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Third Evaluation Round

Second Compliance Report on Sweden

“Incriminations (ETS 173 and 191, GPC 2)”

“Transparency of Party Funding”

Adopted by GRECO
at its 71st Plenary Meeting
(Strasbourg, 14-18 March 2016)

I. INTRODUCTION

1. The Second Compliance Report assesses the measures taken by the authorities of Sweden since the adoption of the Compliance Report and four interim compliance reports to implement the recommendations issued in the Third Round Evaluation Report on Sweden (see paragraph 2), covering two distinct themes, namely:
 - **Theme I – Incriminations:** Articles 1a and 1b, 2-12, 15-17, 19 paragraph 1 of the Criminal Law Convention on Corruption (ETS 173), Articles 1-6 of its Additional Protocol (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).
2. The Third Round Evaluation Report was adopted at GRECO's 41st Plenary Meeting (19 February 2009) and made public on 31 March 2009, following authorisation by Sweden (Greco Eval III Rep (2008) 4E [Theme I](#) / [Theme II](#)).
3. As required by GRECO's Rules of Procedure, the Swedish authorities have submitted situation reports on the measures taken to implement the recommendations prior to the adoption of each of the compliance reports below. GRECO selected Finland and Poland to appoint Rapporteurs for the compliance procedure.
4. In the [Compliance Report](#), which was adopted by GRECO at its 50th Plenary Meeting (1 April 2011), GRECO concluded that Sweden had implemented satisfactorily or dealt with in a satisfactory manner three of the ten recommendations contained in the Third Round Evaluation Report, all relating to Theme I ("Incriminations"). In view of the fact that none of the recommendations concerning Theme II ("Transparency of party funding") had been complied with, GRECO categorised the overall response to the recommendations as "globally unsatisfactory" (within the meaning of Rule 31, paragraph 8.3 of the Rules of Procedure). GRECO therefore decided to apply Rule 32 concerning members found not to be in compliance with the recommendations contained in the Evaluation Report.
5. In the first [Interim Compliance Report](#), which was adopted by GRECO at its 53rd Plenary Meeting (9 December 2011), GRECO took note of the intention of the Swedish authorities to provide more transparency in respect of political financing through an up-dated self-regulation agreement between the parties represented in Parliament; however, the level of compliance with the recommendations remained "globally unsatisfactory", as no tangible results had been achieved. In accordance with Rule 32, paragraph 2 subparagraph (ii) of its Rules of Procedure, GRECO instructed its President to transmit a letter to the Head of Delegation of Sweden, drawing attention to the need for determined action with a view to achieving tangible progress as soon as possible.
6. In the [Second Interim Compliance Report](#), which was adopted by GRECO at its 58th Plenary Meeting (7 December 2012), GRECO welcomed the Government's decision to initiate a process aimed at increasing the transparency of political financing in Sweden through legislation. Despite this positive signal from the Swedish authorities, the level of compliance with the recommendations remained "globally unsatisfactory" as no tangible results had been achieved. GRECO also invited the Secretary General of the Council of Europe to send a letter to the

Minister of Foreign Affairs of Sweden, drawing attention to the non-compliance with the relevant recommendations.

7. In the [Third Interim Compliance Report](#), which was adopted by GRECO at its 62nd Plenary Meeting (2-6 December 2013), it was noted that the Government was in the process of finalising draft legislation and that the recommendations in the Evaluation Report were under consideration in this context. GRECO welcomed the significant measures underway; however, in the absence of legislation or finalised draft legislation, it could not conclude that the recommendations had been implemented, not even partly. Consequently, the level of compliance with the recommendations remained “globally unsatisfactory” and the authorities were again requested to report on this matter.
8. In the [Fourth Interim Compliance Report](#), which was adopted by GRECO at its 66th Plenary Meeting (8-12 December 2014), GRECO commended the Swedish authorities for having established new legislation in the area of political financing, and concluded that out of the seven Theme II recommendations (“Transparency of Party Funding”), three had been implemented satisfactorily and four partly. GRECO also concluded that the level of compliance was no longer “globally unsatisfactory”.
9. On 30 September 2015, the Swedish authorities submitted additional information regarding actions taken to implement the pending recommendations (Second Situation Report) which served as a basis for the current Report, the [Second Compliance Report](#), drawn up by the Rapporteur, Mr Jouko HUHTAMÄKI (Finland), assisted by the GRECO Secretariat.

II. ANALYSIS

10. It is recalled that Sweden at the time of adoption of the Compliance Report had implemented all recommendations in respect of Theme I (incriminations). In the Fourth Interim Compliance Report, Sweden had implemented satisfactorily or dealt with in a satisfactory manner recommendations ii, iv and vii of Theme II (party funding). The remaining recommendations are dealt with below.

Theme II: Transparency of Party Funding

Recommendations i, iii, v and vi.

11. *GRECO recommended 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. (recommendation i)*
12. It is recalled that this recommendation was partly implemented in the Fourth Interim Compliance Report. Welcoming the new legislation in the area of political financing as a paradigm shift in itself, GRECO noted that the Act on Transparency of Party Financing applies in respect of parties that take part in elections to the *Riksdag* and to the European Parliament, to those who hold seats in these Assemblies and to those parties which receive state financial support (Section 3). Concerning the reporting requirements, the law (Sections 4 and 6) includes various forms of income and contributions received, which are to be submitted to the Legal, Financial and

Administrative Services Agency (“Kammarkollegiet”) for publication on its website. That said, GRECO noted that the new legislation does not cover the reporting of expenditure, assets and debts (liabilities) contrary to the requirements in the recommendation. Furthermore, the reporting requirements are limited to the central level of the parties. It was also noted that while the legislation requires that the revenue statements are to be made public, this is not fully in line with the recommendation which requires the annual accounts of the parties to be made public, i.e. more remained to be done in order to fully comply with this recommendation.

13. *GRECO recommended 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. (recommendation iii)*
14. It is recalled that this recommendation was partly implemented in the Fourth Interim Compliance Report. Although, for constitutional reasons, a general ban on anonymous donations had not been included in the legislation, GRECO was informed that there was strong political support in Sweden for such a measure. At the same time, GRECO noted that anonymous donations are to be reported by the parties under the new legislation and that those parties that receive such contributions will not be entitled to state funding, which it considered to be a strong deterrent against receiving anonymous donations, in particular in a country like Sweden where financial state support to the political parties is significant. GRECO noted that a general ban on anonymous donations remained a subject for further reflection by the Swedish authorities, as a committee of enquiry was to consider the possibility of a ban on such donations. The first part of the recommendation was therefore partly implemented. That said, the second part of the recommendation had been implemented in line with the recommendation as Sections 7 and 8 of the Act on Transparency of Party Financing requires that all forms of income above a “threshold value” (regulated by index, currently 22 200 SEK, approx. €2 400) are to be reported to the Legal, Financial and Administrative Services Agency (“Kammarkollegiet”).
15. *GRECO recommended to ensure independent auditing in respect of political parties, as appropriate, obliged (or yet-to-be obliged) to keep books and accounts. (recommendation v)*
16. It is recalled that this recommendation was partly implemented in the Fourth Interim Compliance Report: GRECO noted that Section 9 of the Act on Transparency of Party Financing substantiates that the obligation to submit revenue statements is accompanied by an obligation to have such statements audited if the party is already obliged to appoint an auditor under its statute or in accordance with the Auditing Act. GRECO was, however, concerned that such a requirement is only compelling in respect of parties under obligation to have their ordinary accounts audited. GRECO noted that parties which are not obliged to have their ordinary accounts audited would not be obliged to have their revenue statements audited either, regardless of the value of the contributions they receive. GRECO found that the “appropriate-element” of the current recommendation would be fulfilled if all parties receiving contributions above the threshold value stipulated in the Act on Transparency of Party Financing were also obliged to have their statements audited.
17. *GRECO recommended to ensure independent monitoring of political party funding and electoral campaigns, in line with Article 14 of Recommendation Rec(2003)4. (recommendation vi)*
18. It is recalled that this recommendation was partly implemented in the Fourth Interim Compliance Report. GRECO was pleased that Sweden had established a dedicated monitoring body for

political financing, which represented a major achievement as compared with the previous situation. Recalling Article 14 of the *Recommendation Rec(2003)4 on common rules against corruption in the funding of political parties and electoral campaigns*, which requires not only monitoring in respect of the funding of political parties and election campaigns (paragraph a), but also monitoring over the accounts of political parties and the expenses involved in election campaigns, as well as their presentation and publication (paragraph b), it regretted that the current monitoring is strictly limited to the revenue statements (incomes) of political parties and election campaigns.

19. The Swedish authorities now report (in respect of recommendations i, iii, v and vi) that the adoption of the 2014 Act on Transparency of Party Financing was a first step towards a coherent and balanced regulatory framework aimed at addressing the issue of transparency of party funding in Sweden. Thus, as a second step a committee of enquiry was established in June 2014 to further examine this issue. The terms of reference of the Committee were adopted by the Government on 19 June 2014. The authorities report that the work of the Committee is currently ongoing and it is to report on its findings by the end of April 2016 at the latest. The Committee has been given a broad mandate to deal, *inter alia*, with the questions of introducing a general ban on anonymous contributions and making the 2014 Act applicable to parties and electoral candidates participating in elections to county councils or municipal councils. Furthermore, the Committee is free to examine various related issues, including GRECO's recommendations, when it is considering what draft legislation to propose in its final report.
20. GRECO takes note of the information provided. It welcomes the on-going considerations in respect of the pending recommendations, within the framework of a dedicated committee of enquiry established by the Government in June 2014. GRECO has taken note of the rather extensive mandate given to the Committee, which includes references to the evaluation carried out by GRECO and the need for further considerations in this area in Sweden. GRECO wishes to stress that the recent legislation adopted regarding political financing in Sweden has the potential to considerably enhance the transparency in this area. It hopes that the continuing efforts will lead to even more tangible progress in respect of the pending recommendations addressed by GRECO.
21. GRECO concludes that recommendations i, iii, v and vi remain partly implemented.

III. CONCLUSIONS

22. **In view of the conclusions contained in previous compliance reports and in view of the above, GRECO concludes that Sweden has implemented satisfactorily or dealt with in a satisfactory manner in total six of the ten recommendations contained in the Third Round Evaluation Report.** Moreover, of the remaining recommendations all have been partly implemented.
23. With respect to Theme I – incriminations – it was already concluded in the first Compliance Report that all three recommendations had been implemented satisfactorily or dealt with in a satisfactory manner. With respect to Theme II – Transparency of Party Funding – recommendations ii, iv and vii were implemented satisfactorily or dealt with in a satisfactory manner and recommendations i, iii, v and vi partly implemented in the Fourth Interim Compliance Report.

24. As concluded in the Fourth Interim Compliance Report, with the adoption of the 2014 Act on Transparency of Party Financing, Sweden has established a legal framework aiming at enhanced transparency around political financing. In summary, this legislation provides for obligatory reporting in respect of parties' and election candidates' income over a certain threshold value. A supervisory body has been established to oversee political financing and the possibility of public scrutiny has been improved through a co-ordinated publication of revenue statements, including on-line access. The possibilities to receive anonymous donations have in practice been considerably limited by making the right to state funding subject to the non-existence of such donations. Despite this substantial progress, it is noted that some concerns raised by GRECO remain; *inter alia*, the obligation to report is limited to various forms of income and does not cover assets, liabilities and expenditure of parties and election candidates; the reporting of election campaign financing is not singled out from the ordinary annual revenue statements; a general ban on anonymous donations is not in place and the auditing obligations could well be more far reaching. These pending issues ought to be further considered by the Swedish authorities and GRECO notes that a dedicated committee of enquiry, which is to report on related issues by the end of April 2016, has been given fairly broad terms of reference in this respect.
25. Pursuant to Rule 31, paragraph 9 of its Rules of Procedure, GRECO requests the Head of the Swedish delegation to submit additional information concerning further actions taken to implement the pending recommendations i, iii, v and vi of Theme II (Transparency of Party Funding) by 31 December 2016 at the latest.
26. GRECO invites the authorities of Sweden to authorise, as soon as possible, the publication of this report and to translate the report into the national language and to make this translation public.