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State Funding for Political Parties in Germany

A brief overview

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Constitutional basis

Political parties in Germany receive considerable public support. The basis for this support lies in the Constitution of the Federal Republic of Germany where parties are defined as central institutions of a democratic political system. Article 21 of the German Basic Law stipulates:

“The political parties shall participate in the forming of the political will of the people. They may be freely established. Their internal organization shall conform to democratic principles. They shall publicly account for the sources and the use of their funds and for their assets.”

This is essentially the formulation of a mutual obligation whereby parties are, on the one hand, provided with state funds and on the other hand obliged to inform the public in detail about the use as well and sources of their funds (state finance as well as income obtained by the parties themselves). The background for this regulation is – as for so many provisions of the Basic Law – Germany’s experience during the Post-World War I Weimar Republic when powerful and rich private interest groups and individuals financed the rise of the Nazi party NSDAP.

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The basic provisions of party finance

The present form of party finance is governed by the amendment of the Law on Parties in 1994. This legislation stipulates the following:

Each party which obtained more than 0.5% of the votes in the last elections to the European Parliament or to the German Bundestag or more than 1% of the votes in elections to the parliaments of the states (Bundesländer) is entitled to state funding.¹

These public funds may, however, not exceed 50% of the party’s total income.

State funds are paid on an annual basis and there are two decisive factors that determine the calculation of the amount granted:

- (1) the average of votes obtained in the last three elections; for each vote obtained, the parties receive 0.85 € (59p) per year up to the first 4 mil-

¹ This is a significantly lower hurdle than that of 5 percent required to achieve representation in the parliament. The aim is to keep the threshold for the foundation of political parties as low as possible and to facilitate democratic competition.

lion of votes and 0.70 € (48 p) for each additional vote.

- (2) a complementation of other party income (from member contributions, donations, contributions payable by MPs) at a ratio of 0.38 € (26 p) state finance to 1 € of own income.

In practice, this means that parties receive approx. 40% of their public funding in accordance with their percentage of votes, and 60% as complementation of their own income.

Costs of the system

The burden placed on the taxpayer by this system is rather limited: Since the mid 1990s an upper limit of € 133m (£ 92.29m) has been imposed on the total amount of public party funding; this equals an annual sum of 1.66 € (1.115 £) per German citizen – not quite the price of a cup of Cappuccino. The subsidies for tobacco growing in Germany – not exactly a strategically important area of the national economy - are higher than those for political parties.

Due to the €133m cap on the total of public party funding, the parties receive less money in real terms than what they would be entitled to by law.

Donations

However, the state is also providing parties with indirect support by allowing each tax

paying donor to deduct donations to the parties of up to € 3.300 from their tax liabilities. Higher donations may be made but they are not tax-deductible and are not included in the calculation of the parties' own income to be complemented.

Other revenues

On average, the parties represented in the German Bundestag financed themselves in 2001 as follows:

Member fees: 43%

Public subsidies: 31%

Gifts: 18%

Other revenues: 8%

Due to different accounting procedures, the contributions paid by members of the parliament and other office holders to the parties are included in these figures partly under member fees and partly under gifts. These contributions are an important source of income for the parties and represent on average 20-30% of their income, depending on the relevant party.

In 2004, the major German parties received the following subsidies from public sources:

CDU/CSU: € 55.8m (£ 38.7m)

SPD: € 43.77m (£ 30.3m)

Liberals (FDP): € 9.6m (£ 6.7m)

Green Party: € 9.55m (£ 6.6m)

Left Party: € 8.52m. (£ 5.9m)

