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**Theme II**

## **Third Evaluation Round**

### **Evaluation Report on Sweden Transparency of Party Funding**

(Theme II)

Adopted by GRECO  
at its 41<sup>st</sup> Plenary Meeting  
(Strasbourg, 16-19 February 2009)

## I. INTRODUCTION

1. Sweden joined GRECO in 1999. GRECO adopted the First Round Evaluation Report (Greco Eval I Rep (2001) 3E) in respect of Sweden at its 5<sup>th</sup> Plenary Meeting (11-15 June 2001) and the Second Round Evaluation Report (Greco Eval II Rep (2004) 9E) at its 22<sup>nd</sup> Plenary Meeting (14-18 March 2005). The afore-mentioned Evaluation Reports, as well as their corresponding Compliance Reports, are available on GRECO's homepage (<http://www.coe.int/greco>).
2. GRECO's current Third Evaluation Round (launched on 1 January 2007) deals with the following themes:
  - **Theme I – Incriminations:** Articles 1a and 1b, 2-12, 15-17, 19 paragraph 1 of the Criminal Law Convention on Corruption<sup>1</sup>, Articles 1-6 of its Additional Protocol<sup>2</sup> (ETS 191) and Guiding Principle 2 (criminalisation of corruption).
  - **Theme II – Transparency of party funding:** Articles 8, 11, 12, 13b, 14 and 16 of Recommendation Rec(2003)4 on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns, and - more generally - Guiding Principle 15 (financing of political parties and election campaigns).
3. The GRECO Evaluation Team for Theme II (hereafter referred to as the "GET"), which carried out an on-site visit to Sweden from 27 to 28 August 2008, was composed of Ms Gabriele ROTH, Deputy Head of Division, Federal Ministry of the Interior (Germany); Mr Alvis VILKS, Deputy Director, Corruption Prevention and Combating Bureau (Latvia); and the scientific expert, Ms Patricia PEÑA ARDANAZ, Manager, Office for Democratic Governance, Canadian International Development Agency (CIDA). The GET was supported by Mr Björn JANSON, Deputy to the Executive Secretary of GRECO. Prior to the visit, the GET was provided with a comprehensive reply to the Evaluation questionnaire (document Greco Eval III (2007) 4E, Theme II), as well as copies of relevant legislation.
4. The GET met with officials from the following governmental organisations: the Ministry of Justice (State Secretary and representatives of various departments), the Committee on the Constitution and the Election Authority. The GET also met with representatives of the Swedish Association of Local Authorities and Regions. In addition, the GET met with representatives of the following political parties: Centre Party (c), Christian Democrats (kd), Green Party (mp), Liberal Party (fp), Moderate Party (m) and Social Democrats (s). Moreover, the GET met with civil society representatives; the Swedish Association of Journalists (*Svenska Journalistförbundet*), a political journalist of the largest Swedish daily newspaper (*Dagens Nyheter*) and Transparency International.
5. The present report on Theme II of GRECO's Third Evaluation Round on Transparency of political funding was prepared on the basis of the replies to the questionnaire and the information provided during the on-site visit. The main objective of the report is to evaluate the measures adopted by the Swedish authorities in order to comply with the requirements deriving from the provisions indicated in paragraph 2. The report contains a description of the situation, followed by a critical analysis. The conclusions include a list of recommendations adopted by GRECO and addressed to Sweden in order to improve its level of compliance with the provisions under consideration.

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<sup>1</sup> The Criminal Law Convention on Corruption (ETS 173) entered into force in respect of Sweden on 1 October 2004.

<sup>2</sup> The Additional Protocol to the Criminal Law Convention (ETS 191) entered into force in respect of Sweden on 1 February 2005.

6. The report on Theme I – Incriminations, is set out in Greco Eval III Rep (2008) 4E, Theme I.

## **II. TRANSPARENCY OF PARTY FUNDING - GENERAL PART**

### Introduction

7. Political parties have existed in Sweden since the latter part of the 19<sup>th</sup> century. According to Chapter 3, Article 7, first paragraph of the Instrument of Government, which is part of the Swedish Constitution, a political party is understood as “any association or group of persons who run for election under a particular designation”.
8. There are no constitutional or legal requirements that political parties have to be formed as a particular legal association or to hold legal personality. However, in practice the major parties are organised as non-profit associations. Such an association becomes a legal person as soon as the necessary statutes have been adopted and a board appointed. As from that moment, the association can acquire rights and assume obligations etc. For an association to be a non-profit association it is required that it either has an idealistic purpose or that it does not carry on business activities. Nevertheless, a non-profit association, such as a political party may carry out business activities for the purpose of promoting its idealistic objectives. A non-profit association is only to be registered, if it carries out business activities in which case it must be registered in the trade registry. The Act on Economic Associations (1987:667) is applied analogously in respect of non-profit associations.
9. The Instrument of Government (Chapter 3, Article 1, first paragraph) provides that Parliament (“Riksdagen”) is appointed by means of free, secret and direct elections. Voting in such elections means voting for a particular party, with an option for the voter to express a preference for a particular candidate.
10. The electoral system in Sweden is based on proportional representation. As a result, the composition of political assemblies in Sweden reflects the composition and political views of the electorate. General Riksdag elections are held together with county council and municipal assembly elections on the third Sunday in September every four years. The most recent general elections were held in 2006.
11. Voters vote for a political party and may at the same time mark on their ballot paper the candidate that they would prefer to be elected, the so called “preference voting”. The possibility to vote for particular candidates is a rather new phenomenon in Sweden; it was introduced in 1998 and has been used on some ten electoral occasions (national, regional, local and European elections). In order to get elected on personal votes, a candidate must receive at least 8 per cent of the votes for his/her party in a given constituency in national elections and in all other elections at least 5 per cent. The GET was informed that the preference voting in Sweden is still rather limited in comparison with the party votes cast, for example, in the 2006 Parliamentary elections, only 22 per cent of the voters used the possibility of preference voting.
12. The Election Authority is responsible for planning and coordinating the conduct of elections and referendums. The Election Authority also develops and maintains IT support for the whole electoral administration and prepares electoral rolls, voting cards, ballot papers and other election material. After elections, the Election Authority distributes the seats between the parties and announces which members and which substitutes have been elected to the Riksdag and the European Parliament. The County Administrative Board is a regional election authority, which decides on electoral districts, and is responsible for the final counting of votes in all elections and

confirms the results of county council and municipal council elections. The municipal election committees are the local election authorities, which nominate election officers, provides the polling stations in the respective municipalities and are responsible for the preliminary counting of votes.

### Registration

13. General elections in Sweden are based on the principle of the “free right of nomination” which means that there is no requirement that a party or candidate must be recognised or registered in order to be allowed to stand for the election. In short, this means that voters may, on a blank ballot paper, specify any party denomination. On such a ballot paper the voter may also freely enter the name/s of one or several candidates.
14. Moreover, there are no particular deadlines that have to be met by a party or a candidate in order to stand for election more than that a person may no later than the day of election, announce that s/he represents a party standing for election.
15. The “free right of nomination” does not, however, exclude that parties may register their party denomination and give notice of their candidates before the election. However, the GET was informed that if a party/candidate is to have any realistic chance of being elected to Parliament, it must make sure that voters have access to pre-printed ballot-papers with a party denomination.
16. Provisions on registration of party denominations are contained in Chapter 2 of the Elections Act (2005:837). A party that wishes to register its denomination shall apply in writing to the Election Authority no later than the last day of February of the year the elections are to be held, and the registration is valid as from that year (Section 1). A party registers its party denomination (the party name on the ballot paper) and notifies candidates prior to the election. In such a way the party protects its name and its ballot papers. As a main rule, the parties have to order ballot papers before a certain date in order to ensure that they can be delivered not later than 45 days before the election day. The Election Authority presents all the ballot papers that have been printed on its website
17. In cases where parties have used the possibility of registering before the Election Authority their party denomination and announcing candidates, voters cannot freely nominate their own candidates. A registered party denomination implies a kind of sole right to the denomination in connection with a particular election.
18. A party denomination may only be registered if certain conditions are fulfilled; inter alia, the party denomination must be made in writing and in case the party is not already represented in the pertinent general assembly (Parliament, regional or local assemblies), it must have documented support of at least 1 500 persons who are entitled to vote in the whole country (Parliamentary elections) and of at least 100 or 50 persons in respect of elections to a county council or municipal assembly, respectively. In respect of elections to the European Parliament the documented support must be at least 1 500 persons entitled to vote in the whole country. Moreover, the denomination may not be assumed to be confused with any other previously registered denomination or where an application for registration has been made, if the denominations are to be registered for the same election. Nor may the denomination be confused with denominations that previously applied for the same type of election less than five years earlier. Those who support an application for registration shall sign a declaration of support and include the full name and personal identity number as well as where they are registered as resident.

19. The GET was informed that the Election Authority's website currently holds a list of some 400 parties that have submitted their party denomination and that 46 parties ordered ballot-papers prior to the most recent (2006) general elections.

Party representation in Parliament (Riksdagen)

20. Sweden has a unicameral Parliament with 349 seats to be divided by parties which obtain at least four per cent of the votes in the election. Following the 2006 parliamentary elections, seven political parties are represented in Parliament as follows:

- Social Democrats (s), 130 seats
- Moderate Party (m), 97 seats
- Centre Party (c), 29 seats
- Liberal Party (fp), 28 seats
- Christian Democrats (kd), 24 seats
- Left Party (v), 22 seats
- Green Party (mp), 19 seats

21. As there is no obligation to register political parties in Sweden, a complete list of parties that took part in the parliamentary elections in 2006 cannot be produced. However, the Election Authority keeps information on the parties – in addition to those which are represented in Parliament – that were the closest to entering into the Riksdag:

|  |        |       |
|--|--------|-------|
| • Sweden Democrats                               | 162463 | 2.93% |
| • Feminist Initiative                            | 37954  | 0.68% |
| • Pirate Party                                   | 34918  | 0.63% |
| • Swedish Senior Citizen Interest Party          | 28806  | 0.52% |
| • The June List                                  | 26072  | 0.47% |
| • Health Care Party                              | 11519  | 0.21% |
| • National Democrats                             | 3064   | 0.06% |
| • Unity  | 2648   | 0.05% |
| • Sweden's national socialist party              | 1417   | 0.03% |
| • New Future                                     | 1171   | 0.02% |
| • Socialist Justice Party                        | 1097   | 0.02% |
| • People's Will                                  | 881    | 0.02% |
| • Communists                                     | 438    | 0.01% |
| • Unique Party                                   | 222    | 0.00% |
| • Classical Liberal Party                        | 202    | 0.00% |
| • Alliance Party                                 | 133    | 0.00% |
| • Woman Power                                    | 116    | 0.00% |
| • European Workers Party                         | 83     | 0.00% |
| • Party for continuous direct democracy          | 81     | 0.00% |
| • Sweden out from the EU/Socialist Justice Party | 75     | 0.00% |
| • Swedish National Democrats                     | 68     | 0.00% |
| • Partiet.se                                     | 61     | 0.00% |
| • The September List                             | 51     | 0.00% |
| • Communist League                               | 30     | 0.00% |
| • Nordic Union                                   | 24     | 0.00% |
| • Scania Party                                   | 11     | 0.00% |

|                   |   |       |
|-------------------|---|-------|
| • Tax Reformists  | 9 | 0.00% |
| • Rikshushållarna | 8 | 0.00% |
| • Miata Partiet   | 7 | 0.00% |
| • New Swedes      | 6 | 0.00% |
| • Fårgutapartiet  | 6 | 0.00% |
| • Palmes parti    | 5 | 0.00% |
| • Republicans     | 2 | 0.00% |

## Participation in elections

### *Election to Parliament*

22. In order to be eligible for a seat in the Riksdag, a candidate must be entitled to vote, according to Chapter 3, Article 10 of the Instrument of Government. Under Chapter 3, Article 2 of the Instrument of Government, every Swedish citizen who is or has ever been domiciled within the Realm is entitled to vote. A person who has not attained the age of 18 years on or before the election day is not entitled to vote. No other qualifications are required.
23. The seats in the Riksdag are divided among parties that have gained at least four per cent of the total number of votes in the election. Exemption from this rule is only applied in case a party obtains at least 12 per cent of the votes in a specific constituency. That party then shares in the seats in the constituency in question.

### *County council and municipal elections*

24. Chapter 4, Sections 2-6 of the Local Government Act (1991:900) contains special provisions on the right to vote and eligibility for election to county councils and municipal assemblies. Persons registered in the municipality, who attain the age of 18 before or on the election day and who are Swedish citizens or citizens of any other member state of the European Union, or who are citizens of Iceland or Norway, or those who have been registered as residents in Sweden during three consecutive years before the election day, are entitled to vote in the municipal assembly elections.
25. Moreover, persons who are entitled to vote in municipal assembly elections are also entitled to vote in the relevant county assembly elections. Persons who are entitled to vote in municipal or county elections are also qualified to stand for elections to these assemblies. However, a person employed by a municipality or county council as a leading official, is not eligible for election.
26. The seats of the county council assemblies are distributed among the parties that have received at least 3 per cent of the votes cast in that particular county council. There are no such threshold rules in respect of the distributions of seats of a municipal assembly.

### *Personal elections (to Parliament, county councils and municipalities)*

27. Even though the Swedish voting system by and large focuses on party elections, there are, as mentioned above, possibilities to vote for particular candidates. On a ballot-paper where the party has listed its candidates (in order of priority), the voter has the possibility to indicate a particular candidate s/he would prefer to be elected. This implies that when the votes are being counted, a specific number of votes is to be established for each candidate who, in a Riksdag election, has received as many special personal votes in a specific constituency which correspond to at least 8 per cent of the total votes for the party in that constituency. The special number of votes implies

that the candidate may obtain a higher position on the final list than that s/he was given by the party. Similar rules apply in respect of candidate elections to county council and municipal assemblies, however, the limit for establishing a personal number of votes is 5 per cent of the number of votes the party has won in the constituency or, at least, 100 votes in respect of elections to a county council assembly and 50 votes in municipal assembly elections. The GET was informed that only 1,7 per cent of the representatives in the Riksdag and the Municipal or County Assemblies were elected solely on the basis of the preferential vote

### Overview of the party funding system

#### Public funding

28. Public funding from the State and the Riksdag are significant sources of income for parties at the national level in Sweden. The public funding system aims at providing political parties with the possibility to pursue their political activities on a long-term basis without being too dependent on other contributions. Public funding is considered to be of major importance for the functioning of the democratic system.
29. Direct public funding of political parties has been in place in Sweden since the 1960s. This funding is governed by the principles that contributions should only be given to parties that have considerable support among the electorate; contributions should be assessed schematically and be distributed in accordance with set rules that do not permit discretionary considerations; contributions should be related to the size of the party; and there should be no public supervision of how the funds provided are being used by the parties.
30. Rules on party funding are contained, *inter alia*, in the Act on State Financial Support to Political Parties (1972:625). In addition, the Riksdag gives support to the parliamentary work of its members and parliamentary party groups in accordance with the Act concerning Support for the Parliamentary Work of Members of the Riksdag and Parliamentary Party Groups (1999:1209).
31. Parties represented in the Riksdag are entitled to receive state contributions. In respect of the 2007 budget year, support to political parties represented in the Riksdag amounted to approximately SEK 242 million (EUR 22 million).
32. The contributions appear as *party assistance* and *office assistance*. Party assistance is allocated in direct proportion to the number of seats won in the Riksdag during the last two elections. Currently, the contribution amounts to SEK 333,300 (EUR 30,100) per seat and year. The office assistance is allocated to the political parties of the Riksdag in the form of a basic contribution of about SEK 5.8 million (EUR 523,800) and a supplementary contribution of SEK 16,350 (EUR 1,470) per Riksdag seat for government parties and SEK 24,300 (EUR 2,200) for opposition parties per seat won in the Riksdag.
33. In addition to the state funds provided to the parties' national organisations, the parties represented in the Riksdag receive financial support for the activities of the members of the Riksdag and of the respective party groups. The contributions are distributed in the form of basic support, support for political advisers, travelling etc. The basic support consists of a fixed amount and a supplement based on the number seats won in the Riksdag. Currently, the amount set is SEK 1.7 million (EUR 153,500) per year. A party group representing the Government is entitled to one set amount. Other party groups are entitled to two set amounts. The supplement is SEK 57,000 (EUR 5,100) per year and member.

34. Support for political advisers is intended to cover the costs for administrative and research assistance of the members of Parliament. The support is supposed to correspond to the costs of one political adviser per member. The amount of SEK 48,800 (EUR 4,407) per political adviser and month serves as a basis for the calculation. It is, however, up to the parties to distribute the money to create a secretariat that suits the MP's particular needs and wishes.
35. Political parties without seats in the Riksdag also receive contributions provided they have obtained at least 2.5 per cent of the total votes cast in one of the two most recent parliamentary elections. Currently, only one party receives such funding.
36. In order to be entitled to receive state support, the party must produce an annual financial report which has to be examined by an authorised or approved public accountant. This examination is supposed to be in conformity with standards of good accounting practice.
37. The Act on State financial support to political parties (Sections 13 and 14) provides that applications for contributions are examined by the Commission on Financial Support to the Political Parties and that payments are made directly to the respective party's national secretariat by the administration of the Riksdag. The mentioned Commission has no competence to examine the reports and the data given. Thus, the GET learned that the Commission has never rejected an application.
38. All state funding is submitted to the national organisations of the parties. Once a party fulfils the formal requirements, the funding is provided unconditionally and it is up to the parties themselves to decide how the funds are to be used.
39. In addition to what has been stated above, the Riksdag allocated some SEK 30 million (approx. EUR 2.7 million) to the general elections appropriation during the last two elections (2002 and 2006). This money was submitted to the various political parties for special information campaigns.
40. Concerning indirect public funding, members and party secretariats receive such support in the form of access to free premises and technical equipment in the Riksdag building. Hence, direct funding does not need to be used for such costs. Moreover, the Elections Act (2005:837) gives certain parties the right to receive ballot-papers at the expense of the State. In order to obtain free ballot-papers it is required that, at one of the two most recent parliamentary elections, parties have received more than 1 per cent of the votes cast.
41. Regarding parties at the local level, there are certain provisions on party funding in the Local Government Act. Since 1969, there has been a possibility in the law of municipalities and county councils to grant public funds to political parties, however, there is no obligation to do so. The funding may be granted to parties represented in the municipal and county council assemblies and the funds are not to be given in a way that may favour or be unfair to a party. All county councils and municipalities provide public (direct and indirect) funding to parties, however, the GET was informed that, the application of the rules may differ between the authorities as the law is not very detailed. The total amount of financing from county councils has been estimated to 336 million SEK (approx. EUR 30 million) in 2007 and 450-500 million SEK (approx. EUR 41-45 million) in 2007 in respect of all municipalities.

### Private funding

42. No restrictions apply in respect of from which sources contributions may be provided nor in which form. The GET was informed that financing is provided through, for example, membership fees, lotteries, income from property, collections, publications and donations. The GET was also informed that some political parties have substantial financial means in the form of self-owned property of various kinds.
43. There is no ban on foreign donations nor on donations from legal persons or organisations with or without close links to the party, such as trade unions and other interest groups. It should be noted, however, that the GET was informed by the authorities that currently no parties receive contributions from companies.
44. There are no limits with regard to the amount/size/periodicity of private donations. There are no restrictions on membership fees from party members. There is no ban on anonymous donations to political parties (where the identity of the donator is unknown to the party).

### Taxation regime

45. Donations received by parties/election candidates are not subject to taxation. However, a party carrying out business activities are subject to taxation for such incomes.
46. As a main rule, a donor may not make a deduction in his/her tax return for contributions to political parties. In certain cases, however, there may be a deduction right on the grounds that the contribution is regarded as a form of sponsoring that gives the donor a service in return. In this context, a service in return includes the right to use certain premises or the right to marketing, for example, in the form of brand exposure. In these cases, the deduction right is related to the value of the return service.

### Expenditure

47. There are no restrictions regarding what political parties may use their funds for and there are no restrictions on the total amount of expenditure which a political party may incur.

## **III. TRANSPARENCY OF PARTY FUNDING - SPECIFIC PART**

### **(i) Transparency (Articles 11, 12 and 13b of Recommendation Rec(2003)4)**

#### Books and accounts

48. General accounting regulations, which apply in respect of any legal entity are equally applicable in respect of political parties. The Accounting Act (1999:1078) (Chapter 2, Section 2), provides, *inter alia*, that non-profit associations are obliged to keep accounts either if they have assets in excess of SEK 1.5 million (EUR 135,500) or if they carry on business activities. Moreover, such entities are also obliged, according to the Annual Reports Act (1995:1554) to prepare a financial annual report in which all assets and debts must be reported in summary (Chapter 3, Section 1). These requirements apply also to political parties and, currently, all parties represented in the Riksdag fulfil the requirements, but not all other political parties.
49. Currently, there is no regulation in Sweden aiming at making accounts of political parties accessible to the public. However, in order to provide for transparency in respect of political

parties' income, a practice has been developed by the political parties represented in the Riksdag in the form of a voluntary Joint Agreement between these parties. The most recent such agreement, dated April 2000, has been signed by the party secretaries of all the seven parties represented in the Riksdag. It is stated in the preamble to the agreement that the accounting of the parties' incomes shall be as open as possible and that it is reasonable that voters know how the parties and single candidates finance their activities and campaigns. In summary, the agreement contains the following components (The full text of the Joint Agreement is appended to this Report):

- that the accounting of the parties' incomes shall be as open as possible and that the openness shall apply to both the parties and individual candidates;
  - that local, regional and collateral organisations shall be encouraged to follow the same rules;
  - that contributions from legal persons shall be specified in the accounts through the provision of the name of the donor and the amount;
  - that the number of contributions from physical persons and the total amount shall be specified<sup>3</sup>;
  - that parties' and individual candidates' accounts shall be drawn up in a manner that makes them easy to interpret;
  - that indirect support is to be accounted for;
  - that parties' adopted final report shall be publicly available; and
- that the parties' treasurers shall develop common forms of accounting in order to fulfill the obligations of the Joint Agreement.

50. In the light of the above mentioned legislation and the Joint agreement, it was explained to the GET that all contributions to political parties represented in Parliament are accounted for as income and must be included in their annual reports. Support from legal persons is to be specified, in terms of the name of the legal person and the amount. Support from physical persons is to be specified on the one hand as a global sum and the number of donors are to be indicated. The value and nature of a contribution is to be reported as openly as possible. However, there is no requirement that the donor be named, regardless of whether it comes from a domestic or foreign donor. Loans are regarded as debts and shall consequently be accounted for. If the loan carries an excessively low interest rate or if it is advantageous in some other way, it is to be regarded as indirect support and is to be accounted for as such. Written off loans are also to be accounted for as support/donation. The value of support that is not in the form of money is to be reported as openly as possible. If related organisations pay costs for a party, it is to be regarded as indirect support, which must be accounted for. A distinction is made between ordinary income and special support. Ordinary income is reported in accordance with the Accounting Act, while special support, which is also an income, is specially marked in accordance with the Joint agreement.

51. Donors are not subject to any reporting obligation.

#### Access to accounting and tax records

52. Under the Accounting Act, accounts must be preserved by the accounting entity for a period of up to and including the tenth year after the end of the calendar year when the accounting year is closed.

53. As political parties are private legal entities, there is no regulation that provides for access to their accounts. In reality, however, the accounts of the parties represented in the Riksdag are made

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<sup>3</sup> The GET was informed that five of the seven parties to the Joint Agreement have announced (outside the Agreement) that they will specify all private donations above SEK 20,000 (EUR 1,800), although the GET was not informed of the time frame for putting such declarations into practice or which details would be disclosed.

public, in accordance with the Joint Agreement. No such agreement applies in respect of other parties or election candidates.

54. Moreover, the parties continuously submit different fiscal declarations to the National Tax Board. Every month a tax statement is to be submitted with, *inter alia*, information about payroll and preliminary tax deductions. On a yearly basis, a tax return is submitted to the National Tax Board, to which the parties attach their annual report. Tax decisions (but not the complete tax records) are public documents in Sweden.

**(ii) Supervision (Article 14 of Recommendation Rec(2003)4)**

55. There is no particular mechanism or authority established for the monitoring of parties' financing/accounts.
56. There is no general requirement under the law for the parties to have their accounts scrutinised by an auditor. However, the GET was informed that all the parties represented in the Riksdag engage authorised public accountants for the audit of their accounts. The nature of the audits was not specified nor was it clear whether other parties follow the same auditing practice. Moreover, parties' which apply for public funding are obliged to submit their annual report, examined by an authorised or approved public accountant, each year (Article 14 of the Act on State financial support to political parties).

**(iii) Sanctions (Article 16 of Recommendation Rec(2003)4)**

57. Political parties, like any other legal entity are obliged to comply, *inter alia*, with the regulations of the Accounting Act and disregard of, for example, the obligation to maintain accounts under this law is connected to a criminal offence (bookkeeping offence, Chapter 11, Section 5 of the Penal Code).
58. There are no specific sanctions in law relating only to political financing. The Joint Agreement between the parties represented in the Riksdag does not provide for any sanctions.

**Immunities**

59. The Swedish law and practice do not provide for immunities for individuals (elected representatives or candidates for election) or entities (political parties or related entities), which would allow them to avoid proceedings or sanctions for violating laws and regulations, including in respect of misgivings in respect of political funding.

**Statutes of limitation**

60. General statutes of limitation are applicable in respect of procedure and sanctions for violations of laws and regulations on political financing. The period of limitation is, as a main rule, determined by the sanction which can be imposed for the offence in question. On this basis, a limitation period of 5 years is provided for the accounting offence, unless it is an aggravated offence in which case the limitation period is 10 years.

#### **IV. ANALYSIS**

61. Sweden has a long tradition of parliamentary democracy and political parties have a well founded position in the elections. Despite some changes in recent years in order to increase the possibilities for voting in respect of particular candidates as a complement to the party dominated elections, it appears that only few voters make use of that possibility and the predominately party-list proportional representation electoral system largely remains focused on political parties rather than individual candidates.
62. There seems to be a broad common view in Sweden that political parties, in order to maintain their role as free moulders of public opinion, should be left out of any legal framework or state control to the extent possible. Consequently, there are only very few rules that regulate political parties and almost none regarding individual election candidates. Political parties are not defined in law, there is no obligation to have them registered and they are not subject to any supervision or monitoring by any state authority or other mechanism.
63. Political parties in Sweden are, however, far from being completely disconnected from public institutions: the parties at national level receive considerable public support from the State as well as from the Riksdag and public funding is also provided by the county councils and municipalities at regional and local level. Estimations of the total amount of public support to political parties at various levels indicate that 70-80 per cent of all party activities are financed through public means. At the same time, the financial situation varies considerably from party to party. The GET was informed that some of the parties represented in the Riksdag rely on private funding up to as much as 50 per cent during an election year, whereas other parties are completely dependent on public financing. Funding through the traditional membership subscriptions is steadily decreasing in Sweden as in many other European countries. Similarly, other forms of contributions, such as direct donations from trade unions and the industry have reportedly declined considerably or even ceased to be received in recent years. As a consequence, the parties depend at various degrees on public funding and/or private donations from individuals, while their expenses, in particular in relation to election campaigns, are on the increase. The GET got the impression that the larger parties in Sweden were rather satisfied with the current level of public funding provided.
64. Sweden is well known for its far-going transparency in respect of public administration. However, in line with the prevailing general position that political parties are to be considered as private entities, distinct from the public administration, the general rules on openness and transparency do not apply and there are no particular regulations in place that would alter this situation more than through the voluntary Joint Agreement between the seven political parties currently represented in Parliament, which aims at bringing more transparency to the financial accounts of these parties, related organisations and election candidates. The Agreement, the most recent version signed in 2000 is not binding; rather it could be described as a common declaration as it is general in its character and does not contain any means, such as sanctions, for its enforcement.
65. The described state of affairs in respect of transparency of political financing appears to be the result of a determined policy over a long period of time. This topic was already subject to political debate in the 1930s' in relation to the appropriateness of private donations to various political parties and this debate was reopened towards the end of the 1940s'. At the time an independent Committee of Experts was given the mandate to look into the feasibility of subjecting organisations involved in political propaganda to accounting obligations and to disclose their income and expenditure to the public. In 1951 in its final report (SOU 1951:56), the Committee

came to the conclusion that on the one hand it would be of value for the citizens to know who finances particular political propaganda, but on the other hand it was doubtful as to the effectiveness of introducing accounting and reporting regulations for several reasons, such as contributors' right to secrecy in respect of their political affiliation, practical difficulties in involving local party organisations and other organisations linked to political parties in such a system as well as the difficulties likely to arise from, and the resources required by the administration of a monitoring system. As a result, the Committee suggested that the parties should report on their financing on a voluntary basis. This is the background to the Joint Agreement between the parties represented in the Riksdag.

66. In the 1960s', the debate on political financing focused on the introduction of state funding to political parties and, subsequently, public financing of parties at the regional and local level. One basic principle for providing public support was (and still is) that there should be no public control over the use of public funds in order to provide for the independence of the parties. The debate on political financing was revived in the 1990s', this time in connection with the broadening of the possibilities to vote for individual candidates. The independent Committee of Experts on personal elections ("*Personvalskommitten*") stated in its 1993 report (SOU 1993:21) that private financing of individual candidates would not be undue provided that it was effected in an open manner. Nevertheless, the Committee was of the opinion that it would go against the Swedish tradition to oblige individual candidates to account for and report financial donations received. Subsequently, the debate on reporting obligations was again fuelled in connection with the introduction of the law on Elections to the European Parliament. However, none of these initiatives lead to any regulation in respect of the transparency of the financing.
67. In 2002, a new Expert Committee ("*Utredningen om offentlighet för partiers och valkandidaters intäkter*") was given the mandate to consider how to increase the transparency of political financing in respect of political parties as well as election candidates. In its final conclusions in 2004 (SOU 2004:22), the Committee suggested that the transparency of the financing of political parties and election candidates should be regulated by law. The Committee put forward a number of reasons for its opinion, *inter alia*, that the current voluntary Joint Agreement does not necessarily provide for a coherent reporting, that the Agreement does not cover all parties, nor regional and local parties or such organisations of central parties. The Committee stated that the openness of political financing is such a fundamental matter for the legitimacy of the political system that it should not be solely dependent on those who are to report (as foreseen in the Joint Agreement). The Committee also noted the general trend in Europe, including neighbouring countries to Sweden, which goes in the direction towards more regulation in the area of political financing. In more detail, the Committee suggested that all parties/election candidates that have been elected to any general assembly (the Riksdag, regional or local assemblies or the European Parliament) should be subject to reporting obligations. Furthermore, it was, *inter alia*, suggested that all private donations were to be reported, with the limitation that in respect of donations from individuals their names were only to be indicated in respect of donations above a certain threshold (SEK 20,000, EUR 1,800). The Committee did not, however, recommend a ban on anonymous donations and it did not find it necessary to suggest the establishment of a monitoring mechanism nor the introduction of any particular sanctions, more than a possibility to withholding public support for parties not complying with their reporting obligations.
68. The information gathered by the GET during the on-site visit, i.e. during meetings with state officials, party representatives and representatives of the media, indicates that, currently, there is not much public interest in political financing in Sweden and that the existing system is not subject to any major debate. Consequently, despite the numerous debates on the regulation of the openness of political financing, as referred to above, this issue does not appear to be given

any high priority by the public authorities nor by politicians or the public. One exception is the Swedish Chapter of Transparency International which, largely in line with the conclusions in 2004 of the above mentioned Committee, advocates for an increased openness of political financing in Sweden and the need for legislation in this area.

### Transparency

69. There is no accounting legislation in Sweden aimed specifically at political parties. Instead, as far as political parties are considered legal persons, these are - under certain conditions - obliged to maintain financial accounts under the Accounting Act and to prepare an annual report in accordance with the Annual Reports Act. The conditions are that the entity holds assets of a value exceeding SEK 1,5 million (EUR 135,500) or that it carries out business activities. Currently, these conditions are fulfilled by all the parties represented in the Riksdag. In addition to the regulations of the Accounting Act, the parties concerned have concluded a Joint Agreement on a set of principles to be followed in fulfilling their accounting obligations and, above all, that the reporting of parties' income should be as open as possible. It is stated in the Agreement that the annual reports must be easy to follow and be made available to those who wish to see them. It is also stated in the Agreement that the parties are to establish common forms of reporting. The GET acknowledges that the Joint Agreement as such is an important document which promotes the transparency of party financing in Sweden in respect of the most important parties at national level. The crucial question is, however, if this Agreement, as a complement to the general accounting standards provided for in law, is a sufficient tool.
70. The GET notes that the current accounting obligations as provided for in the accounting legislation and the voluntary Joint Agreement only apply to a limited number of parties. Even though the largest national parties have agreed to abide by the Agreement, the vast majority of political parties have not been involved in the discussions or signed up to the Agreement. Moreover, parties which are only active at the regional and local levels are not necessarily subject to the Accounting Act and are not covered by the Agreement. In respect of local organisations and other entities connected with the political parties which themselves come under the Agreement, there are not any binding rules. The GET was pleased to learn that the seven political parties represented in the Riksdag all disclose their accounts to the public, in accordance with the Agreement, but noted that the public has to address each party to obtain the information. Interlocutors met by the GET indicated that the annual reports of the seven parties are far from being of a similar format for which reasons comparisons are difficult to establish. These reports also tend to provide only aggregate information, without detailed explanation of the sources of income and forms of expenditure by the parties. As regards all other parties, there is no general rule in Sweden obliging them to make their annual accounts/reports (if they have any) public. In conclusion, the GET is of the firm opinion that the current legislation as complemented by the voluntary Joint Agreement does not provide a sufficiently comprehensive framework for political parties to keep full and transparent books and accounts and to make them publicly accessible in a coherent manner. Consequently, the GET recommends **to widen considerably the range of political parties at central, regional and local level required to keep proper books and accounts (including in connection with election campaigns); to ensure that income, expenditure, assets and debts are accounted for in a comprehensive manner following a coherent format; to seek ways to consolidate the accounts to include local branches of parties as well as other entities which are related directly or indirectly to the political party or under its control; and to make sure that the annual accounts are made public in a way that provides for easy access by the public.**

71. It is stated in the voluntary Joint Agreement that it is “reasonable that voters know how the parties finance their activities and how single candidates finance their personal campaigns”. Moreover, it is stressed in the Agreement that individual candidates are expected to draw up accounts in a manner that makes it as easy as possible to interpret how their activities are financed. The GET agrees with these principles, however, it regrets that the principles are not in any way binding upon individual candidates, even in case a candidate is a member of one of the contracting parties. There is no other regulation in place concerning election campaigns and election candidates for what reason this particular reporting remains entirely in the hands of each party and/or candidate. Aware that individual election candidates currently do not play any significant role in the Swedish election system and that personal campaigns appear to be of limited significance at the moment, the GET is nevertheless of the opinion that the present situation calls for appropriate measures. In this context, the GET also takes the view that the transparency of election campaign financing is particularly important during the election campaign; therefore frequent reporting during an on-going campaign serves the purpose of providing more transparency at a crucial moment. As a consequence, the GET recommends **to consider introducing reporting on income and expenditure relating to election campaigns at appropriate intervals and to make sure that relevant information is disclosed in a way that provides for easy access by the public.**
72. There are no particular rules concerning the registration of donations to political parties in the general provisions of the existing accounting legislation. The Joint Agreement, however, provides that donations from legal persons are to be reported with the amount and the name of each donor. This rule is clear, however, it does not commit other than the parties represented in the Riksdag and, moreover, as the GET was informed that such sources of income has become limited or even ceased to exist, the significance of this rule appears to be limited in practice. More importantly, according to the Joint Agreement, support from individuals is only to be reported as a lump sum of all donations taken together with the total number of donors. However, the name of an individual donor is never to be disclosed. It was explained to the GET that this part of the Agreement was the result of a compromise between parties that were in favour of more disclosure and those with a more restrictive approach for the sake of the personal integrity of the donors. The GET was informed that the Joint Agreement was currently under reconsideration by the parties and that five of the seven parties to the Agreement have announced (outside the Agreement) that they will specify all private donations above SEK 20,000 (EUR 1,800). Furthermore, the GET was informed that such information would be made available in 2009, however, it was not clear which details would be provided regarding each donation. The GET acknowledges the need to protect individuals’ legitimate right to integrity and secrecy in respect of their political affiliation, however, these interests need to be balanced with the legitimate interest of the public, in particular the voters, to know the sources of financial support for a party or a candidate they might wish to vote for. Such a balance is, in accordance with Article 12 of Recommendation Rec(2003)4, established through a threshold, i.e. that donations above a certain value<sup>4</sup> are to be disclosed together with the names of the donors. The GET can only conclude that, currently, Sweden is not in line with this rule. Moreover, the GET noted with concern that anonymous donations (where the donor is unknown to the receiver) are not prohibited (in law or by the Joint Agreement). Even if anonymous donations reportedly hardly exist, this cannot be confirmed. A ban on anonymous donations could possibly prevent the circumvention of disclosure rules and therefore enhance the transparency of political funding. The GET recommends **to introduce a general ban on donations from donors whose identity is not known to the party/candidate and to introduce a general requirement for**

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<sup>4</sup> In case there are several donations from the same person, the total amount of the donations should be the decisive amount.

**parties/election candidates to report individual donations above a certain value together with the identity of the donor.**

73. It should be stressed that the above recommendations (paragraphs 70-72) are closely interrelated and, above all, dependent on the way in which the required information is made public. At present, it is entirely up to the political parties/candidates to ensure disclosure and the public has to approach each party or candidate concerned for obtaining relevant information. A centralised or co-ordinated system where all reports could be retrieved in one place would have the clear potential of enhancing transparency and provide for ready access to political financing documents of all parties/candidates concerned. The GET recommends **to consider elaborating a co-ordinated approach for the publication of political financing reports (including party and election campaign financing) in order to facilitate the public's access to such documents.** A mechanism for joint public disclosure could be set out in regulations also designed to ensure greater transparency.

### Supervision

#### *Auditing/monitoring*

74. As a rule, political parties are not required to have their accounts audited under the accounting legislation. Nor does the Joint Agreement provide any guidelines in this regard. However, parties applying for state public funding are obliged to have their accounts audited by an authorised or approved public accountant in order to obtain such funding. The GET was also informed that the parties represented in the Riksdag as a rule have their accounts audited. The GET did not receive any conclusive information as to the practice followed by the other political parties in this respect, however, they are not under a formal audit obligation. In the GET's opinion proper auditing of political financing accounts by independent auditors is an important means of monitoring, in particular, in systems where there is no other means of supervision. The GET was pleased to learn that it is common practice for the parties represented in the Riksdag to have their accounts audited on a regular basis, however, for the sake of proper control of political funding, such a procedure would in principle need to apply to all parties with significant income and expenditure. Obviously, a flexible approach is necessary in this respect in order to avoid that such an obligation generates an unreasonable burden in respect of, for example, small parties. The GET recommends **to ensure independent auditing in respect of political parties, as appropriate, obliged (or yet-to-be obliged) to keep books and accounts.**
75. There is no mechanism or institution to ensure external monitoring of political financing in Sweden more than the checking of party accounts for the purpose of providing state funding. As has already been stated, the general level of transparency of party funding and the funding of election campaigns is rather limited in Sweden and, as a result, the control that can be exercised by the public and the media is equally limited. Moreover - as the GET learned on several occasions - there is currently not much interest by the media in scrutinising political financing. In conclusion, Swedish practice is not in line with Article 14 of the Recommendation Rec (2003)4 which requires states to provide for independent monitoring of political funding, which should include supervision over the accounts of political parties and election campaigns. Consequently, the GET recommends **to ensure independent monitoring of political party funding and electoral campaigns, in line with Article 14 of Recommendation Rec(2003)4.**

## Sanctions

76. In addition to the general criminal sanctions for infringements of the Accounting Act (e.g. the bookkeeping offence), and the refusal to grant public funding to parties which have not submitted the necessary audited accounts, there are no particular sanctions available in the Swedish system to ensure the transparency of political financing. Moreover, as has been stated above, the Joint Agreement does not establish any binding rules and does not contain any sanctions in case the parties concerned should not follow the agreed principles. It goes without saying that in a system with very few rules, it is only logic that there cannot be a differentiated range of sanctions.
77. It is obvious that to the extent that Sweden will establish a solid and detailed framework for providing a more transparent system of political financing in the future, any such rules need to be complemented with effective, proportionate and dissuasive sanctions, in accordance with Article 16 of the Recommendation Rec(2003)4. It should be added that GRECO has held on several occasions that as a complement to ordinary criminal sanctions, which may be cumbersome to apply in practice, more flexible sanctions ought to be introduced in respect of less serious violations of the political financing rules, which do not necessarily require a criminal court procedure. Consequently, the GET recommends **that existing and yet-to-be-established rules on financing of political parties and electoral campaigns be accompanied by appropriate (flexible) sanctions, which are effective, proportionate and dissuasive.**

## V. CONCLUSIONS

78. The current system of political financing in Sweden, falls short of the standards provided for in the Recommendation Rec(2003)4 of the Committee of Ministers of the Council of Europe on common rules against corruption in the funding of political parties and electoral campaigns in respect of the particular areas covered by the present evaluation. The long standing tradition of self regulation in this area, does not seem convincing in its present form as it neither provides for a sufficiently broad and comprehensive approach nor for any particular sanctions or other means for the enforcement of the few principles that have been agreed upon. Consequently, there is a generally low level of transparency and there is no independent monitoring in place.
79. While recognising that there is a general perception in Sweden that corruption is not a vast problem in the country, the lack of transparency regarding the sources of political financing and the types of expenditure means, however, that it is difficult to assess this system. Moreover, the current low level of transparency in political financing is difficult to understand in a country like Sweden, which guarantees a high degree of transparency in most other areas of public life and where political financing to a very large degree comes from public means.
80. Consequently, the current system of party financing needs to be reviewed in order to comply with Recommendation Rec(2003)4. In this connection reaching a fair balance between the legitimate interest in maintaining the independence of political parties and election candidates as well as their supporters' integrity on the one hand and the legitimate interest of the public to know more in detail who they vote for on the other hand, will be a main challenge of such a review.

81. In view of the above, GRECO addresses the following recommendations to Sweden:
- i. **to widen considerably the range of political parties at central, regional and local level required to keep proper books and accounts (including in connection with election campaigns); to ensure that income, expenditure, assets and debts are accounted for in a comprehensive manner following a coherent format; to seek ways to consolidate the accounts to include local branches of parties as well as other entities which are related directly or indirectly to the political party or under its control; and to make sure that the annual accounts are made public in a way that provides for easy access by the public (paragraph 70);**
  - ii. **to consider introducing reporting on income and expenditure relating to election campaigns at appropriate intervals and to make sure that relevant information is disclosed in a way that provides for easy access by the public (paragraph 71);**
  - iii. **to introduce a general ban on donations from donors whose identity is not known to the party/candidate and to introduce a general requirement for parties/election candidates to report individual donations above a certain value together with the identity of the donor (paragraph 72);**
  - iv. **to consider elaborating a co-ordinated approach for the publication of political financing reports (including party and election campaign financing) in order to facilitate the public's access to such documents (paragraph 73);**
  - v. **to ensure independent auditing in respect of political parties, as appropriate, obliged (or yet-to-be obliged) to keep books and accounts (paragraph 74);**
  - vi. **to ensure independent monitoring of political party funding and electoral campaigns, in line with Article 14 of Recommendation Rec(2003)4 (paragraph 75);**
  - vii. **that existing and yet-to-be-established rules on financing of political parties and electoral campaigns be accompanied by appropriate (flexible) sanctions, which are effective, proportionate and dissuasive (paragraph 77).**
82. In conformity with Rule 30.2 of the Rules of Procedure, GRECO invites the Swedish authorities to present a report on the implementation of the above-mentioned recommendations by 31 August 2010.
83. Finally, GRECO invites the authorities of Sweden to authorise, as soon as possible, the publication of the report, to translate the report into the national language and to make this translation public.

## APPENDIX

### Joint agreement concerning openness about the parties' income

The assigning parties to this agreement agree to that accounting of the parties' incomes shall be as open as possible. It is reasonable that the voters know how the parties finance their activities and how single candidates finance their personal campaigns. The items below are therefore intended for party activities as well as individual candidacies.

1. the agreement covers the parties' central activities, however local, regional and collateral organisations shall be encouraged to follow the same rules;
2. contributions from legal persons shall be specified giving name and amount, contributions from physical persons shall be specified on the one hand as a total sum, on the other giving the number of contributors;
3. the agreement covers all activities, even activities that are being carried out by bodies controlled by the party, e.g. companies and trusts;
4. the parties' final report and individual candidates' accounts shall be drawn up in a manner that makes it as easy as possible to interpret how the activities are financed. Individual candidates are expected to draw up corresponding reports;
5. the agreement includes indirect support, e.g. supporting advertising and personal resources;
6. the parties' adopted final report examined by a qualified accountant shall be available to all who wish to acquaint themselves with it;
7. the parties' treasurers shall develop common forms of accounting in order to fulfill the obligations of this agreement.

Stockholm, April 2000

Signed by the party secretaries of the seven political parties represented in the *Riksdag*.