

## 1. Introduction

This annual report is provided on the basis of the provisions for the Finance Advisory Board in the EGP Statutes and Rule Book.

As usual, we were kept informed of the progress made during the process of finalising the accounts and auditing.

Our collaboration with the Treasurer and Secretary General, as well as with the whole Committee, has continued in a very positive way. We are routinely consulted on financial and financially relevant matters and regularly participate in Committee meetings and discussions either by Skype or in telephone conferences.

## 2. Accounts 2016

FAB met with the Treasurer, the Secretary General and the Office manager during the Congress in Liverpool in order to discuss the preliminary results, the auditor's report and several more general issues.

Regarding the accounts 2016, EGP faced an unusual situation as, due to the early date of the Liverpool Congress (end of March), the accounts were not yet audited and couldn't be formally adopted by the EGP Council held at the same time. For this reason, the EGP Committee proposed to the EGP Council in Liverpool to adopt a special procedure for these accounts: the Committee would provisionally approve the final accounts 2016 before submitting them to the European Parliament, they would then be sent to member parties and the formal adoption vote would take place at the Karlstad Council. FAB supported this proposal as the only practical way to comply with EP requirements and the Council approved this process. The final accounts were sent to member parties on 12 May 2017 for information and comment.

### a. We would like to comment on the following issues:

#### - **Personnel costs**

The personnel costs have evolved as planned since 2015. The higher expenditure is partly due to legal adaptations in Belgian law and mainly to the efforts to reduce staff turnover and achieve a more stable and settled workforce in order to be able to implement the EGP's ambitious work-plan. FAB supports the decisions taken by the Committee and welcomes the stabilisation of the staff.

#### - **Contributions in kind**

Contributions in kind allow EGP to reduce its need for own monetary resources as they can be used as a counterpart in the cofinancing system with the EP. Unfortunately, in the past few years the actual amount of contributions in kind from member parties has been considerably lower than budgeted and particularly so in 2016. This is mainly due to the change of justification procedures regarding contributions in kind by the EP auditors after the beginning of the financial year. This meant that some member parties were unable to provide the required evidence even though the EGP office tried to make it easier by providing forms and supporting processes. In addition, for various reasons some member parties generally lack the capacity to comply with complex EP funding rules and this creates challenges for EGP in several respects.

Unfortunately major changes to the contributions in kind will happen in 2018 and the topic will become irrelevant (see below).

#### - **Priority projects**

The underspending on priority projects is particularly striking for the year 2016. So, the specific budget line (4.1.5) was spent for only 41% (73.766 out of 177.000 euros). Even if

the figure is different for category 4 considered in total (82%), « priority projects » seem not to be so prior-ranking as their name might suggest. This should be monitored more closely.

- **Expenditure on legal advice**

Legal advice was needed in particular to prepare the application for the recognition as a European political party, to organize work permits and split of salaries between Belgium and non EU-country of origin and other staff matters as well as a small amount to deal with the legal case against EGP brought on by De Groenen. This explains the overspend on this budgetline. FAB considers legal advice as an important and necessary expense in order to ensure good governance of EGP and supports these expenditures.

**b. Recommendation**

The Finance Advisory Board recommends to Council to formally approve the 2016 accounts.

### 3. Revised Budget 2017 and Budget 2018

**a. We would like to comment on the following issues:**

- **Legal fees**

Most legal fees in the budget 2017 were foreseen to achieve recognition as a « European party » in order to comply with the new financing rules of the European Parliament. As stated above, we consider legal advice to be important and support these expenditures. In this regard, we would also suggest to keep the legal advice budgetline sufficiently endowed.

- **Campaign Budget for European Election in 2019**

The campaign budget proposal was not yet finalised at the time of writing this report as campaign planning is still in progress.

In view of the feedback from member parties, FAB welcomes the decision of the Committee not to organise primaries for the next European election. This will free up a considerable amount of money in the campaigns budget and enable all involved to focus on other campaign activities and on other projects including the priority projects.

- **Priority Projects**

For 2018 the budget for priority projects has been brought up to 150.000€. FAB welcomes the focus on a wide range of events and activities which have considerably increased in the past few years. However, in practice this will need to be balanced with the election campaign which will kick off in 2018, in line with staff and Committee capacity (even without the primaries).

- **Contributions in kind**

From 2018 on, contributions in kind will no longer be recognised by the EP as own resources. This is not a problem for 2018 and 2019 as it will be compensated by the dissolution of the Campaign Fund.

However, in the medium term, the consequence will be that the EGP will have to raise more own resources. This will need to be considered as part of the next revision of the membership fees after the European election in 2019 and depending on its outcome.

### 4. Particular Issues

**a. Implementation of the Internal Financial Rules adopted in March 2016**

The Treasurer, together with the Secretary General and Office Manager, consulted FAB on their ideas to strengthen and simplify the internal accountancy rules in order to make financial management more efficient and more transparent. These changes are consistent

with the new legislation regarding European parties and the implementation of the Internal Financial Rules adopted in March 2016. The FAB fully supports these efforts.

#### **b. Statutes and Rule Book**

Due to new legal requirements for European political parties and because of our own changes to the reimbursement rules it has been necessary to make substantial changes to the Statutes and Rule Book. These were time-consuming processes and it meant that it was not possible to undertake a more general review of the Statutes and Rule Book which had originally been foreseen after some years of implementation. We would advise that this be done after the European election in 2019.

#### **c. Own Resources and Membership Fees**

The EGP needs to monitor carefully the development of our own resources as we need sufficient own resources to qualify for the maximum possible grant from the European Parliament as well as to rebuild on a regular basis the Campaign Fund and the Congress Fund.

As contributions in kind will no longer be allowed from 2018 on, the EGP should be particularly mindful to develop sufficient capacities to levy own resources, even if co-financing rules might be changed again by the EP's majority parties in order to lower the EU-parties' own contributions to 10% after 2019.

Depending for about 90% on the EP grant also exposes our financial resilience and independence to substantial risk.

Furthermore, FAB is concerned about the discrepancy between the budgeted and actual income from membership fees. The changes to membership fees and reimbursement rules decided in 2015 are now fully implemented. More work still needs to be done on developing a consistent and fair budgetisation of membership fees.

### **5. Compliance**

Finally, as a compulsory part of the FAB annual report according to Article 7.1 of the EGP Statutes, some remarks on compliance. The Finance Advisory Board can confirm, based on the information we have, that the European Green Party has acted in accordance with its statutes and rule book since our last annual report in May 2016.

### **6. Thanks**

We would like to thank in particular Lena Lindström, Mar Garcia, Armin Traute and the other office staff for their constructive cooperation and support.

Finally a very special expression of our thanks to Cecile Lauwers: From the very beginning of the European Green Party Cecile has been our Financial Administrator in the EGP office and she is going to retire at the end of November.

During the time of her „green years“ the European Green Party family developed very considerably in an equally changing political, legal, administrative and financial environment. Cecile has been a backbone of stability and reliability in all those years. Our work as FAB – and EGP as a whole – would not have been possible without the raw financial data she provided and the solid implementation of financial decisions she was responsible for. And everybody who has been in touch with her will remember the respect with which she treated everybody, her kindness and quiet efficiency.

We wish Cecile personally and for all her projects all the best!

Mike Mathias, Ute Michel, Madeleine Petrovic

17.11.17