

(Arms of the Norwegian State)

THE MINISTRY OF GOVERNMENT ADMINISTRATION
AND REFORM

Proposition to the Odelsting No. 84
(2004-2005)

On the Act relating to certain circumstances concerning
political parties (Party Act)

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Proposal for the Act relating to certain conditions concerning political parties (the Party Act)

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THE MINISTRY OF GOVERNMENT ADMINISTRATION
AND REFORM

Proposition to the Odelsting No. 84 (2004-2005)

On the Act relating to certain circumstances concerning political parties (the Party Act)

*Recommendation by the Ministry of Government Administration and Reform
dated 29 April 2005,*

*Granted Royal Assent by the King in Council on the same date.
(2nd Bondevik Government)*

I Contents of the Bill

In this Bill, the Ministry of Government Administration and Reform presents a proposal for a new Act relating to certain circumstances concerning political parties. According to the proposal, the new Act will supersede current law on publication of political parties' income (Act of 22 May 1998 No. 30). The Bill proposes:

- moving of current statutory provisions on registration of political parties in the Election Act to the new Party Act
- regulation of the state subsidy system for political parties by law
- access by private bodies/persons to support political parties
- right of inspection by public authorities of the financing of political parties, both concerning income for local organisations, county organisations, county youth organisations, and the central organisations of the parties, including central youth organisations
- establishment of a new, independent Board that shall *inter alia* allocate state subsidies, consider complaints according to the new Act, and submit an annual report to the Ministry regarding its activities.

2 Reason for the Bill

2.1 Requests by the Norwegian Parliament Nos. 178 and 179 dated 13.12.2002

The Bill is based on Recommendation to the Odelsting No. 28 (2002-2003 dated 26.11.2002 by the Committee for family, cultural and administrative affairs. In the recommendation the Committee discussed a private proposal for amendments to the Act of 22 May 1998 No. 30 regarding publication of the income of political parties forwarded by members of Parliament Jens Stoltenberg and Hill-Marta Solberg, cf. Doc. No. 8:10 (2002-2003). It was pointed out that the Act on publication of political parties' income at present requires political parties or other organisations that are registered according to Section 5-1 of the Election Act and that have presented a list at the last preceding general election, to submit annual accounts of the main organisation's income. The accounts shall be submitted to Parliament. The proposers were of the opinion that the Act should be extended to also include contributions to municipal and county parties. The reason was that there should be the same rules for all three levels.

The Committee concluded that a revision of the Act requires a more extensive amendment proposal than the Doc. 8 proposal, and therefore proposed that it be rejected, cf. Roman numeral I in the recommendation. The following proposal was adopted (cf. Roman numeral II in the recommendation):

“II

Parliament requests the Government to present a proposition with amendments to the Act of 22 May 1998 No. 30 relating to publication of the political parties' income. The amendment should entail that the Act shall:

- a) include all organisational levels of political parties,
- b) include requirements that reports shall be made of all forms of contributions with a value of over NOK 20 000, whether it concerns cash or other forms of non-financial contributions, including work efforts and other efforts which can be calculated at a value of NOK 20 000 or over

- c) define donors as private persons or legal entities
- d) set requirements that contributions from donors who are, or who are organisationally connected to, one of the main industrial organisations, shall be accounted for and accounts presented collectively, as one donation from one donor to one party.
- e) lay down requirements that a declaration is presented together with the party's accounts, that there are no oral or written contracts between the donor and political parties or their elected representatives at any level, and that there is no agreement that can be interpreted as reciprocity or expectation of reciprocity.”

The Committee also proposed that:

“III

Parliament requests the Government to appoint a broadly composed committee which will discuss on a broad basis the financing of democracy, including the political parties and elected groups' activities and present a proposal for possible amendments to the Act of 22 May 1998 No. 30 on publication of political parties' income and any other Acts, Regulations and rules.”

On 3.12.2002 Odelstinget passed a resolution in accordance with the Committee's recommendation. Roman numerals II and III in the recommendation were forwarded to Parliament in accordance with Section 30, subsection four, of Parliament's Order of Business. Parliament passed a resolution in accordance with the Committee's recommendation, cf. request nos. 178 and 179 of 13.12.2002.

2.2 Alternative solutions

The Ministry's assessment is that the request by Parliament can in practice be followed up in one or two separate legislative amendment.

processes. Roman numeral II contains specific proposals for amendments to the Act which will be able to be followed up relatively quickly with a Proposition to the Odelsting. Any proposals for amendments in the wake of follow-up of Roman numeral III, however, will only be able to be presented after the planned Committee had given its recommendation.

Equitable considerations indicate that an Act should not be amended too often. Norway has given its approval to the European Council's "Recommendation of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns" (2003/4) in which it is recommended that the States introduce relatively strict requirements regarding transparency surrounding financing of political parties and restrictions on who can support the parties. A complete implementation of the recommendation would, in the opinion of the Ministry, require more stringent provisions in the Act beyond those proposed by the Committee in Roman numeral II – and possibly also new legislation.

It does not appear from the Committee's recommendation to what extent the Government should choose one or more amendment processes. On the above-mentioned background the Ministry decided to follow up the requests by Parliament in one Bill.

Roman numeral III entails more extensive identification and analysis work. The mandate is broad in that the Committee shall "discuss on a broad basis the financing of democracy, including the political parties and democratic groups' activities", etc. The Ministry has concluded that it would be appropriate to define the mandate so that the focus is first and foremost directed towards organisations that participate in elections of democratic bodies, i.e. political parties registered in accordance with Chapter 5 of the Election Act or groups that participate through list proposals in accordance with Chapter 6 of the Act. Industrial organisations and other organisations with political goals will first and foremost be of interest for the discussion in the capacity of being financial contributors to political parties and groups.

The Ministry has worked on the assumption that a committee to follow up the requests by Parliament will probably be broadly composed of representatives from

relevant expertise environments, including political parties, groups and academic professional environments. All the seven largest parties were therefore invited to participate. An equivalent invitation was extended to Rød Valgallianse (RV) (Red Election Alliance) – as the largest of the small parties measured according to election attendance at the last municipal council and county council elections. Since RV refused the invitation, the Kystpartiet (the Coastal Party) – as the next largest of the small parties, was asked to join the committee.

Hamar City and Rural Lists was asked to represent the local groups or lists. Further, professional personnel with political science, legal, accounting and media backgrounds were invited to participate. Rune Sørensen, professor in Organisation and Management at BI Norwegian School of Management, was requested to be Chairman of the Committee.

The Ministry points out that the state party subsidy system since its introduction at the beginning of the 1970s¹, has had considerable appropriation-related growth and in addition grown in extent in that several parts of the party organisation over time have become eligible for subsidies². In the formulation of the mandate, therefore, the Ministry has worked on the assumption as otherwise in this matter – that there shall continue to be state subsidies to the political parties. In the mandate, the Ministry has furthered Parliament's wish for a greater degree of transparency about and inspection of the income of political parties.

The Ministry has given high priority to the matter from the start. The drawing up of the mandate, in which all relevant themes for such reporting work were to be included, and appointment of the committee with the composition in question and the different considerations used as a basis has, however, taken time.

After its appointment on 17.10.2003, the Democracy Financing Committee has, in accordance with an additional mandate, been instructed to report on the problems in connection with the lifting of the prohibition in Section 3-1, subsection three, of the Broadcasting Act, concerning political

¹ Cf. Proposition to the Storting No. 108 (1969-70) from the then Ministry of Wages and Prices

² Cf. Proposition to the Storting No. 146 (1974-75) from the then Ministry of Consumer and Administrative Affairs

advertising. This part of the Committee's report has not been discussed or considered in this Proposition, but will be followed up by the Ministry of Cultural and Church Affairs. Reference is also made to the discussion of the matter below.

The Democracy Financing Committee's report, Norwegian Official Report 2004:25 "Money counts, but votes decide" (hereinafter referred to as "the recommendation") is an Appendix to this Proposition. A summary of the Committee's reviews and proposals are presented under the individual chapters below with reference to the paragraphs in the recommendation from which the text is obtained.

2.3 Appointment and composition of the Democracy Financing Committee

The Government appointed the Democracy Financing Committee by Royal Resolution dated 17.10.2003. The Committee was composed of the following:

1. Professor Rune Sørensen, BI Norwegian School of Management, Chairman, Bærum
2. Party Secretary of Arbeiderpartiet (the Labour Party), Martin Kolberg, Lier
3. General Secretary of Høyre (the Conservatives), Trond R. Hole, Oslo
4. General Secretary of Fremskrittspartiet (Progress Party), Geir Mo, Oslo
5. Special Advisor in the Trade Union Gunhild Johansen, representative for Sosialistisk Venstreparti (Socialist Left Party), Tromsø
6. General Secretary of Kristelig Folkeparti (Christian Democratic Party), Inger Helene Venås, Oslo
7. Head of Health and Welfare, deputy representative to Parliament for the Centre Party, Mali Grete Aksnes, Nordheimsund
8. Vice Chairman of Venstre (Left), Jennie Johnsen, Oslo
9. Administrative head of department for the Coastal Party's Parliamentary Group, Dag Hagen Berg, Hadsel i Nordland
10. Special Advisor Christel Grönqvist Meyer, representative for Hamar Town and Rural Lst, Hamar
11. Professor Hanne Marthe Narud, University of Oslo, Oslo
12. Professor Kaare Strøm, University of California, San Diego, USA
13. Pensioner Dag Omholt, Oslo
14. Professional associate Gunnar Bodahl-Johansen, Institute of Journalism, Fredrikstad
15. Managing Director Sandra Henriette Riise, the Norwegian Association of Authorised Accountants (NAAA), Oslo
16. Postdoc. Caroline Taube, University of Oslo, Oslo, (appointed 24th November 2003)

In 2004 Jennie Johnsen was replaced by the General Secretary of Left, Terje Breivik, Ulvik.

The Committee's secretariate has consisted of Associate Professor Leif Helland (Head of the Secretariate), Senior Advisor Helga Hjorth and Senior Executive Officer Beate Nygård.

The Committee was originally given a deadline of one year – to 17.10.2004. As stated in Report to the Storting No. 26 (2003-2004) On amendment of Section 100 of the Constitution, the Democracy Financing Committee after appointment was assigned reporting tasks in connection with the lifting of the prohibition of political advertising in Section 3-1, subsection three of the Broadcasting Act. For this reason the deadline for submission of the Committee's report was moved to 29.11.2004. As a result of reorganisation of the Ministry's structure in June 2004, the Committee's Recommendation in Official Norwegian Report 2004:25 "Money counts, but votes decide" was submitted to the Minister of Government Administration and Reform.

The Committee's mandate and additional mandate

Upon appointment the Committee was given the following mandate:

"In a decision of 13.12.2002, Parliament requested the Government to appoint "a broadly composed Committee to discuss on a broad basis the financing of democracy, including the political parties and democratic groups' activities and present a recommendation for possible amendments to the Act of 22 May 1998 No. 30 regarding publication of the income of political parties and any other Acts, Regulations and rules" (cf. Parliament's request No. 179).

The work carried out by the political parties is a necessary assumption for our democratic system of government to function. It must therefore be an important public task to contribute to the parties having financial framework conditions to finance their activity

The Committee's work can be summarised in the following points:

- identify and describe the present financing of political parties
- evaluate necessary and acceptable financing systems in the future
- evaluate the desirable degree of transparency/ inspection of the parties' financing and how this can be protected
- comment on the request presented by Parliament (Request No. 178 of 13.12.2002) and any amendment recommendations in relation to it
- describe the international law ramifications for national legislation, cf. The European Convention on Human Rights (ECHR), particularly Articles 10 and 11
- evaluate the European Council's Recommendation on rules against corruption in the financing of political parties and election campaigns

The Committee shall report on how political parties and groups in Norway finance their activities, retrospective for the last two to five years. By "political parties" is meant parties which are registered in accordance with Chapter 5 of the Election Act. By "groups" is meant proposers, outside registered parties, who present lists in accordance with Chapter 6 of the Election Act. By "financing" here is understood all sources of income, for example, wages and capital income, subsidies, donations etc.

In order to identify existing forms of financing, the Committee shall start with undertaking a broad review of the parties. In addition to the seven largest parties, measured according to the election results at the General Election 2001, the Committee shall also examine the financing circumstances of one or more smaller parties. It is also desirable to have clarification of the financing of one or more groups that have presented / shall present lists in connection with the municipal and county council elections in 1999 or 2003. It will be of particular interest to clarify to what extent the parties have assets in or are financially bound or relation to other

organisations in society, for example, industrial organisations or other interest organisations, and have clarified to what extent the parties have assets or another form of ownership (in whole or in part) in commercial business management.

The Committee shall to begin with undertake a review of all levels of a party organisation, both centrally, at county level and locally. The Committee shall evaluate whether it will also examine the political parties' youth organisations.

The Committee should also clarify the international law ramifications for national law regarding financing of democracy which derive from the The European Convention on Human Rights (ECHR), particularly Article 10 regarding freedom of speech and Article 11 on freedom of assembly and association, and case law from the European Court of Human Rights. In that context the Committee should also obtain information on the circumstances in some other democratic countries which can be compared to the Norwegian, both with regard to international obligations and political tradition.

The Committee shall also evaluate the present financial ramifications for the political parties. In that context should be evaluated to what extent the level and allocation of state subsidies are appropriate based on the tasks which are carried out by the parties. In addition, the question regarding types and extent of private contributions should be commented.

In a decision of 13.12.2002, Parliament requested the Government to present a Proposition on amendments to the Act of 22 May 1998 No. 30 relating to publication of the political parties' income. The Request (No. 178) reads as follows:

"Parliament requests that the Government presents a Proposition on amendments to the Act of 22 May 1998 No. 30 relating to publication of the political parties' income. The amendments should entail that the Act shall:

- a) include all organisational levels of political parties,
- b) include requirements that all forms of contributions of values over NOK 20 000 shall be accounted for, whether they are made in cash or other forms of non-financial contributions, including work efforts and other efforts which can be

- calculated to be a value of NOK 20 000 or over,
- c) define donors as private persons or legal entities
 - d) set requirements that donations from donors who are, or who are organisationally connected to one of the main industrial organisations, shall be accounted for and accounts presented collectively, as one contribution from one donor to one party,
 - e) set requirements that a declaration is presented together with the party's accounts, that there are no oral or written contracts between the donor and political parties or their elected representatives at any level, and that there is no agreement that can be interpreted as reciprocity or expectation of reciprocity (cf. Recommendation to the Odelsting No. 28)."

The Committee shall discuss the amendment proposition which the Committee has proposed, and how it best can be implemented in legislation.

Norway has given its approval of a draft of the European Council's recommendation "Recommendation of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns". The Recommendation is not binding on the states, but the Committee should nevertheless consider how the recommendations contained in the Recommendation can best be ensured in Norwegian law without coming into conflict with Articles 10 and 11 in the ECHR and Norwegian political tradition. An electronic version of the Recommendation is to be found here:

http://wcm.coe.int/rsi/common/renderers/rend_standard.jsp?DocId=2183&SecMod

The Committee shall also discuss the rules and conditions for the state subsidy system for political parties in Chap. 1530 Ministry of Labour and Administration, (P-650 of 24.5.1993), and possibly also examples of the rules for municipal and county subsidy systems as well as other Acts and Regulations of relevance to party financing.

In summary, the Committee's task with regard to assessments is two-fold: The Committee shall assess the degree to which income of political parties should be subject to state inspection and control. In addition, the

Committee shall evaluate alternative financing arrangements for political parties, including proposing changes in the framework conditions which can maintain and/or strengthen the assumptions for a sustainable democracy characterised by diversity and breadth, both concerning opinions and involvement.

The financial consequences of the Committee's proposal shall be discussed separately, cf. the Reporting Instruction. At least one of the proposals shall be within the ramifications of Chap. 1530 of the Fiscal Budget.

It is assumed that the Committee's Bill proposal will be formulated in accordance with the recommendation in the guidance issued by the Ministry of Justice, Legislative Technique and Preparatory Works.

The Committee's recommendation shall be presented to the Ministry of Labour and Administration by 17 October 2004"

In April 2004 the Committee received the following additional mandate:

"Section 3-1, subsection three of the Broadcasting Act at present prohibits advertising for political messages on television, including advertising for political parties. With the aim of lifting the prohibition of advertising of the political message the Committee shall draw up schemes which:

- a) require the television companies to provide free broadcasting time to the political parties
- b) limit how much a political party can spend on political advertising on television.
- c) introduce maximum limits for how much broadcasting time a political party can buy

Regarding item a) the Committee is requested to outline criteria for how a scheme for distribution of broadcasting time can be planned with regard to the following:

- which parties should be included in the scheme
- allocation of broadcasting time to the various parties
- extent of broadcasting time allocated to the parties and which television companies that should be included in the scheme

Regarding item b) the Committee is requested to assess:

- criteria for setting a limit for a total amount
- the suitability of differentiating the maximum limits in relation to different parties

Regarding item c) the Committee is requested to assess:

- criteria for setting maximum limits
- the suitability of differentiating limits in relation to different parties

An assessment should be made of whether special rules should be in force for the periods before an election. The Committee is also requested to assess whether there are other methods to regulate the extent of political advertising on television.

The Committee's proposal must lie within the ramifications set by Norway's international obligations – including the European Convention on Human Rights, Article 10.

The mandate is delimited versus what fundamental and legal problems such measures can entail in relation to the broadcasters who will be included in the scheme.

The report on the above-mentioned questions shall be presented to the Ministry of Labour and Administration as a part of the Committee's report as a whole.“

The Committee's work

The Committee has had a total of 13 meetings. Meetings have been held with experts and persons with special experience. In order to identify the political parties' financing practice, the Committee has held a questionnaire among the parties' county and municipal organisations and among the municipalities and counties.

Reference is made to para. 1.4 in the Recommendation for a further report on the Committee's work.

3 On the round of consultations

In a letter dated 6.12.2004 The Ministry of Government Administration and Reform (MOD) sent out Official Norwegian Report 2004:25 “Money counts, but votes decide” for comment by a broad selection of consultative bodies. About 530 entities have commented, including all municipalities and county councils. The Ministry’s consultation round has included the parts of the report which are included in the main mandate, i.e. financing of political parties and the activities of democratic groups as well as publication of income and reporting system.

The Ministry of Culture and Church Affairs (MCCA) has carried out a separate consultation round on the part of the report concerning Section 3-1, subsection three of the Broadcasting Act on prohibition of political advertising, i.e. Chapter 8 of the report. As mentioned above, this matter is being followed up by MCCA.

The Ministry of Government Administration and Reform has received about 65 comments from consultative bodies on the matter. A selection of comments is presented in Chapter 4-8 below.

4 Registration of political parties

4.1 Definitions

In the Proposition, the Ministry uses the Committee's definitions of political party, political lists and democratic groups, respectively, as they are presented in para. 3.1 of the recommendation: By "political party" is meant parties which are registered in accordance with Chapter 5 of the Election Act. Other proposers who provide lists at elections, are designated "political lists". Democratic groups refer to representatives who act in co-ordination in Parliament, county or municipal councils and who are elected either for a political party or for a political list.

4.2 Current law

The current provisions governing registration of political parties are found in Chapter 5 of the Election Act (Act of 28.6.2002 No. 57). The Act assigns the registration authority to the Brønnøysund Register Centre. The rules lay down conditions for registration of party names, what is required to get a party name changed and when the party name is freed. It is also laid down that the party shall keep the Brønnøysund Register Centre updated with regard to who is elected to the Executive Board of the Party at all times.

4.3 Proposal by the Democracy Financing Committee

The Committee proposes that the rules regarding registration of political parties are included in a common Act – "Act relating to certain circumstances concerning the political parties (Party Act)", cf. para. 9.1 in the recommendation. In this manner, clear and systematic legislation is obtained in which all the regulations especially governing political parties, are collected in one, common Act.

The Committee points out that the Election Act otherwise regulates the rights of citizens in connection with election and directs how the authorities shall prepare for the election. Registration of parties is not a part of holding elections in Norway. Both registered parties and other groups can stand for election. In

Norway there is no requirement that the parties must be registered in order to participate in an election, and neither is it a condition for registration of the party name that the party participates in an election. Registration is undertaken altogether independent of elections. That the provisions regarding party registration at present are to be found in the Election Act is natural since there have not been other places in legislation where the rules have been better suited. In the opinion of the Committee, it would be correct and efficient from a legal-pedagogic point of view to collect all the rules which apply particularly to the political parties, in a common Act. Such proposal will also contribute to achieve the goal that the legislation shall reach the people it applies to.

The provisions regarding party registration are of no significance to public authorities that are involved in holding elections. There is therefore no reason to believe that the proposal for moving to the Party Act will be of any inconvenience to the authorities.

The Committee is also in favour of dissolving the special Complaints Board for consideration of complaints against decisions in registration cases according to the present Election Act. The Committee proposes that the cases which this Board considers are instead considered by a new independent board that is appointed to monitor that the rules concerning party support and income reporting are complied with etc. The composition and tasks of the board are further described in para. 6.12 in the recommendation and in Chapter 8 of this Proposition.

The Committee proposes that the responsibility for administration of the party registration scheme is transferred from the Ministry of Local Government and Regional Development to the Ministry of Government Administration and Reform – which according to the proposal will have the responsibility for administration of the new Party Act. Further, reference is made to para. 9.3 in the Committee's recommendation.

The Committee does not propose amendments to Chapter 5 of the Election Act other than those necessary to move the rules to a new Act and that the complaints authority is assigned to another body.

4.4 The view of the consultative bodies

The Ministry of Local Government and Regional Development, which has the responsibility for the Election Act, has no comments to the proposal.

The Ministry of Justice (MoJ) states in a letter dated 2.2.2005:

“ In Chapter 9, the Committee proposes that the rules on registration of party names, financing of the parties’ activities and publication of their incomes are contained in a separate Act. The Committee is of the opinion that collecting all the rules which apply particularly to the political parties in one common Act, will make the rules more easily followed and protect important legal-pedagogical considerations. As the Committee itself points out, the alternative will be to include the provisions in the Election Act. The Ministry of Justice has no significant objections against the solution proposed by the Committee.”

The Conservatives support the Committee’s proposal for an Act which includes rules on registration, financing and publication of the parties’ incomes at the same time as the guidelines and annual Circular issued by the Ministry of Government Administration and Reform are replaced by statutory rules.

The proposal is also supported by Vestfold County, while other consultative bodies have no objections or remarks to the Committee’s proposal.

4.5 The Ministry’s evaluations

An evaluation of the party registration arrangement is not part of the Committee’s mandate. The Committee has not undertaken a material evaluation of the rules or proposed amendments beyond that which is regarded as necessary so that the rules can be worked into the new Party Act.

The Ministry is evaluating the proposal regarding moving of the party registration

system from the Election Act, Chapter 5, to the new Party Act as a proposal of legislative technique and administrative type, without being said to influence the parties’ rights or obligations in any way – or otherwise entailing any substantial changes in current law.

In this proposition the Ministry reflects the Committee’s proposal to move the rules from the Election Act to the Party Act. The Ministry regards it as natural that the Ministry of Government Administration and Reform, which at present has the administrative responsibility for current law on publication of political parties’ income, and which also has the administrative responsibility for the present system of state support to the political parties, is assigned the same responsibility for the new Party Act. According to the proposal this will also include the authority concerning party registration which is assigned at present to the the Ministry of Local Government and Regional Development.

The Ministry’s Proposition is based on the proposal for amendments to the Election Act which the Government has proposed in Proposition to the Odelsting No. 44 (2004-2005), cf. also Recommendation to the Odelsting No. 60 (2004-2005).

Concerning the Ministry’s evaluation of the proposal on establishing a new independent board which *inter alia* shall take over the authority at present assigned to the Complaints Board according to the Election Act, reference is made to Chapter 8 of this Proposition.

5 Public financing of political parties' organisations and democratic groups

5.1 Present subsidy system

State subsidies to political parties

Political parties are provided financial support by different state subsidy systems. An annual subsidy for the number of votes is at present granted to the parties' central, county and municipal organisations. There is also an annual group subsidy awarded to democratic groups in Parliament, County Councils and Municipal Councils. In addition, there is an annual subsidy granted to the central and county youth organisations. Further, the parties' central organisations receive subsidies to hold nomination meetings during the election year. The parties receive in addition state subsidies for press and adult education purposes.

Parliament makes appropriations for annual subsidies in the Fiscal Budget to political parties through Chapter 1530 Subsidies to the political parties. Further rules on the state party subsidies system are given in the guidelines P-650 of 24.5.1993 issued by the Ministry of Government Administration and Reform. Subsidies are granted upon application and are for the whole of the election period. There are no conditions attached to the use of the subsidies, and the state does not control the use of the funds. Subsidies are awarded in the form of vote support and group support. The parties' central, county and municipal organisations are eligible for subsidies. Political lists which are represented in local democratic bodies, are entitled to group subsidies. (See also the paragraph below dealing with subsidies to democratic bodies). Further, subsidies are awarded to the political parties' youth organisations at a national and county level.

The vote subsidies are reserved for parties that are registered in accordance with Chapter 5 of the Election Act and are dependent on the number of votes the parties' obtained at the last election, i.e. that payment takes place in accordance with a fixed rate per vote.

The state subsidies to the *parties' central organisations* are appropriated through Chapter 1530, item 70. In addition to the

requirement for registration in accordance with Chapter 5 of the Election Act, there are also requirements that the party must have presented party lists (plain or common lists) in at least half of the election districts as well as having achieved at least 2.5% support on a national basis at the last general election. The Ministry of Government Administration and Reform pays subsidies to the parties' central organisations on a quarterly basis.

Vote subsidies to the parties' county and municipal organisations are paid by the counties and municipalities respectively with reimbursement by the state through the County Governor by the end of the appropriations year.

Parliament appropriates annual subsidies to the *parties' central youth organisations* through Chapter 1530 item 76. Since 1995, the parent party's number of votes at the last General Election have been the allocations criteria for subsidies to the individual central youth organisation. The scheme is drawn up so that subsidies are only paid to the youth organisation through item 76 if the parent party qualifies for support through item 70. The Ministry of Government Administration and Reform pays subsidies to the youth organisations on a quarterly basis.

Subsidies to youth parties in the individual county are contingent upon the number of votes obtained by the parent party at the last county council election, and are channelled to the youth party via the parent party's county organisation. The system is designed so that a higher vote support is given to county organisations having a youth organisation in the county.

According to the present rules, every other year a nomination subsidy is paid to the parties' central organisations. Since 1992 the subsidy has been appropriated through Chapter 1530 as a part of the support through item 70 (in an election year) and based on the same conditions as the general subsidies to the parties' central organisations. In 2003, the nomination subsidy was NOK 5.8 million. An equivalent amount applies to 2005. Half of this is distributed according to the number of votes at the last preceding General Election,

while the other half is divided equally among the parties.

A central impartial committee has been set up to decide any assessment questions in connection with allocation under Chapter 1530. This committee also decides any complaints with binding effect. The committee is appointed by the Ministry for Government Administration and Reform for a four-year period and is composed of a Supreme Court Judge (Chairperson), a Labour Court Judge and a representative from Statistics Norway. Reference is also made to a further description of this committee in Chapter 8 below.

State subsidies to *adult education organisations* (study associations) are appropriated annually through the Fiscal Budget Chap. 254, item 70. The statutory basis for the subsidy scheme is the Act of 28 May 1976 No. 35 relating to adult education with appurtenant Regulations. Both party-neutral and party-connected educational institutions can apply for subsidies for study activities. At present, most of the parties have such study associations that hold various forms of courses, study groups, seminars, etc. A total of just over NOK 38 million was appropriated for party-connected study associations in 2004. Support to the study associations can nevertheless not be regarded as party subsidies. Formally, the study associations are independent organisations with separate Boards. The subsidies to each study association are calculated mainly based on the number of study hours given at the educational institutions.

Press subsidies are appropriated annually through Chap. 335 in the Fiscal Budget and its aim is to ensure multiplicity and diversity of press coverage. The political parties also benefit from this subsidy arrangement. Under item 76 Subsidies to various publications, appropriations are made for informational activities in political parties, as well as distribution of the parties' own publications. The rules for allocation are given in the Regulation relating to subsidies for party information dated 8 February 1999. The subsidies for informational activities consist of a common basic subsidy and a variable subsidy which is dependent on the number of votes at the last general election. The subsidy for allocation depends on the number of party publications distributed. In 2003, appropriations were made of just under NOK 9

million for informational activities and about NOK 2 million in distribution support. It is a requirement for receipt of subsidies that the party is represented in Parliament. In addition, the party must have presented a list in at least half of the election districts and had support of at least 2.5% at the last general election.

Subsidies to democratic groups

The Parliamentary groups receive subsidies annually through the Fiscal Budget Chap. 41, item 70, for employment of secretaries and case executives. The subsidy is in two parts, a variable component and a fixed component. The variable component (representative subsidy) is dependent on the size of the Parliamentary group in that a subsidy is given for payment of salary to one secretary / advisor for each representative in the group. (As at 1 January 2004 this support was fixed at NOK 481 272). The fixed component (basic subsidy) is a common subsidy for all Parliamentary groups.¹ The basic subsidy as at 1 January 2004 was fixed at just over NOK 1.4 million. For groups in the opposition an addition to the basic subsidy is given which varies according to the size of the group. Parliamentary groups with three or four representatives receive a 50% higher basic subsidy than groups in position. Parliamentary groups with five or more representatives receive a 100% higher basic subsidy. Parliamentary groups with fewer than three representatives do not receive an opposition addition.² (In total, appropriations were made of just over NOK 96 million to the Parliamentary groups in 2004).

Subsidies to *democratic groups in county councils and municipal councils* are appropriated annually through items 72 and 74 of Chap. 1530 in the Fiscal Budget. Upon application, the democratic groups are given a common basic subsidy – independent of the size of the group, as well as a fixed addition for each representative in the group. The election results form the basis for the full election period so that the amount of subsidy to the individual group will be the same – unaffected by any changes in the size of the group during the election period.

¹ Independent representatives receive only half of the representative subsidy and do not receive a basic subsidy

² See Recommendation to the Government No. 340 (2000-2001) and Parliament's decision of 11 June 2001.

The requirement to be registered as a party in accordance with Chapter 5 of the Election Act does not apply to allocation of the basic subsidy, in other words, representatives who have been elected to the political lists also receive this subsidy. As for the arrangement under Chap. 1530 otherwise, there are no conditions made for or control undertaken of the use of the funds. The subsidy is paid by the municipalities and the counties with reimbursement by the County Governor.

(In 2004, the basic subsidy and representative subsidy were NOK 25 992 and NOK 6 003 for the county councils, compared with NOK 3 090 and NOK 1 110 for the municipal councils).

Municipal and county subsidies

Up until 1975, under the then Section 23 of the Municipality Act, the municipal councils or executive committees of the local councils were not allowed to allocate funds to political organisations or for political purposes.³ The purpose of this was to prevent municipal funds from being misused so that one group in a municipal council could give preferential treatment to one single party, a party newspaper etc. This provision was repealed in 1975 at the same time as the state subsidy scheme for the parties was extended to include the parties' county and municipal organisations, cf. Report to the Storting No. 19 (1974-75). In addition to the introduction of state party support to the municipal and county councils, there was also an opening for the individual municipal or county council to grant an extra subsidy to the parties from their own budgets. In para. 3.5. of the Recommendation the committee gives a further description of the extent of the municipal and county party support.

5.2 The European Convention on Human Rights (ECHR)

State subsidy schemes

State subsidy systems for the political parties are found in many countries. The Committee has not found opinions by the European Court of Human Rights (ECHR) which can sow

³ An exemption was granted for "political youth organisations, study and informational work and other social, cultural and practical activity".

doubt about the legitimacy of this type of scheme.

Some questions were touched on in an opinion of 18 May 1976 by the Commission under the European Council's old monitoring system: Association x, y and z versus Germany. The Commission concluded *inter alia* that the right to freedom of thought, conscience and religion contained in ECHR Article 9 does not protect the taxpayer against state subsidy systems – even though they also support parties which the individual taxpayer does not wish to support. ECHR Article 11 on freedom of association does not protect against the states setting conditions for assigning rights to organisations – as, for example, the right to participate in an election. It does not represent an infringement of ECHR Article 11 or Article 3 in the Additional Protocol 1 that states have a support system which only concerns political parties and not other associations.⁴

In the opinion of the Committee, there are no international law limits to Norway continuing state subsidies to political parties under certain conditions.

In the European Council's Recommendation on financing of political parties, it recommends in Article 1 that the states give support to the political parties to a reasonable extent and that the distribution takes place according to objective, fair and reasonable criteria.

5.3 Democracy Financing Committee's considerations and proposals

The Committee points out that the subsidies to the party organisations have had a considerable real growth since the mid-1980s. The average real growth of the subsidies lies above the total average growth of appropriations during this period. This means that the subsidies to the parties are given priority in relation to other purposes in a budgetary context. The level of

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⁶ The Commission states: "The purpose of this system is to make the parties more independent of sources of money, which might unduly influence their political actions. Whether the subsidy is at all paid and what amount is paid to any particular party depends on its success in the election and therefore reflects the real importance of the party concerned. It follows that neither the subsidy as such nor the way in which it is allotted to the various parties can be said to be a condition which does not ensure the free expression of the opinion of the people."

the party support in Norway is high compared to other countries – even higher than our Scandinavian neighbours. During just one generation, the state subsidies have been one main source of income for the parties. Some of the parties are practically fully financed by the state.

The growth in state subsidies has mainly taken place by an increase of the subsidies to the parties' central organisations. This has provided the foundation for increased activity in the form of professionalisation of the administration, increased use of internal research committees and employment of more salaried employees. The subsidies to the parties' county organisations and municipal organisations have in reality been almost constant during the same period. Parallel with the increase of the subsidies, the political parties have experienced relief in that they also have had an advantage of the IT revolution and the efficiency gains which have accompanied it.

The development in the parties' framework conditions is characterised at the same time by failing self-financing possibilities, pressure of increased costs and considerably increased requirements set for the parties as premise providers. The membership numbers are falling and good-sized contributions from organisations in the private sector are absent. At the same time, there are increased requirements regarding professionalisation of the party organisations. Extended and more expensive election campaigns follow the increased competition for the votes of floating voters.

Necessity for public subsidies

In the Committee's opinion there is still a necessity for state subsidies to be granted to the party organisations and democratic groups. The Committee points out that representative democracy assumes that certain core tasks are carried out:

- Complete and competitive political alternatives must be drawn up and communicated to the voters
- Election lists must be organised around the alternatives
- The decision activity of the elected representatives must be co-ordinated to reflect the political alternatives and to make the elected representatives accountable to the voters

- The public exchange of words must be given thought-out standpoints which are binding enough to be able to be realised as actual politics
- Recruitment and training must be secured so that it can always result in competent political leadership

The Committee points out that an efficient solution of these tasks requires sensitivity towards the voters, fixed organisation and long-term involvement. It is this role the political parties fill and which makes the parties one of democracy's most important cornerstones.

The Committee points out that the state share of the income varies considerably from party to party – from under half to almost the whole of the income base. Traditionally important sources of income for the parties, as, for example, membership fees, have been reduced as a result of a marked fall in membership numbers.

Any attempt to force the parties to increase their self-financing by reductions in state subsidies, will probably contribute to sharp competition between the parties and other organisations on involvement and income. The Committee does not wish such a development. Increased self-financing by business activities or administration of assets is not desirable either. The parties are and should be something other than commercial enterprises.

The Committee is of the opinion that in Norway there is no danger that in the event of increased state financing, the parties will develop a dependency on the state and become distanced from their voter groups and their membership portfolio. The thesis on "the cartel party" (cf. para. 2.7 in the Recommendation) gives an apt description of the present Norwegian parties only to a small degree.

The proposals presented by the Committee regarding lower financial limits, encouragement for differentiated financing and full right of disposal over state subsidies will strengthen the parties' autonomy in connection with state support.

The committee recommends that state subsidies to the parties should continue to be granted as free contributions, which are not bound to specific purposes and where there are no controls regarding the use of the funds.

At present the scheme and principles for allocation are stated in a Ministry Circular. The

Committee is of the opinion that this only to a small degree safeguards the rules against random changes and does not contribute to easy access either. On the basis of the Recommendation the Committee is of the opinion that the subsidy scheme should be based on rules of a higher rank. In order to safeguard the transparency of the scheme, the Circular should be replaced by statutory rules.

State subsidies are reserved for registered political parties

The Committee's majority is in favour of the reservation of state subsidies for political parties that are registered according to the rules in the Election Act.

The Committee defines a political party as an organisation which performs certain core tasks (cf. the above paragraph). Political lists do not meet all the definition criteria. Such lists are almost always organised around one or a limited number of individual cases without being based on an overall ideology for the development of society.

The absence of a complete and detailed political programme makes it difficult to achieve party discipline outside that or those individual cases which the list reflects. Low party discipline is a bad starting point for co-ordination of views in democratic entities. Lists with a permanent organisation and which are stable over time, will also have ambitions of contributing to recruitment and training of political leaders. Scale advantages nevertheless indicate that recruitment and training should be handled more efficiently by national parties.

The Committee is of the opinion that the requirements for achieving registration according to the provisions of Chapter 5 of the Election Act are relatively modest. Firstly, the party name must be unique enough not to be confused with existing party names. Then an Executive Board must be appointed which has the authority to obligate the party. Lastly, the party must mobilise statements from at least 5 000 persons having voting rights in a general election, that they wish the party name to be registered. Since the requirements for registration are so simple to meet, the Committee thinks that some political lists omit to be registered as political parties because they do not wish to build up a permanent party organisation around an overall programme. The Committee is of the opinion that there is reason to believe that parties that cannot or will

not meet these requirements, have no basis for establishing a permanent alternative in Norwegian national or local politics – something which makes these entities less worthy of subsidising.

The Committee points out that some unregistered parties have missed out on considerable amounts of money by omitting to be registered. The largest unregistered county party, at the 2004 rates, could have received almost two million kroner in vote subsidy upon registration. The equivalent figure for the largest unregistered municipal party is almost NOK 50 000.

According to the Committee's proposal, unregistered parties or lists who win representation on municipal councils and county councils, will also receive group subsidies and representative additions, cf. the paragraph dealing with transfer of group subsidy in accordance with the present rules P-650 of 24.5.1993 to the municipalities and counties. Unregistered parties or lists' groups will therefore receive the same operational conditions as registered parties' groups.

Basic subsidy and vote subsidy

The Committee proposes that the vote subsidy in the future is allocated in the same amount of money per vote obtained at the last election. The basic subsidy is allocated in the same amount of money per party entitled to subsidies. Total appropriations at the individual administrative level is allocated with 9/10 as vote contribution and 1/10 as basic contribution.

A model where subsidies are given as a combination of one fixed and one variable component is relatively normal internationally. Of the 21 democracies about which the Committee has collected information regarding subsidies (cf. Table 4.1. in the Recommendation), 1/3 provided subsidies as a combination of result-dependent support (based either on votes or representatives) and a basic subsidy.

Further on basic subsidies

A basic subsidy contributes to even out the incomes between the parties and can reduce the significance of private contributions in politics. Dissimilarity between the parties with regard to financing can thereby have less significance, while attractive programmes and competent leaders can have equivalently larger

significance for achieving election results. For the parties the basic subsidy will mean that it will be easier to predict operations.

On the other hand, the basic subsidy will contribute to weaken the financing system's self-strengthening effects in that the connection between election success and financial strength is moderated. In this way, the voters' judgement will have less noticeable financial consequences for the parties, which must be regarded as unfortunate for the democracy, seen as a whole. The basic subsidy will mean that the parties' support will be affected to a greater degree by public subsidies, something which must be regarded as negative.

The Committee is in favour of a relatively high basic subsidy – particularly at county level and at national level – and is of the opinion that it is necessary to have an entrance criterion for allocation of the basic subsidy.

The Committee has considered two alternative criteria – the vote criterion and the percentage criterion: with a vote criterion, the party organisation with a relatively high percentage support (but nevertheless few votes) in small municipalities will fall on the minimum percentage of votes required for representation, while the organisation with a relatively low percentage of support in large municipalities will not. A vote criterion will entail that the possibilities of crossing the minimum percentage of votes required for representation will vary with participation in voting in the constituency. With a percentage criterion the requirement regarding the number of votes for the smallest party organisation entitled to subsidies (lower limit) vary with the size of the constituency. Such criterion appears most reasonable for the Norwegian municipal structure where one finds considerable variation with regard to size. The Committee proposes that current law is used as a starting point, i.e. that the percentage criterion is used.

Representation on municipal councils and county councils depends *inter alia* on the size of the constituency and competition between the participants. From the last municipal council and county council elections, the Committee has found cases where registered political parties have won representation with so little as 1.4% of the constituency votes behind them.

By using a percentage criterion alone, it will be necessary to set the minimum

percentage of votes required for representation very low so as to include all who are represented at present. A low percentage criterion, however, could mean that the party constituency which is not represented at present and has little chance of being so in the future, will also be included in the arrangement.

On the other hand a percentage criterion – if it is set higher than the effective minimum percentage of votes required for representation in the Election Act – could mean that the parties represented do not have sufficient support to receive a basic subsidy.

The Committee is of the opinion that registered parties who win representation should not be excluded from the basic subsidy. The Committee proposes that a relatively high percentage limit is combined with a rule that registered parties who win representation, are in any case qualified to receive basic subsidy. The Committee evaluates its proposal for a percentage limit for basic subsidy as equivalent to the actual minimum percentage of votes required for representation in the Election Act⁵ – i.e. 4% at the municipal council and county council election, and 2.5% at a general election.

Further regarding vote subsidies

According to the present rules, the local and county organisations belonging to registered parties receive an amount of money per vote obtained at the last election (in 2004 NOK 12 for the local organisations and NOK 29 for the county organisations). The Committee is in favour of retaining the present entrance requirements for vote subsidies in local and county elections. Further, the Committee is also in favour of rescinding the minimum percentage of votes required for representation of 2.5% on a national basis to receive vote subsidies in general elections. Small registered parties that stand in national elections, are serious challengers to the present party system. Such parties must be regarded as having ambitions for making their mark over time with overall solutions in answer to society's challenges. Such parties should not be discriminated against or disfavoured through the design of the state financing scheme, but

⁵ In municipal council and county council elections there is average support for parties that win one mandate of about 4%.

should be on the same footing as the large parties as regards appropriation of vote subsidies.

The proposal entails that registered parties at all levels will receive support from the first vote. This ensures that registered parties who do not win representation at an election, also receive subsidies for their party organisation and are thereby put in a position to compete at future elections.

Table 7.1 in the Recommendation shows what consequences the proposed limits will have for the registered parties.

The Committee's proposal concerning basic subsidies and vote subsidies can be summarised thus:

- basic subsidies and vote subsidies are granted only to parties that are registered according to the provisions of the Election Act
- no minimum percentage of votes required for representation for allocation of vote subsidies to registered parties, either on a national level, county level or local level
- basic subsidies are granted to the central organisation of registered parties if the party received at least 2.5% support on a national basis or won at least one Parliamentary seat at the last general election.
- basic subsidies are given to county organisations of registered parties if the party received at least 4.0% support or won at least one seat in the last election of the county council in question
- basic subsidies are given to the municipal organisations of registered parties if the party received at least 4.0% support or at least one representative in the last election of the municipal council in question
- the present requirement that county and municipal parties must have an organisation in the county or municipality in order to receive vote subsidies and basic subsidies, is retained

The Committee also proposes wording in the legislation which provides for no subsidies to be paid if the subsidy amount is less than the costs of administration of the payment.

Responsibility for democratic groups

The Committee is of the opinion that democratic bodies as a main rule should be responsible for financing of their own

operations. This principle is not followed in the present arrangement where subsidies are appropriated through the fiscal budget to democratic groups in the country's municipalities and counties (group subsidies and representative subsidies).

A functional democracy assumes that democratic bodies are free to organise themselves in an appropriate manner and to finance their own operations. At present, Municipal councils and county councils can choose their own form of organisation within relatively wide legal limits, including fixing an upper number of representatives to democratic bodies and choosing the executive principles which are to be followed. Municipal councils and county councils are also free to give monetary support to their own democratic bodies from their own budgets, i.e. monetary support which comes in addition to the state subsidies to the democratic groups.

The Committee's investigation show that the county councils subsidies to the county parties equate to about half of the support amount that the state grants. The municipal accounts show that considerable funds are given to political institutions. Reference is made to para. 7.7 in the Committee's Recommendation for further description of the municipalities' and counties' accounts.

The Committee proposes that government subsidies to municipal and county democratic groups (group and representative subsidies) are included in the state block subsidies to municipalities and counties. At present the amount of these subsidies is NOK 27 million. The fact that the party organisations and party groups receive independent financing through the fiscal and municipal budgets respectively, would be able to contribute to a better functioning local democracy. The proposal will also simplify the state subsidy scheme for the parties. Group and representative subsidies will therefore correspond better with the arrangement that applies to the parties' Parliamentary groups.

In order to ensure that the municipalities finance groups in a non-distorted manner, the Committee is in favour of statutory regulation of the manner in which the subsidies can be granted – according to the model in the Swedish legislation. The chosen wording of the Act is carried on in Section 10, subsection two of the Proposition for a new party Act, cf. Chapter 12 below.

Financing of youth organisations

Under the present arrangement the parties' youth organisations receive governmental subsidies at the central and county levels. The subsidies to the youth organisations at a central level are given upon application to the Ministry by the parent party. The amount of the subsidies is dependent on the parent party's support at the last general election in the form of a fixed rate per vote. The subsidies are appropriated through Chapter 1530 item 76 Subsidies to the parties' central youth organisations.

The subsidies to the youth organisations at the county level are granted to the county parties with youth organisations upon application to the county. Calculation of the subsidies is based on the party's support at the last county council election in the form of an addition to the rate for vote subsidies, item 73, Subsidies to the county parties. No subsidies are granted to the parties' youth organisations at municipal level.

In the opinion of the Committee, it would be advantageous if the subsidies to the parties' youth organisations at the county level were appropriated through a separate item in the Fiscal Budget. In this way, it would clearly be shown in the budget documents how much subsidy is granted to the parties' county organisations and the parties' youth organisations at the county level respectively. For budgeting purposes, the arrangement is harmonised with that which applies to the central level. The Committee sees no necessity for separate subsidies to the parties' youth organisations at the municipal level.

Earmarked subsidies

The Committee recommends that earmarked subsidies to the parties be phased out and granted in the future as free subsidies.

In the 2004 budget, earmarked subsidies amounted to about 5% of the total subsidies to the parties through the Fiscal Budget, equivalent to NOK 11 million. The earmarked subsidies are granted in the form of press support to the parties and nomination support through Chap. 1530. Reference is made to the description of the nomination support in the paragraph above and in paragraph 7.6 of the Committee's Recommendation .

Reference is made to paragraph 7.12 in the Recommendation for the Committee's viewpoints concerning the future level of

governmental appropriations to the political parties and to paragraph 7.14 regarding the proposal for the manner of appropriations.

Re-adjustment to unchanged subsidies during the full budget year

In order to contribute to increased financial predictability for the parties, the Committee proposes that the subsidies be left unchanged during the full budget year – i.e. not as at present and changed immediately there are new election results available. The parties will then receive subsidies assessed on the basis of the previous election up to the change of the year after a new election. Parties in recession are given somewhat more time to adapt to such re-adjustment.

5.4 View of the consultative bodies

Requirement for state subsidies

None of the consultative bodies have raised objections to the public grants to political parties being continued.

Red Election Alliance (RV) states the following in a letter dated 31.1.2005:

“ Concerning the state subsidy scheme, RV supports the intention in the proposal to limit the effects of state subsidies on the parties support, secure the parties' autonomy, build confidence in the politicians and political institutions and ensure a satisfactory extent and satisfactory quality of the parties' tasks.”

The Conservatives emphasise that it is important that state party financing in no way binds the parties, and in the same way avoids that the parties become unilaterally dependent on state party subsidies. It is just for these reasons that it is important to ensure that the parties are also able to receive other income.

The Centre Party's Executive Board states the following in a letter of 17.1.2005:

“In the financing of the parties' activities it is necessary that the state assumes responsibility for the public financing of the parties. The municipal sector's finances are subject to strong controls by the state. It is therefore reasonable that the main responsibility for financing of the parties' county and local levels are by the state.”

The same statement is made by Grong municipality.

The Confederation of Norwegian Business and Industry (CNBI) in general supports continuing to provide financial support to the political parties. It is important that this support is granted based on simple, template criteria which ensures a large degree of transparency and confidence in the support arrangements.

The National Federation of Trade Unions (NFTU) is in agreement with the Committee that it is a state task to provide financial support to the political parties and is of the opinion that it is important that the parties' finances enable them to be independent of support from private persons to a large degree. The parties must not be put in such a position that they have to increase membership fees to finance the activity.

Several state that the level of support should be increased, including Surnadal Municipality and Grong Municipality. The Norwegian Association of Local and Regional Authorities is keen that the support to the local levels is increased considerably "from the present 10% of support".

State subsidies are reserved for registered political parties

Several, including Trondheim Municipality, support the Committee's (majority's) proposal to limit the state party support to registered political parties. Enebakk Municipality supports the proposal "out of regard for order in the system". The same is stated by Vestre Toten Municipality.

Stord Municipality states in a letter of 26.1.2005:

"State party financing should be limited to political parties. In addition, requirements should be set regarding a certain support at elections in order to be entitled to receive support. This limit should in principle be the same as the minimum percentage of votes required for representation, but in any case no lower than 2%."

The Centre Party's Executive Board supports the proposal that state support shall be reserved for parties that are registered according to the rules in the Election Act: However, it is an assumption that unregistered parties receive representative and group

support on the same lines as the registered parties in the democratic bodies they are elected to.

Several, including Hamar Municipality, Hamar City and Rural List and Suldal Municipality are on the contrary of the opinion that also unregistered groups and lists should receive vote support from the first vote. Hamar City and Rural List points out that these lists are extensive and that over 600 representatives around in the country's municipalities are elected on the basis of such lists. Reference is also made to the difficulties with being able to collect as many as 5 000 signatures in small municipalities.

Kvinnherad states in a letter of 31.1.2005:

"In order to ensure the broadest possible democracy, established groups that have provided lists and have representatives, must also receive support on a line with ordinary political parties."

RV is of the opinion that everyone who provides lists at an election should be entitled to vote support, group support and representative addition on the same lines as registered parties.

Basic subsidy and vote subsidy

The Conservatives state in a letter of 1.2.2005:

"The Conservatives consider it a matter of course that an election result must have consequences for the amount of state party subsidies. A percentage distribution of the state party support, in line with the size of the parties at an election, must therefore be a basic principle. Based on an overall evaluation, the Conservatives can nevertheless stand behind that a smaller fixed amount be given to all parties over a certain size, as the Committee proposes. (..) The introduction of an arrangement where subsidies are divided into a vote subsidy and basic subsidy, 9/10 and 1/10 respectively, will lead to redistribution where the smaller parties will be better off than at present. At previous crossroads, the Conservatives have been sceptical to such redistribution, but will not maintain this standpoint, however, and supports the Committee's proposal."

Several others support the Committee's proposal on splitting up the subsidies in vote

subsidy and basic subsidy respectively, including Surnadal Municipality and Enebakk Municipality.

The Centre Party is of the opinion that the rate for the basic subsidy should be set at 20%.

Stord Municipality is of the opinion that the basic subsidy can be set at maximum 25% (at least 75% vote subsidy).

Vestre Toten Labour is of the opinion that subsidies should consist of a basic subsidy, vote subsidy (according to the number of votes) and a representative subsidy (according to the number of representatives).

Many of the consultative bodies also support the Committee's proposal for the introduction of a minimum percentage requirement for basic subsidies and appurtenant rates, among them Grong Municipality. Trondheim Municipality supports the Committee's proposal for division of the subsidies into a vote subsidy and basic subsidy and is also in agreement with minimum percentage requirements.

The Pensioner Party is of the opinion that the Committee's proposal for minimum percentage requirements will contribute to exclude overall and long-term alternatives with good chances for future representation. The party proposes that the rates are set at 2% for a general election and county council elections, and 1% for municipal elections:

“Any desire to “filter out” groups which do not meet the stated criteria, must take place in another manner, and more selectively, so that it does not affect registered parties which work properly and long-term.”

RV is also of the opinion that a rate of 2.5% is too high.

Independent Elected Representatives in Lier finds it striking that a minimum percentage requirement for basic subsidies is proposed to be higher for local elections than for a general election, because it is at the local elections “the voters sometimes organise themselves to provide lists”.

Responsibility for democratically elected groups

Several of the consultative bodies, among them the Conservatives, are positive to the proposal that subsidies to municipal and county democratically elected groups are included in

the state's block grants to municipalities and counties.

“The County Committee views it as appropriate that support to democratically elected groups is included in the block grants to municipalities and counties, and that the state at the same time maintains subsidies in the form of vote subsidies to the parties and their youth organisations. This clarifies that the state relates to the parties directly, while the counties and municipalities relate directly to their party groupings in the county councils and municipal councils.”

Oslo Municipality supports the proposal, which is a natural consequence and part of the municipal autonomy.

Grong Municipality supports the proposal that payment of group subsidies and representative subsidies is transferred to the municipalities and counties:

“Local allocation is natural since it is up to the municipalities and counties themselves to decide the number of representatives on the municipal councils and county councils. It is an assumption that legislation makes clear requirements that support shall be given and that it shall be at least on a level with the increase in the block appropriations.”

An equivalent statement is made by the Centre party in Østfold.

The Centre Party's Executive Board is of the opinion that a system whereby the state's responsibility for financing of vote subsidies is continued as at present, while the responsibility for providing group and representatives support is transferred to the counties and municipalities can be defended – the assumption is that the Committee's proposal of making this legislation is followed up.

Trondheim Municipality is of the opinion that a simplification of the party subsidy arrangement is positive, if it is not assumed that it is the municipality itself which to a greater degree than at present shall finance the operation of the parties.

Rogaland County assumes that the redistribution of the party subsidies as a result

of the proposition, does not lead to reduced party subsidies for any of the parties, but to an increase in the total subsidies. It is assumed that the present state support to groups in county councils and municipal councils will in actual fact be included in the state block grants to the counties and municipalities.

Aust-Agder county supports the proposal that the group and representative support is transferred to the counties and municipalities. The obligation to provide support must be compensated in the block grants.

Buskerud County states the following:

“The present group and representative subsidy is proposed included in the block grants to municipalities and counties. Per definition the block grants are unrestricted funds, which are distributed according to priorities set by the county council itself. A new system and a new Act should in a positive direction lead to that state and county support is seen in context (Allowance Regulative, para. 3) in such a manner that the county council itself strives to have an overall financing form which in the best possible way makes for a functional democracy.”

The Labour Party is hesitant regarding the change in the practice concerning distribution of funds to the parties' county councils' and municipal councils' groups by including these appropriations in the municipalities' and counties' block grants, and states in a letter of 6.1.2005:

“The Labour Party wishes to observe the development in this area in the time ahead if the Committee's proposal is accepted.”

RV and the Pensioner Party fear that a block transfer of items 72 and 74 will lead to the subsidies being limited, used for other purposes or be included in the municipalities' ordinary operations.

Samnanger Municipality and Grong Municipality are of the opinion that the block grants that are included must not be less than that which up to now have been earmarked subsidies. The first-mentioned points out that this has been taken up on several occasions with the Norwegian Association of Local and Regional Authorities (NALRA) with other inclusions in the block grants.

Enebakk Municipality is of the opinion that an assumption must be that the block grants take into consideration the individual municipality's election results, as the present system does.

Bærum Municipality and Vestre Toten Municipality oppose that the group subsidies and representative subsidies are included in the block grants to the municipalities.

Stord Municipality is of the opinion that party support at the local level should be distributed locally, but with full state reimbursement which must not be included in the block grants.

Independent Elected Representatives in Lier Municipality think it is very alarming if the financing of elected groups is to be left to the municipalities' strained finances, while the registered parties are to be financed through the Fiscal Budget.

Financing of the youth organisations

Grong Municipality is of the opinion that the support to the parties' youth organisations must be kept as a separate subsidy system, as the Committee proposes. Centre Party's Executive Board is of the same opinion.

The Conservatives are of the opinion that support to the youth organisations at the county level should be given along the lines of the model of item 76 in the Fiscal Budget. The Conservatives in Drammen state in a letter dated 9.2.2005.

“Subsidies to the youth organisations should be a separate item in the Fiscal Budget and should be paid directly to the youth organisations' own bank account to ensure their relative independence.”

Earmarked subsidies

Trondheim Municipality will maintain the present system with information and distribution support.

Grong Municipality and Centre Party's Executive Board are of the opinion that the Committee's proposal to include the earmarked arrangements in press subsidies can be supported if a basic subsidy to the parties is introduced. Likewise, the nomination subsidy can be included in the general party subsidies.

5.5 Evaluations by the Ministry

State subsidies to the political parties

The Ministry shares the Committee's opinion that there is still a necessity for state subsidies to the party organisations and the democratic groups. As mentioned in Chapter 2 of this Proposition, the Ministry, in drawing up the Committee's mandate, has assumed that the system of state subsidies to political parties shall be continued in one form or another. The nominal growth in appropriations through Chap. 1530 over the past approximately 35 years, has been considerable – from NOK 8 million in the first year to just under NOK 270 million in 2005. As the Committee has pointed out, the real appropriations growth as well as the relative growth seen in relation to other equivalent budget chapters, has been large.

The Ministry is of the opinion that the same arguments for state subsidies are as valid today as when the arrangement was introduced in 1970. The Party Financing Committee which was set up on 16 February 1968, like the present Democracy Financing Committee, referred to the core tasks assigned to the political parties in connection with our democratic system of government, when the majority proposed the introduction of a state arrangement. In the Ministry's evaluation these core tasks have proved to be very stable over time. In a Norwegian context, the tasks can neither be said to have become fewer nor more numerous over time. The objections which the Democracy Financing Committee raises against state financing of political parties, are also very much the same as the Party Financing Committee raised. The most important objections are that state financing of political parties can create a dependency on the state and that a political majority can have the possibilities of giving itself preferential treatment through a state system.

In the Ministry's opinion the question of any increased dependency on the state in a negative meaning, is primarily a question of the degree to which state financing can be thought to influence the political opinion in society, the parties' ability and willingness to focus political attention on important social issues, recruitment of political leaders or on other functions which the political parties perform. Even though it seems clear that the political parties seen from a financial point of view have become more and more dependent

on state financing as the level of appropriations and operating expenses have increased and the self-financing capability has been reduced, there are no indications that this development has had a negative influence on the parties' handling of their core tasks or has been damaging to the democracy.

From what the Ministry can see, there are no reasons to assert that parties in a position of power, and with the aid of the state subsidy system, have created establishment obstacles or given themselves preferential treatment in competition. It follows from the Constitution that the parties which at all times are represented in Parliament, approve the annual Fiscal Budgets, including subsidies to the political parties. There will be common advantages for the parties in increasing the subsidy levels in Chap. 1530 – especially item 70 which will benefit most of the represented parties and/or subsidy rates for the Parliamentary groups. The fewer parties that are represented, the larger the theoretical possibilities of being able to make appropriation decisions which especially favour one's own party. On the basis of the party-related composition which Parliament has had recently and the appropriations decisions which have been made, the Ministry finds no grounds for such hypothesis.

As the Committee also points out, an increase in the governmental financing part of the political parties can make the parties less dependent on private contributions which again – individually – can be an advantage in that the possibilities for corruption or suspicion of corruption are reduced. Reference is also made to the Committee's viewpoints in connection with the discussion in para. 2.7 of the Recommendation as to how far the so-called "cartel party hypothesis" is relevant to Norwegian conditions.

The Ministry points out that the rules regarding the party subsidy system since its introduction in 1970 has had independency as a basic principle, *inter alia* by the establishment of an independent Board to decide questions of assessment. The parties receiving the subsidies are not subject to conditions for payment nor controls regarding the use of the funds. Apart from the fact that the system was extended in the middle of the 1970s with regard to recipients of subsidies, the rules must otherwise be seen as having been stable. The attitude of the Ministry has

consistently been that exercise of authority in connection with the system is assigned to the independent Board. The Ministry assumes that the state subsidy system should continue to be such that the subsidies are provided without conditions or guidelines by the state to the parties entitled to receive subsidies. Both in order to ensure neutrality and to make the administration of the subsidy system more efficient, great emphasis should be laid on objective support criteria and rules which provide limited space for the exercise of state authority and discretion.

In the mandate, the Ministry has requested the Committee to evaluate alternative financing arrangements for political parties. The Ministry shares the Committee's opinion that it would be a socially unfortunate development if the parties' self-financing degree were to be increased by increased business operations or administration of assets. Such mixture of political and commercial interests could be thought to lead to a conflict of roles and suspicion of misuse of authority. Reference is also made to the discussion in the next chapter regarding private financing of political parties.

Entitlement to subsidies

The Ministry points out that the Committee's majority is in favour of state subsidies being reserved for parties that are registered according to the rules in the Election Act. The proposal must be seen in connection with the proposal regarding block transfers of appropriations in Chapter 1530 item 72 Subsidies to municipal council groups and item 74 Subsidies to county council groups in the municipalities and counties respectively. According to the proposal the group and representative subsidies shall be paid out of the municipal budgets and also benefit the unregistered parties and lists.

The Ministry refers to the fact that the assumption that the state party subsidies shall go to the registered political parties has been a basic principle right from the introduction of the system. In Proposition to the Storting No. 108 (1969-70) the then Ministry of Wages and Prices stated:

“The Ministry of Wages and Prices has commented that the Party Financing Committee in its report on the political parties' organisation and financing has

limited itself to the parties which either are represented in Parliament or which must be said to have a national organisation and which presents lists in all or almost all of the election districts in a general election (at present 7 parties).

The Ministry of Wages and Prices finds it reasonable that subsidies are also granted to the parties which meet these requirements and proposes that subsidies are also granted to the parties who presented lists (just party lists or common lists) in at least half of the election districts at a general election.”

In the proposition text from 1970, no further definition was given of what a political party is, but here reference is made to that in all 11 parties were registered in accordance with the criteria in Section 11 of the General Election Act then in force, and that seven of these were entitled to subsidies according to the proposal.

The Ministry is in agreement with the Committee's majority in that the justification and reason for the state subsidy system is that the parties are assigned responsibility for certain core tasks which are an important assumption for the democratic system of government. Further, that such tasks are best solved within the permanent, stable political organisations which work long-term – separately on the basis of a common vision, ideology or a common basis of values for developing society. The Ministry will therefore not underestimate the important contribution which unregistered lists or groups make to the Norwegian democracy by *inter alia* contributing to diversity in the political debate, including focusing on important individual cases – and not least through work in the municipal councils and county councils. The Ministry's evaluation is that state subsidies should be distributed so that they provide the greatest possible social advantage. According to the evaluation this will take place when the subsidies are granted to organisations which are assumed to carry out as many as possible of the actual core tasks in an efficient manner. As the Ministry sees it, stable and overall party organisations with a more or less established organisational apparatus and a somewhat larger geographical area of activity will clearly stand out in this context.

Further, the Ministry attaches weight to the necessity of having as clear and objective entry criteria as possible for a state party financing system. The Ministry notes that there is disagreement in the Committee as to whether or not the requirements for registration of new political parties are easy to meet for non-political lists. The majority is of the opinion that the requirements are relatively modest, while the minority points out to that the existence of local lists in small municipalities (with less than 5 000 inhabitants) should also be seen in the light of the difficulty resulting from the requirements in the Election Act for registration of new political parties, and that it is impossible to meet the criteria in the Election Act of support of 5 000 persons with voting rights in a general election.

The Ministry points out that the criteria in the Election Act for what can be registered as a political party or not, are given based on completely different considerations than which political organisations shall be entitled to state support or not. The Ministry regards it as natural that a party subsidy system should build on what at all times is the definition in the Election Act of political parties and otherwise contribute to protecting the considerations behind such limitation.

The Ministry supports the proposal by the majority in the Committee that government subsidies in Chap. 1530 should be reserved for parties which are registered in accordance with Chapter 5 of the Election Act. The Ministry, as is the majority in the Committee, is in favour of the unregistered groups or lists being granted an allowance for the work which is performed in the municipal councils and county councils – along the same lines as the registered parties. Reference is also made to the following paragraph.

Division of the subsidies in basic subsidy and vote subsidy

The Committee proposes that the state subsidies are divided into 1/10 basic subsidy and 9/10 vote subsidy respectively. The basic subsidy is granted to parties which have the following support:

- at least 2.5% support at the last preceding general election, or
- at least 4.0% support at the last preceding county council elections, or at least one representative elected, or

- at least 4.0% support at the last preceding municipal council election, or at least one representative elected.

According to the proposal, the vote subsidies are granted to all registered parties which receive vote(s) in one of the above-mentioned elections – nevertheless with a lower limit for payment fixed on the basis of administrative considerations.

The Ministry points out that a proposal to divide the state party subsidy into one subsidy dependent on votes and one fixed component was discussed in connection with the introduction of the system, cf. Proposition to the Storting No. 108 (1969-70) page 13. It was pointed out here that parts of the parties' costs do not vary very much in relation to the size of the parties, and that there could therefore be grounds to divide some of the amount equally between the parties and the rest proportionately according to the number of votes held by the parties – for example, in a proportion of 30/70. The Ministry's argument against this at that time was that

“on the other hand it is clear that a large party will necessarily have more funds available to carry out its tasks than a smaller party. Whether this should indicate a proportionate division of the whole of the subsidy according to the number of votes held by the parties will be a matter for evaluation.”

The result of the discussion was that the system was established without such division, i.e. that the whole of the subsidy was divided proportionately according to the number of votes, cf. also Recommendation to the Storting No. 275 (1969-70).

The Ministry is of the opinion that the arguments which the Democracy Financing Committee asserts are relevant with regard to the fact that by fixing of a proportionate number for division of basic subsidy and vote subsidy, must especially take into account that the voters' judgement shall have financial consequences for the parties. If one disregards the group and representative subsidies, the present arrangement fully meets this through the rule: no votes, no subsidies – and that the

total subsidy amount is given in the form of a fixed rate per vote.

Rates have been proposed by some of the consultative bodies for basic subsidies of up to 20-25%. The Ministry is of the opinion that the election results should predominantly be decisive for a party's relative share of the state subsidies – which speaks for not setting the rate for the basic subsidy too high. On this basis the Ministry supports the Committee's proposal for splitting up the state subsidies, including the proposals for proportionate numbers, cf. Section 11-13 in the Bill. The proposal regarding splitting up the vote subsidy and basic subsidy will to a certain degree contribute to even out the state subsidies between the parties.

Concerning the administration of item 70, this will entail marginal extra costs if several parties fall under the system. With the proposal of 2.5% used as the basis, the basic subsidy at present will all fall to the seven largest parties which share the subsidy through this item. The municipalities and counties pay subsidies at present from the first vote to registered political parties. On a local and county level, deciding whether the limit for the basic subsidy has been met or not, will entail a limited additional administrative task for public authorities.

The Ministry points out that the subsidies through item 76 Subsidies to the political parties' central youth organisations are divided according to the same criteria that is applicable to the subsidies item 70. The Ministry proposes that the subsidies to youth organisations are divided such that only the organisations where the parent party is entitled to the basic subsidy according to item 70, will be entitled to subsidies through item 76 – and that this subsidy is divided proportionately according to the votes held by the parent party. The reason for the proposal is that the subsidy to the youth organisations at present is limited (NOK 5.7 million). Splitting up and fragmentation of the subsidy amount is expected to result in that the social effect of the subsidy will be reduced. In practice this will mean that the subsidy through item 76 will be divided according to the same criteria as at present.

The Committee proposes an escalation plan for the state party subsidy in paragraph 7.2 of the Recommendation, in accordance with a proposal of NOK 10 million for the coming year. The Ministry emphasises that in

this Proposition no proposal is put forward which will mean constraints on future years' appropriation levels for the system.

Responsibility for democratic bodies

The Committee proposes that the state subsidies to municipal and county bodies is included in the block grants to municipalities and counties and that a provision is included in the new Party Act which ensures that such subsidies are given in a non-discriminative manner. The purpose is *inter alia* to create greater equality between the subsidies to the democratic groups on the local level and what at present applies to Parliamentary groups.

In the consultative round, several have given their support to this proposal, but there have also been strong objections to it. It seems as though the fear is first and foremost that the municipalities and counties will in the future use this part of the block transfers for completely other purposes than supporting the political parties – and further, that political lists can be completely cut off from state party subsidies as a result of the proposal.

The Ministry sees that weighty arguments can be made both for and against the proposal for block transfers of item 72 and item 74 in Chap. 1530. While opposers of the proposal have referred to the above-mentioned, the supporters have argued that this is a natural part of the municipal autonomy.

Section 10 (2) of the proposal Bill establishes a division of responsibility concerning subsidies to the various democratic groups and that such subsidies shall be granted proportionately according to the election results. As the provision is worded, however, it cannot be interpreted as an obligation for the individual county or municipality to support its democratic groups. According to the Committee's proposal it will be up to the democratic body itself to determine the extent of the subsidy. In principle, therefore, the provision does not prevent the annual allocations being set at 0 in the individual municipality. However, the rule establishes that if support is to be given, it shall be given according to set criteria.

Basically, therefore, it can be said that there are grounds for a certain anxiety (theoretically) that the group subsidy and representative subsidy can lapse in some municipalities and counties as a result of the proposal, and that it is particularly the political

lists which will suffer because of it. However, the Ministry points out that the Committee's research indicates that the present municipal subsidies are widespread on a national basis, and that there are no grounds to assert, for example, that wealthy municipalities to a greater degree than less wealthy municipalities choose to support their political parties. The Ministry also believes that a certain amount of support to the groups will be an assumption for a democratic body to function – and that this would be a desired priority by the municipalities and counties. In the Ministry's opinion there will regardless not be any question of fixing any minimum amount for group subsidies or representative subsidies in any Act or Regulation.

After weighing up the various aspects of this matter, the Ministry has found that the considerations with regard to the municipal autonomy should be attached greatest weight and for this reason supports the Committee's proposal.

Financing of the youth organisations

The Ministry has no comments to make to the Committee's proposal that the subsidies to the youth organisations on the county level are appropriated in a separate item in the Fiscal Budget. The proposal is also in line with the viewpoints from the relatively few consultative bodies which have commented on it. The Ministry assumes that the "group model" applies to subsidies to the political parties – in the sense that the state party subsidy system does not influence the freedom of the parties' decision-making bodies in regard to the internal bye-laws etc. to undertake redistribution of the subsidies to the parties' various organisations or levels.

Earmarked subsidies

The Ministry does not have any objections in principle or remarks to the Committee's proposal that earmarked subsidies shall be removed. However, the Ministry sees that arguments can be put forward that such removal should be compensated with more liberal rules for the system of basic subsidies.

The Ministry points out that the Committee's proposal on this point is not directly relevant to the Proposition itself, but must be considered by Parliament in connection with the general financing conditions for the parties and what shall be

continued from the current system in Chap. 1530, in the new Act. Regarding Chap. 1530 this entails that the nomination subsidies which are appropriated each year, will lapse. The nomination subsidies are appropriated at present based on a distribution key which in particular protects the smallest parties that receive subsidies through item 70 Subsidies to the parties' central organisations. It will be up to Parliament, through the annual appropriations, to decide what compensation the parties shall receive for the lapse of subsidies for various publications and nomination subsidies.

Change to unaltered subsidies during the entire fiscal year

The Ministry points out that for items 70 and 76, the result of the general election in relation to the present practice will be in force from 1.1 of the year after the election, to and including 31.12. of the fourth year after the election. No changes are made in the distribution of the appropriations in the fourth quarter of the election year. The present practice is therefore in line with the Committee's proposal. Concerning support through the local items, the municipalities themselves undertake an audit of all payments to the parties in the fourth quarter on the basis of the unofficial statistics drawn up by the municipalities and counties themselves after the last municipal election and county election, but based on the same rates that applied (for three quarters) before the election – given by the Ministry in a Circular for the year in question.

The Ministry sees that an arrangement where the same basic statistics are used for calculation of the annual subsidies during the full election period, can contribute to giving the parties a larger degree of financial predictability. The Ministry therefore supports the Committee's proposal that the local and county party subsidy through Chap. 1530 is reorganised so that the subsidies are distributed on the basis of the results of the last preceding election including in the year before a new election, as the practice already is for items 70 and 76.

None of the consultative bodies has commented on this.

Simplification of the subsidy arrangement

The Ministry is in favour of simplifying the administration of the state party subsidy arrangement beyond what the Committee has proposed. The Ministry proposes that all payments of the state subsidies through Chap. 1530 items 71 and 73, as well as the new budget item for the county youth organisations, in the future shall be undertaken by the state through the county governors. At present, the municipalities and counties pay the subsidies through items 71 and 73. The bills, authorised by the Office of the City Auditor, shall then be forwarded to the county governors for reimbursement from state funds.

The proposal will entail a considerable simplification of the present arrangement in that the system for reimbursement will lapse. The municipalities and the counties will then have one state-required task less, and the proposal will therefore contribute to strengthening the municipalities' autonomy.

The county governors have at present, through the reimbursement arrangement, a certain administrative apparatus in connection to the state party subsidies arrangement. The Ministry assumes that there will not be a necessity for increased resources in the offices of the county governors as a result of the proposal.

6 Access for others to finance political parties and democratic groups

6.1 Current law

Limitations in legislation

In Norway there are few limitations in legislation concerning the parties' possibilities of obtaining income from private sources. There are no limitations as to *how much* a party can receive in gifts or *from whom* the parties can receive gifts. An exception is the provision contained in Section 97a of the Penal Code which prohibits representatives of political parties from accepting support from a foreign power or from parties or organisations that act in the interests of a foreign power. Section 97 a of the Penal Code reads as follows:

“A Norwegian citizen or a person domiciled in Norway who, from a foreign power or from a party or organisation acting in its interest, for him or herself or a party or organisation in this country, accepts financial support to influence the opinion of the general public regarding the state's system of government or foreign policy or for party purposes, or who is an accessory thereto, will be punished by detention or imprisonment for up to 2 years.”

This statutory provision was passed in 1950, partly on the background of experiences with Nazi Germany's and the Soviet Union's support to parties in other countries. The purpose of the provision is to prevent foreign states, or those who act in the interests of a foreign state, from exercising influence over the opinion of the Norwegian people regarding the form of government and Norwegian politics. In one-party states where the division between state and party is unclear, the prohibition will also concern contributions from the party organisation. On the other hand, the prohibition does not apply to contributions which a sister party in a democratic state makes to a Norwegian party.

Section 86, item 5, of the Penal Code establishes that it is punishable to found, enter

into, participate actively in or give financial support of significance to a party or organisation which acts to the advantage of the enemy. Otherwise there are no rules in Norwegian legislation that prohibits parties from accepting gifts.

Recommendations by the European Council

In the Recommendation by the European Council regarding common rules against corruption in the financing of political parties and election campaigns¹ it is recommended that states prohibit or regulate gifts from certain donors. This concerns *inter alia* gifts from legal entities under the control of public authorities, gifts from legal entities that deliver goods or services to any public administration and gifts from foreign donors.

The Committee has evaluated these recommendations in Chapter 6 of its recommendation.

In addition to the recommendation that the states prohibit or regulate gifts from certain donors,² the European Council encourages the states to consider a prohibition against gifts of over a certain amount at the same time as it recommends implementing measures which prevent the possibility of evading such rules.³ The purpose is to counteract that private individuals having large resources or larger enterprises and organisations purchase political influence. The European Council further requests that the states consider measures to prevent unreasonable financing requirements in political parties, i.e. by setting limits for election campaign expenses.⁴

The European Council recommends that measures are implemented to limit, regulate or prohibit parties from receiving gifts from entities selling goods or services to the public

¹ Rec(2003)4: The Recommendation by the European Council on common rules against corruption in the financing of political parties and election campaigns, Articles 3, 4 and 7.

² Rec(2003)4, Articles 3, 5 and 7.

³ Rec(2003)4, Article 3b.

⁴ Rec(2003)4, Article 9.

sector.⁵ This will prevent that parties in a position of power are influenced to give preferential treatment to suppliers to the public sector in various ways.

It is recommended that limitations or prohibitions be introduced against acceptance by the parties of gifts from foreign donors.⁶ Such prohibitions are already found in several countries. The purpose is to counteract undermining of national sovereignty as well as reducing the presence of complex transactions across state borders.

Further, the European Council recommends that legal entities under the control of the state or other public authorities are prohibited from making gifts to political parties.⁷ This is to prevent that parties in a position of government transfer – or are suspected of transferring – public funds to their own organisations. Rules preventing secret gifts are also recommended.

Reference is made to Tables 4.3 and 4.4 on pages 60 and 61 of the Committee's recommendation for an overview of the international existence of such regulations.

6.2 Proposal by the Democracy Financing Committee

In order to avoid the parties getting into an unfortunate dependency relationship with the state, the Committee presents several proposals which could provide for parties being able to accept gifts from private donors. The Committee has taken into consideration the European Council's Recommendation 2003/4.

On donations, limitations on amounts, limitations of election campaign expenses

The Committee sees certain dangers in donations to political parties – first and foremost in that parties can get into an unfortunate dependency relationship with large donors. The Committee points out that rules on contributions and limitations on amounts can set effective limits for the potential influence some donors can have, if the rules are

complied with and not evaded. Under the same assumption they can also contribute to even out inequalities in party competition by reducing the financial significance of sympathisers with large financial resources. Another strategy can be to limit the parties' requirement for resources through provisions that set limits for how large amounts the parties can spend on election campaigns.

The Committee is nevertheless of the opinion that it is not appropriate for the authorities to regulate this to too great a degree, for example, by introducing prohibitions against donations or against donations of a certain amount. Experience, particularly from the US, indicates that the evasion possibilities are many and that they are taken advantage of. For example, a prohibition against accepting donations from certain types of donors may be met with constructions to which the wording of legislation does not apply.⁸ The limitations on amounts can be evaded by the donation being made as key money, or by the donation being given in a form that is not covered by the rules. The limitations on election campaign expenses can be evaded by setting up front line organisations that hold their own election campaign without being encompassed by the rules that apply to the parties. Prohibitions and limitations can stimulate evasion – both legal and illegal. This will in its turn entail a requirement to tighten up the rules and thereby create further regulation. The result can be a detailed, complicated and over-complex set of rules, at the same time as the possibilities for having insight into the parties' real lines of communication, is weakened.

The Committee also points out that by prohibiting or setting limitations on donations from organisations and other donors, one intervenes in the private autonomy and prescriptive freedom to support political standpoints – financially or in other ways. The possibility of organising themselves and to work for their wishes for social development, is an important democratic right – also for organisations and institutions. To prohibit organisations / institutions giving gifts to political parties will restrict their freedom to choose activities themselves which they think

⁵ Rec(2003)4, Article 5b.

⁶ Rec(2003)4, Article 7.

⁷ Rec(2003)4, Article 5c: "States should prohibit legal entities under the control of the state or of other public authorities from making donations to political parties."

⁸ This problem has been attempted avoided in the UK, by instead indicating who is entitled to donate, so-called permissible donors.

contribute to fulfilling the organisation's purpose.

The Committee is not in favour of limiting amounts for private donations or setting limitations on the parties' use of money in connection with election campaigns, cf. also Section 17 in the Committee's proposal for the Act where the main rule is that private persons shall be allowed for to give gifts to political parties. The Committee assumes that transparency should be the primary weapon against corruption and against unacceptable ties in the financing of the political parties.

On prohibition against gifts/donations from certain donors

Legal entities that supply goods/services to the public administration

The Committee sees that donations from larger suppliers to the public sector can constitute a potential danger of corruption. Norway has a large public sector and the state is an important customer for many activities. Donations from larger suppliers can weaken confidence both in the administration and the political system.

The Committee is not in favour of introducing a general prohibition of donations to political parties from legal entities that supply goods or services to the public administration. Very many businesses supply or will in the future make such supplies to various parts of the public administration. The wording of such rules will raise various problems – *inter alia* whether the rules shall also apply to subcontractors for this type of business, whether the business which has previously given donations shall be precluded from making deliveries in the future, whether the prohibition shall apply to donations to all registered political parties regardless of representation or not, etc.

There are already rules in place in various sets of rules, i.e. Administration Act, Municipalities Act, Penal Code and the Act relating to public procurement, which *inter alia* are intended to prevent corruption in relationships between parties and suppliers. If the rules for disclosure of the parties' income is extended to also include local levels, it will work in the same direction. The provisions regarding transparency will increase the possible of efficient enforcement of the remainder of the rules. In Official Norwegian Report 2003:30 *New Open Files Act* the Open

Files Act Committee is in favour of amending the Act relating to public procurement (Act of 1999 No 16) to improve right of inspection, increase public confidence and prevent corruption. The Committee supports such development of the Act.

Norwegian legislation contains controls which have been passed with the aim of preventing corruption in connection with supplies to the state. The Committee is of the opinion that this must be taken into consideration in connection with the European Council's recommended controls in this area.

The Committee assumes that the present state of the law is not contrary to the recommendation on this point.

The Committee emphasises that there is reason to monitor the development in this area carefully. Right of inspection of gifts to parties at all organisational levels, as proposed by the Committee (cf. Chapter 7 below), will contribute to reveal the necessity for further controls in the future.

Reference is also made to a separate comment from one of the Committee members who goes further on this point, cf. paragraph 6.4 in the recommendation.

Legal entities under the control of public authorities

The Committee recommends that a prohibition is introduced against the parties accepting gifts from legal entities under the control of the state or other public authorities.

The Committee assumes that a prohibition or controls which directly apply to this type of legal entities, must possibly be introduced as a part of the rules for the activities of these legal entities. Such rules do not belong in an Act which governs the political parties. In a Party Act, the circumstances can be regulated through a general provision that prohibits the parties to accept this type of gift. The Committee is of the opinion that such a rule can be advantageously passed, since parties in position must not be afforded the opportunity of filling up their party funds with state funds outside the ordinary support system. Reference is made to the Committee's interpretation of the European Council's Recommendation on this point in paragraph 6.4 in the report.

The Committee has considered public support applied for and received by the parties for special projects which are carried out outside the parties' regular activities. Such

support is not to be regarded as ordinary party subsidies, and the parties should be able to compete for such funds on the same lines as other players and on the same conditions. Any prohibition against a certain type of activity will appear as an unreasonable intervention in the parties' autonomy and could in addition weaken the involvement of the parties. The Committee is of the opinion that this type of restrictions should not be introduced for the parties' activities. The Committee also assumes that such grants shall continue to be reported together with other income.

Gifts from foreign donors

The Committee is of the opinion that a prohibition against accepting money from foreign donors should be statutory. The right to contribute support to Norwegian parties and Norwegian politics should be reserved for players with a clear foundation in Norwegian society and which the Norwegian public has the assumptions to know.

The Committee is of the opinion that for natural persons the assumption must be that the donor must either be a Norwegian citizen or have the right to vote at a municipal council or county council election. Foreign citizens receive the right to vote in a local election after having lived in the country for three years. Scandinavian citizens have the right to vote in a local election from the time they notify moving to Norway.

Concerning legal entities, it is difficult to draw any equivalently clear limit between who is Norwegian and who is foreign. For the most part this will not cause doubt. In the cases where there can be doubt, the Committee anticipates that a concrete, discretionary evaluation must be the basis. In the register of businesses, for example, a business having its head office in Norway, is Norwegian, while other enterprises are foreign, cf. Section 1-2. Section 6-50 of the Tax Act provides the statutory basis for tax exemption on certain conditions for gifts to certain organisations, companies, federations, foundations etc. having their seat in this country. In the opinion of the Committee it is natural to use the same criteria in the evaluation of which donors are to be regarded as being Norwegian and foreign respectively.

Gifts from anonymous donors – anonymous gifts

By anonymous gifts the Committee means gifts/donations where the donor does not make him/her/itself known to the party and where the party does not know who or where the donation comes from, cf. the Committee's recommendation paragraph 6.5 The question of whether a donor who is known to the party shall be entitled to be anonymous in the sense of avoiding publicity about his/her/its person and about a gift, is discussed in paragraph 6.10.2 in the report (identification of donors and limitations on amounts), cf. also Chapter 7 below.

The Committee points out that at present no express prohibition exists against accepting anonymous gifts. The European Council recommends that the states implement measures to prevent secret gifts.

As long as the party does not know where the gift comes from, there will be no danger of corruption. The Committee is of the opinion that from that viewpoint it does not appear to be problematic to open for anonymous donations.

On the other hand, there are several considerations which indicate that the party should not avail itself of donations from unknown donors. If the party does not know where the gift comes from, it will not know what interests support it and who it is making itself dependent on. This makes it impossible to make sure that the funds do not derive from tax evasion or are the proceeds of criminal acts (money laundering). In the opinion of the Committee, anonymous gifts have no place in a system based on transparency. However, such gifts take place seldom or never in reality, according to the Committee.

The Committee recommends that political parties do not accept anonymous gifts. Any gifts the sender of which is impossible to trace, shall fall to the Treasury. This must be seen in the context of the Committee's proposal that up to NOK 30 000 at the national level, NOK 20 000 at the county level and NOK 10 000 at the municipal level can be donated without the donor disclosing his/her/its name in reporting income, cf. Chapter 7 below.

Agreements in connection with individual donations

The Committee refers to the proposal in Parliamentary Request No. 178 that the parties shall make a "*declaration that no oral or*

written agreements are in existence between the donor and political parties or its elected representatives at any level, and that there is no agreement in existence which can be regarded as reciprocity or expectation of reciprocity." However, the request provides little guidance as to what type of agreements and connections one wishes to refer to.

The Committee points out that there are already provisions in the Penal Code regarding agreed corruption, etc. Further regulation is not regarded as necessary.

The Committee assumes that one has not intended to order the parties to give a declaration that they have not committed punishable corruption. Further, the Committee assumes that it is not the intention to limit the political parties' possibilities of entering into a political co-operation with other social actors. The parties are autonomous entities which must be assumed to be entitled to enter into political agreements of a more or less politically binding nature. The Committee assumes that most political co-operations are established on the basis of identical political interests, not on the background of financial necessity. The parties and the elected representatives must therefore still have the opportunity of entering into more or less binding political agreements – including with co-operation partners who wish to contribute general financial support. It is not necessarily so that every circumstance which does not fall under the Penal Code will be regarded as acceptable. Rules on transparency will substantiate donors and provide the basis for undertaking such evaluations.

The Committee interprets the Parliamentary Request such that the declaration will be an affirmation that concrete individual donations have not influenced the choice of political standpoints.

The Committee is of the opinion that no conditions should be set for gifts and that the parties should bind themselves to their donors by carrying out a certain type of politics. The Committee can nevertheless not see how the type of declaration as proposed in the Parliamentary Request, shall be able to contribute to preventing such ties. The proposal gives little guidance with regard to what such declarations shall contain, something which makes any verification very difficult. Any connection between individual contributions and formulation of politics will

in general be difficult to show. The Committee is of the opinion that it is not reasonable that the parties shall make a declaration on not having entered into this type of agreement. In the cases where corruption occurs, it is assumed that the Penal Code will apply.

Nonetheless, the Committee is of the opinion that there are good reasons for transparency and that public authorities should have the right of inspection of any agreements entered into. On this basis the Committee proposes that arrangements are made for transparency by requiring the parties to declare any agreements with donors – both political and business. Concretely, this is proposed carried out by crossing off a separate column on the form for reporting of income. Those who request it shall be allowed to inspect the agreements in question. It is proposed that neither a control apparatus nor a complaints system be established to ensure compliance with this obligation. The arrangement also assumes that the agreement(s) are entered into in writing.

Income deduction for donations to political parties

The Committee has evaluated income deduction for natural persons and legal entities for donations to parties as a supplementary measure to increase the degree of self-financing, cf. paragraph 7.5 in the Committee's recommendation.

The starting point in the present rules is that gifts and membership fees are not tax deductible. The exception to this is found *inter alia* in Section 6-50 of the Tax Act which entitles the donor to a deduction in income for monetary gifts to companies, foundations, or federations having a certain activity. The activities included are *inter alia* care and health promoting work for various groups, children and youth work within for example, sports, religious or other philosophical activities, development aid/disaster aid and culture conservation. Donations and membership fees to the parties are not included in the exception.

The Committee is of the opinion that several objections can be raised against making gifts to the parties deductible. The tax-paying ability principle indicates that in the first instance it is expenses for earned income that should provide the basis for deduction in taxes.

Donations to the parties are private expenses which do not fall under this principle. The introduction of deduction for gifts to the parties will also break with a recommendation by the Skauge Committee's recommendation for a proposal to changes in the taxation system – that the taxation system should be simplified through a reduction in the number of tax allowances.⁹ A third objection is that a deduction from income represents a hidden and indirect subsidising of the parties. This breaks with the principle that support should be given openly through the Budget, so that the extent and distribution of the subsidies is clear. A fourth objection is that deduction from income can come into conflict with protection of privacy in that information about the donor's and recipient's identity as well as the amount of the donation, is made publicly available through the requirements of tax assessment data.

The Committee's majority is nevertheless of the opinion that income deduction for donations to the parties should be introduced. The arrangement will give citizens a stronger incitement to participate in the financing of party democracy. This will increase the parties' self-financing degree and make them less dependent on public subsidies. The deductions will be of a limited amount. According to Section 6-50 of the Tax Act a deduction is allowed for donations which are at least NOK 500 in the year the donation was made. The maximum deduction is a total of NOK 6 000 annually. In the Fiscal Budget for 2005 it is proposed that the upper limit be increased to NOK 12 000. The Committee is of the opinion that the deduction from income for donations to the parties will contribute to more and smaller donations. Increased self-financing through deductions from income will therefore not lead to increased independence of special private interests.

Political parties will possibly have to comply with the rules laid down for the arrangement in Section 6-50 of the Tax Act and in the Regulation regarding supplementing and implementation etc. of the Tax Act of 26 March 1999 No. 14 and the Regulation relating to submission of tax reports of gifts to certain voluntary organisations. The Committee is of

the opinion that some circumstances nevertheless require separate discussion:

In regard to Section 6-50 it is a requirement that an organisation has its seat in Norway and that it has national scope. The Committee assumes that for political parties it is appropriate instead to set requirements that the party is registered in the Register of Political Parties. On the basis of the requirements set to achieve and maintain registration, this is regarded as sufficient. It will also be simpler than undertaking a concrete evaluation of the individual parties' scope at all times. However, it must be up to the party itself to choose whether it wishes to fall under the arrangement and the controls that apply. It is assumed therefore that the parties, as other organisations, apply for administrative approval, cf. Regulation relating to submission of tax reports of gift to certain voluntary organisations Section 1.

The Committee points out that ESA, the EFTA-states surveillance body for the EEA agreement, has asserted that the requirement that the recipient organisations shall have their seats in the Kingdom is in conflict with the EEA agreement. Norway is in a process with ESA on this. The Committee assumes that an arrangement with income deduction for donations to political parties only affects Norwegian parties. It is pointed out that the Committee is in favour of prohibiting political parties accepting gifts from foreign donors, *inter alia* based on recommendations contained in the European Council's Recommendation on financing of political parties.

In the Regulation relating to submission of tax reports the organisation is obligated to report each donor of monetary gifts which are income in the income tax year. However, the obligation does not include anonymous donors. The Committee proposes that political parties be prohibited from accepting anonymous gifts. According to the Committee's proposal, at the same time, the name of donors will only be published if the value of the gift exceeds certain amounts (NOK 30 000, NOK 20 000 and NOK 10 000 on the national, county and municipal levels respectively) – *inter alia* out of consideration for those who do not wish publicity regarding their connections with a political party. On this basis, the Committee is of the opinion is that an exception should be made in the Regulation for political parties, so

⁹ Norwegian Official Report 2003:9 Tax Committee Recommendation to changes in the taxation system

that political parties only report donations to the tax authorities if the donor wishes it.

The majority of the Committee is therefore in favour of the parties being entitled to deductions in tax assessment according to the rules contained in Section 6-50 of the Tax Act.

6.3 Viewpoints of the consultative bodies

General on donations by private persons

In a letter of 11.2.05, the Confederation of Norwegian Business and Industry (CNBI) gave a comprehensive consultative statement on donations from private persons to political parties. An excerpt of the statement is given below.

In the letter, CNBI points out that the organisation up to and including 2004 gave financial support to some political parties. This arrangement has gradually been phased out from 2000 with full effect from this year according to a decision made by the Executive Board of CNBI dated 25 September 2000:

“CNBI’s Executive Board is of the opinion that the political parties should not be able to receive financial support from organisations such as CNBI, the National Federation of Trade Unions (NFTU) and others. The Executive Board therefore decides that support to the political parties shall be phased out over a period of five years.”

CNBI has subsequently pointed out, both to the National Federation of Trade Unions in Norway, the political parties and Democracy Financing Committee, that the financial transfers from organisations to political parties bind Norwegian politics, which in the opinion of CNBI is unfortunate. The Working Committee of CNBI decided *inter alia* the following on 9 September 2003:

“In the opinion of CNBI the large financial transfers from the National Federation of Trade Unions and associated unions to the Labour party also represents a transfer of policy, where the Labour Party is obligated to let the organisation’s viewpoints become their policy. This is clearly expressed in the co-operation agreement

between the Trade Union Federation (formerly the Norwegian Union of Municipal Employees) and the Labour Party and the professional political platform between NFTU and the Labour Party before the year’s municipal elections. CNBI is of the opinion that at present this constitutes a major problem in relation to finding collective political solutions in Norway, *inter alia* concerning the public sector, pensions and tax.

CNBI is of the opinion that the time has arrived for the whole of the political environment in Norway to undertake a thorough review of the consequences that financial contributions by organisations to political parties have for Norwegian politics. CNBI will therefore by letter to the political parties, and to the National Federation of Trade Unions, put forward a proposal that the entire question of the financing of the political parties is taken up for evaluation on a broad basis, and that the following proposal be especially considered:

- Introduction of limitations on how large amounts the parties can receive from organisations
- Include various forms of benefits and support in such evaluation, such as work efforts, the fact that the organisations “pay the bill” etc.
- The rules that ensure transparency on financial support at all levels
- Evaluate the necessity for increased public support to parties based on the number of votes as a more democratic alternative.”

CNBI is of the opinion that the Democracy Financing Committee’s recommendation is lacking in relation to these problems. CNBI points out that the Democracy Financing Committee concludes that it is not very probable that party support from organisations results in substantial and long-term weakening of democracy, and that the Committee further argues that research so far has not provided strong grounds for saying that financial support from private persons is given to influence the parties to enter into political agreements.

CNBI further states:

“Both the employer and employee organisations have been established to protect the interests of the members; and

not least financial interests. These organisations must justify their use of resources for various purposes to their own members, and prove that members' funds are used in a manner which promotes their interests. We are therefore of the opinion that it is clear that organisations give financial support to parties because this contributes to the organisation also having greater break-through with those receiving support. This impression is reinforced when co-operation agreements are entered into or common political platforms are established between a party and employee organisations, as we have seen examples of during recent years.

CNBI also has reservations regarding the Committee's opinion when it states that the organisations' election contributions are "so small that the donors cannot expect high returns in the form of extensive "political services".

The public debate on party support in Norway has for a large part been about donations from the NFTU to the Labour party, and from CNBI to the Conservatives and partly also to the Christian Democrats. For example, CNBI's support to the Conservatives alone early in the 1990s was over NOK 6 million annually, which is not insignificant, either for CNBI or the Conservatives. Equally, the support by NFTU to the Labour Party cannot be regarded as insignificant.

The Committee itself establishes that (Official Norwegian Report 2004:25 page 80) "research documents a positive connection between election campaign funds and votes. This means at increased income gives the party higher expected voter support than it otherwise would have had".

Given that high voter support is a clear aim for any party, and that the connection between resources and votes is actually present, CNBI is in disagreement with the Committee when it overlooks the fact that partly considerable financial support from organisations to parties can represent a democratic problem. At the very least, party support, when such support is seen in relation to the fact that parties and organisations also enter into political agreements, can be suited to create an impression of ties between parties and organisations which is not fortunate."

Limitations in party support

CNBI mentions in its statement that the organisation has forwarded a proposal to the National Federation, the parties and Democracy Financing Committee that an evaluation should be made of limitations in how much support the parties can receive from organisations. Another possibility could be that the public subsidies are reduced if the parties receive considerable support from other organisations.

CNBI notes that the Committee has evaluated such limitations, but that it has concluded that such controls from experience have seen to lead to evasion, which can break down confidence.

CNBI further states:

"It is outside CNBI's tasks to evaluate what limitations can be introduced. We are nevertheless surprised that the Committee has not considered this more closely, and we reject the Committee's premise that one must not introduce limitations which from experience can be evaded because this will result in loss of confidence. For its part, CNBI will point out that loss of confidence can arise just as much when the impression is given of ties between parties and organisations, and we wonder why the possible loss of confidence for those who consciously evade statutory provisions shall be the grounds for not introducing limitations which otherwise appear sensible.

For this reason, CNBI is of the opinion that the Ministry in the Bill must evaluate the possible binding relations, or impression of binding relations, which financial support from organisations to parties can entail. Further, we are of the opinion that limitations in the amount of support the parties can accept should be introduced, possibly by introducing that considerable donations from organisation etc. will entail reductions in public subsidies."

The Conservatives are of the opinion that an open democracy is natural and correct and that no upper limit should be introduced for donations from natural persons or enterprises.

Other consultative bodies have not commented on the Committee's recommendation on this point.

Prohibition against gifts from legal entities supplying goods/services to public administration

Hamar City and Rural List states:

“At present there are provisions in force in the Administration Act, Local Government Act, Penal Code, and the Act relating to Public Procurement which has the aim *inter alia* of preventing political parties in a position of power being influenced into giving preferential treatment to suppliers to the public sector. Even though there is every reason to monitor the development closely, we feel that the present legislation covers the recommendations that the European Council has presented in the matter. There is a problem if doubt is sown regarding the independence of politicians or parties that receive gifts from a company. This is applicable in particular when this company supplies goods and services to the public sector.”

The Conservatives are in agreement that no prohibition should be introduced against gifts to political parties from suppliers to the public sector, but supports the proposal for a prohibition against accepting gifts from legal entities under the control of the state or other public authorities.

Elverum Municipality states in a letter of 27.1.2005:

“Gifts from a private company supplying to the public sector can easily be perceived as an attempt at bribery. The possibility of gifts of this type can easily result in binding relations. It is naive to believe that such gifts cannot be used to influence decision-makers.”

NFTU expresses strong doubts with regard to the proposal that there shall not be a prohibition against gifts to political parties from suppliers to the public sector, because this can easily be perceived as bribes. NFTU requests that a proposal be put forward which prohibits this.

The Norwegian Association of Local and Regional Authorities (NALRA) states in a letter of 31.1.2005:

“The State should implement measures to limit, prohibit or in another manner strictly regulate gifts to political parties from legal persons who supply goods or services to the public sector.”

Prohibition against gifts from foreign donors

In a letter of 2.2.2005, the Ministry of Justice states the following:

“In Section 7, subsection three, litra b, the Committee proposes that it should be prohibited for political parties to accept gifts from legal entities that do not have their head office or seat in this country.

The Ministry of Justice finds grounds to point out some objections to a general prohibition against accepting donations from foreign donors. The Committee’s justification for a complete prohibition is limited to reference to the European Council’s recommendation and to the fact that the right to contribute “should be reserved for Norwegian actors with a clear foundation in Norwegian reality, which the Norwegian public has assumptions to know”. As the Committee itself points out (recommendation page 77), it must be acceptable to emphasise individual political and historical traditions when legislative changes are evaluated in this area. We are not aware that gifts from foreign entities have constituted any democratic problem. The hesitation which may manifest itself is greatly helped by the transparency regarding the donations. We also refer to the fact that the Norwegian state has contributed with funds to political movements in other countries. It can therefore appear to be inconsistent that donations are prohibited in the other direction, including from private players. We also refer to the discussions in Official Norwegian Report 1999:27 Freedom of speech should be allowed, page 147, cf. Report to the Storting No. 26 (2003-2004) page 98 of the related provision in Section 97 a of the Penal Code.¹⁰

¹⁰ The following quotation has been obtained from Official Norwegian Report 1999:27 “Freedom of speech should be allowed”, page 147.

The Ministry of Justice further states in its letter:

“Concerning legal entities, Section 17, subsection three is formulated such that a legal entity with its head office abroad must be regarded as “foreign”. From a pure company law point of view, this is not completely in line with the general development within the EU in the company law area, where the development is in the direction that it is the company law of the country of registration, and not the company law where the head office is located, that initially defines the company. We therefore propose that a company is defined as foreign when it is registered abroad, and not when the head office is abroad. These company law points naturally do not prevent connecting the opportunity to accept support to companies with the head office in this country, but it would be better if the wording of the law did not thereby define the company as “foreign”.

The Conservatives support the proposal for

“Section 97a of the Penal Code addresses foreign influence over Norwegian public debates through Norwegian intermediaries. Individually, this not apply to speech as such, but can apply to financial assumptions for effective participation in public debates.

In the preparatory works (Proposition to the Odelsting No. 79 1950) it is stated that it is a breach of the rules of the democratic game if the person who appears to the Norwegian public as a representative for Norwegian interests “secretly” accepts support from a foreign state. Support from sister parties in democratic countries is not punishable, but on the other hand, support from parties in one-party states is, because state and party then are two aspects of the same matter. It is therefore not a bold assertion that the provision referred especially to support from the Soviet Union etc.

Looking at the Norwegian state’s active financial subsidies to *inter alia* opponents of the apartheid regime in South Africa, there seems to be an inconsistency when support in the other direction – to Norwegian parties - is punishable.¹⁴⁴ Open support to political activities should therefore not be punishable, while hidden support will clearly be a problem. By Act of 1998/30 (relating to publication of parties’ income) a certain overview over the parties’ sources of income has been ensured. Section 97 of the Penal Code should therefore be amended to reflect that it is not the source of the support that is decisive, but that the support is hidden.”

a prohibition against donations or gifts from foreign donors. None of the other consultative bodies have commented on this proposal.

Anonymous gifts

In a letter of 27.1.2005, the Data Inspectorate has stated the following regarding this:

“In para. 2 of the provision a prohibition is proposed against accepting support if the donor is not known (anonymous donations). The provision must be seen in conjunction with Sections 20 and 22 of the proposal where it will be seen that donors of support over a certain amount shall be identified and declared separately. In addition, information regarding the donor concerned shall be published (Section 22).

The Data Inspectorate cannot support such proposal, since we *inter alia* are of the opinion that the degree of exposure of private donors will be too great.

The Inspectorate is also critical to the introduction of a prohibition against anonymous contributions without further investigation of the extent and consequences of the problem. The necessity of amendments to the Act should be documented before measures are implemented.

There can be very legitimate reasons for private persons not disclosing their names in a donor situation. That financial support to political parties can be a private matter, should be reflected in legislation. As long as it concerns support to a legal activity, no rules should be introduced that are apt to cause needless suspicion of the donors and their motivation for donating to a political party.

The Data Inspectorate remarks that the concept “anonymous” means that the person concerned cannot be identified either directly or indirectly. We also interpret the proposal such that if the donor has given a bank account number, but no name, the party will be able to accept the support, since the bank account number indirectly will identify the donor. It is assumed then that the donation does not exceed the amounts stated in Section 20 of the recommendation.

If the legislator maintains the principle of prohibition against accepting anonymous donations, the above-

mentioned circumstances should be emphasised.”

The Conservatives support the proposal on a prohibition against donations from anonymous donors. None of the other consultative bodies have commented on the proposal

Agreements in connection with the individual donation

The Ministry of Justice has the following comments to this:

“On pages 88-89 the Committee discusses whether the parties should be required to submit a declaration that certain types of agreements do not exist, but concludes that it would not be reasonable to impose such obligation on the parties. On the other hand the Committee concludes that the parties should be required to submit a declaration as to whether agreements, political or business, exist with a donor. If such agreement exists, anyone should be able to request inspection of it.

It is difficult for the Ministry of Justice to see that it will necessarily be more reasonable to require the parties to disclose agreements that have been entered into than to require them to disclose that agreements have not been entered into. If a party does not disclose this, for example, by omitting to cross off a column on an income reporting form (cf. report page 89), it would imply a declaration that no such agreements have been entered into.

In our opinion it may also be asked whether the provision has been given an unfortunately wide formulation. The Parliamentary Request refers to “() oral or written agreements between the donor and political parties or their elected representatives at any level, and that there is no agreement which can be interpreted as reciprocity or expectations of reciprocity.” As the Committee itself points out, cf. page 88, the Parliamentary Request gives little guidance with regard to what type of agreements one wishes to control. According to what we can see from Section 21, subsection two of the proposal the provision will entail that a party will be obligated to disclose any agreement relationship where the other

contracting party is also a donor. This could entail that a local association that enters into an agreement with a local data company on supplies of particularly adapted software will be obligated to disclose it, if the data company has previously supported the association with NOK 10 000 or more. This will apply even though the agreement on supply of the software is an ordinary business transaction. Such agreements could, according to the circumstances, contain different forms of business secrets, and it can appear in principle unfortunate that anyone should be allowed to inspect them. We are also somewhat uncertain about whether there is any necessity for a rule as proposed. If the agreement is entered into on “gift-like” premises, then according to Section 19, third subsection this shall be reported regardless and the donor thereby identified.”

The Conservatives are of the opinion that the Committee’s recommendation on obligation to disclose any business and political agreements with donors in connection with reporting, and thereby allow the general public inspection of such agreements, should contribute to preventing speculation that this takes place, and throw light on the agreements that may possibly be in existence.

Income deduction for donations to political parties

The proposal for income deduction is supported by the Conservatives, CNBI and the Norwegian Shipowners’ Association. The Labour Party, NFTU and Hamar City and Rural List are among those who oppose the proposal regarding income deduction. RV is in principle against income deduction for donations from private persons. Most of those who donate to parties they sympathise with, are not interested in gaining personal tax advantages from this, but donating to an election campaign and party work. RV is of the opinion that income deduction for contributions will function as an unfortunate favouritism of parties with members and sympathisers having good financial resources.

Elverum Municipality supports the minority and is of the opinion that income deduction for donations to political parties will show favouritism to high-income groups:

“In reality, tax deduction will mean increased state subsidies to the party. Thereby, the parties who recruit mostly from high-income groups will receive a larger state subsidy than parties who mainly recruit from low-income groups.”

Hamar Municipality is of the opinion that private contributions must be regarded as a valuable supplement to the state subsidies to the parties, but should not be favoured through tax exemptions, and points out several of the same viewpoints that Elverum Municipality refers to in its statement.

South Trøndelag County is also against the proposal regarding income deduction.

The Ministry of Finance states the following in a letter of 8.2.2005:

“The Committee asserts as an argument against the right of deduction that information about the donor’s and recipient’s identity, as well as the amount of the gift, is publicly available through requirements regarding tax assessment data. The Ministry remarks that the tax authorities are subject to confidentiality with regard to the information mentioned, cf. Section 3-13 of the Tax Act. The public tax lists will not contain information regarding gifts to political parties, cf. Section 8-8 of the Tax Act.

The Ministry is in agreement that any right to deduction will have to be implemented according to the rules applicable to gifts of money to voluntary organisations, cf. Section 6-50 of the Tax Act and that the parties registered in the Register of Political Parties shall be included in the arrangement

If the parties are included in the income deduction arrangement according to Section 6-50 of the Tax Act, they will have a reporting obligation according to the Regulation dated 8 September 2000 No. 901 regarding submission of a tax declaration of gifts to certain voluntary organisations. Section 2 of the Regulation lays down that a declaration shall be made for each donor of monetary gifts which are made during the income tax year. The Committee proposes that an exemption is granted from this provision for gifts to political parties, so that the parties only

report gifts to political parties if the donor wishes it.

The Ministry of Finance remarks that a deduction arrangement will not be compatible with a desire for anonymity for the donor towards the tax authorities or the party receiving the gift. If a right to income deduction is granted, it is an assumption that verification of whether the taxpayer concerned has incurred the costs the taxpayer has declared to have had can be made. This means that the tax authorities must have access to information regarding amount, donor and recipient. This information should be readily available, which indicates that requirements must be set regarding systems for reporting of gifts received. According to the current arrangement with income deduction for gifts to certain voluntary organisations, the recipient must report the gifts in a machine-readable form to the tax authorities. Here will be stated information regarding the amount, donor and recipient. The taxpayer who wishes to make use of income deduction for a gift to a political party must therefore accept that the party reports the gift electronically to the Directorate of Taxes.”

6.4 Evaluations by the Ministry

Paramount considerations

The Ministry bases its evaluations on the measures recommended by the European Council in its Recommendation that the states implement to counteract corruption in connection with financing of political parties and election campaigns. A translation of the Recommendation is an Appendix to the Committee’s recommendation, cf. Appendix 1 page 173. In that connection it is natural to use as a basis the rules already to be found in Norwegian legislation to counteract disqualification, corruption and bribes of civil servants in positions of authority, including the Civil Servants Act, Administration Act and Penal Code, etc. Further, evaluations must be carried out with regard to what relevance the individual recommendation has for Norwegian conditions – *inter alia* based on history and experience. The Ministry is of the opinion that the authorities should adopt a wait-and-see attitude to some of the recommendations by

the European Council. By this is meant that on certain points one can omit to implement some recommendations now – and rather choose to wait and see the developments. The Ministry points out that the Committee specifically recommends this in relation to any prohibition for political parties to accept gifts from private businesses or legal entities supplying services to the public sector.

General on contributions from private donors

The Ministry sees the danger elements pointed out by the Committee in connection with subsidies, gifts, donations, etc. from various private donors to political parties with regard to the dependency relationship. However, the Ministry is in agreement with the Committee in that it is not appropriate, and there are no grounds, to over-regulate the legal area applicable to political parties. A set of rules that are too rigid and complicated could put unnecessary obstacles in the way for the parties to increase their self-financing ability, create evasion possibilities, and make public right of inspection difficult.

About the relationship between public and private contributions

In the mandate, the Ministry requested the Committee to report on alternative methods of financing for political parties. The Ministry perceives the Committee's proposal to be that gifts from private donors, including the proposal on income deduction, shall be in addition to the public subsidy system. As the Ministry sees it, there is no intention of making any arrangement for "co-ordination" of public and private contributions to political parties – for example, according to the model of national insurance and service pension schemes.

During the consultative rounds, the Ministry has been requested to evaluate a system whereby considerable contributions from the individual organisation entail reductions in public subsidies. The Ministry sees that a model for co-ordination between private contributions and public subsidies to political parties could be based on that the parties that have received private donations during a year, receive an equivalent or

proportionate reduction in state subsidies. Such a model could possibly contribute to a more even distribution of income between the parties in that parties with large private donors received equivalently less public subsidies than they would otherwise have had according to the election results.¹¹ However, such model would be doubtful from several aspects – especially with regard to stimulating evasion of the rules in the form of under-reporting income and money contributions "under the table".

The parties are different concerning size – measured according to number of votes, members and finance. At the same time, some cost elements will be independent of the size of the party. The effect of a "krone for krone" reduction in public subsidies will therefore be different – dependent on whether the party is small or big. An alternative variant of the model could be that a reduction is undertaken only for gifts over a certain value or that reduction is determined based on the amount of the gift in a percentage of the parties' total income, etc.

However, the Ministry cannot see that a model which entails one form or another of a reduction in state subsidies will reduce the parties' ties to larger, private donors. On the contrary, it can be asserted that such arrangement will contribute to increasing the parties' dependence on private donors if receiving gifts is punished by a requirement for repayment of or reduction in state subsidies.¹² The model will also contribute to weakening the parties' will to increase the degree of self-financing – which viewed separately will increase the dependency on state subsidies. The administrative costs for the state for a co-operation model are expected to be considerable – *inter alia* because of the necessity for an efficient control apparatus. The Ministry does not recommend such model.

Another alternative could be a model where state subsidies were granted as a

¹¹ In borderline cases where the value of private gifts exceeds public subsidies, the whole of the public subsidies will be withdrawn.

¹² The party will therefore be more dependent on the private gift after the gift has been received and repayment to the public authorities has been undertaken – in that the gift relatively viewed – "weighs" more in the parties' income basis than before the reduction – this will be the case in particular if a krone-for-krone deduction is given where the party in total is equal before and after.

percentage of what the party during one year manages to obtain in the form of private contributions or other earnings – for example at a rate of 50%¹³. This will contribute to stimulate the parties to improve their self-financing capabilities. However, it will increase the danger of the parties getting into a dependency relationship with larger, private donors and/or that the parties are involved in commercial activities which must be regarded as unfortunate or unsuitable from a democratic point of view. By this, the state subsidy system will have the character of a bonus arrangement where large gift streams from the private sector or own commercial activities become the reward criteria in preference to the parties' contributions to solving core tasks for democracy.

Such model will also entail budgetary challenges. The necessity for subsidies will be variable and difficult to estimate (the estimate will have to be based on income accounts relatively far back in time) and this will not be compatible with the requirements in the Finance Regulation for realistic budgeting. The Ministry does not recommend that such model be introduced.

The Ministry assumes in the following that private contributions are regarded as an addition to the state subsidy system (which was discussed in the previous Chapter), and that no co-ordination of income is undertaken.

Proposal in connection with the recommendations by the European Council

The Committee presents several proposals for provisions in the new Party Act which are assumed to correspond with the recommendations by the European Council. These are a prohibition against contributions from legal entities under the control of public authorities, a prohibition against gifts from foreign donors and a prohibition against gifts from anonymous donors.

Gifts from anonymous donors – “anonymous gifts”

¹³ The party receives NOK 50 in state subsidies for each NOK 100 in private contributions or by own earnings. Reference is made to this model which the Committee points out is practised in other countries.

The Ministry refers to the Data Inspectorate's enquiry regarding a further assessment of the necessity of such prohibition. The Inspectorate also poses questions regarding how the concept of anonymity shall be defined

In regard to the Committee's viewpoints, this type of gift very seldom occurs. The Ministry would therefore believe that the necessity for such prohibition taking into account Norwegian conditions is not particularly great – based on the current rules.

However, the Ministry does not exclude the fact that anonymous gifts can be an alternative for some donors who do not wish to be identified through the inspection system in the new Party Act or who are not interested in any tax advantages by “openly” supporting political parties. Out of regard for the democratic system, the Ministry, like the Committee, is of the opinion that that it is important that the parties know the identity of their sponsors. Further – that this consideration must have greater weight attached to it than the consideration for the donor's requirement for, or right to, remain anonymous. The Ministry also sees that a proposal for prohibition against anonymous gifts would prevent evasion of the inspection system which the Act ordinarily anticipates. Reference is also made to the European Council's recommendation in Article 3 in the Recommendation on prevention of secret gifts.

The Ministry's proposal entails that all gifts where the donor is anonymous to the party, shall fall to the Treasury. By “anonymous to the party” is meant here cases where there are no indications of who the donor may be. In the cases where it will be possible for the party to trace the donor i.e. by a bank account number, the gift will not be regarded as anonymous. If the gift is under the legal limit for reporting, the party will in such cases be entitled to keep it and report it as income. On the other hand, if the gift is over the legal free limit, the party will have the opportunity to contact the donor – who can either be willing to be identified to the public through the reporting system, take the gift back, or let it fall to the Treasury.

Gifts to political parties from legal entities supplying goods or services to the public administration.

The Ministry has evaluated the remarks that have been submitted in the matter very

carefully on this point, too, but supports the Committee in that no prohibition should be introduced against contributions to political parties from legal entities who deliver goods or services to the public administration. The European Council's recommendation in Article 5 b) reads thus:

"The states should implement measures to limit, prohibit or in another manner strictly regulate gifts from legal entities who supply goods or services to any public administration".

In other words, the European Council goes far in order to limit this type of gift stream by recommending a prohibition or (at the least) strict regulatory measures. The Ministry shares the Committee's opinion that there is a delimitation problem here both with regard to extent (suppliers of end products, subcontractors, parent companies and subsidiaries, associate companies, etc.), and a time aspect. The Ministry assumes that the existing legislation will probably cover most of the cases where gifts from this type of supplier must be regarded as bribes or in another way can provide the basis for misuse of public authority. Reference is made here *inter alia* to the Act relating to public procurement with appurtenant Regulations. The Ministry is in agreement with the Committee that one should wait and see the occurrences and development before considering a prohibition or further regulatory measures. The Ministry points out that the extent of gifts from this type of supplier will appear in the income reporting by the parties – to the degree they exceed the proposed threshold values, cf. next Chapter.

Gifts from foreign donors

The Ministry refers to the statement by the Ministry of Justice that the Committee's proposal seems to be too restrictive, *inter alia* with regard to the Norwegian state subsidies to political movements in other countries and with reference to the related provision in Section 97 a of the Penal Code. The Ministry of Justice also refers to the discussions of this problem in Official Norwegian Report 1999:27 "Freedom of speech should be allowed, cf. quotations in the footnote above.

The Ministry sees the considerations and facts to which the Ministry of Justice refers in its statement. A basic principle in the argumentation for allowing gifts from foreign donors, beyond what is allowed at present, is

that there is transparency surrounding the donations. The Ministry assumes that transparency in this context must both reflect the amount involved and the donor's identity. Regarding gifts from foreign donors, the amount will probably be easily identified. Who in reality is behind this type of gift or the motives could be very difficult to identify or discover in the individual case. The Ministry is of the opinion that if gifts from foreign donors are allowed, it will be impossible to identify the donors in the individual case with the requirements for identification which are regarded as necessary to fulfil the purpose of this Act. Also, in doubtful cases there will be a necessity for a control apparatus to verify the information, which will break with the system otherwise used in this Act and which will be costly.

On this basis, the Ministry supports the Committee's proposal on prohibiting gifts from foreign donors. The proposal is otherwise in accordance with the European Council's recommendation in Article 7.

By "foreigner" the Ministry means persons who do not hold Norwegian citizenship. However, the prohibition does not prevent donors who meet the criteria for the right to vote at general elections and/or municipal or county elections in accordance with Sections 2-1 and 2-2 of the Election Act, giving support to political parties. Concerning legal entities, the foreign criteria is connected to companies or businesses which are registered abroad.

Agreements in connection with individual donations

The Ministry refers to *litra e)* in the Parliamentary Request No. 178 that the amendment to the Act should entail that the Act makes requirements that a declaration is enclosed with the parties' annual accounts that there are no oral or written agreements in existence between donors and political parties or their elected representatives at any level and that there is no agreement which can be perceived as reciprocity or expectations of reciprocity.

The Ministry sees that there can be doubt with regard to how invasive the Committee considers such provision should be. Agreements between donors and political parties can quickly awaken associations of corruption and misuse of authority. On the

other hand, there can also be agreements in combination with donations or gifts which must be regarded to be of a legal business nature. Examples of this could be the case of a housing rental contract where the lessor – as a gift to a party organisation, sets the rental amount under the market price, but where there is still a requirement for a contract which regulates the duration of the rental contract, due dates for payment, terminations, etc. The passage “or expectations of reciprocity” can also give rise to interpretation doubts. If it is the parties’ expectations that is meant here, the passage “ or experienced as binding to reciprocate” would probably be more precise. With the formulations in the Parliamentary Request No. 178, litra e), it is reasonable to believe that what is meant is the expectations of the donor – which can hardly be regarded as relevant in this connection and for which the party in no way can be assumed to give declarations.

The Ministry regards it as relevant to balance the considerations regarding the parties’ rights in regard to private autonomy and right to contract, and on the other hand political orderliness and the general public’s need for knowledge of the ties between the parties and donors which can have an influence on the formulation of politics and voters’ support. The Ministry is not in favour of the Party Act intervening in ordinary contract law circumstances, to which the parties must be assumed to be subject. The Ministry is of the opinion that the considerations that the Committee has probably had in mind, have already been sufficiently covered by legislation – including in the Penal Code and Administration Act.

The Ministry is of the opinion that there is a legitimate need for the general public to gain knowledge of agreements a political party enters into with one or more of its donors. Initially one could imagine that the right of inspection should be limited to agreements which concretely concern or deal with the donors’ support to the party – i.e. agreements where the amount is clearly presented, and that other agreements which the party may have entered into with the donor should not be included in the disclosure obligation or right of inspection. The Department is of the opinion that this will be too narrow a delimitation of the Act. In addition to agreements regarding circumstances which deal with financial

compensation, agreements can be entered into which regulate the parties’ reciprocity to the donor or another contractual party. With such narrow delimitation, agreements of the latter category will not be subject to the reporting duty and right of inspection.

The Ministry is therefore in favour of information being declared in income reporting of all agreements the party organisation has entered into with any donors – both business and other agreements. The Ministry sees that in practice this can be done by crossing off a column – or possible in combination with a separate specification column in the annual reports. Further, the parties are obligated to allow public inspection of such agreements upon request. Reference is made to Section 21 in the Bill.

Income deduction for donations to political parties

The Ministry is of the opinion that a proposal to open for income deduction for donations to political parties can contribute to strengthen the parties’ self-financing ability. Income deduction could also contribute to that gifts to political parties are spread among several donors and thus reduce the possibility of dependence on some of the donors. The Ministry therefore supports the proposal by the majority of the Committee on this point.

The proposal for income deduction for gifts to political parties by amendment of Section 6-50 of the Tax Act, does not directly affect the proposal for a new Party Act. The Government will revert to the proposal for income deduction for gifts to political parties in connection with Proposition to the Storting No. 1 (2005-2006).

7 Publication of the accounts of political parties

7.1 Current law

The present requirement for publication of income

Pursuant to Section 1 of the Act of 22 May 1998 No. 30, regarding publication of political parties' income, all parties that are registered in accordance with Chapter 5 of the Election Act and that have presented lists at the last general election, are obligated to submit annual accounts of the central organisation's income. The accounts shall contain information regarding the following types of income:

1. State subsidies to the party
2. Membership fees
3. Donations from private persons, lotteries collections, etc.
4. Income from interest
5. Donations from institutions, organisations, associations and societies, as well as from foundations and securities

Information must also be provided regarding whether the party's central organisation has received donations which exceed NOK 20 000 from the same named donor. In that case, the amount and name of the donor be declared. The accounts shall also state the total amount of anonymous donations and whether the amount of each individual anonymous amount and whether the individual anonymous donation exceed NOK 20 000. The income accounts shall be presented for the period 1 January to 31 December. The annual accounts shall be forwarded to Parliament at the latest six months after the end of the accounting year. The reports are in principle available to the general public. The Act does not provide the statutory basis for sanctions of the parties that do not comply with the rules. In the preparatory works it is assumed that the danger of negative reporting in the media will be sufficient for the parties to comply with the rules.

7.2 Recommendation by the European Council

The recommendation by the European Council (2003/4) recommends that the states ensure

right of inspection and publicity regarding the parties' finances. In Article 11 it is recommended that the states require political parties to keep correct books and accounts on a consolidated basis, i.e. to also include units directly or indirectly connected to a political party. States should require that a political party's accounts should give what gifts the party has received with a description of the nature and value of each gift (Article 12 a). Regarding gifts over a certain value the donors should be named in the accounts (Article 12 b).

7.3 The Committee's proposal (Parliamentary Request No. 178 of 13.12.2002)

The Ministry refers to the Bill contained in Recommendation to the Odelsting No. 28 (2002-2003) of 26.11.2002 from the Standing Committee on Family, Cultural and Administrative Affairs, which is the basis for the Parliamentary Request No. 178 in the matter. The Bill is quoted in Chapter 2 above. In the mandate the Ministry has requested the Committee to discuss the Bill.

7.4 Proposal by the Democracy Financing Committee

Right of inspection as an instrument

The Committee assumes that as a main principle, Norwegian legislation shall still be open regarding the parties' income - in line with Norwegian and Scandinavian tradition. Reference is made to paragraph 6.2 of the Committee's recommendation.

Transparency can contribute to ensuring the parties' independence and autonomy in relation to any donors. With the right of inspection and publicity surrounding income, the parties will have to evaluate how far the financing decisions it makes will have a positive or negative effect on the election results. That private donations are channelled into politics in a satisfactory manner will increase public confidence in the system. Thereby, it will be more legitimate for the parties to also finance their activities through

private donations, which the Committee thinks is an important goal.

The Committee is not in favour of the parties being subjected to a statutory obligation to keep complete accounts and to report their expenses cf. paragraph 6.9 of the recommendation. In the opinion of the Committee the extent of the right of inspection must be adapted to that which is relevant and of value to public knowledge. Therefore, practical and administrative consideration must be paid to the parties that are subject to the requirement. The Committee is in favour of increased publicity in that there shall be the right of inspection of the parties' accounts, at the parties, if accounts exist.

The Committee attaches further weight to that the object of reporting and transparency must be so precisely defined that no doubt can arise as to what is included in the rules and what is not. Any conflicting issues and disputes regarding whether the rules are complied with or not, could lead to weakened confidence. The Committee is in favour of the party, when reporting income, declaring that it has entered into business and/or political agreements with any of the donors.

In other respects, the Committee points out that the consideration of avoiding corruption and other improper circumstances are also covered through the provisions contained in the Municipality Act and Administration Act regarding competence and invalidity – and in the last instance the rules contained in the Criminal Code regarding corruption and acts of influence.

The Committee has evaluated who should be included in the reporting duty.

Levels in the party

The Committee is in agreement with the Committee that the scope of the Act should be extended to include the parties' organisational levels at the county and municipal levels, cf. the proposal in the Parliamentary Request No. 178 above. The Committee is in favour of linking the reporting duty to the right to subsidies – i.e. that all levels of the party having the right to subsidies also have a duty to submit income accounts. According to the proposal, this duty will also include the parties' youth organisations – which could also prevent circumvention of the rules in that gifts to the parties are channelled through the youth organisations.

Unregistered groups or lists

The Committee is not in favour that the system of income reporting shall be in force for local groups or lists. Many considerations can speak for the right of inspection of how local lists / groups finance their activities, including the desire for transparency regarding everyone in the political decision-making process. The Committee is of the opinion that principle considerations indicate that fewer requirements should be made for groups that have chosen to act independently. In addition, the Committee points out that such arrangement will be difficult to practise, because unregistered lists are often of a time-limited duration and have varying degrees of stable organisational apparatus behind them through the election period. The Committee's proposal must be seen in connection with the proposal that unregistered groups or lists shall not be entitled to state subsidies.

The Committee is in favour of setting up a system so that unregistered groups or lists can voluntarily report their income in the same manner as the parties, cf. proposal for a reporting system in paragraph 6.10 of the recommendation.

Other entities linked to the party

One consequence of the reporting duty being linked to the right to subsidies, is that other more or less party-linked entities do not have a reporting duty, even though they can be in possession of relatively large financial sums. The Committee is of the opinion that there are no grounds to require such entities to submit an income report. If funds are transferred to the party, they will regardless appear in the party's income report.

Elected representatives

The Committee has also evaluated whether the elected representatives should be obligated to submit an income report of any gifts they receive in the capacity of being an elected representative. Members of Parliament have established a voluntary arrangement where the members are given an opportunity to flag ties, offices held, gifts they have received, etc. The Committee sees that an alternative could be to consider including provisions in the Municipality Act which require the municipalities to set up systems which can

contribute to transparency regarding the elected representatives ties, along the same lines as the model adopted by Parliament for members of Parliament.

Basis for the parties' reporting obligation

The Committee is of the opinion that an important assumption for the rules regarding transparency to be able to function, is that systems are established that safeguard public right of inspection in an efficient manner.

The Committee has considered whether the Accounting Act (Act of 17 July 1998 No. 56) can be a suitable alternative to the present arrangement with a separate Act, but has concluded that this is not the case. (Reference is made to the Committee's discussion in paragraph 6.9.2 in the recommendation).

The Accounting Act establishes that all associations with assets worth over NOK 20 million or more than 20 employees, have a statutory obligation to maintain accounting records, cf. Section 1-2, item 10, of the Accounting Act. At present it is only the central organisation of the largest political parties that are affected by this, and which thereby are obligated to maintain accounting records according to the Accounting Act. If the Accounting Act is to be used as the basis for transparency regarding the parties' finances, it will be necessary to require all levels of the political parties to maintain accounting records, independent of the value of assets and number of employees.

The statutory obligation to maintain accounting records in accordance with the Accounting Act entails an annual obligation to prepare annual accounts and directors' report in accordance with the provisions contained in the Accounting Act, cf. Section 3-1. The annual accounts shall contain a Profit and Loss Account, Balance Sheet and Notes, cf. Section 3-2¹ Chapter 6 of the Accounting Act sets requirements for the content of the annual accounts. Of relevance to the ordinary activities of the political parties are the requirements that the annual accounts shall present information regarding the amount of income and expenses. According to Section 6-2, the Balance Sheet shall have a layout plan of

assets, equity and liabilities. The information contained in the Notes shall, in accordance with Chapter 7 in the Accounting Act, contain further specifications of individual items in the annual accounts.

At present, the Accounting Act does not contain any provisions which govern the aims contained in the Act relating to publication of political parties' income. The Accounting Act is not formulated with the aim of disclosing sources of income for the accountable entities. If the Accounting Act should be applied to safeguard a right of inspection of the political parties' income, the Committee is of the opinion that requirements must be established for a separate Note apparatus (in the new Party Act or Accounting Act).

The requirements of the Accounting Act for specification of expenses (goods consumption, personnel and operating expenses, depreciation and interest) together with the Balance Sheet will be able to provide information regarding the extent of the party's financing and financial strength. However, it will not provide any information on the party's political activity (including ties, possible misuse of power), i.e. information of particular relevance or usefulness to the voters. To the degree the reporting obligation for political parties shall also include expenses, it could be of interest to evaluate a separate Note apparatus also for expenses (cf. also the Committee's discussion quoted below).

In the Regulation the non-financial associations with a reporting duty, which fall under the definition of small businesses, are exempt from the obligation to submit annual accounts to the Register of Company Accounts. They shall instead be maintained by the company having the reporting obligation. According to Section 8-1 of the Accounting Act everyone has the right to familiarise themselves with the contents of the accounts of the company having the legal obligation to maintain accounts. By defining the parties as small businesses in the eyes of the Accounting Act, all local parties and county parties will be legally bound to maintain accounts, but not obligated to submit them.

Pursuant to the Committee's proposal, reporting of the accounts shall be a condition for an entitlement to state subsidies. If the Accounting Act is used as a basis, the accounts must be sent to the municipality/county or alternatively The Brønnøysund Register Centre

¹ Since most of the parties will be regarded as small businesses, cf. Section 1-6, there will be no obligation to prepare a Cash Flow Statement.

for this requirement to be met. This would cause practical and legal problems. The municipalities and counties must check with The Brønnøysund Register Centre as to whether the accounts have been submitted. Entities that submit accounts to The Brønnøysund Register Centre must be established as separate legal entities registered in the Central Coordinating Register for Legal Entities – subject to requirements regarding updating of the information contained in the Register. There are no Norwegian rules for the organisation of political parties. The parties are very differently organised, including with regard to what levels are separate legal entities. The obligation to maintain accounts according to the Accounting Act will entail that the parties are made subject to new, formal requirements for organisation and in addition sanctions in the form of fines for late submission.

The Committee is of the opinion that the obligation to keep accounts according to the Accounting Act cannot be justified in democratic regard, and sees it as problematical to intervene in the parties' internal organisation through statutory requirements. For the local organisations in particular, the costs of keeping accounts could quickly exceed the state subsidies. Reporting according to the Accounting Act will entail a disproportionately extensive obligation for the local organisations.

The advantage of a separate act for the parties is *inter alia* that there is more freedom with regard to tailoring what shall be reported by the party organisations. By mapping the need for information, reporting of superfluous information will be avoided such as the case can be through standardised systems intended for other purposes – as, for example, the Accounting Act.

On this basis the Committee is not in favour of political parties being subjected to the obligation to maintain accounts to a greater degree than is applicable at present, but that the parties' separate reporting duty shall continue to be governed by a separate Act.

On reporting of expenses in particular

The Committee points out that the current Act regarding publication of the income of the political parties orders the central organisations to report their income and income sources – not expenses. Right of inspection as a tool in the fight against corruption has traditionally

been focused on the parties' income – because it is the connection between the sources of income and the exercise of power which can primarily give indications of unacceptable or illegal activities. The UN Convention on Corruption (see further in paragraph 5.4 of the Committee's recommendation) Article 7 No. 3 focuses on transparency regarding political parties' income.

The Committee discusses whether the reporting duty in addition to income, should also include expenses. Such duty is in evidence in some democracies, and then often with the basis in rules containing restrictions on the parties' expenses – for example on maximum amounts in connection with election campaigns or restrictions in the use of state subsidies.

The Committee points out that the general development is moving towards a greater degree of transparency. Based on the fact that the parties receive partly considerable state subsidies, it could be said that citizens should have the right of inspection of how the parties administrate their funds.

The Committee is of the opinion that the extent of the reporting obligation imposed on the parties must be carefully evaluated in regard to what the public has a need to inspect. As a starting point for the discussion the Committee points out that many parties have stipulated in their regulations the obligation to keep accounts. However, this alone cannot justify a statutory obligation to submit accounts.

The Committee has considered whether there are grounds to require the parties to set up a Profit and Loss Account and Balance Sheet, to include an overview of assets, liabilities and expenses – in addition to the explanation of income, cf. paragraph 6.9.3 in the Committee's recommendation. The Committee has discussed various models for account plans, *inter alia* based on the voters' requirements, as well as account plans which can be used in various research connections.

The Committee finds it difficult to take a decision as what type of information shall be required and what degree of detail shall be used. A superior overview with rough categories gives little detailed and hardly particularly relevant information to the voters. One plan which is detailed enough to be interesting to the voters, can show circumstances which invite the intervention by

the authorities without a clear democratic justification. A dilemma can arise whereby exaggerated requirements for information come into conflict with the principle regarding the parties' autonomy.

The Committee is of the opinion that an important, fundamental objection against a requirement for publication of expenses is that this breaks with the tradition that the State does not control, or in any way provide guidance for the parties' use of state subsidies. The regard for the parties' independent position in relation to the State has been the most important argument against such intervention. In Parliament's assumptions for appropriations for party support it is also emphasised that no conditions shall be set, neither shall the state perform controls of the use of the state subsidies. Even though expense reporting will not be synonymous with the state providing guidance on the use of the party subsidies, such reporting in practice will invite controls.

The Committee finds it problematical to justify a separate reporting obligation for expenses since such reporting can hardly be regarded as having any significance for circumstances related to the fight against corruption. Even though the state could have a general interest in inspection, the principle of the parties' independent position weighs heaviest. On this basis the Committee is in favour of continuing the principle that the reporting obligation for political parties shall only be for income.

The obligation to allow inspection of the accounts as they stand

The Committee states that many parties at present keep accounts in accordance with their bye-laws – it is assumed that this concerns most of the parties. The Committee is in favour of all parties or party organisations that are entitled to state subsidies in accordance with the Party Act being under an obligation to allow inspection of their accounts as they stand. The Committee assumes that the right of inspection should concern the accounting documentation which is presented to the association's highest authority (annual general meeting etc.). According to the proposal the Act will not impose any obligations on the party with regard to keeping accounts, but only to allow inspection of the accounts such as they stand. The Committee assumes that there

is neither a requirement nor is it natural to establish any control or complaints systems in connection with the parties' accounting.

Further on what income shall be reported

Monetary and non-monetary contributions

The Committee points out that practice according to the present rules is that only monetary contributions are included in income accounting. In Parliamentary Request No. 178 it is proposed that also other forms of contribution shall be entered as income. For example, this can be free or very reasonably priced services from a printing company or a conference hotel, loans of vehicles, artistes who perform free of charge at election campaign arrangements, and a lot of other things.

Non-monetary contributions can have just as great financial value as monetary contributions. The Committee is therefore in agreement that there is no reason to continue the dissimilar treatment in the present rules of various forms of contribution, since this can easily lead to evasion of the principle that there shall be transparency regarding financial support. The rules must nevertheless be formulated in a manner that makes them easy to practice for the many small and large party organisations which will be covered by them. The Committee is in favour that limitations are set both with regard to the type and value of non-monetary contributions.

The Committee points out that there is a reporting obligation for monetary and non-monetary contributions according to both Danish and Finnish rules. This is also the recommendation by the European Council.² In Denmark, emphasis has been laid in delimitation on whether non-monetary contributions consist of payment which is usually made in money. For example, contributions or payments made by a donor who is normally paid for this type of performance as a link in earning activity (or contribution in another manner can be said to replace an amount of money), could be considered as a donation in the eyes of the law. The donation must in that case be included in the accounts at a value equivalent to what the party should otherwise have had to pay for the

² Rec(2003)4 Art. 2

contribution. Personal efforts by members and acquaintances that are carried out voluntarily and unpaid – as for example traditional voluntary group work – are on the contrary not regarded as contributions. The same applies to loan of premises and objects as long as it is not a part of the lender's occupational activity.³ In its rules, Finland has made an express delimitation of this type of contribution by exempting "customary voluntary work and customary services free of charge" from the reporting obligation.⁴

The Committee is of the opinion that this should be a starting point for an equivalent Norwegian rule. In the Bill on what income is reportable (Section 19 (3) in the Committee's recommendation), the Committee has therefore exempted donations from private persons which consist of ordinary voluntary group work which does not require particular qualifications. An exemption is also included for loan of objects and premises by private persons if those concerned do not usually loan these out against payment. For example, according to this, artistes who perform free of charge, employees having a full or partial position connected to party-political work must be entered into the parties' accounts for income.

The Committee points out that the Committee in the Parliamentary Request No. 178 proposes that an explanation shall be given of non-monetary donations which exceed the limit in value for when donors shall be identified in the income accounts. The Committee is in agreement that this is an appropriate delimitation. The same considerations apply to both monetary and non-monetary donations. Accounting should not give rise to doubt and difficult balancing. The point of a transparent regime is to reveal in which direction ties can exist or arise between party and donor. According to the Committee's proposal the limit for when the reporting obligation arises should be extended to NOK 30 000 on the national level and set at

NOK 20 000 at the county level, and NOK 10 000 at the municipal level (cf. paragraph 6.10.2 in the Committee's recommendation and the following paragraph).

Identification of donors – limit for payment

The Committee points out that the Act relating to publication of political parties' income requires that the donor shall be identified in the income accounting if they have made a donation of NOK 20 000 or above. The limit was set according to the model in the Danish Act and has not been adjusted since the Act came into force and effect in 1998. In the Parliamentary Request No. 178 it is assumed that this limit will be upheld and also applied to donations to parties at the local and regional level.

The Committee is of the opinion that the following argumentation can be asserted against publication of names of donors:

- there is no requirement for publication in the event of gifts to other types of associations
- a gift is an expression of political sympathy and is a personal relationship on the lines of a voting slip. It must be accepted that gifts are given or donations are made without it being publicly known
- gifts to political parties can create conflicts, i.e. in relation to employers or business connections, which are avoided if no publicity is given
- it must be possible to give for altruism and not draw attention to his or her own person
- the joy of giving can diminish and the parties' financial situation can be more difficult if names of donors are published.

To this the Committee remarks that the parties are not well comparable with other associations. The parties are in a special position in that they are a part of the power apparatus and the democratic decision chain. Corruption in the political system is therefore very serious. In Chapter 5 in its recommendation the Committee has concluded that the European Convention on Human Rights (ECHR) gives no protection for anonymous gifts to political parties.⁵ The larger the gift, the less it will have the nature of being a private matter.

³ 2000-01-L 171 (as set forth): Proposal for amendment of an Act relating to private donations to political parties and publication of political parties' accounts. (Punishment for incorrect information in party accounts).

⁴ Cf. Act relating to reporting of representatives' election financing 12.5.2000/414 Section 3 No. 4, subsection two.

⁵ ECHR, Article 8

The following arguments can be asserted for publication of the names of donors:

- voters otherwise miss out on valuable information on what interests support the party
- secrecy provides a breeding ground for speculation and suspicion of any corruption
- secrecy paves the way for corruption

The Committee assumes that the names of donors of gifts over a certain value shall be published. The Committee's proposal for limits is based on weighing up of the consideration that gifts to political parties shall be legitimate and desirable, and the consideration that the donor shall be able to remain anonymous to the public. The Committee sees it in connection with the fact that there is a necessity to raise the limit for gifts to the parties' central organisations on the background of the wages and prices increase which has taken place since the Act was passed. In the Committee's opinion, the present amount of NOK 20 000 is insufficient to support the consideration that the donor shall be protected from the general public. An upwards adjustment of the limit will also contribute to increasing the parties' capability of obtaining funds from other sources than the state and thereby contribute to strengthen the parties' autonomy. On the other hand, consideration must be paid to the public's right of inspection.

On this basis, the Committee is in favour of raising the limit to NOK 30 000 for gifts donated to the parties' central organisations (national level). The amount limit applies to the total of gifts from the same donor during the income year. Reference is also made to the further justification for this proposal in paragraph 6.10.2 in the recommendation.

The Committee is of the opinion that somewhat different evaluations must be used as a basis for where the limit must be drawn – according to whether the gift is made to the party at a national, county or municipal level. Practical considerations can speak for a common limit for all amounts. With a limit of NOK 30 000, however, many local and regional parties will not need to identify donors, even if they – on a local political scale – can be behind considerable contributions. The effect of extending the scope of the Act to also include the regional and local levels will in this regard also have a limited effect. After a

collective evaluation the Committee has concluded that the limit of the amount should be set at NOK 20 000 at county level and NOK 10 000 on the municipal level.

When one or more contributions from the same donor amounts to NOK 30 000 or above, at the national level, NOK 20 000 or above at the county level and NOK 10 000 at the municipal level during the accounting period, the Committee proposes that the donor shall be identified and the amount donated declared. Formally viewed, the rule does not prevent the same donor, without being identified, making other gifts to several different entities in the organisation which collectively exceed the limit of the amount. That is not the intention behind the Committee's proposal. However, the Committee is of the opinion that the parties' centrally cannot be required to undertake co-ordination of the income calculation with the aim of revealing such evasions.

The Committee assumes that it is appropriate that private donors are identified by name and municipality of residence. Legal entities such as businesses, organisations, etc. are proposed identified both by name and postal address.

The Committee is in favour of the limits contained in the Act being updated in accordance with wages and prices increases – according to a proposal by the Board which the Committee proposes established for administration of reporting etc. cf. Chapter 8 below.

Categorising of incomes

In the Parliamentary Request No. 178 certain specifications are proposed in the categories of incomes and donors which shall be declared. The Committee is in agreement with these proposals, but is of the opinion that the requirements for specification of the sources of income should be made more stringent.

The Committee is in favour of the income being divided into three main categories. The first category is public subsidies. Here the party shall declare the state subsidies – including any municipal or county party support as well as other public financial support, i.e. state subsidies in the form of earmarked subsidies. The second category is income from own activities. This includes income from membership fees, lotteries, collection actions etc. capital income, income

from business activities and other income. The third category is income from others. This category is divided into contributions from private persons and commercial enterprises respectively. Industrial organisations are set up as a separate item, while other organisations, associations and groups, institutions, foundations and funds form one common item. Finally, there is a column for other. The last category is internal transfers. Here, according to the proposal, the party shall declare income which has been transferred from other party levels.

Formal requirements (signature, auditor, deadlines, etc.)

The Committee proposes to retain the provision in the current Act that a declaration shall be made that the party has not had any other income than that stated. Further, the declaration by the parties central organisation shall be signed by the party leader and be approved by an auditor. In order to avoid exaggerated bureaucracy and costs involved with extending the scope of the Act, the Committee proposes that no auditor approval shall be required for reports at the municipal and county level. Those who apply for and are entitled to receipt for payment of party support (as a rule this is the local party leader), according to the proposal also sign the income report. In addition, there are requirements for signature by another member of the Board.

As now, reporting shall include all income for the period 1 January to 31 December and be submitted by 1 July the following year. The parties' central bodies and youth organisations at a national level shall report directly to the central register, while local reporting shall take place to the municipality and county respectively. The municipality and county shall forward the income reports to Statistics Norway (SSB), as this is the body the Committee proposes shall be responsible for preparing and publicising income accounts. SSB publishes the accounts as soon as possible. The Committee is of the opinion that such system is in line with the European Council's recommendation that the accounts shall be reported and publicised at least once per year.⁶ Reference is also made to Chapter 8 below regarding models for administration of the arrangement.

Reporting in connection with elections

The Committee points out that the proposed reporting system (para. 6.10.5) in the recommendation will mean that there will be a time lapse from the time income is received until it reported and publicised. According to the proposal, publication of the parties' reports will be for the previous year's income for the parties. Thereby, voters will not know about contributions made during the period before an election, before the following year. The Committee points out that the UK and the US have arrangements which impose a separate obligation on the parties to report and update income data before elections.

The Committee has therefore evaluated whether parties should have an obligation imposed for separate reporting before elections and how such arrangements could be anticipated to function.

The Committee assumes that it will be larger contributions (which the party level in relation to the rules otherwise are obligated to report) which are of particular interest before an election. Reference is made to the limit of amounts for reporting which the Committee has also proposed (cf. above in this Chapter), for the various party levels. To begin with, therefore, an arrangement could be made for separate reporting of such contributions before an election – for example during the period from 1 January to 15 August in the election year. All parties entitled to subsidies in all municipalities and counties should be included in the arrangement – including the parties' central organisation and subsidy-entitled youth organisations. The Committee nevertheless assumes that this will concern a relatively small number of party levels on a national basis. Reporting can take place in accordance with the routines which are otherwise proposed for the arrangement.

The Committee also points out that even though the general obligation regarding reporting is not before 1 July in the following year, this does not prevent the parties publicising the names of donors earlier – which can be advantageous for the party.

The Committee sees that there is much that can point to an arrangement for reporting of gifts in connection with an election. On the other hand, the Committee is of the opinion that such system can entail that donations and donors receive disproportionately much attention at the expense of what the election

⁶ Rec(2003)4 Article 13

should be about – namely the parties’ programmes and content of the politics. An objection to this can be that information regarding from whom the party receives gifts can also be relevant for voter decisions.

The Committee sees that an alternative to obligatory reporting can be a voluntary reporting arrangement for the parties desiring transparency and legitimacy surrounding contributions received. The Committee assumes that the parties can gain much from transparency regarding donations they receive during the period before the election.

The majority of the Committee is in favour of no arrangement being made for separate reporting of private donations during the period before an election. The reason for this is that such arrangement can attract attention which could deter individuals from making financial contributions. The parties will also be free to inform the public voluntarily about donations they receive before an election. Reference is also made to the minority’s remarks in paragraph 6.10 of the recommendation.

Relationship to the Personal Data Act

The Committee points out that Section 2 No. 8 of the Personal Data Act lays down that information about anyone’s political opinions is sensitive personal information. Pursuant to Section 9 No. 1, b, registration of sensitive information cannot take place without a statutory basis for doing so. Pursuant to the remarks to Section 2, No. 8 in Proposition to the Odelsting No. 92 (1998-1999) On the Act relating to handling personal information (Personal Data Act) the expression “political” also includes opinions and viewpoints beyond just belonging to a political party. In the opinion of the Committee it is obvious to assume that registration of who has made gifts to political parties will fall under this provision. The Data Inspectorate supports such interpretation of the Act in a letter to the Committee dated 22 September 2004.

The Committee assumes that collection, registration and publication of this type of information requires a separate statutory basis and proposes that this is included in the Party Act. In all other respects, the Personal Data Act will apply.

Violations – sanctions

The Committee points out that the present Act provides no statutory basis for reactions or sanctions of parties that do not comply with the obligation to report their income. Neither does lack of compliance have any consequences for payment of party support.

The Committee is in favour of making the requirements more stringent in that reporting income in the future shall be a condition for payment of party support. According to the proposal, municipalities and counties shall not carry out any practical controls of the content of the reports at party level, but ensure that the requirements laid down in the Act for reporting are met. The Committee proposes that subsidies shall be withheld and not paid before satisfactory reports have been submitted. If the party is of the opinion that state subsidies are unfairly withheld, the decision can be appealed to the Board which according to the proposal shall oversee the arrangement (reference is made to further discussion of this in paragraph 6.12 in the recommendation and Chapter 8 below).

The Committee has evaluated whether other types of reactions shall be introduced in addition. The Committee points out that in Denmark in 2000 a penal provision was included in the Act which establishes that incorrect or incomplete accounts from the parties’ central organisation can be punished by fines or imprisonment for up to four months. Criminal liability applies to both the parties’ management personnel and the parties’ central organisations. Regarding the parties’ local organisations, there is a requirement that the accounts are reported before they become entitled to state subsidies – and beyond this there is no access to punish. Finland has no sanctions. Up to now, Sweden has not had a statutory obligation for the parties to report their income. Here the introduction of an arrangement is being considered where reported income will be a condition to being paid state subsidies, cf. SOU (Official Swedish Report) 204:22 *Right of inspection by the general public of parties’ and election candidates’ income* – where it is also mentioned that the introduction of formal sanctions towards the political parties will require a change in the Constitution.

The Committee points out that an extension of the scope of the Act will entail that a large number of entities will have a new obligation imposed. The Committee does not

ignore the fact that a penal provision could be perceived as a disproportionate measure which will awaken reactions. In addition it will require administrative resources to monitor and follow up violations. On the basis of the fact that the local organisations vary, it can in addition be difficult to decide who shall be held liable.

The Committee points out that the proposed system is based on confidence and that it must be expected that the parties follow up the system loyally. The Committee assumes that a condition that reporting must be accomplished before subsidies are paid - and in addition the negative attention the party must expect if irregularities are discovered, will lead to the parties keeping within the ramifications of the law.

7.5 The view of the consultative bodies

Right of inspection as a tool

CNBI is of the opinion that it is of great significance for confidence in the political system and in the parties, that there must be a great degree of transparency regarding financial contributions to the parties. CNBI therefore wholeheartedly supports the main principle in the recommendation that there must be full transparency regarding the parties' income and emphasises the significance of the existence of clear rules for reporting of non-monetary income and the obligation to declare agreements that have been entered into.

NFTU supports the main principle regarding the right of inspection of the parties' income and emphasises that it is important for democracy that there is transparency with regard to the parties' financial circumstances. The parties are one of democracy's most important cornerstones and NFTU is of the opinion that it is correct and important to have clear rules and guidelines for how the state's responsibility for financing is accomplished and regulated.

The Conservatives support the Committee's proposal regarding right of inspection of the parties' income and emphasise that the reporting obligation shall only apply to income. The party is of the opinion that it would be natural, such as is proposed by the Committee, to extend the

reporting obligation to also include the party organisations at the municipal and county level as well as the youth organisations that are entitled to receive public subsidies.

Rød Valgallianse (RV) states the following in a letter of 31.1.2005:

“RV has a positive standpoint to more requirements for transparency being set as regards private donations to the political parties centrally, locally and to the youth organisations. With the new rules that have been proposed for reporting it will be a little more difficult for financially strong groups to pressure Norwegian parties to take a certain standpoint.”

South Trøndelag County is of the opinion that greater transparency surrounding the financing of the parties is decisive for confidence in our political system.

“The proposals in the report will give the population sight of where the parties get their income from, and thereby contribute to the necessary transparency and protect against unfortunate connections between the parties and other actors.”

Grong Municipality is of the opinion that the Committee's proposal provides possibilities for sufficient inspection and control over the financing of the parties and accounting control. The parties' local organisations are largely run by volunteers. The arrangements which appear unnecessarily labour-intensive should be avoided. An equivalent statement is made by the Centre Party's central organisation.

Surnadal Municipality states that in line with the Committee's proposal, inspection of the use of the parties' funds is important – both locally, regionally and nationally. Oslo Municipality supports the Committee's recommendation that the reporting obligation for the political parties' income shall also be extended to include the parties' local organisations, county organisations, and youth organisations when they receive state subsidies:

“The Municipality finds grounds, however, to point out that increased right of inspection of the local parties' financial circumstances raises challenges in relation to competence, which the Committee does not seem to have addressed.”

Hamar Municipality is in agreement with the principles concerning the parties' accounting and reporting obligation. An important assumption for the rules on transparency to work, is that systems are established which ensure the public's right of inspection in an efficient manner.

Trondheim Municipality is of the opinion that extended reporting is a positive measure. The Municipalities are more uncertain with regard to whether an extended reporting obligation will provide the voters with the relevant information and result in confidence in the politicians and political institutions. The Municipality nevertheless regards the transparency surrounding gifts and public accounts as so central that the Committee's proposal is supported.

Who the Act should apply to

The Pensioner Party is in agreement that there should be full transparency regarding the parties' income and that a reporting obligation is introduced, and states in a letter of 20.1.2005:

“On this basis we are of the opinion that also independent lists receiving public subsidies on the same lines as registered parties, shall have an obligation to report.”

Hamar Municipality is of the opinion that transparency is important at all levels of the parties' organisations. The Municipality takes a positive standpoint to the extension of the reporting obligation to also include the parties' local, county and youth organisations.

Hamar City and Rural List is of the opinion that independent groups and lists which meet the requirements for presenting lists at the Municipal Council and County Council should be treated identically where it concerns public financial support. If they meet the criteria for state subsidies, the reporting obligation should also include them.

RV is of the opinion that a debate should be held on whether elected representatives and employees' representatives of the parties should be subject to a reporting obligation for gifts over a certain value.

Basis for the parties' reporting obligation

The Norwegian Association of Authorised Accountants (NARF) states the following in a letter of 1.2.2005:

“In NARF's opinion there is a range of general considerations that speak for greater transparency surrounding the parties' finances than is the case at present. As the Committee itself writes it is in that case an assumption that systems are established which ensure public right of inspection in an efficient manner, according to which different solutions are evaluated to make arrangements for this. In that connection we are of the opinion that ideally an arrangement should also be made for a stricter general approach to the Accounting Act's general rules for the parties / party organisations which at present are not included in them, or – in the event of continued special legislation – extended to include a reporting obligation for expenses also. Having said that, we do, however, understand the objections / arguments which are outlined against this in the report. Based on a total evaluation it is therefore our opinion that the proposed solution, with the reporting obligation for income according to special legislation, is satisfactory for the purposes, and provided that the mentioned obligation is extended to also apply to the parties' local organisations, county organisations and youth organisation when they receive state subsidies. For this standpoint it is also an important additional element that a right of inspection of the accounts of the parties entitled to subsidies is also proposed, as these accounts exist and are presented to their highest agency.”

Other consultative bodies have not commented on the relationship to the Accounting Act.

On reporting of expenses in particular

Stord Municipality is of the opinion that it must be a condition for state subsidies for political activities that accounts are kept that include all income and expenses. The accounts must be publicly available and be kept in a manner which allows persons with normal accounting knowledge to be able to understand the contents. The parties' accounts should be available to public entities and the general public (which in practice means the media) for

at least four years. An equivalent statement has been made by Bomlø Municipality.

Obligation to allow inspection of the accounts as they exist

In a letter of 2.2.2005, the Ministry of Justice commented on the Committee's recommendation as follows:

“The Committee proposes that the parties, if they keep accounts in one form or another, shall be obligated to allow anyone to inspect them, cf. Section 23 of the recommendation. We are in some doubt as to whether such a rule is appropriate. As long as the parties in general are not subject to the rules contained in the Accounting Act, there are grounds to believe that between the parties there can be substantial differences in the quality and extent of any existing accounts. Further, this will make it difficult for outsiders to compare the different sets of accounts. If the parties fear that inspection could provide grounds for unfounded criticism etc., it can entail that the party regards itself as better served by not keeping accounts, alternatively to keep less detailed accounts etc. In that case it will be an unintentional consequence of an inspection right as proposed.”

Further regarding what income shall be reported – monetary and non-monetary contributions

Oppland County is in agreement that non-monetary gifts should be reported, as the Committee proposes. Such gifts can entail speculation it is important to avoid.

The Conservatives are of the opinion that also non-monetary contributions must fall under the reporting obligation, but that this must not affect the traditional voluntary group work and services which are normally paid for in money.

NFTU is also in favour of non-monetary support being reported.

The Data Inspectorate is of the opinion that it is unclear which persons and which services shall be included in the rules. The Inspectorate asks:

“ Does one do something illegal if the

spouse of a party member, who is a qualified electrician, inspects the electrical installations of the party premises in connection with voluntary group work? And what about the party member him/herself? Will they be considered private persons in the eyes of the law?”

Identification of donors - amount limits

The Conservatives and Hamar City and Rural List support the Committee's proposal for rates.

Surnadal Municipality states in a letter of 26.2.2005:

“We are of the opinion that the proposal regarding varying amount limits for anonymous contributions – estimated NOK 30 000 to the central organisations, NOK 20 000 to the County organisations and NOK 10 000 to the local organisations is too high. The principle must be as much transparency as possible. In the event of anonymous donors the limit should be NOK 15 000 for all levels.”

The Centre Party's central organisation is of the opinion that the proposals for the amount limits for anonymous contributions – NOK 30 000 to the central organisations, NOK 20 000 to the County organisations and NOK 10 000 to the local organisations – are high. One alternative will be that the limit of NOK 10 000 applies to all levels. An equivalent statement was made by Grong Municipality.

Hamar City and Rural Lists supports the principle regarding transparency, but feels that the resources which must be used for reporting can be demanding, particularly if one goes in for limits that are too low. An alternative is that the parties themselves introduce transparency and enter such information continuously on their home pages.

The Ministry of Justice states the following:

“The Committee is in favour of private persons being identified by name and municipality of residence. This is a stricter requirement than under the present Act. Nevertheless, we raise the question of whether this is always sufficient, particularly in larger municipalities.”

The Data Inspectorate recommends that the amount limit proposed in Section 20 of the Committee's recommendation should rather have a reference to the Basic Amount, for example. A change in the amount limit which depends on one amendment process seems to be unnecessarily resource-demanding.

Reporting in connection with elections

Many of the consultative bodies have made comments to the recommendation on this point.

Oslo Municipality states the following in a letter of 28.1.2005:

“Oslo Municipality notes that the majority of the Committee is not in favour of extra reporting of the parties' financing in an election year. This means that when the voters go to the polls, it is the financing of the parties for the previous year they have information about. It is an important principle that voters know who has provided the parties with financial support, especially to the respective parties' election campaigns, before they give their vote. The Committee's majority points out that with extra reporting in connection with an election, one can risk switching the focus from the election campaign to who finances the parties and away from the political issues. This argument can also be used in the opposite direction, namely the speculation about who has supported the various parties' election campaigns tops the agenda in the election campaign. Oslo Municipality therefore supports the Committee's minority who think that the parties shall have an extended reporting obligation in an election year.”

Elverum Municipality also supports the minority's recommendation and states in a letter of 27.1.2005:

“Recently, work has been carried out towards greater transparency concerning the financial contributions to the political parties. An exception will lead to a step backwards in relation to the desire for transparency. It is difficult to understand why the election contributions shall be excepted from the desire regarding greater transparency.”

The Pensioner Party finds no grounds to deviate from the principle of a reporting obligation for private contributions before an election. The Party is of the opinion that an exception from this obligation will undermine the whole of the arrangement and is clearly not in line with the intention of increased transparency in this area.

NALRA also supports the minority's proposal and is of the opinion that the parties shall be subject to an extended and continuous reporting obligation in an election year.

RV states:

“RV is of the opinion that there should be a separate reporting obligation in connection with an election year. As a rule it is in connection with an election that most private contributions and other support are received by the parties' election campaigns, which are important to have noted. It is important to have transparency surrounding these contributions before the election as far as possible so that voters are able to make an informed party choice, and so that the possibilities for corruption and undemocratic political influence through financial power shall be less.”

The Centre Party is of the opinion that it would be advantageous if the parties were ordered to publicise the current year's income before 1 September in the election year, such as is proposed by the minority. Grong Municipality is of the same opinion.

Trondheim Municipality wishes separate reporting in the election year and wants criteria for this included in the Act.

The Conservatives support the Committee's proposal that it is not necessary to introduce an arrangement with separate reporting of private donations before the election, and states:

“In this connection, the Conservatives point out that the Conservatives at their own expense parallel with the Committee's presentation of their recommendation notified that the Conservatives regardless will introduce the practice of continuous publication of contributions over the amount limits laid down in the Act.”

Relationship to the Personal Data Act

The Data Inspectorate states the following in a letter of 27.1.2005:

“It is proposed that a central register be established of the parties’ income and sources of income, and that they shall be publicised in an appropriate manner.

The Data Inspectorate reminds that the manner in which the information is publicised is central in relation to the degree of exposure private donors will have. Presentation on home pages on the Internet is substantially different from a publicly available overview where those who wish it must specifically request it.

The Data Inspectorate therefore proposes that the Act is appended a passage stating that information from the register can be released in response to specific enquiries. This must apply in particular if the legislator is in favour of private persons’ contributions being publicised with identity.

It is otherwise correct as the Committee points out (report pages 100-101) that establishment by law of a donor register will be sufficient grounds to treat sensitive personal information cf. Section 9 of the Personal Data Act. The Personal Data Act, however, contains a range of other provisions that are intended to protect the individual person’s privacy. That information regarding political opinions of the legislator is categorised as sensitive personal information also entails that particular care shall be exercised in the treatment of such information. The Inspectorate has difficulty in seeing that this consideration can be harmonised with the proposal for publication which appears in the provisions”.

The Ministry of Justice states:

“As the Committee states on p. 73, the obvious assumption is that information regarding donors to political parties will be regarded as sensitive according

to Section 2, No. 8 of the Personal Data Act. If such information is publicised electronically, on the Internet or in another manner, such as is presumed in Section 22 of the Proposition, the provision – *inter alia* on the background of the case law from the EU Court – should give a precise statutory basis for electronic presentation.”

Stord Municipality is of the opinion that the Personal Data Act should not prevent information regarding private party financing being publicly available. Bomlø Municipality is of the same opinion.

RV states:

“RV emphasises that the desired transparency surrounding monetary gifts which can influence the party or politicians must not lead to general mapping of an individual person’s political viewpoint or sympathies. It is important that a free and secret election is upheld, and thereby that an individual person’s membership in one or other party is not the object for public registration, independent of whether the person is rich or poor. It is gifts which can overrule parties or politicians which shall be registered and be publicly available, not people’s political sympathies. RV finds grounds to mention this since state mapping of individual persons political sympathies has been so normal in Norway.”

Violations – sanctions

Trondheim Municipality is critical regarding enforcement of reporting data too strictly and states the following in a letter of 1.2.2005:

“If the purpose of a new Act is *inter alia* to put the parties in a position to solve their core tasks, they must receive support for simple enforcement of reporting. It must not be left to the individual municipality to decide whether reporting fulfils the requirements of the Act.”

The Centre Party in Østfold regards as reasonable that requirements are made for reporting from the previous year before a new payment is undertaken.

Enebakk Municipality regards it as natural that reporting is accomplished before payment of subsidies is undertaken.

Vestre Toten Left is of the opinion that accounting reporting should be accomplished before payment.

RV is initially positive towards a strict enforcement of the general arrangement for reporting of income, but there must nevertheless be an opportunity to apply for a postponement for special reasons. RV is of the opinion that it will be appropriate to advance the deadline for reporting of the parties' income to 1 July (with forwarding of KOSTRA figures by the municipalities by 15 June instead of 15 July) because of holidays in July and the danger of delays.

7.6 Evaluations by the Ministry

Inspection as a tool

The Ministry points out that increased inspection, in addition to the financing question, is the most important foundation consideration in the work with this legislation. The wish for increased inspection of political parties' and elected representatives' financial circumstances has over time become widespread internationally, which in a European context is expressed *inter alia* through the European Council's Recommendation 2003/4 on common rules against corruption in the financing of political parties and election campaigns, cf. Appendix I in the Committee's recommendation. In the statement by the Council of Ministers dated 8 April 2003 the Council says *inter alia* that the Council is convinced that corruption poses a serious threat to the constitutional state, democracy and human rights and to equality and social justice, and that it prevents financial development, threatens the stability of democratic institutions and undermines society's moral foundations.

In Norway there has also recently been a public debate regarding financing and inspection, *inter alia* in connection with municipal council and county council elections in 2003 where publication of the parties' donors in particular was the theme. Reference is also made to Norwegian politicians' interest in this in the form of Parliamentary Requests which are the basis for this legislative work and recent proposal Doc. No. 8:6 (2003-2004) from Member of Parliament Trond Giske regarding expediting this process in that a

proposal for amendment equivalent to the Parliamentary Request No. 178 should come into force from and including the accounting year 2003.

The Ministry is of the opinion that public inspection of the parties' income will be preventive in relation to preventing corruption and other undermining of our system of government by financial transactions between private and political parties. In the Proposition the Ministry therefore is in favour of extending the reporting obligation in relation to the requirements in the existing Act.

Who the Act should apply to

The Committee proposes that the obligation to allow inspection is linked to the entitlement to receive state subsidies, i.e. so that the Act will apply to all political parties registered in accordance with Chapter 5 of the Election Act. According to the proposal unregistered groups or lists will not be entitled to receive state subsidies and will therefore not be included in the Act. However, it is proposed that the reporting system includes the opportunity to voluntarily report them.

Further, the Committee proposes that the law shall apply to all organisational levels of the party – at the national level (as at present), county and municipal levels, including the parties' youth organisations at the two first-mentioned levels. This is in accordance with the Committee's Bill, *litra a*). In Article 6, the European Council goes somewhat further than this by recommending that rules (including inspection rules, cf. Article 11) regarding gifts to political parties in concrete cases should also apply to entities which are directly or indirectly connected to a political party or in another manner controlled by a political party.

The Committee also points out that one consequence of the proposal to link the obligation to allow inspection to the entitlement to subsidies, will entail that other, more or less party-connected entities are not subject to the reporting obligation – even though these can be in possession of relatively substantial financial sums.

The Ministry points out that the present Act regarding publication of political parties' income applies to all parties that are registered according to the Election Act and which have presented lists at the last general election. There is no connection between the central

organisations' statutory obligation to present annual accounts of income and the situation that the central party organisations are entitled to support through Chapter 1530, item 70 in accordance with the guidelines P-650 of 24.5.1993 I) a. The Coastal Party, for example, will be subject to the Act, but at present does not receive subsidies through item 70.

It is difficult for the Ministry to see from a purely legal standpoint that there should be anything in the way for continuing to separate the obligation to publicise from the entitlement to receive state subsidies. As the Ministry sees it, there is therefore initially nothing to prevent the inspection rules in the Act also applying to other entities which, according to the proposal, will not receive party support.

The Ministry is of the opinion, however, that the obligation to allow inspection should be strictly justified based on the need for inspection by the public. It is the consideration that private persons must not have unnecessary obligations imposed on them that is primary, but also the consideration for limiting the flow and public administration of information which is already available or can be obtained in another manner, or in which society in general has a marginal interest points in the direction that the obligation should not be made too extensive. As will be seen below, the Ministry assumes that the obligation to allow public inspection should be limited to apply to the political parties' income. With the definition and specification of the income categories which are prepared for, the inter-company transactions and money flows from organisational entities which are connected to the party, will be seen from the income overview, cf. also the Committee's proposal.

As is the Committee, the Ministry is in favour of extending the requirement for inspection / allowing an inspection to also include registered political parties' organisations at the county level and at the municipal level. The proposal also includes the youth organisations at the national level and at county level. Others will not be subject to the provisions of the Act, but preparations will be made for voluntary reporting to be undertaken by political lists.

The application of the Accounting Act to political parties

The Committee has discussed whether it is appropriate that the obligation of political

parties to allow inspection of its financial circumstances is founded in the Accounting Act. In this connection, reference is made to that the largest parties, i.e. parties with assets amounting to over NOK 20 million or which have more than 20 employees, are already subject to the Act, cf. Section 1-2 No. 10. The Committee concludes that the Accounting Act in its present form is not suitable to provide a statutory basis for an accounting obligation for the whole of the proposed range of organisational levels of political parties or to regulate follow-up and control by the authorities.

The Ministry sees that changes must be made in the present Accounting Act so that it shall be an appropriate legal authority for the system which is proposed established for political parties. However, the Ministry is of the opinion that it is not a case of adjustments or changes which can be relatively easily accomplished without this complicating the Act to any degree for those who are otherwise subject to it, or other users of the Act. From a purely legislative point of view, this can be done by a separate section for political parties. The Committee points out that reporting of accounts to the Brønnøysund Register Centre in accordance with the model proposed by the Committee, will entail practical and legal problems. The Ministry is partly in agreement with this. In connection with the administrative model and the reporting system which the Ministry proposes for the arrangement cf. Chapter 8 below, the Brønnøysund Register Centre could perhaps be an appropriate body to which the parties could report. However, the Ministry has not discussed this alternative in depth in its proposal for a reporting model, but assumes that reporting shall be undertaken to Statistics Norway (SN).

The Ministry points out that the purpose of inspection in accordance with the Accounting Act and the considerations which lie behind the need for increased right of inspection of political parties' financial circumstances, are different. Further, equitable considerations speak for gathering all statutory provisions concerning political parties in one Act. The Ministry proposes therefore that all statutory provisions which are relevant for the purpose of this Bill, are collected in the new Party Act. In that connection, no changes are proposed to the current Accounting Act. Reference is also made to the comments by the consultative

body the Norwegian Association of Authorised Accountants, quoted above, with which this proposal is regarded to be in line.

Scope of the reporting obligation

The Committee has discussed whether the reporting obligation shall be extended to also include the parties' expenses, but does not propose this.

The Ministry supports the Committee's viewpoints. In the Bill, a central assumption is that the state shall not perform controls of or in any other manner regulate the expenses of the political parties. However, even though the state shall not perform controls of the expenses of the political parties, it does not prevent the public from having a well-founded need for inspection of the expenses.⁷ The risk of corruption and bribes will first and foremost be connected to the parties' income. Even though the European Council in its recommendation to the states speaks of "accounts" and in Articles 9 and 10 has put forward recommendations regarding limits for election campaign expenses and registers for all direct or indirect election campaign expenses, the main theme in the Recommendation is "gifts". Neither the Ministry nor the Committee propose that limits be introduced for election campaign expenses. Information about the parties' expenses in general is not anticipated to contribute to fulfilling, or be relevant for, the purpose of the new Act and it is therefore proposed not to be included in the reporting obligation.

Income accounting and obligation to allow inspection of the accounts as they exist

The Ministry points out that the Committee has discussed registered political parties' obligation to allow inspection of the accounts as they exist, without there being any statutory obligation to keep accounts. In its justification the Committee refers to the fact that most of the parties today are assumed to keep accounts in accordance with their bye-laws, cf. 6.9.4 of the recommendation.

The Ministry views this discussion in connection with the Committee's proposal for Section 23 that all party levels that fall under

⁷ For some voters, the parties' disposal of its own funds could be an indication of how society's funds will be used if the party gets into power.

the Act, in addition to the reporting obligation contained in Section 19, are obligated upon request to allow inspection of the accounts which have been prepared for the previous year.⁸

The Ministry points out that Section 19 in the Committee's Bill entails an obligation for all party levels subject to the Act to keep income accounts. Reporting shall contain a complete overview of all income the reporting entity has had during the period. One consequence of this proposal is that municipal and county party levels (including youth organisations) will have an obligation to keep accounts, which they are not subject to at present. The proposal is assumed to be mainly in accordance Parliamentary Request No. 178.

The Ministry points out that the purpose of the Act is to allow inspection – not only of the parties, but also of the various parties' organisational levels. The intention all along has been that the accounting obligation which the parties that have submitted lists for the last general election are subject to at present, shall be extended to also apply to municipal and county party organisations. This is to achieve identical rules for all three levels, cf. Recommendation to the Odelsting, No. 28 (2002-2003).

The Ministry sees that one consequence of this is that it will be difficult to fulfil the purpose of the Act without the various levels within the parties having an obligation imposed to keep income accounts which satisfy the requirements in Section 19 and which entails that all income shall be declared from the first krone. An homogenous template for keeping income accounts will make them comparable between the party levels, which will be a great advantage to the public and the state. If there is to be any reality to the reporting obligation, the Ministry has difficulty in viewing it otherwise than that it must be based on an equivalent obligation to keep suitable income accounts. The Ministry therefore supports the Committee's proposal. It is emphasised that the Party Act sets no other requirements for the parties regarding keeping accounts than this.

The Ministry sees that the Committee's proposal will entail an increased administrative burden for party levels which now fall under

⁸ Reference is made to the remarks to Section 23 on page 159 of the recommendation

the Act. The Ministry is of the opinion that there can therefore be a need for a simplified system for the smallest party organisations. On this basis the Ministry proposes that party organisations which have had a total of under NOK 10 000 during one year, are not obligated to submit income accounts in accordance with Section 19 for that year. In the party organisations' calculation of total income during one year, public subsidies can be kept separate and apart. In such cases it is sufficient that the party organisation submits a declaration regarding this to the public reporting register. It is emphasised that the party organisation is obligated to submit such declaration within the statutory deadline. The exception clause does not prevent a party organisation with a total income of under NOK 10 000, voluntarily submitting income accounts.

The Ministry is of the opinion that such exception clause will not undermine the intention of the Act regarding increased inspection to counteract corruption or set aside suspicion of corruption. The requirement for a self-declaration contributes to preventing possibilities of evasion and give the authorities an indication of the total income level of the party organisation. In addition to reducing the administrative burden for the smallest organisations, the proposal will not least simplify public administration of the reporting obligation. Reference is also made to Section 18, subsection three of the Bill.

The Committee's proposal for Section 23 imposes an obligation to allow inspection of the accounts that have been prepared for the previous year. As the Ministry views the proposal, this right of inspection will also include accounts of the parties' expenses to the degree the party organisation keeps such accounts in accordance with the bye-laws. The Ministry has put forward arguments above that accounts of expenses can hardly be regarded as relevant to the purpose of the Act – which can speak for the obligation regarding presentation imposed on the parties by Section 23 in the Bill, should not include more than the income accounts which shall be reported according to Section 19 and which alternatively can be obtained upon direct enquiry to the reporting register (Statistics Norway). The Ministry has nevertheless chosen to further the Committee's proposal and is therefore in favour of the party organisations having an obligation imposed on

them that upon request they shall allow inspection of internal accounts such as they exist.

The Ministry proposes, in conformity with the Committee, that the Party Act shall not contain requirements for auditor approval of the income accounts, but that they shall be signed by the head of the local organisation (and possibly by the Treasurer) together with a declaration that the party organisation has not had other income during the year other than that reported. The same requirement applies in connection with declarations linked to the exception clause in Section 18, third subsection.

Further on what income shall be reported

The Ministry has no comments to the Committee's proposal with regard to reporting of monetary and non-monetary contributions. The proposals are evaluated in accordance with the Committee's Bill, *litra b*) and the European Council's recommendations in Article 2 in the Recommendation. The proposal opens for voluntary work/group work still can be performed without reporting the value of it in the income accounts. Trade or professional work which is performed by authorised personnel, who have it as their income basis, will fall in under the definition of non-monetary contributions.

Several of the consultative bodies have also pointed out that it is important that non-monetary contributions are included in the report. In its consultative statement, the Data Inspectorate looks for a more precise delimitation of this type of contribution than that appearing in Section 19 of the Committee's Bill.

The Ministry points out that the consequences of this proposal will be i.e. that a pensioned plumber can carry out plumbing work free of charge for the party without the value of it being reported. The same will in principle be the case for an authorised auditor who works as a carpenter at the moment – and who does not have auditing competence as a part of his income. This person can perform "free" auditing work for the party, but not carpentry work – without this having to be declared in the party's report.

By private persons is also meant party members, regardless of what office they might hold in the party. Based on the Data

Inspectorate's questions, the electrical services rendered by a party member or his or her spouse/common law spouse/registered partner or others who have this is a profession, are not regarded as voluntary group work in the eyes of the Party Act and are therefore included in the reporting requirement. If, on the other hand, the party member is employed full-time by the party and at the moment does not have any other earned income, this person's services will be regarded as voluntary group work which is not required to be declared in the party's income accounts.

The Ministry sees that income basis / no income basis can be a somewhat artificial criteria with regard to which services shall be included in the voluntary group work concept. If a rule regarding reporting of non-monetary contributions is introduced, so that the contributions shall not only include objects, but also services, and for which in its turn an exception is granted for certain services for which it is in the interests of society that private persons shall continue to provide free of charge to political parties, a delimitation must be undertaken in one way or another. The Ministry has concluded that the income basis in this connection can be an appropriate division.

So as not to complicate the rule too much, the Ministry does not intend to make a further delimitation of the income basis concept in the form of different percentage rates for part-time work.⁹ The purpose of using the income basis criteria as a basis, is to make a practical set of rules, *inter alia* so that setting a value on the service performed shall be fairly correct. An authorised electrician who at the time works as an electrician is assumed to be in a better position than others to see what the service is worth on the market. Alternatively, one can view it such that the person performing a free service for the party could instead have used his or her working time to perform an equivalent job for another customer for payment. It is

precisely the value of the alternative use of time which shall be reported in this case – if it exceeds the “free” statutory limits. Equivalently, reduced payment or discount on such services shall be declared in the income report if the discount exceeds the same limits. One question which is raised in this connection is whether in setting the value of services, (fictitious) value added tax shall be included so that the value of the service will be comparable to a greater degree with what the party would otherwise have to pay for it on the market. The Ministry cannot see that the Committee has discussed this question in-depth. The Ministry sees that it may be more correct to take VAT into consideration, but nevertheless proposes that no requirement shall be made to use VAT considerations as a basis for the setting of the value of a service rendered.

The Ministry has also sustained the Committee's proposal that reporting of non-monetary contributions under the statutory free limits shall not be required, cf. Section 19, subsection four.

Contributions in the form of objects shall be declared in the form of an estimate of the market value of the object. A donor who makes a party organisation a gift of a used car, shall report this together with the value of the car if it exceeds the free statutory limits applicable to the party organisation in question. The same applies to object d'art or securities to the same value. Reporting is not required for objects which are not assumed to have any market value worth mentioning, for example, obsolete computer equipment, used furniture, objects which bear the mark of being “jumble” or objects which would be difficult to sell in a market or where it is impossible to fix the value.

In this connection, the Ministry would also point out that it would not be possible to set up control arrangements or mechanisms to ensure that such reporting is undertaken correctly, and that all relevant values are included. Compliance with the rule must also be based on a faith relationship between the parties and society in general.

Amount limits and consolidation of income accounts

The Ministry points out that several of the consultative bodies have proposed lower

⁹ I.e. so that services performed for the party organisation can be regarded as voluntary group work donations if the nature of the work does not exceed 50% or 25% of the total income basis etc.

amounts than those contained in the Committee's proposal. After further consideration, the Ministry has nevertheless decided to sustain the Committee's proposal for amount limits and supports the evaluations made with regard to differentiated amounts at the national, county and municipal level. It is emphasised that the limits indicate when the donor's identity shall be declared. In this way the rates can be regarded as the statutory limits for the "free" amounts, in that donors behind gifts which are under these amounts are not required to be declared in the annual reporting of accounts. However, all gifts and donations shall be included in the income accounts – including those that are within the statutory free limits. However, an exception is made for non-monetary gifts, cf. Section 19, subsection four.

The donor's name and municipality of residence, or postal address for legal entities, shall appear in the income statement when the donor is behind gifts to the respective party organisation with one or more contributions having a value of NOK 30 000 or more at the national level, NOK 20 000 or more at the county level, and NOK 10 000 or more at the municipal level. For donations to the youth organisations, the same levels apply as for the parent organisation at the same level, with the exception of any donations to municipal youth organisations which are not included in the reporting obligation.

In its consultative statement the Ministry of Justice has raised questions as to whether name and municipality of residence is sufficient, particularly in larger municipalities. The Ministry sees that this can be a point. Limited personal information can lead to names of donors are published "unlawfully", for example where to different donors with the same name from the same municipality are behind gifts which individually are within the statutory free amounts, are perceived by the party as one donor. However, it is assumed that the party organisation has further information on those who are behind the gifts to the parties beyond name and municipality of residence,¹⁰ so that this type of error does not occur.

Another, more current problem will be where a person comes into the media limelight for having donated gifts to a political party when in reality it is the person's namesake

who has made the gift. Such a situation could clearly be perceived as unpleasant for the person who on the wrong basis is linked to this type of gift. The Ministry sees that this consideration can point in the direction that other personal information, such as age or postal address should also be declared. The Ministry has nevertheless chosen to sustain the Committee's proposal which limits information to name and municipality of residence. This is *inter alia* to reduce the donor's exposure.

The Committee is not in favour that the party at the central level consolidates the accounts from the other organisations on a national basis. The Committee states on page 97 of the recommendation:

"Seen from a formal aspect, the rule does not prevent the same donor, without being identified, giving gifts to several different entities in the organisation, which collectively exceed the amount limit. This is not the intention of the Act. The Committee is of the opinion, however, that the parties at the central level cannot be required to undertake co-ordination of the income reports with the aim of revealing this type of evasion."

The Ministry notes that the Committee sees that the proposal will open for certain possibilities of evasion without putting these in more specific terms. The rules entail, for example, that a person who donates NOK 19 999.50 both to the party's county organisation and to the county youth organisation, will not be required by law to declare his or her name.¹¹ In the extreme, the consequence of the Committee's proposed model will be that it will be possible for one and the same donor to give over NOK 5

¹⁰ With the exception of any anonymous gifts

¹¹ The consequence of the proposal can be seen more clearly from the following hypothetical situation: Take a party which in addition to a central youth organisation, has a county organisation with a youth organisation in all 19 counties and in addition local organisations in all of the country's 434 municipalities. Assume that a donor wishes to support the party without being willing to have his or her name publicised through income accounts, i.e. the donation is kept just under the statutory limit. By dividing up the donation in this way, it will be possible to give over NOK 5 million annually to the party.

million annually without being named – by spreading the donation over the whole party. However, there is much that indicates that this is a hypothetical case which for several reasons will not take place in reality. The donor will hardly have the prospects to achieve concrete advantages in a certain political body when the contribution is spread in this way, and therefore that such contribution, in spite of the total amount, must from a social viewpoint be regarded as less doubtful. In line with this line of thinking it can also be asserted that a donor with such financial potential who wishes to have influence in the party, will achieve more by supporting the central organisation directly and rather accept the unpleasantness publication might entail. This seen *inter alia* on the background of that the Act does not propose upper limits for contributions.

However, the Ministry sees that the Committee's assumption that the party centrally shall not be required to undertake consolidation of the accounts for the whole of the party organisation, opens for certain possibilities of evasion of the rules concerning the public's right of inspection. An obligation to consolidate accounts through the party system, however, could come into conflict with the principles for internal management circumstances in the party organisations.

Alternatively, one could imagine that a public body, Statistics Norway for example, could be assigned the task of consolidating the accounts. However, this would not be practical for several reasons. Firstly, Statistics Norway must undertake a review and consolidation of all registered political parties' (including party organisations') accounts as well as any voluntarily submitted by unregistered groups and lists. All donors, regardless of the amount of the donation, must be named by the party to Statistics Norway which in its turn will have the task of publicising donors of contributions which in total exceed the statutory limits. In addition to administrative considerations, the Ministry is of the opinion that this solution is not appropriate because it assumes that all donors must be included in Statistics Norway register from the first krone. The consideration for the donor's need to be anonymous can therefore hardly be protected by such a model. In addition, the model entails extensive administration costs for the state.

The Ministry proposes therefore that the Act does not include a requirement that the

accounts shall be consolidated by the party centrally. It will therefore be up to the individual party if consolidation is to be undertaken of the accounts.

The Ministry has no remarks to the Committee's proposal for categorising of the income and has sustained this in the Bill. No comments have been received to the proposal from consultative bodies.

Reporting before an election

Many of the consultative bodies have been against the majority in the Committee's proposal that there shall not be a requirement for extra reporting before an election, and few have positively supported the proposal.

The Ministry emphasises that the proposal gives minimum requirements for transparency. It will be up to the individual party or party organisation to practise a larger degree of transparency, i.e. by "flagging" any donations received before an election.

On this basis, the Ministry has chosen to sustain the proposal presented by the Committee's majority. No preparation is made for the reporting system to take into account voluntary reporting before an election. Such information can be given by the parties via home pages, newspaper advertisements, etc.

Auditor approval, signature, deadlines

The Ministry has no comments to the Committee's proposal for formal requirements, including signature, auditor approval and deadlines. RV has stated that the deadline should be advanced one month because of holidays. The Ministry is of the opinion that 1 June can be a tight deadline for the parties and has therefore decided to retain the deadline in the current Act which is at the latest six months after the end of the accounting year. The proposal is in line with the Committee's proposal in all other respects.

Relationship to Personal Data Act

The Ministry points out that the Ministry of Justice and Data Inspectorate have especially made comments regarding this. The essence of both sets of comments seems to be that information about names of donors is to be regarded as sensitive information requiring an explicit statutory basis for any electronic release as proposed. The Committee has also touched on this in its discussions. The Data Inspectorate goes further in its statement by

referring to various considerations in the Personal Data Act, in spite of any clear statutory basis in the Party Act, indicate that such sensitive personal information should only be released upon specific enquiry.

The Ministry is in agreement with that a clear statutory basis must be included in the Party Act for electronic publication of donors. The Ministry also views it such that it is relevant to further evaluate whether considerations of privacy indicate that specific enquiries should be an assumption/requirement for publication of the parties' reports. On this point, the Act balances two different considerations, namely, the consideration for personal privacy and on the other hand the consideration for the public's need to inspect the parties' income accounts and who supports them, based on the goal of preventing corruption and bribes and protect / increase confidence in the democratic system. The free amounts which are proposed in the Act have been given precisely because of the consideration that donors who wish to remain anonymous to the state shall continue to make donations to political parties within further defined limits. When the sum of the gift exceeds a certain value, the consideration for the right of inspection comes in with the result that the name of the donor shall also be given. Donors wishing to make gifts exceeding the free limits are assumed to be aware of the consequences this will have with regard to publication and are assumed to have undertaken the necessary consideration before the decision was taken. According to the impression the Ministry has obtained from the statements made by the consultative bodies, these limits are in any case not set too low. The Ministry is therefore of the opinion that consideration for the individual donor's right to remain anonymous to the state is already protected enough in the Committee's proposal. The Ministry in its Bill has therefore assumed that the parties' reports shall be put out openly on a website administered by Statistics Norway.

The Ministry cannot envision cases where personal information could clearly be misused if information regarding donors and the amount of gifts, in line with the Committee's proposal, are entered openly on an Internet page etc. A model where publication shall only take place upon a specific enquiry will entail considerably more public administration in that

Statistics Norway must handle the individual inspection request. For the general public this could also be perceived as a bureaucratic threshold which in its turn can weaken the interest in and significance for the inspection regime.

The Ministry sees a need to evaluate further whether there should be a time limit set on how long the information about the individual donor shall remain open on the Internet. The Ministry is of the opinion that such time period should be fairly well in accordance with an election period, and not set too much shorter. It is assumed that voters before an election can easily obtain information on who has supported the parties during the current period.

The Ministry proposes that further determination of the time period shall be laid down in a Regulation.

Violation – sanctions

The Ministry points out that submission of income accounts shall be a condition for receiving the annual party subsidies. This is to tighten up the present arrangement. The Committee proposes that the subsidies be withheld until "satisfactory reports have been submitted". A complaints system is proposed for such decision. The Committee also points out in the report that such sanction arrangement are in place internationally and are also under consideration for being introduced in Sweden. The Committee has discussed whether stricter sanctions should be introduced, but does not propose this.

The Ministry is sceptical as regards such arrangement which is perceived as being a significant re-organisation of the current practice. A condition regarding "satisfactory" reporting of accounts entails that the state sets conditions for the state party subsidy arrangement and that there will be an opportunity for the exercise of discretion by the authorities. This breaks with the original intention behind the subsidy arrangement, cf. discussion in Chapter 5 above. What can be regarded as satisfactory accounts in relation to statutory requirements, cannot be fixed on an objective basis or by objective criteria in the same manner as "has submitted income report" or "has not submitted income report by the deadline". Reports can contain various defects – some significant and others less significant. It will be impossible to include a precise

delimitation in the rules when subsidies in cases of doubt shall be paid or withheld. Administratively, this will demand large resources in the form of thorough review and evaluation of the first instance, handling of any complaints, etc. With the deadlines used for complaints, i.e. in the Administration Act, such processes could take a long time. The Ministry knows from experience that time margins both for large and small parties can be tight to avoid liquidity problems, particularly around the change of the year. The fact that the state is behind a steadily increasing share of the financing of political parties makes the parties even more vulnerable concerning delays by the state. The Ministry is of the opinion that such element should be attached weight in the evaluation of how invasive or strict a condition regarding reporting before payment of subsidies must be. The Ministry is of the opinion that quality control of accounts should be left to the public, including competitive parties or the media, which the transparency regime is primarily for.

The Ministry is not in favour of objective criteria regarding whether a party organisation has submitted income accounts or not within the set deadline, shall unconditionally provide grounds for withholding subsidies. The Ministry points out that the parties and party organisations are organised very differently *inter alia* concerning the size and administrative apparatus. Accounts that are submitted late can have different causes beyond the concrete cases which the Act is primarily intended to cover, namely, conscious withholding or omission to keep accounts by the party organisations. Long-term illness or other personal circumstances can have great consequences for the operation of smaller party organisations, which can mean that the organisation can fall behind with its tasks. If the accounts are to pass through several stages, either in the party organisation or in a public system, this could also be the cause of delays. The Ministry will have to make a decision in the various cases as to whether an omission reason is to be regarded as legitimate or not, which in its turn will entail exercise of discretion and possible discriminating treatment.

The Ministry emphasises however that there shall continue to be reality in the

requirement for reporting of income accounts at a certain deadline. The Ministry is therefore in favour of a rule that omission to submit income accounts or lack of declaration that the income is under the lower limit, can have consequences for payment of state subsidies. Omission to submit an income report i.e. for two consecutive years can give an indication that the party organisation no longer exists, which in accordance with the present rules gives grounds for withholding party subsidies. Party organisations which systematically or consciously omit to comply with the legal requirements, will be in danger of losing their subsidies. In such cases, the Ministry could give a recommendation to the Party Act Board which according to the proposal will have the authority to make this type of decision. The Board will also be able to make such decision on its own grounds and initiatives if it finds that the rules contained in the Act are not complied with.

The Ministry makes no preparation for any type of reminder or written communications in the form of warnings in connection with absent submissions or declarations. Nevertheless this does not prevent the party from itself giving notification of the reason that the report has not been submitted according to law or is deficient and when these circumstances shall be corrected. The Ministry also assumes that competition between the parties can have a positive influence on compliance with the Act when it is extended to apply to all party organisations which are entitled to subsidies.

8 Models for administration in connection with financing of political parties and democratically elected groups and publication of accounts

8.1 Present arrangement – Committee for allocation of state subsidies to the political parties

Reference is made to the description of the state subsidy system for political parties in Chap. 1530 in the Ministry of Government Administration and Reform's budget, in Chapter 5 above.

Committee for allocation of state subsidies to the political parties

Establishment of an independent committee with the authority to undertake allocation and decide matters of discretion was one of Parliament's assumptions when the party subsidy system was introduced in the 1970s, cf. Proposition to the Storting No. 108 (1969-70). Even though it is not explicitly stated in the preparatory works, it is reasonable to see this in context with a desire that the government in power at the time should not be able to control or manage the state subsidies to their own party organisation or to their political opponents' party organisations.

The Committee for distribution of state subsidies to the political parties is appointed for a period of four years. As mentioned above, the Committee is given the authority to interpret the rules for the arrangement (P-650 og 24.5.1993), i.e. discretionary questions, and decide complaints with binding effect. In addition, the Committee distributes subsidies through item 70 Subsidies to the parties' central youth organisations. Beyond the stated tasks, the present guidelines contain few provisions which can be said to regulate the Committee's activities, including how it should be composed. It is regarded to be within the rules that the Committee can be appointed from one period to another. This has also been done, most recently for the present period. At present, the Committee consists of a Supreme Court Attorney (Chairperson), an industrial court judge and a representative for Statistics Norway (SN). The Ministry of Government Administration and Reform functions as a

“postbox” for the Committee. All written enquiries to the Ministry concerning interpretation of the rules from the parties or others subject to the Act, as well as from public bodies that are involved in the administration of the subsidy arrangement, are forwarded to the Committee for consideration. The Committee costs the state a total of NOK 8000 per year in the form of Committee honoraria, which is due *inter alia* to the fact that the case load is limited.

The Ministry's role

The Ministry of Government Administration and Reform has issued guidelines P-650 for the arrangement. Like – and in accordance with – the same superior principles and assumptions as for the remainder of the Ministry's programme areas and budget chapters, the Ministry proposes the amount of appropriations in Chap 1530 Subsidies to the political parties for the coming year in the Fiscal Budget, cf. Proposition to the Storting No. 1 for the Ministry of Government Administration and Reform.

Every year the Ministry makes recommendations to the Committee for the allocation of appropriations decided by Parliament through Chap. 1530 items 70 and 76. In addition to the decided appropriations, the election statistics from the last previous election prepared by Statistics Norway are the basis for the Ministry's proposal. The Ministry undertakes payment to the central organisations and the central youth organisations. In accordance with the financial rules for the state, the subsidies to the individual party organisation are divided into quarterly payments. Payment is undertaken in the beginning of each quarter.

Concerning allocation of Parliament's annual appropriations to the municipal and county party organisations and groups, i.e. items 71-74, the Ministry calculates the respective amounts in a separate Circular. The Circular is forwarded to all County Governors, counties and municipalities and is also displayed on the Ministry's website – ODIN.

In addition to the amount appropriated, Statistics Norway's election statistics are used as a basis for calculation of the amounts.

The Ministry does not undertake any follow-up or control of the accounting obligation which the parties' central organisations are under at present according to the Act relating to publication of political parties' income. In accordance with Section 5, the accounts shall be forwarded to Parliament, but neither Parliament nor the Ministry have a follow-up responsibility imposed on them. Neither is such control or follow-up of the accounts relevant in connection with the administration of the present subsidy system.

The role of other public administrative bodies

The County Governors, municipalities and counties are also involved in the administration of the party subsidy system. The municipalities allocate the annual subsidy amounts in item 71 Subsidies to municipal parties and item 72 Subsidies to municipal council groups on the basis of the rates stated in the Ministry's circular. The counties do the same for items 73 Subsidies to the county parties and item 74 Subsidies to the county council groups.

The municipalities and counties pay the subsidies through the respective items. The invoices shall be certified by the municipal and county auditors respectively, and forwarded to the County Governor for reimbursement by the Treasury. A condition for reimbursement is that the applications for reimbursement reach the County Governor in such good time that the amount can be entered into the present year's appropriation accounts, cf. also Appropriation Rules. To avoid there being too tight time margins for payment of the reimbursement claims, the Ministry has set a deadline for submission of 15 November.

8.2 Proposal by the Democracy Financing Committee

System for reporting

The Committee is of the opinion that it is important that a system be established where information regarding parties' income can easily be made available to the public.

The Committee has evaluated a system where the income reports are sent to and are

filed by the individual municipality, county and in Parliament and that inspection is granted upon individual requests. This will mean that the reports will be made publicly available – not necessarily that they will be publicised. The Committee is of the opinion that the parties' reports should be publicised in such a manner that the public can inspect them without having to direct individual requests to the municipality/county.

The Committee points out that single-entry accounts in local organisations will not provide an insight into internal transactions in the party group during the accounting year, i.e. transfers between different party organisations. The public should be given access to a total overview of the individual party's sources of income and financial situation on a national basis. The Committee is of the opinion that this should be an ambition as long as it can be realised without major costs and bureaucracy.

The Committee proposes that Statistics Norway is given the responsibility for receipt, collocation and publication of the income accounts. The parties' central body and youth organisations on a national level, according to the proposal, shall report directly to Statistics Norway, while the county and municipal party levels shall report to the county and municipality, respectively, which shall check and communicate the reports to Statistics Norway through the KOSTRA system.¹ The Committee points out that Statistics Norway is a professionally independent institution which must be said to satisfy the requirements for legitimacy. Statistics Norway has both sufficient competence and a technical apparatus to perform the tasks of collocating the parties' income reports and check that such reporting has been carried out. At present, Statistics Norway receives large amounts of data from the municipalities and counties via the KOSTRA system. Statistics Norway has confirmed to the Committee that the circumstances are in order for development of a system which can perform this type of task.

According to the Committee's proposal, Statistics Norway will be tasked with ensuring that the parties' central, county and municipal organisations report their income annually in

¹ KOSTRA (KOMmune STat RAporting) (Municipal State Reporting) is a system for electronic transfer of information from municipality to state.

accordance with statutory requirements. Statistics Norway's control function should be limited to seeing whether the parties' reporting obligation is met or not. The parties' reports shall be collocated in a form which gives reliable and comparable information. The Committee proposes that the deadline for reporting to the municipality/county is set at 1 July. Statistics Norway shall publicise information on its website as quickly as possible.

The Committee proposes that checking that the reports satisfy statutory requirements shall be performed by the municipalities and counties. The municipalities and counties, according to the proposal, shall not perform any factual control of the content of the party organisations' reports, but see that the statutory requirements for reporting are met. As regards the central organisations, the controls shall be performed by a chartered accountant before the reports are sent to Statistics Norway.

Inspection and controls performed by an independent council

The Committee points out that the European Council recommends that the states ensure independent controls of the financing of the political parties and election campaigns and that inspection of the accounts of the parties should be included in this.²

The Committee is of the opinion that if Statistics Norway is assigned the task of receiving and collocating the income reports, it will create confidence that the rules will be followed, cf. paragraph above.

The Committee nevertheless assumes that it would be appropriate to appoint a separate, independent body or board which would be assigned the task of performing supervisory controls of the system. It is proposed that the council shall submit an annual statement to the Ministry on the year's reports on the basis of Statistics Norway's collocation of them. The statement shall contain information on any missing reports, any deficiencies with the reports etc. The Committee is of the opinion that the board, as part of the statement should give a general evaluation of the situation and the system, and possibly propose changes. Reference is also made to the Committee's proposal in paragraph 6.12 of the recommendation.

The Committee has considered whether the Committee for allocation of subsidies to the political parties should be retained and if it can undertake the task of responsibility for reporting in the proposed system. The Committee is not in favour of this "since the body, according to the Committee's proposal, will be assigned more, and more varied tasks". The Committee proposes that the newly appointed board be given the following tasks:

- handle complaints and discretionary questions in connection with the municipalities' / counties' decision regarding allocation and any withholding of state subsidies (cf. 6.11 in the recommendation)
- give advice regarding the appropriations level for state subsidies to the political parties (cf. 7.14.2. in the recommendation)
- handle complaints regarding decisions on registration of party names (cf. 9.2 of the recommendation)
- draw up an annual report on the parties' income reports with a summary of the council's work otherwise (cf. 6.12 in the recommendation)
- give advice on what amount limits shall be applicable regarding when the donor shall be identified in the parties' income reports (cf. 6.10.2 in the recommendation)

On the basis of the above, the Committee is of the opinion that a new body (board) should be appointed to supervise the financing of the political parties and be responsible for other tasks according to the Party Act (reporting and handling of complaints). In order to give the board the character of independence, the Committee proposes that it be appointed by the King in Council. The Committee presumes that the council should be composed of five members and that the chairperson must have judge experience. Beyond this, the Committee has no concrete proposals for guidelines as to how the board shall be composed, but assumes that the members should be in possession of broad and all-round political experience, which can contribute to give the board democratic legitimacy. It is proposed that the members are appointed for a period of six years. In order to achieve continuity, replacing all members at the same time should be avoided.

The Committee is of the opinion that an annual report on the board's work, including a description of the cases the board has received

² Rec(2003)4 Article 14.

for consideration, will represent a democratic innovation in Norway.

The Committee points out that the proposed board could be a natural basis if at any time in the future a permanent election commission is to be set up in Norway. Several countries have election commissions which perform a superior, democratic supervisory role, i.e. Israel, France and the UK. In its Official Norwegian Report 2001:3, the Election Act Committee was in favour of setting up an election commission in Norway. It was argued that an election commission could *inter alia* have the role of a knowledge bank, perform widespread information work and function as a service body for the population. It was also pointed out that it could be an advantage to have a more collective administration of the elections and that a commission could follow the technological development more closely.

An election commission could also be given the special responsibility for stimulating research on elections and democratic interests, cf. para. 10.2.4 in the Election Act Committee's recommendation.

8.3 The view of the consultative bodies

System for reporting

The Ministry of Finance states in a letter of 8.2.2005 on the role of Statistics Norway:

“The Ministry of Finance and Statistics Norway (SN) is in favour that Statistics Norway establishes reporting and publication of information regarding party support, such as is described in the recommendation. i.e. with direct reporting from the parties' central organisations and youth organisations at a national level, and reporting through the KOSTRA system for county and municipal parties. A reservation must be made that the cost evaluation can be different when the arrangement for reporting has been set in more concrete terms.

FIN/SN is further in favour of SN assuming the purely statistical tasks for a new board for reporting and handling of claims, cf. Chap. 6.12. However, we do not

regard it as natural that SN assumes other types of control or secretariate tasks, cf. last paragraph in the Official Norwegian Report Chap. 1.1.8 which indicates another role.”

Hamar City and Rural List supports the Committee's proposal for reporting through the KOSTRA system to SN, and also supports the Committee's recommendation that SN is given the responsibility for receipt, collocating and publication of income accounts and reports.

Bærum Municipality is of the opinion that several of the Committee's proposals for the arrangement will be more expensive and extremely bureaucratic.

Enebakk Municipality is of the opinion that a national reporting register is unnecessary and that a new council in this area should not be set up. With the media attention such systems draw, the public interest should be sufficiently protected in that the general public will have access to the parties'/groups' accounts or income overviews within a specified date each year.

Stord Municipality does not advise a central register based on a pure cost and usefulness evaluation. The Municipality supports the Committee's proposal for an independent board, but emphasises that the members, in addition to broad and extensive political experience, must also have general confidence across the party boundaries. The equivalent statement has been made by Bomlø Municipality

Oslo Municipality is sceptical to that reporting of the local parties' income shall go through KOSTRA:

“The municipalities and counties seem in addition to be assigned tasks far beyond the communication itself of the materials which are reported, *inter alia* that it shall be up to the municipality to evaluate whether parties' reports satisfy the statutory requirements as well as being the decision-making authority concerning decisions regarding payment or refusal of payment in the case of deficiencies or unsatisfactory reporting by the parties. In the opinion of Oslo Municipality these are not tasks that are natural to assign to the municipalities. The County and Municipal party organisations should report directly

to SN in the same manner as the parties' central organisations."

Oppland County Council touches on the same in its statement.

Aust-Agder County Council emphasises that municipalities and counties must be compensated fully for the extra work which they are assigned through the new reporting provisions.

Hordaland County Council is of the opinion that the County's control of reporting must be limited, and that good routines and guidelines must be drawn up for reporting and payment of subsidies.

Buskerud County Council is of the opinion that the proposal for the new arrangement seems to be more bureaucratic than at present and is anticipated to create extra work both for the parties and for the county administration.

Akershus County proposes that SN draws up a standard spreadsheet for the parties' reporting. The parties send the report electronically to SN with a copy to the county administration, if the County shall still be responsible for payment of state subsidies to the parties.

Establishment of an independent board

Trondheim Municipality supports the Committee's proposal for the establishment of an independent reporting board

The Centre Party supports the Committee's proposal for the establishment of a central board which is given the responsibility to put forward proposals on the level of the next year's state party subsidies based on Parliamentary criteria, as well as for reporting and handling of appeals connected to allocated party subsidies. SN can well be given secretariate responsibility. The board must be given the responsibility for keeping itself well informed regarding party work both internally and externally. An equivalent statement has been submitted by Grong Municipality.

The Progress Party in Østfold supports the Committee's proposal that the board shall make a statement regarding next year's appropriations for the state party subsidies in connection with the submission of its annual report.

The Pensioner Party states in a letter dated 20.1.2005:

"In order to ensure democratic legitimacy, the board must be composed so that it

represents both the main lines in Norwegian politics and ensures representation of both small and large parties in a reasonable manner. So that this shall succeed, the board should be extended to 7 members. The first time, 3 members should be appointed for 3 years, and 3 members for 6 years, thereafter new members are appointed for a 6-year period. The Chairman should be appointed for 6 years."

The Conservatives support the proposal to phase out the present Committee for allocation of state subsidies and replace it with a board appointed by the King in Council, and composed of five persons appointed for six years. The board should possibly be chaired by a person who has judge competence. The remaining board members should be persons with broad political experience. At the same time the Conservatives are interested in not creating unnecessary public bureaucracy around enforcement and compliance with the various provisions of the Act, and that the board's control mandate is clearly and evidently delimited to only what is required by the necessities evidenced in the Act.

The Ministry of Justice states in a letter of 2.2.2005 regarding inspection and control by an independent body:

"The decision of the application for allocation of subsidies according to the Bill Chapter 3 will be an individual decision according to the definition contained in Section 2, first subsection, a), cf. b) of the Administration Act. This as the starting point should mean that the special provisions on individual decisions contained in the Administration Act in Chapters IV to VI apply, including the rules regarding appeals. We request that the relationship to the Administration Act's rules concerning individual decisions be clarified in the further work with the matter. Further, it is unclear whether it is the intention that the appeal authority's decision cannot be brought before the courts, cf. Bill Section 15, second subsection. The Ministry of Justice is critical towards such preclusion of controls by the courts."

8.4 Evaluations by the Ministry

The Ministry is in agreement with the Committee that a model should be used for the system which makes inspection effective and simple for the public without it being necessary to direct enquiries to the individual party or party organisation. This is out of consideration both for the public and the party itself which with such system is expected to save some administration regarding enquiries for inspection.

The Committee is in favour of the accounts from local and county organisations being sent to the municipalities and counties before they, after a review, are forwarded to Statistics Norway through the KOSTRA system.

The Ministry points out that several municipalities and counties in the consultative round have been negative to this proposal. Therefore, in this Bill the Ministry does not intend increasing the municipalities' administrative tasks with the state subsidies to the political parties. As mentioned in Chapter 5 above, the Ministry is in favour of the County Governors taking over the administrative tasks which the municipalities and counties have at present in connection with the state party subsidies system.

The Ministry sees the Committee's proposal regarding submission via the municipalities initially as a necessary link in the Committee's proposal that the municipalities and counties on this basis shall be able to decide whether the subsidies to the individual party shall be paid or withheld. As will be seen from the preceding chapter, however, the Ministry advises against having reporting of income accounts as an unconditional premise for paying party subsidies. Beyond the Committee's proposal on this point, the Ministry cannot see strong grounds for the municipalities and counties to have these tasks imposed – given that they shall still have a role in the administration of the subsidy system.

The Ministry sees that a model where SN is the public administrative link to collocating accounts and making comparable overviews, can be appropriate, not least on the background of what the Ministry of Finance and SN have themselves expressed in the matter. Beyond the Committee's proposal that the reports shall partly take place by the municipalities and

counties and partly by the parties' central organisation (central support), the Ministry sees two alternatives:

1. The individual party organisation is required to report their income direct to SN. SN does not undertake consolidation of the accounts with regards to identifying donors who have supported several party organisations during the year.
2. The individual party organisation is required to send its accounts to the party's central organisation which is assigned the task of reviewing and consolidating the accounts. The central organisations then forward the accounts in consolidated form, including their own, to SN. In this report is stated the names and addresses of donors who have in total given the party gifts over the statutory free limits.

In Chapter 7 above, the Ministry has argued that SN for several reasons should not be required to consolidate the accounts from the various party organisations in order to identify donors who in total have given gifts to the party organisations over the statutory free limits. Model 1, which does not entail requirements for consolidation at any level, as previously pointed out, will purely theoretically open for evasion of the Act in certain cases.

Model 2 would come into conflict with internal management principle in some parties.

The Ministry recommends that Model 1 is used as a minimum requirement in the Act. According to the Ministry's proposal, SN shall collocate the accounts and make them available on a separate open website for the system. On this website shall be stated which parties or party organisations have not submitted accounts or declarations within the statutory deadline. The Ministry does not envision SN having any other role in this system.

New, independent board

The Committee has discussed inspection and control by an independent board which is established for the new system. The Committee has discussed whether the present Committee for distribution of state subsidies to the political parties should be maintained and can possibly carry out the task of being responsible for reporting in the proposed

system. However, the Committee is not in favour of this “*since the body, according to the Committee’s proposal, will receive more, and more varied tasks.*”

The Ministry is in favour of the reporting system for income accounts for the political parties and the system for publication of accounts shall be as efficient as possible for all parties, including being based on IT possibilities available at all times. The organisation is presumed to be in line with the proposal put forward by the Ministry of Government Administration and Reform’s proposal for reform policy for state administration in all other respects. The Ministry desires that public resources which are used for state party subsidies, shall benefit the parties to the greatest possible degree.

The Ministry assumes that there shall continue to be an independent board - hereinafter referred to as a Board - with responsibility for the arrangement, and that the Ministry (still) will be given a purely administrative function in relation this Board. The Committee proposes that the Board shall be composed of a total of five persons, with the chairperson having judge competence..

The Ministry cannot see that any estimate with regard to the number of total man-labour years for the new Board has been given.

The Ministry points out that several of the tasks the Board is thought to perform, cannot be regarded as critical to the state party subsidy system functioning well - and better than at present. The Ministry has presented arguments above that withholding of state subsidies shall not be an ordinary sanction regarding the system. As mentioned in the previous chapter, it will be up to the Board to make decisions regarding withholding of subsidies in the cases where a recommendation for this comes from the Ministry, or the Board itself concludes that there are grounds for such withholding.

Concerning recommendations for the level of appropriations, such recommendations will be of limited use when the Ministry prepares budget proposals for its sector area. In that connection priorities must be set over a far greater range of considerations than such Board will be competent to have any opinions on, including general macroeconomic considerations and profiling desires by the Government. In other respects it will still be Parliament that finally decides the annual appropriations through Chap. 1530.

Neither can the Ministry see that viewed individually there will be a necessity for a separate Board to evaluate the amount limits in the new Party Act. Since nevertheless the Board is proposed set up, that could be one of its tasks.

The Ministry sees that there will still be a necessity for a Board to undertake the necessary exercise of discretion and interpretations as well as consider appeals with binding effect.

Further, the Board will be given the authority to make decisions concerning withholding of subsidies after a recommendation by the Ministry. However, the Ministry sees that there will be a necessity to extend the Board’s tasks in that the appeal authority for the Election Act is proposed included in the new Party Act, which is proposed handled and followed up by the independent Board.

The Ministry is in doubt as to whether the Committee’s proposal for a Board of five persons with the proposed work tasks, is practical. However, the Ministry is aware that the consideration of the Board members having political experience, as *inter alia* pointed out by several of the consultative bodies, can be relevant. A broad representation of different political interests can be difficult to achieve with a small Board. The Ministry has therefore chosen to pursue the Committee’s proposal regarding a new independent Board of five persons where the chairperson has judge competence and the other members are sought appointed among persons with broad political backgrounds. The Board shall be assigned the tasks proposed by the Ministry in this Act or in a separate Regulation.

The decision of allocation of support will be made by an administrative body (Ministry and County Governors) with a right of appeal to the Party Act Board. No preparations will be made for any form of preclusion of control by the courts of the Board’s decisions.

11 Comments to the individual provisions of the Bill

Chapter 1 Introductory provisions

Re. Section 1 Purpose and scope of the Act

The provision draws up the scope of the Act and the various objectives that are sought to be served. The registration system for the political parties paves the way for the elections to be accomplished safely and democratically and in line with the objectives clause in Section 1-1 of the Election Act.

The ramifications of the Act regarding the parties' financial circumstances are contained in the rules which regulate the parties' access to accept private contributions. As a whole the rules contribute to the political parties receiving sufficient resources to perform important core tasks for democracy.

The Act ensures the public's democratic rights of inspection of who finances the different parties and who the party can be expected to be connected to. A requirement for transparency is given for the purpose of preventing relationships similar to corruption.

The second section contains the statutory basis for the King to issue a Regulation regarding the application of the law on Svalbard and lay down special rules taking into consideration the local circumstances. The present arrangement for support to political parties has not included Svalbard.

The third subsection lays down that Chapters 3 and 4 apply to parties that are registered in accordance with Chapter 2 of this Act. In addition to the party's central organisation, this includes the party's central youth organisation, county organisation, county youth organisation and municipal organisation. The latter organisations are referred to in the text of the Act as "party organisations". The groups in Parliament, County Councils and Municipal Councils are not included in the Act.

Chapter 2 Registration of political parties

Re. Section 2 Registration authority. Effects of registration

The substantive content of the provision is identical with Section 5-1 of the current Election Act.

Re. Section 3 Conditions for registration of a party name in the Register of Political Parties

The provision is identical to the provision in Section 5-2 of the current Election Act. Amendments have been undertaken in accordance with Recommendation to the Odelsting No. 60 (2004-2005) from the Standing Committee on Scrutiny and Constitutional Affairs.

Re. Section 4 Change of registered party name. Merging of parties under a new name

The substantive content of the provision is identical with the provision in Section 5-3 of the current Election Act.

Re. Section 5 Deregistration. When a party name becomes free. The provision is identical with the provision in Section 5-4 of the current Election Act.

Re. Section 6 Information regarding who is on the Executive Board of the party

The provision is identical with the provision in Section 5-5 of the current Election Act. Amendments have been undertaken in accordance with Recommendation to the Odelsting No. 60 (2004-2005).

Re. Section 7 Publication of decision

The provision is identical with the provision in Section 5-6 of the current Election Act.

Re. Section 8 Appeal

The provision corresponds to Section 5-7 of the current Election Act with adjustments and editorial changes. The Appeal Board according to the Election Act has been replaced with the Party Act Board which is appointed with the statutory basis in Chapter 5. Further rules regarding the appeal channels which at present are contained in Section 11 of the Election Regulation, have been included in this provision.

Re. Section 9 Regulation

The provision corresponds to Section 5-8 of the current Election Act. Since it has been

proposed to include the rules of the Election Regulation regarding appeal (Section 11 of the Regulation) in Section 8 of the Party Act, the statutory basis for the Regulation is limited to concern the registration system and the registration authority's activity. Reference is also made to the statutory basis in Section 27 of the Regulation.

Chapter 3 Financing of political parties' organisations and democratic groups

Re. Section 10 Superior principles for public subsidies

The first subsection establishes that subsidies to the political parties' organisations and the amount of them are dependent on the appropriations decision taken by Parliament. The provision pursues the current arrangement as it is described in the current guidelines, P-650 of 24.5.1993. In addition to the appropriations amount, the official election statistics for the last preceding election will be used as a basis for the calculations. The Ministry allocates the subsidies, as at present, according to objective, verifiable criteria.

The second subsection establishes that the activities of the democratic groups in Parliament, in the county councils and in the municipal councils are financed by, respectively, Parliament, the county councils and municipal councils themselves. This is a change in relation to the present system as far as the municipalities and counties are concerned. The present earmarked subsidy system is proposed included in the block subsidies. The democratic body decides the extent of the support itself. Allocation to the parties in municipalities and county councils must take place in relation to their popular support at the election. The subsidies can then be allocated in relation to the number of representatives, as for the representative subsidies at present, or in relation to the number of votes. The second subsection does not state anything about municipal/county support to the local party organisations in the municipality/county and the allocation of it. It is allowed to grant such subsidies. It is important that no party organisation benefits unreasonably well or not well from a state subsidy system. That public support to political parties must be allocated fairly is regarded as a result of general legal principles.

The third and fourth subsections establish the assumptions which are the basis for Parliament's appropriations decisions and which are expressed several places in current guidelines regarding the subsidy system for the political parties. The assumptions concern subsidies at all levels. Those receiving state subsidies dispose freely over it and shall not be held responsible for the use.

Re. Section 11 Public subsidies to political parties' organisations and youth organisations at the national level

The provision regulates the state subsidies which are paid to the parties' central organisations and central youth organisations (organisations at the national level). At present, the rules are contained in the guidelines for the arrangement, P-650, Roman numeral I. The provision that the application shall be made to the Ministry is also in line with the intention of the present system. According to Section 1, subsection three, only registered political parties will (still) be entitled to receive state subsidies. The requirement for popular support at the last general election is set at 2.5% of the votes on a national basis or representation in Parliament to be awarded basic subsidies. The vote subsidies are awarded from the first vote, independent of support. The requirement that the party must have presented lists in at least half of the counties is removed. The system with basic subsidies is new. According to the current system the whole of the subsidy is distributed according to the parties' number of votes. The system with subsidies to the parties' central youth organisations is continued. The subsidies shall still be calculated in relation to the parent party's popular support. Subsidies are paid from the first vote. Subsidies to the youth organisations consist only of vote subsidies, not basic subsidies. As previously, the application applies to support for the whole of the period.

Re. Section 12 State subsidies to political parties' organisations and youth organisations in the counties

The provision regulates state subsidies which are paid to registered parties' organisations at the county level. At present the rules are contained in the guidelines P-650, Roman numerals II 3 and III. The provision continues the requirement that a county organisation must have been established in order to be able

to receive subsidies. The system of basic subsidies is new. There has not previously been a requirement for a certain popular support for award of subsidies. That a part of the subsidy, basic subsidy, is contingent upon popular support / achieved representation is thus new. It is emphasised that the party organisations in Oslo Municipality, which is a municipality with municipal and county tasks, are entitled to subsidies both as a county party and municipal party if they satisfy the requirements. This is in line with established practice.

As previously, the application for subsidies applies to support for the whole of the period. It is a new requirement that the youth organisation itself applies for subsidies and receives them paid directly. Subsidies are paid from the first vote the parent party obtains at the last county council election.

The rules regarding allocation of subsidies between parties and common lists are continued. It is a requirement that all participants are registered political parties. The requirements that the party must have a county organisation applies correspondingly. Only one basic subsidy is paid, if the requirement for popular support/representation is met. How the subsidies are to be divided between the parties on the list must be stated in the application.

It is new that the county governor shall undertake payment of the state subsidies through Chap. 1530 Subsidies to county party organisations, and a new item for the county youth organisations.

Re. Section 13 State subsidies to political parties' organisations in the municipalities

The provision regulates the state subsidies to the registered parties' organisations at the municipal level. At present the rules are contained in P-650 Roman numeral II 1. The provision continues the requirement that a municipal organisation must have been established in order to receive subsidies. There has not previously been a requirement for a certain popular support for award of subsidies. Such requirement will still not apply for vote support which is paid from the first vote.

That a part of the subsidies, the basic subsidy, is conditional upon a certain popular support / achieved representation, is new. It is emphasised that the party organisations in Oslo Municipality, which is a municipality with both municipal and county tasks, are entitled to

subsidies both as a county party and municipal party if they satisfy the requirements. This is in line with established practice.

As previously, the application applies to subsidies for the whole of the period.

The rules regarding allocation of the subsidies between the parties on the common list is continued. It is a requirement that all the participants are registered political parties. The requirements that the party must have a municipal organisation also apply. Only one basic subsidy is paid, if the requirements for popular support are met. How the subsidies are to be divided between the parties on the list must be stated in the application.

It is new that the county governor shall undertake payment of the state subsidies through Chap. 1530 Item 71 Subsidies to municipal parties.

Re. Section 14 The Ministry's access to withhold state subsidies

The provision is new and provides the Ministry with a statutory basis to make a requirement that the party or party organisation has complied with the reporting rules in the Act before state subsidies are paid. The provision provides the Ministry with the authority to withhold state subsidies to the parties that omit to comply with the provisions of the Act regarding reporting or declarations in accordance with Section 18, subsection three within the given deadlines, or if there any doubt as to whether the party organisation is still in existence. Lack of reporting of annual accounts can *inter alia* give grounds for such doubt. In order to ensure objectivity, the Ministry in such cases will submit a recommendation for a decision for withholding to the Party Act Board, cf. Chapter 5 of the Act. The Ministry's recommendation has a suspensive effect, and no interest is paid to the party if the recommendation is not approved by the Board.

It will be up to the party or party organisation itself to clarify the circumstances surrounding its existence to the authorities, i.e. to the County Governor and the Ministry (dependent on which level the party organisation receives subsidies from) and also to ensure that the Act's reporting requirements are complied with.

Re. Section 15 Appeal against a decision regarding state subsidies

The provisions regarding access to appeal against a decision on award of state subsidies to the party organisations are collected in one provision. They appear in the present guidelines, P-650, Roman numeral II no. 1, *litra F* for the municipal organisations and No. 3 *litra F* for the county organisations. An appeal against a decision made by the County Governor or the Ministry shall be submitted to the Party Act Board for consideration, cf. Chapter 5 of the Act.

Concerning subsidies to the groups in the Municipal Councils and County Councils, according to the proposal they will be awarded and paid by the municipality/county. Therefore, it is regarded as the most appropriate that the groups who think unreasonable discrimination has taken place in the determination and who wish to appeal shall do it in the form of a lawful appeal in accordance with Section 59. The County Governor will have the authority to rescind the decision if it is invalid.

Re. Section 16 Regulation

This is a new provision. Several Acts operate with amount limits with the aim of avoiding collection and payment of very small amounts. For example, Section 24 No.2 of the Payment of Tax Act establishes that repayment of tax shall not take place for amounts under NOK 20. Tax arrears under NOK 100 are not collected, cf. Section 23, No. 1. In the comments by the consultative bodies of 7 July 2003 on a new Tax Collection Act, the Ministry of Finance proposed that the exact amount limits shall be removed from the Act and rather included in a Regulation to make for flexibility and the possibility of adjusting the amounts over time as the value of money is reduced. It is assumed that the minimum limit for payment of voting subsidies is set relatively low (including to 0, cf. the wishes of the Pensioner Party. The minimum limit should be evaluated in relation to administrative costs for paying the subsidies.

Chapter 4 Support from others, reporting of the parties' income and sources of income. Publication.

Re. Section 17 Access to accept gifts

This is a new provision and it sets ramifications for the parties' access to accept

contributions in addition to state subsidies. The first subsection establishes the main rule, namely that it is allowed to give contributions to political parties. The right applies to everyone, i.e. both legal and natural persons.

The prohibition against accepting anonymous gifts in the second subsection is new, and assumes a principle that the party must know who supports it financially. So that a gift shall be regarded as anonymous, the donor's identity must be completely unknown to the party. Gifts from anonymous donors fall to the Treasury, regardless of amount. Donors who can be traced relatively easily, are not regarded as anonymous. Gifts from non-anonymous donors fall to the party and shall be reported according to the rules contained in Section 19. Reference is also made to the discussion under "Remarks by the Ministry" in Chapter 6 above.

Ordinary contributions given by way of lotteries, collecting boxes, silver collections at membership meetings etc. are not regarded as anonymous contributions.

The prohibition in the third subsection, *litra a)* against receiving contributions from legal entities under the control of the state or other public authorities are included according to model in the European Council's Recommendation 2003/4 Article 5c. The provision does not state precisely what legal entities are included. Since the purpose is to prevent behaviour similar to corruption and flow of public funds to individual parties outside the general subsidy system, it is assumed that there are no grounds to attach any particularly restrictive interpretation to the provision.

Foreign donors in the third subsection, *litra b)* can be both natural and legal persons. The purpose is to prevent behaviour similar to corruption and illegal activity through gifts – where it is difficult to determine the identity or motives of the donor(s) behind the gifts. Regarding private persons who are not Norwegian citizens, the requirement for voting rights in accordance with Section 2-1 and 2-2 of the Election Act entails that voting age must have been attained. A legal entity is regarded as foreign if the enterprise or company is registered abroad.

In the last subsection it is emphasised that it is not significant if the contribution is made in the form of monetary or non-monetary contributions.

Re. Section 18 Reporting obligation and reporting period

The provision extends the reporting obligation to apply to the parties' organisations at all levels, cf. also the remarks to Section 1 third subsection above. The accounting year follows the calendar year.

In the third subsection there is an exception from the obligation to keep and report income accounts according to Section 19 for party organisations that have had a total income of under NOK 10 000 during the year. All state subsidies can be held separate and apart from "total income". It is emphasised that in the event the limit of NOK 10 000 is exceeded, all income shall be included in the accounts – including all public subsidies (except group and representative subsidies), cf. also Section 19.

Re. Section 19 Reportable income

The first subsection establishes that all types of income shall be reported. Under each of the main categories there is therefore set up a column for "Other". The second subsection contains a specification of the different types of income that shall be reported.

The first main group is state subsidies. Ordinary state subsidies according to the Party Act, cf. *litra a*, are entered here. Municipal and county support which the municipality or county allocates to the party organisations on a voluntary basis, shall be entered under letter b. This does not concern support to the parties' groups in the democratic bodies. These groups are not obligated to submit an income report according to this Act. Other support, for example, support a party has received upon application for special projects, can be entered under letter c.

Income from own activities is the next main group, set up in typical categories. Concerning collection actions etc. it must be assumed that individual contributions of greater value shall be entered as contributions from others.

Contributions from others include all types of financial contributions, both from natural persons and legal entities, which are not state subsidies or income from own activities. Typical categories are set up with a column for other.

Finally, there is a category which consists of transfers from other organisations in the party. Many parties have a system for re-

allocation of funds between the levels. The parties have varying practice with regard to party membership and collection and administration of income from membership fees. In some parties, funds are transferred to the parties' various levels according to a fixed distribution key. In such cases, re-allocated income from membership fees shall be entered as a transfer from other party organisations. Since the central register is to set up a consolidated overview of the parties' income, the income which comes in the form of transfers from other party organisations must be deducted, so that income is not entered twice.

The third subsection establishes that contributions also include contributions which are given in another form than cash, i.e. in the form of services, loan of objects, rebates etc. An exception is made for ordinary voluntary group work and other efforts by members and volunteers. The exception does not include services which the donor is normally paid for, i.e. which is a part of the donor's income basis.

The fourth subsection entails a restriction of the main rule that also non-monetary services shall be reported. It is established there that contributions which do not exceed the threshold value for identification of donors in Section 20, do not need to be valued and reported.

Voluntary reporting can be done by party organisations which fall under the exception provision in Section 18, third subsection of the Act. If voluntary reporting is chosen as an alternative to declaration, this must be declared separately in the report. Section 19 shall be complied with.

Political lists do not fall under the Act. The system nevertheless allows that such lists can undertake reporting according to Section 19. If voluntary reporting shall be able to be compared with the accounts from registered political parties, the requirements of the Act shall be complied with as far as possible.

Re. Section 20 Identification of donations and donors

The rule contained in the first subsection establishes an obligation for parties at the national level to identify the donors of gifts to a value of NOK 30 000 or more. According to current law this obligation is applicable to gifts having a value of NOK 20 000 or more. It is proposed that the limit is raised to NOK

30 000 for gifts to the central organisations. The amount limits for parties at the regional level is proposed set at NOK 20 000 and at the municipal level to NOK 10 000. The amount limit applies to the total of the donations throughout the year, i.e. the period from 1 January to 31 December.

It is regarded as sufficient for identification that the donor is stated by name and municipality of residence, as established in the second subsection. The presentation must be so clear that it is evident which donor has donated which amount.

Re. Section 21 Declarations, signatures and auditor approval

The first and third subsections continue present law. The second subsection introduces a new requirement. The party or the party organisation shall here indicate whether any agreements of any kind have been entered into with any of the donors who have made financial contributions to the party and who fall under the definition of income according to Section 19. A declaration must also be made of the donors with whom agreements have been entered into. It is an assumption that the agreements are in writing, so that it will be possible to practise the rule regarding inspection. It is assumed that anyone will have the right of inspection of any agreements that have been declared, if a request is made for it.

It is emphasised that the declaration only concerns agreements entered into with donors who have supported the party financially, and where the contribution(s) are defined as "income" in accordance with Section 19 of this Act.

The third subsection regulates the municipal and county party organisations. Auditor approval here is regarded as a disproportionate requirement, particularly with regard to the fact that many organisations are very small. If the person entitled to receive party subsidies signs together with another member of the Board, this is regarded as being sufficient.

Re. Section 22 Publication

The provision establishes that a central reporting register shall be set up in accordance with this Act. The parties' (and party organisations') annual income reports are

submitted to this register within the deadline stated in Section 18, subsection two.

It is assumed that the information reported shall be made available on SN's Internet website. It shall be possible to search for information both regarding individual organisations on the municipal and county level and about the parties on an aggregate level. It is otherwise not regarded as appropriate to make further statutory requirements as to how the information shall be handled and presented.

The register of donors will contain sensitive personal information such as this is defined in Section 2 of the Personal Information Act. This means that a separate statutory basis is required for setting up the register and publication of the information, cf. Sections 8 and 9 of the Personal Information Act. It is assumed that the proposal for Sections 20 and 22 will form a sufficient statutory basis. The Personal Information Act will be applicable in all other respects.

The third subsection provides a statutory basis to issue Regulations for how reporting shall be done more concretely in practice.

Re. Section 23 Inspection of the parties' accounts

Those wishing to inspect only have a right of inspection of the income accounts such as they exist in accordance with internal guidelines. The practical arrangements for inspection will be a matter between the party/party organisation and those requesting inspection. No arrangements have been made for control or appeal systems.

Chapter 5 Board for allocation of subsidies, appeals, etc.

Re. Section 24 Board for allocation of subsidies and appeals

The provision establishes that a separate Party Act Board shall be appointed with a supervisory role linked to various administrative tasks according to the Party Act. The Board takes over the tasks of the Appeal Board in Chapter 5 of the Election Act and the central impartial committee according to the guidelines P-650 of 23.5.1993 on the subsidy system for political parties, Roman numeral I, F.

The Board shall consider appeals against the allocation of subsidies and appeals regarding circumstances in connection with registration which at present falls under the Appeals Board according to the Election Act. It shall also make decisions regarding withholding of subsidies to the parties or party organisations who have not met the requirements of the Act within the set deadlines, either on its own initiative or on the recommendation of the Ministry. The Board shall present an annual report on its activities to the Ministry.

Re. Section 25 Composition of the Board

In order to ensure that the Board has a neutral and independent status, it shall be appointed by the King in Council. To ensure continuity, members shall be appointed for a six-year period. Replacing all members at the same time should be avoided.

The chairperson of the Board shall have judge competence. The Act does not lay down what type of competence the other members shall be in possession of. It is assumed, as far as is possible, that some of the members are appointed among persons with broad and varied political experience, who can contribute to providing the Board with democratic legitimacy.

Re. Section 26 The Board's annual report

In the annual report the Board shall describe its activity and the cases it has had for consideration during the year, cf. Section 24. It is assumed that in the annual report the Board, in addition to the mandatory content, makes additions and comments it finds relevant.

Re. Section 27 Regulation

It is assumed that a need will arise for further regulation of the activity the Party Act Board shall be assigned, beyond what follows directly from this Act. The second sentence provides the statutory basis to regulate both whether there shall be a right of appeal regarding these questions, and who shall be the appeal authority. It is assumed that the Ministry shall evaluate the necessity and content of the regulations further.

Chapter 6 Force and effect and transitional rules

Re. Section 28 Force and effect and transitional rules

The Ministry assumes that implementation will take place so that the Act may come into partial force and effect from 1.7.2005. In the implementation of the new Act the parties will be required to report income they receive after 1.1.2005. This will initially mean that donors making gifts above the statutory free limits will be named with retroactive effect. It is assumed that the parties will give those who wish to do so, the opportunity to reclaim their gifts. An Act in this area has also previously been passed with retroactive effect. The present Act (22 May 1998 No. 30) came into force and effect for the whole of 1998 by Royal Decree of the same date. The other parts of the Act shall come into force and effect from 1.1.2006, Chapter 5 of the Election Act is repealed on the same date.

It is important that the old Act on publication of political parties' income is not repealed when the new one comes into force and effect, but continues in force right up until income accounts shall be submitted for the first time in accordance with the new Act. That is to say that central party organisations shall be obligated to report income for 2004 in accordance with the old Act. It is proposed that the King is given authority to decide the date of repeal of the old Act.

The Ministry assumes that there can be a necessity for transitional rules and has included a statutory basis for the Ministry to issue them.

The Ministry of Government Administration and Reform

recommends:

That Your Majesty grants Royal Assent to, and signs a proposal for a Bill to Parliament for an Act on certain circumstances concerning the political parties (Party Act).

We, HARALD, King of Norway

Grant Royal Assent to:

A request that Parliament pass an Act on certain circumstances concerning the political parties (the Party Act) in accordance with the attached Bill.

Proposal

for an Act on certain circumstances concerning the political parties (Party Act)

Chapter 1 Introductory provisions

Section 1 Purpose and scope of the Act

- (1) The purpose of the Act is:
- to lay down rules for elections to Parliament, County Councils and Municipal Councils in accordance with the Act of 28 June 2002 No. 57 (Election Act) through a public registration arrangement for the political parties,
 - to establish limits for the parties' financial circumstances which contribute to ensure a financial basis for them through state subsidies and otherwise contribute to increase the parties' self-financing capability and independence and
 - to ensure the public's right of inspection and to counteract corruption and undesirable ties by transparency regarding the financing of the political parties' activities.
- (2) The King may issue regulations regarding the application of the Act on Svalbard and can lay down special rules under consideration of the circumstances there.
- (3) Chapters 3 and 4 apply to parties that are registered in accordance with Chapter 2.

Chapter 2 Registration of political parties

Section 2 Registration authority. Effects of registration

- (1) A political party that meets the requirements in Section 3 can apply for registration of the party name in the Register of Political Parties, which is kept by the Brønnøysund Register Centre.
- (2) Before the party can be registered in the Register of political parties it must be registered in the Register of Business Enterprises and assigned an enterprise number, cf. Section 5 in the Central Co-ordinating Register for Legal Entities. When the party has

been registered in the Register for Legal Entities, the information registered there is used as the basis for the Register of political parties.

(3) Registration in the Register of Political Parties entails that the party receives the sole right to present election lists under the registered name.

Section 3 Conditions for registration of party names in the Register of political parties

(1) So that the party name shall be able to be registered in the Register of Political Parties, it must not be able to be confused with the name of

- a) another party registered in the Register of Political Parties, or
- b) a Sami political entity registered with the Sami Parliament

When special grounds are present, the registration authorities can also refuse to register a party name

- (2) The party shall submit the following documentation together with the application
- (a) memorandum of association
 - (b) information regarding the persons who have been elected members of the party's executive board, and who has the authority to represent the party centrally in matters relating to this Act.
 - (c) bye-laws laying down which body in the party elects the party's executive board, and
 - (d) a declaration from at least 5 000 persons with voting rights at a general election, that they wish the party name to be registered. Those making the declaration must have attained voting age by the end of the calendar year in which the application is submitted. If the application is submitted less than one year before an election, it is sufficient that voting age is attained by the end of the election year. The declaration shall contain the name, date of birth, and address of the person

giving it. The declaration shall be signed and dated by hand by the person giving it. No declaration shall be more than one year older than the application.

(3) The application must have been recorded with the registration authorities by 2 January of the election year, in order for the registration to be in effect at the election.

Section 4 Change of registered party name. Merging of parties under a new name

(1) A registered political party can apply to have the registered party name changed. The provisions in Section 3 also apply. As a replacement for the memorandum of association, the minutes of a meeting where the decision was taken to change the name of the party shall be enclosed. If the party received at least 500 votes in one county or at least 5 000 votes in the whole of the country at the last general election, the conditions in Section 3, second subsection, *litra d*, do not apply.

(2) If two or more registered parties merge and seek registration under a new name, it is regarded as an application for change of name. As a replacement for the memorandum of association, the minutes of a meeting where the decision was taken to change the name of the party shall be enclosed. If one of the parties received at least 500 votes in one county or at least 5 000 votes in the whole of the country at the last general election, the conditions in Section 3, second subsection, *litra d*, do not apply.

Section 5 Deregistration. When a party name is freed

(1) The effect of registration ceases and the party name is freed when the party has not presented a list in any election district for two consecutive general elections. The party name shall then be struck off the Register of Political Parties.

(2) The same applies four years after the party has been dissolved or has changed its name.

Section 6 Information regarding who is elected to the party's executive board

(1) In the event of change of previously registered information, registered parties shall inform the Brønnøysund Register Centre about who are members of the party's executive board.

(2) By 2 January of the election year, the parties shall submit updated information or confirmation of the information that is registered in the Register of Political Parties, about who are members of the party's executive board with effect for the election. The registration authority shall in good time before the deadline inform the parties of the information that is registered in the Register of Political Parties.

Section 7 Publication of decisions

The registration authority shall publicise decisions regarding registration of new party names or removal of names from the Register of Political Parties.

Section 8 Appeal

(1) The registration authority's decisions according to this chapter can be appealed to the Party Act Board, cf. Chapter 5. The deadline for lodging an appeal is three weeks. The appeal is made to the registrar and shall be in writing and justified. The Board shall notify the registrar of decisions in appeals. The Board's decision in appeals shall be publicised.

(2) The Party Act Board's decision can be brought before the courts for decision. Legal proceedings must in that case be instituted within 2 weeks from the time the notification of the Board's decision with information on the deadline for instituting legal proceedings was received by the party in question. A legal decision regarding party registration is only effective for a coming election if it is legally binding at the latest 31 March in the election year. Until any legally binding court decision is available, the Board's decision will be valid in relation to the Register of Political Parties.

Section 9 Regulation

The Ministry can by regulation give supplementary provisions regarding registration and on the registration authorities' activities.

Chapter 3 Financing of political parties' organisations and democratic groups

Section 10 Superior principles for state subsidies

(1) State subsidies to political parties' organisations at the national, regional and municipal level are granted in the amounts that are decided by Parliament.

(2) Parliament finances the democratic groups in Parliament. The county councils finance the democratic groups in the county councils. The municipalities finance the democratic groups in the municipal councils. The subsidies to the democratic groups in the county councils and municipal councils shall be granted proportionately according to their voter support in the election.

(3) There shall be no conditions attached to subsidies from the state, municipality or county that can come into conflict with the political parties' independence and autonomy.

(4) The authorities shall not exercise control of the parties' or groups' use of the subsidies.

Section 11 State subsidies to political parties' organisations and youth organisations at the national level

(1) Political parties can apply to the Ministry for state subsidies for the party's organisation at the national level. The subsidies are paid as vote subsidy and basic subsidy.

(2) Vote support is paid as an equal amount for each vote obtained at the last general election. Basic subsidies are paid with an equal krone amount to parties that at the last general election received at least 2.5% of the votes on a national basis or that had at least one representative elected to Parliament. Of the total subsidies, 9/10 are paid as vote support and 1/10 as basic subsidies.

(3) The central youth organisation of a political party that is entitled to vote subsidy, can apply to the Ministry for state subsidies. The support is paid as an equal amount per vote the party obtained at the last general election.

(4) The application for subsidies the first year after an election is regarded as being for the whole election period as long as the applicant does not notify otherwise during the period.

Section 12 State subsidies to political parties' organisations and youth organisations in the counties

(1) A county organisation of a party can apply for subsidies. Subsidies are paid as vote subsidy and basic subsidy. The party organisations in Oslo can apply for subsidies both as a county organisation and as a municipal organisation, cf. Section 13.

(2) Vote subsidy is paid as an equal amount per vote obtained in the county at the last county council election. Basic subsidies are

paid as an equal amount to parties that at the last county council election obtained at least 4% of the votes in the county or that had at least one representative elected to the county council. Of the total subsidies, 9/10 are paid as vote subsidies and 1/10 is paid as basic subsidies.

(3) The county youth organisation of a party that is entitled to vote subsidies, can apply for state subsidies. The subsidies are paid as an equal amount per vote the party received at the last county council election.

(4) The application is submitted to the County Governor. The application for subsidies the first year after an election is regarded as being for the whole election period as long as the applicant does not notify otherwise during the period. The support is paid by the County Governor to the parties' county organisations and youth organisations.

(5) Common lists, consisting of parties all of which meet the requirements contained in Chapter 2, can apply for vote subsidies and basic subsidies. The support is calculated in accordance with the second subsection. The parties' compromise proposal for allocation is the basis for payments. If the parties on the common list are themselves not in agreement regarding allocation, the subsidies shall be allocated in a discretionary manner, based on the number of votes for the parties on a national basis or according to the number of votes at a previous election.

Section 13 State subsidies to political parties' organisations in the municipalities

(1) A municipal organisation of a party can apply for subsidies. Subsidies are paid as vote subsidies and basic subsidies. The party organisations in Oslo can apply for support both as a municipal organisation and as a county organisation, cf. Section 12.

(2) Vote support is paid as an equal amount per vote received in the municipality at the last municipal council election. Basic subsidies are paid as an equal amount to parties that at the last municipal council election received at least 4% of the votes in the municipality or that had at least one representative elected to the municipal council. Of the total subsidies 9/10 are paid as vote support and 1/10 as basic subsidies.

(3) The application shall be submitted to the County Governor. Applications for subsidies the first year after an election are regarded as

being for the whole election period as long as the applicant does not notify otherwise during the period. The subsidies are paid by the County Governor to the parties' municipal organisations.

(4) Common lists, consisting of parties all of which meet the requirements contained in Chapter 2, can apply for vote subsidies and basic subsidies. The support is calculated in accordance with the second subsection. The parties' compromise proposal for allocation is the basis for payments. If the parties on the common list are themselves not in agreement regarding allocation, the subsidies shall be allocated in a discretionary manner, based on the number of votes for the parties on a national basis or according to the number of votes at a previous election.

Section 14 The Ministry's access to withhold state subsidies

The Ministry can set as a condition for payment of state subsidies to a party or party organisation that it has undertaken reporting in accordance with the rules in Chapter 4.

Section 15 Appeal against a decision on state subsidies

A decision regarding allocation of state subsidies can be appealed to the Party Act Board, cf. Chapter 5, within three weeks after it was made. The Board's decision can be brought before the courts for decision.

Section 16 Regulation

The Ministry can issue Regulations that vote subsidies shall not be paid under a certain amount.

Chapter 4 Support from others. Reporting of parties' income and sources of income. Publication

Section 17 Access to receive gifts

(1) Everyone is allowed to give donations to political parties within the limits set out in this provision.

(2) Political parties cannot accept donations if the donor is not known to the party (anonymous donations). Such donations fall to the Treasury.

(3) Political parties are not allowed to accept gifts from:

- a) legal entities under the control of the state or other public authority,
- (b) foreign donors, i.e. private persons who are not Norwegian citizens or who do not meet the requirements for voting rights at municipal council and county council elections, cf. Section 2-2 of the Election Act, or legal entities that are registered abroad.

(4) By donations in this provision is meant any form of support that the party is obligated to report in accordance with Section 19.

Section 18 Reporting obligation and reporting period

(1) All political parties, including organisational levels of parties that fall under this Act, shall submit annual reports of their income.

(2) Reporting shall include income for the period 1 January to 31 December and shall be submitted at the latest six months after the end of the accounting year.

(3) Parties or party organisations that during the year have had a total income of under NOK 10 000 after deduction of state subsidies are exempt from the obligation to give a declaration that the income for the year has been under that amount.

(4) Reporting of income accounts in accordance with Section 19, or declarations in accordance with the third subsection in this section shall be submitted to the central register for the system.

Section 19 Income that is to be reported

(1) The report shall contain a complete overview of the income that the parties or party organisations have received during the period.

(2) Income shall be categorised in the following manner:

State subsidies:

- (a) State subsidies according to Chapter 3
- (b) Municipal/county party subsidies
- (c) Other public support

Income from own activities:

- d) Income from membership fees
- e) Income from lotteries, collection actions etc,
- f) Capital income
- g) Income from business activities
- h) Other income

Donations from others:

- i) Private persons

- j) Commercial enterprises
- k) Industrial organisations
- l) Other organisations, associations and groups, institutions, foundations and funds
- m) Others

Internal transfers:

- n) Transfers from other party organisations

- (3) By donations is meant money contributions and the value of goods, services and other equivalent contributions which have been received free of charge or at a reduced price. Contributions by private persons who perform ordinary voluntary group work which does not require particular qualifications, or which is not a part of the donor's income basis, are not regarded as donations. The same applies to loan of premises and objects by private persons who do not have them as part of their income basis.
- (4) Other contributions than monetary shall be valued at sales value and reported as income. Such contributions that are under the set amount limits in Section 20, first subsection, can nevertheless be excepted.

Section 20 Identification of donations and donors

- (1) If a donor during the period has given one or more donations to the party's central organisation, and which represent a total of NOK 30 000 or more, the value of the donations and name of the donor shall be declared separately. The same applies to donations to the party organisations at county level, which represent a total of NOK 20 000 or more, and for donations to party organisations at the municipal level, which represent a total of NOK 10 000 or more. Donations to the parties' youth organisations are subject to the same rules as for donations to the parent party at the equivalent level.
- (2) Private persons shall be identified by name and municipality of residence. Other donors shall be identified by name and postal address.

Section 21 Declarations, signature and auditor approval

- (1) The report shall contain a declaration that the party or party organisation has not had other income than that stated.
- (2) If any political or business agreements have been entered into with any donor, a declaration of this shall be made in the report.

The party or the party organisation is obligated upon request to allow inspection of agreements entered into with donors.

(3) Reports by the party's central organisation shall be signed by the party Chairman and be approved by an auditor.

(4) Reporting, including a declaration according to Section 18, subsection three by the parties or party organisation at the municipal and county level, shall be signed by the person applying for or receipting for party subsidies in accordance with Chapter 3 and one other Board member. Approval by an auditor is not necessary.

Section 22 Publication

(1) A central register for reports shall be set up in accordance with this Act.

(2) The central register shall collocate information about the parties' income and sources of income and make this publicly available in an appropriate manner, i.e. through the use of electronic aids. The register shall forward an overview to the Party Act Board and the Ministry, of parties or party organisations that have not complied with the reporting requirement by the deadline.

(3) Further rules on the method of reporting and the organisation of the central register are set out in a Regulation issued by the Ministry.

Section 23 Inspection of the parties' accounts

The parties or party organisations which fall under this Act, are obligated upon request to allow inspection of the accounts which have been prepared for the last year.

Chapter 5 Appeals Board, etc.

Section 24 Board for allocation of subsidies and appeals

(1) The Party Act Board is an independent administrative body subordinate to the King and the Ministry. The King and the Ministry cannot issue instructions for, or reverse the Party Act Board's exercise of authority in individual cases in accordance with the Act.

(2) The Party Act Board shall:

- a) interpret the applicable rules
- b) make decisions regarding withholding of subsidies
- c) decide appeals against decisions regarding registration, cf. Section 8
- d) decide appeals against decisions regarding allocation of state subsidies,

cf. Section 15.

Section 25 Composition of the Board

The members of the Board shall be appointed by the King in Council for a period of six years.

The Board shall have at least five members. The chairperson shall have judge competence.

Section 26 The Board's annual report

The Board shall submit an annual report on its activities. The report shall be submitted to the Ministry by 1 October.

Section 27 Regulation

The Ministry can issue further provisions regarding the Board's activities in a Regulation. The Ministry can also issue a Regulation regarding the right of appeal against the Board's decisions in cases regarding inspection of documents in accordance with the Administration Act and Open Files Act, and case costs according to Section 36 of the Administration Act.

Chapter 6 Force and effect and transitional rules

Section 28 Force and effect and transitional rules

(1) The Act comes into force and effect on the date decided by the King. On the same date, Chapter 5 of the Act of 28 June 2002 No. 57 relating to election to Parliament, county councils and municipal councils (Election Act) is repealed.

(2) The King decides when the Act of 22 May 1998 No. 30 relating to publication of political parties' income shall be repealed.

(3) The Ministry can issue further transitional rules.
