campaign expenses)

12. UNITED KINGDOM

12.1. In the United Kingdom the issue of the funding of political parties is governed on the one hand by a Resolution of Parliament adopted on 20 March 1975, amended in February 1978 and in March 1983, providing for grants for parties in opposition, and on the other hand by the Representation of the People Acts, which limit candidates' electoral expenses.

12.2. In the first case (see Debates of the House of Commons, 20 March 1975, c. 1870) from 1 January 1975 subsidies were granted to the opposition parties represented in the House of Commons for their parliamentary activities. However these grants could be regarded as a kind of compensation off-setting the great advantages enjoyed by the majority party. The amounts are calculated in the following way: £1,080 for each seat won by the party and in addition £2.16 for every 200 votes obtained in the previous legislative election, the whole amount being limited to a ceiling of £325,000. Parties can qualify for grants if they have at least two elected representatives or if they have only one representative polling a minimum of 150,000 votes.

12.3. The subsidies are not allocated automatically but only if the party has applied to the Accounting Officer after proving that its request is based on expenses solely due to its parliamentary activities. The total amount of the grant is then approved by the House of Commons. The parties are free to spend the funds as they wish; in March 1975, however, the Leader of the House recommended that most of the money should be devoted to the research department of the Front Bench, to the service of the Opposition Whips, and to the leader of Opposition's staff.

12.4. The other aspect of the funding of parties is the limitation imposed upon candidates' electoral expenses. This issue was first tackled in the Corrupt Practices Prevention Act 1854, amended in 1863 and in 1883 which inspired the Representation of the People Act 1949, amended in 1969 and in 1983.

12.5. The latter deals in detail with the financial organisation of an electoral campaign and lays down rules for the control of expenses and of the activities of the election agent, these two points being the main characteristics of the Act.

12.6. Indeed 'not later than the latest time for the delivery of notices of withdrawals for an election, a person shall be named by or on behalf of each candidate as the candidate's election agent' (RPA 1983, Part II, section 67). His name and address must be declared to the appropriate officer. A candidate may name himself as election agent, in this case he is submitted to the provisions of the Act both as candidate and as election agent.

12.7. The election agent appoints every polling agent, clerk and messenger employed for payment on behalf of the candidate of an election, and rents committee rooms hired on behalf of the candidate (section 72).

12.8. No payment and no advance or deposit is to be made by a candidate, by an agent on his behalf or by any other person in respect of election expenses otherwise than by the candidate's election agent (section 73). Payments exceeding £2 must be vouched for by a bill and by a receipt and all money provided by a person other than the candidate for any election expenses (gift, loan, advance, deposit) is to be paid to the candidate or his election agent.

12.9. The candidate at an election may pay any personal expenses incurred by him up to an amount of £100, and any further expenses are to be paid by his election agent (section 74). No expenses are to be incurred by any person other than the candidate, his election agent or any persons authorised by him on account of holding public meetings, of issuing advertisements, circulars or publications or of otherwise presenting to the electors the candidate or his crew or the extent or nature of his backing. This last point, however, is not to restrict the publication of any matter relating to the election in a newspaper or other periodical or in a broadcast made by the British Broadcasting Corporation or the Independent Broadcasting Authority (section 75).

12.10. Neither the candidate nor his election agent may pay any sum or incur any expense in excess of the maximum amount in respect of the conduct or management of the election (section 76):-

(a) for a candidate at a parliamentary election -

- (i) in a county constituency, £2,700 together with an additional 3.1p for every entry in the register of electors to be used at the election (as first published): and

(ii) in a borough constituency, £2,700 together with an addition 2.3p for every entry in the register of electors to be used at the election (as first published);

(b) for a candidate at a local government election -

(i) at an election to the Greater London Council, £500 together with an additional 3p for every entry in the register of electors to be used at the election (as first published);

(ii) at any other local government election, £120 together with an additional 2.4p for every entry in the register of electors to be used at the election (as first published).

12.11. Within 35 days after the day on which the result of the election is declared, the election agent must transmit to the appropriate officer a true return containing, in respect of that candidate, a statement of all payments made by the election agent, together with all bills and receipts.

12.12. This return must also contain, in respect of that candidate, a statement of the amount of personal expenses, if any, a statement of all disputed claims, a statement of all unpaid claims and a statement of all money, securities and money equivalent received by the election agent from the candidate or any other person, with a statement of the name of every person from whom they may have been received (section 81).

12.13. This return is to be accompanied by a declaration made by the election agent. The latter may be made either before a Justice of the Peace or before any person who is, in England and Wales the Chairman or proper officer of the Greater London Council, a County Council or a District Council, or the Mayor or proper Officer of a London Borough, or in Northern Ireland the Clerk of a District Council (section 82).

12.14. At a parliamentary election, the Returning Officer must, within 10 days after the end of the time allowed for transmitting to him returns as to election expenses, publish in no less than two newspapers circulating in the constituency for which the election was held, and must send to each of the election agents, a notice of the time and place at which the returns and declarations can be inspected (section 88).

12.15. In May 1975, the Labour Government set up a committee on financial aid to political parties chaired by Lord Houghton, which presented its report to Parliament in August 1976. However, despite the modesty of the Houghton proposals, four of the Committee's 12 members, the representatives of the Conservatives and the Scottish Nationalists, turned down its recommendation in a minority report. The main objectives of the Houghton report can be summarised as follows:

12.16. A system of state financial aid to political parties should be introduced. The aid should take the form of annual grants to be paid from Exchequer funds to the central organisations of the parties for their general purposes and, at local level, of a limited reimbursement of the election expenses. In order to qualify for a grant, parties at the previous general election must have saved the deposits of their candidates in at least six constituencies, or have at least two of their candidates elected or have one of their candidates elected and have received no less than 150,000 votes.

12.17. The amounts of the grant would be calculated on the basis of 5p for each vote cast. The recommendations of the report were even adopted and in the United Kingdom the issue has not been dealt with since.

	BELGIUM	DENMARK	FRG	FRANCE	GREECE	IRELAND	ITALY	LUXEMBOURG	NETHERLANDS	PORTUGAL	SPAIN	UNITED KINGDOM
1. Legal personality of parties	-	-	+	-	-	-	-	-	-	+	+	-
2. Financial control of parties	-	+	+	-	+	-	+	-	+	+	+	+
3. Subventions for current expenses	-	-	+	-	+	-	+	-	-	+	+	-
4. Subventions for Parliamentary groups	+	+	+	+	+	+	+	+	+	+	+	+
5. Disclosure of donations	+	-	+	-	+	-	+	-	+	+	+	-
6. Tax deductions on donations	+	-	+	-	-	-	-	-	+	+	+	-
7. Reimbursement of electoral campaign expenses	-	-	+	-	+	-	+	-	-	-	+	-
8. Ceiling for electoral campaign expenses	-	-	-	-	-	-	-	-	-	-	-	+

+ = provisions exist in the national legislation
- = no provision