Extracted from *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance*

International IDEA, Strömsborg, 103 34 Stockholm, Sweden
Phone +46-8-698 37 00, Fax: +46-8-20 24 22
E-mail: info@idea.int Web: www.idea.int

CHAPTER 6

CHAPTER 6

Eastern, Central and South-eastern Europe and Central Asia*

Introduction

This chapter analyses political finance regulations and practices in Eastern, Central and South-eastern Europe and Central Asia.[1] Countries in these regions have very diverse sizes, political regimes, constitutional models and political cultures. They range from consolidated democracies in the central and eastern parts of Europe, including European Union (EU) member states, to more autocratic regimes in Central Asia.

Although there may be no single specific feature that all these countries share, they undoubtedly have 'family resemblances', partly due to their communist legacy.[2] Many have long histories of authoritarian and even totalitarian rule, and generally weak traditions of democracy and constitutionalism. After the fall of communism in 1989–91, many of them experienced rapid democratization. Since then, the countries covered in this chapter have been involved in a considerable effort to regulate money in politics, and Western European countries have in many cases served as a model. However, the regulatory systems introduced have taken on their own logic. Generally speaking, the regions feature elaborate systems of rules, restrictions on contributions and expenditure, and disclosure mechanisms. However, the efficacy and enforceability of these regulations are uneven, and there is a general sense of dissatisfaction with the current levels of transparency.

The meaning of regulatory measures differs depending on a country's political and constitutional setting. In countries that lean toward authoritarianism, extensive and elaborate political finance regulation can be used to weaken the opposition and prevent the emergence of new and powerful political actors. Therefore it is clearly difficult to discuss party finance regulations without

* This chapter is based on a paper entitled 'Political Finance in East, Central and South East Europe & Central Asia' by Daniel Smilov. The original paper was edited by Fredrik Sjöberg.

specifying the broader constitutional and political contexts in which they operate. After all, one of the central tasks of party and campaign finance regulation is to ensure healthy and pluralistic democratic competition; in several of the reviewed countries, this is not the case.

Regional problems with money in politics

While the countries in this region differ from each other in several respects, many share certain traits that create particular problems for ensuring transparency and control over the role of money in politics. Examples of problems from the more authoritarian countries discussed here are hard to come by, as they rarely become public, not least due to the suppression of investigative journalism.

Abuse of state resources

Using state funds for political purposes is not unique to the regions analysed here. However, a strong argument can be made that these regions have more problems than any other with the abuse of state resources. It even has its own terminology: *administrativnyi resurs* in Russian is the commonly used term to indicate abuse of office for electoral advantage.

During one-party communist rule, from which most of the countries in these regions emerged, state funds and party funds were impossible to differentiate. This problem was recognized as early as 1990, when the states participating in the Conference on Security and Co-operation in Europe agreed on the Copenhagen Document.[3] This and other similar statements signalled a departure from this legacy and stipulated that there must be 'a clear separation between the State and political parties; in particular, political parties will not be merged with the State'.[4] Unfortunately, such abuse is still widely prevalent and may even be on the rise in some countries. This issue is discussed at greater length below.

State control over the political arena

Closely related to the issue of the abuse of state resources is *government* control over the political process in some countries in these regions. The major political cleavage has not been between left-wing labour parties and right-wing market-oriented parties, but between government and *opposition* parties. In a number of countries, political finance rules have been designed to favour the ruling parties.[5]

The regions discussed feature a wide range of countries that represent different shades of the democratic spectrum, from authoritarian Central Asian states to more established democracies in Central Europe and the Baltic states, and others somewhere in between.[6]

Russia is an example of a country that has exerted greater state control over politics in recent years. While in the 1990s Russia had a relatively competitive, albeit chaotic, political scene, in the 2000s it experienced a democratic backsliding.[7] Over time, power was successfully centralized in the presidential administration, and the parties in power dominated the Duma. Gradually, political parties became so regulated that only a handful could register with the relevant authorities. This process was driven by the ruling party, United Russia, in an attempt to make it more difficult for new parties and challengers to emerge.[8] The 'managed democracy' that was installed features elections in which the outcome is known well in advance, an appointed 'convenient opposition', and tight control over the means of communication.

In such an environment, standard political finance regulations such as bans on foreign funding, limits on independent expenditure, and regulation of the links between parties and non-governmental organizations (NGOs) acquire a different meaning from their meaning in other contexts, since they may be used to suppress political activity.

Private-sector kickbacks and buying government favours

Private-sector kickbacks in return for government favours have been behind serious party funding scandals in even some of the more established democracies, such as the Czech Republic, Poland and Hungary[9]. The political orientation of certain parties (or factions in the legislature), coupled with their close links to specific *corporate* interests, reveal that one principal raison d'être of these political actors is to lobby for their corporate sponsors. Analysts have described some of the legislatures, such as the Ukrainian Parliament, as de facto corporate representatives—that is, businesspeople are elected to parliament in order to safeguard business interests.[10] Instances of corporate representation are also present in more party-centred systems, albeit probably to a lesser degree.

Many of the party financing scandals in the regions are more related to personal enrichment than to enrichment of a particular political party. This was the case in the 2007 'buying the law' scandal in Estonia, where one of the country's most prominent business figures donated considerable funds to several political parties while he was involved in building a power plant for renewable energy sources. The subsequent passage of a bill that granted government subsidies to such projects led to accusations of corruption.[11]

The Lazarenko scandal in Ukraine (see Box 6.1.) is a good illustration of personal enrichment through privatization kickbacks and other corrupt behaviour. Such scandals have also occurred elsewhere in the regions under consideration. All of the above-mentioned political finance problems are related to the larger phenomenon of the high costs of politics in the area studied. Business interests can easily influence legislatures and regulatory agencies in some of the less institutionalized polities.[12]

Illegal and illicit funding

Illegal and illicit funding finds its way into politics in many of the countries under review, including funding from organized crime and the direct involvement of criminal actors in political party affairs and elections. Countries that are strategically located along drug trade routes—in Central Asia and the Balkans, as well as EU border countries—are especially vulnerable to this type of influence.

Dodging rules and avoiding transparency

The countries in these regions have generally struggled to implement effective political finance regulation. At the beginning of the transition from communism, many countries were characterized by rather crude forms of violations of the rules and ineffective regulation. Unrecorded cash transactions have been relatively common in political financing: where money has changed hands in suitcases or bags rather than through bank transactions, this has made the enforcement of disclosure, expenditure and contribution limits almost meaningless. With the modernization of the banking systems across the regions and the expansion of a middle class that uses bank accounts and credit cards, the importance of these crude forms of rule evasion has diminished.[13] However, illicit networks have adapted to new realities by using increasingly sophisticated techniques to evade rules and scrutiny.[14]

Box 6.1. The Lazarenko scandal[15]

Pavlo Lazarenko, a Ukrainian politician and former prime minister, amassed a fortune while in office, allegedly charging 50 per cent of the profits from businesses for his patronage. The case is well documented, since Lazarenko was tried and convicted in a US District Court on charges of fraud, conspiracy to launder money, money laundering and transport of stolen property.

Overview of political finance regulations

There have been remarkable developments in party and campaign finance regulation in Eastern Europe, the Caucasus and Central Asia over the last 20 years. Starting practically from zero, most of the countries have introduced relatively comprehensive regulatory models. There seems to be a strong preference for limiting expenditures and contributions, which suggests that the belief in the regulatory power of the state is still strong. The aggregate score for all the bans and limitations of the countries covered in this chapter—from International IDEA's Database on Political Finance (Political Finance Database)—show that they are the most regulated of the world's regions. This clearly illustrates the popularity of comprehensive political finance regulation in these regions. Yet there is a serious discrepancy between normative

Although much has been achieved in terms of transparency in many of these countries, the enforcement of rules is still problematic in most cases.

commitments and compliance. Although much has been achieved in terms of transparency in many of these countries, the enforcement of rules is still problematic in most cases. The introduction of models of public financing has also been widespread in these regions, although disbursement is limited in practice due to obstacles that restrict the allocation of such funding.

Political finance regulations in the regions discussed here are influenced by standards from the Council of Europe (CoE), the EU, and other organizations such as the Organization for Security and Co-operation in Europe (OSCE). This influence varies, and is weakest in Belarus and Central Asia. For Central and Eastern Europe and Turkey, the CoE and EU are of primary normative importance. Some of these countries are subject to intense monitoring by EU and CoE bodies regarding their compliance with common standards.[16] Political finance regulation has not been completely harmonized, although various instruments contain important sets of rules. One of the weaknesses of international efforts has been their apolitical, technical approach to party funding and campaign finance, and the excessive focus on corruption as a primary concern for regulation. As a result, political finance has become a patchwork of increasingly complex rules, the rationales of which are often inexplicable.

The CoE has been the most involved in introducing international standards in the area of political finance in Europe. It has adopted a series of documents concerning the regulation of party financing, with the main text being the 2003 *Recommendation of the Committee of Ministers on Common Rules against Corruption in the Funding of Political Parties and Electoral Campaigns*.[17] This recommendation firmly establishes the principle that caps on expenditure are legitimate in Europe. Other distinct features of the document are discussions about the admissibility of corporate financing and making private donations tax deductible.

The attempt to produce a pan-European normative framework for political finance is commendable and serves a useful purpose. However, many of the countries covered in this chapter generally meet the CoE and OSCE recommendations already; it is unclear whether the recommendations would require the introduction of new regulations. The effectiveness of the regulations depends on the quality of the work performed by the monitoring teams and enforcement agencies responsible for their implementation. As is often the case with common international standards, the desire to reconcile different legal traditions leads to abstract and general norms, with varying degrees of effectiveness in implementation and supervision.

The OSCE/Office for Democratic Institutions and Human Rights (ODIHR) and CoE Venice Commission's Guidelines on Political Party Regulation provide some specific guidance on reporting requirements and the all-important issue of the abuse of state resources.[18] On reporting requirements, the Guidelines state that 'it is good practice for [such] financial reports to be made available on the Internet in a timely manner'.[19] They also specify that parties should submit annual disclosure reports in non-campaign periods that itemize contributions and expenditures. On the abuse of state resources, the issues of intimidation and workplace mobilization are highlighted. The Guidelines note that 'it is not unheard of for a government to require its workers to attend a pro-government rally'. The OSCE/ODIHR Guidelines explicitly state that the law should expressly and universally ban such practices.

It can be problematic and not always appropriate to transplant models or specific institutions from more established democracies. This process often takes place without a good understanding of all the background factors that make these models or institutions efficient in their original context. Thus many of the transplants acquire completely different meanings or result in completely different outcomes when they are adapted to the local context.

Sources of income for political parties and candidates

The regions under review heavily regulate the funding of campaigns and parties. Yet the impact of such regulations on how political parties and election candidates actually raise money is another matter.

Contribution bans

Two types of regulation of contributions are almost universal in the regions covered in this chapter: bans on foreign funding and anonymous donations (anonymous donations are banned to increase transparency and to facilitate monitoring of compliance with other regulations). Bans on foreign funding are introduced, at least in theory, to insulate domestic political processes from foreign influence. Yet the extent of these bans differs from country to country. Especially in Central Europe, these bans aim to prevent direct foreign donations to parties and candidates, especially in the electoral process. Foreign party-related or independent NGO donations are normally allowed, and could be used for party-related activities such as seminars, training of party leaders, the organization of events and so on. In fact, there is quite active cooperation between political parties in Central and Eastern Europe and the Balkans with German political foundations (e.g., the Konrad Adenauer Stiftung and Friedrich Ebert Stiftung) and US organizations (e.g., the National Endowment for Democracy, National Democratic Institute for International Affairs, International Republican Institute). With the accession of the Central European countries to the EU, similar forms of cooperation have continued and even intensified.

In contrast, in the former Soviet republics, bans on foreign funding are more far-reaching and generally aim to insulate all political activities from foreign sponsorship, including the work of pro-democracy NGOs. This is particularly evident in countries with authoritarian or semi-authoritarian governments. In Kazakhstan, for example, the ban on foreign funding of political parties extends to receiving funds from local organizations that have in turn received foreign funding, or have foreign membership or participation. In Russia, a 2012 law compels organizations that receive foreign funding to register as 'foreign agents' and generally aims to restrict their political activities.[20] Even in countries without such legislation, the same effect could be achieved through very tight control of NGOs, refusal to register them, or banning and dissolving them for failure to disclose funding.[21]

Contribution limits

A majority of countries in the regions studied feature limits on contributions.[22] These limits vary in terms of the size of the contribution, the timing of donations and the recipient. In general, countries that do not provide considerable public funding rely on sizeable corporate donations, and countries that have introduced extensive public funding schemes have more stringent restrictions on contributions. Ukraine has had no public funding since 2007–08, and limits on contributions are set very high. An individual in Ukraine can contribute up to 400 times the minimum monthly wage (I$58,400) to a party and up to 20 times the minimum wage (I$2,920) to a single candidate for election to the parliament in a single-mandate election district.[23] In the United States, the equivalent numbers are 5,000 and 2,600 US dollars (USD) per annum,[24] which is the equivalent of four times and twice the minimum wage, respectively.[25] It should be noted, however, that a comparison with the United States is complicated by the prevalence of political action committees that allow for multiple smaller donations in the USA, which in total can significantly exceed the aforementioned limit. Comparisons with Western Europe are difficult since few countries in that region limit individual donations to parties in relation to an election. One that does is France, where individual donations for the funding of election campaigns are limited to 4,600 euros (EUR) (I$5,400), which is equivalent to about three times the minimum wage (and about one-tenth that of Ukraine).[26]

Figure 6.1. Limits on the amount donors can contribute to candidates in Eastern, Central and South-eastern Europe and Central Asia

Yes
No

Source: International IDEA. This map is based on data collected up to February 2014. Data are continuously updated on the International IDEA Political Finance Database. See http://www.idea.int/political-finance/question.cfm?id=268

Significant public funding coupled with unlimited corporate funding for political parties is not common, although some countries in Central Europe have adopted this approach. Most notably, the Czech Republic provides public subsidies and has no limits on expenditures or contributions. Slovakia and Hungary follow suit with public funding and unlimited contributions, but both of these countries have expenditure limits.

The regions covered here tend to rely on limiting contributions and expenditures. To compensate for such restrictions, 83 per cent of the countries have public funding schemes. The overall model comes close to the French approach, which provides public funding and limits contributions and expenditures.

Sources of private income

Political parties in the regions covered here rely predominantly on two types of sources of income: public funding and large private (and in some cases corporate) donations. In some countries, the distinction between illicit funding and corporate funding is not always clear, either in the regulations or in practice.

Membership dues and small donations

Party income from membership fees and small donations from individuals is generally low. Moreover, political parties in these countries are often fragile and short-lived organizations: even in Central Europe, many of the 'established' parties of the transition period have already disappeared and been replaced by newcomers. Thus loyalty to political parties is generally low, and there are no good examples of parties being able to create a sizeable fund by collecting membership fees. All in all, membership dues and fees constitute a marginal part of the income of most political actors in the reviewed regions. But in some of the countries in Eastern Europe—such as Ukraine and Hungary, where there is no upper limit to membership fees—using membership fees to bypass donation limits or disclosure requirements could potentially be a very important source of income for parties.[27]

Large (and corporate) donations

As membership contributions and small donations are a largely insignificant form of political fundraising, political parties must rely on public funding and large donations. Large donations normally mean corporate donations, even if funds come from an individual businessman rather than directly from a business.

There is no limit on corporate donations to either political parties or candidates in a majority of the countries covered here. The exceptions are Bulgaria, Poland and Russia. Some countries have partial bans on corporate donations to either candidates or parties; such bans are problematic because they provide a loophole for channelling funds via one actor to another. In Azerbaijan and Russia, corporations cannot donate to parties but can donate to candidates. In Armenia, Ukraine and Uzbekistan the situation is the reverse.

Large or corporate donations are a problem in these regions since they are often connected to kickback bribes. There have been scandals in this area, for instance in the Czech Republic where the government of Vaclav Klaus fell due to allegations of kickback bribes.[28] In Latvia, widespread perceptions of corruption and undue influence of oligarchs led the country's then president, Valdis Zatlers, to call a referendum on dissolving parliament in 2011.[29] Estonia, which is perceived as one of the least corrupt in this sample, has also experienced party funding scandals. In 2012 a former member of parliament (MP), Silver Meikar, admitted to channelling EUR 7,600 ($10,200) in questionable donations to the ruling Reform Party in 2009 and 2010.[30] Meikar claimed that the money had come from a fellow MP and party member, and that other members of the Reform Party also donated funds in a similar fashion.[31] No criminal case was pursued, since accepting covert funding is not criminally punishable under Estonia's Political Parties Act. The ultimate source of the money has never been revealed.

In Russia, it was widely alleged that the support given to President Boris Yeltsin by so-called oligarchs in the 1996 election was in exchange for presidential favours connected with the preservation and expansion of business empires established through murky privatization deals.[32] In the 2000s, presidents Putin and Dmitrii Medvedev established firm control over the oligarchs, and at present only those who do not seriously threaten the governing parties seem to be able to operate, which calls the concept of 'private' ownership of the big magnates into question.

The size of a country and the existence of oligarchs have an important influence on political finance. Wealthy entrepreneurs can affect domestic politics regardless of the type of political finance regulation, which suggests the ineffectiveness of such regulation. The phenomenon of 'oligarchic parties', or parties set up by wealthy individuals, is quite widespread in many of the countries discussed here, as is illustrated by the case of the Georgian election of 2012, which will be further discussed below. Even EU member countries are by no means immune to such developments; take, for instance, the case of Latvia.[33]

Two caveats need to be addressed here. First, many believe that the existence of 'oligarchic parties' per se is not a problem for democracy. According to this view, wealthy individuals should be allowed to start up political projects of their own. The obstruction of such activities through regulatory, administrative or penal means, as was allegedly done in the case of Mikhail Khodorkovsky,[34] could constitute deliberate efforts to restrict democratic freedoms. But entrepreneurial political projects become problematic when they are the result of, or aim to achieve, illegitimate links between power and money or when they result in governmental favouritism vis-à-vis specific economic interests. Arguably, many of the countries in the regions covered here, especially those in the post-Soviet space, have such problems. The very word 'oligarch' suggests the illegitimate fusion of power and wealth, which complicates the issue of entrepreneurial political projects. Yet it must be kept in mind that such problems with oligarchs can be a sign that a country has a degree of political competition: in non-competitive authoritarian regimes (such as Belarus and parts of Central Asia) this problem does not exist because opposition-minded oligarchs are more aggressively targeted by the justice system.[35]

Wealthy entrepreneurs can affect domestic politics regardless of the type of political finance regulation, which suggests the ineffectiveness of such regulation.

Second, political finance rules cannot effectively deal with the influence of oligarchic structures on their own; much more substantive constitutional and legal reforms are needed. If oligarchs have considerable influence in a polity, their money will find its way into the coffers of parties and candidates regardless of what type of legal framework regulates contributions and expenditures. The question is how visible this process is. Curiously, in Eastern Europe—especially in Russia and Ukraine (which has no public funding and no limits on expenditure)—the funding process is quite visible, and people directly associate political players with specific corporate interests.

Illicit funding

Illicit funding of political parties and election campaigns has been a problem in the regions since the fall of communism. All conclusions regarding this issue are to a certain extent speculative since this is an informal sector, although some tentative generalizations are possible. For politicians in some countries, many of their most enthusiastic party donors have a criminal record and a suspect agenda. Little of the crime–politics nexus is properly documented, but recent arrests might result in more tangible evidence.[36] In addition, there are cases of high-profile political assassinations that could be interpreted as circumstantial evidence of the involvement of organized crime in politics. Those assassinated include Zoran Djinjic,[37] serving prime minister of Serbia; Andrey Lukanov, a former prime minister of Bulgaria; and Iliya Pavlov,[38] one of the richest persons in Eastern Europe and a sponsor of politicians and political parties in Bulgaria.[39]

In Kyrgyzstan, illicit funding has played an important role in election campaigns and in the political liberalization of the country more generally.[40] It lies on a major drug-trafficking route between Afghanistan and Europe. Organized criminal groups and their leaders reportedly played an important role in destabilizing the rule of President Askar Akaev during the so-called Tulip Revolution.[41] After the president was toppled, criminal bosses continued to defy the new rulers openly. Similar dynamics have been witnessed elsewhere in the regions where groups involved in trafficking and the drugs trade become involved in electoral politics.[42]

Public funding

Public funding is the only viable alternative to corporate funding in most of the countries under review. Only a few countries lack direct public funding schemes for political parties or candidates: Belarus, Moldova, Ukraine, Kyrgyzstan and Turkmenistan. Belarus and Turkmenistan have no competitive democratic processes or freedom of association, so the lack of public funding is simply another way to discourage independent political activity. Moldova has passed a law on public funding, and such support was about to be introduced at the time of writing.[43]

In certain cases, such as that of Ukraine, the decision not to provide significant public funding is probably driven by a desire on the part of the governing parties or politicians to preserve their competitive advantage. In Serbia, this logic was adopted most explicitly by former President Slobodan Milosevic, who attempted to starve the opposition of political funding by providing minimal public support, banning foreign donations and controlling the business sector by delaying privatization.[44]

It is difficult to classify the states according to the generosity of their public funding schemes. Generally, the Central European states—the Czech Republic, Slovakia, Hungary, Poland, Bulgaria and Romania—have rather generous direct subsidies.[45] In some Central European states (with the exception of Poland) corporate financing is allowed, which puts the political parties in a more comfortable position. The situation is similar in Turkey, where parties rely on both the public budget and corporate donors.

In the post-Soviet space, public funding for political parties is less widespread and generous, yet it has been increasing in Latvia, Lithuania and Russia. In Russia, dominance of President Putin and the executive branch over the legislature has meant that public funding chiefly benefits the pro-presidential political forces. Political parties that receive at least 3 per cent of the votes in State Duma elections receive public funding and some access to public media. According to a report on Russia by the Group of States against Corruption (GRECO):

> …the most recent increase has substantially improved the parties' overall financial situation. The percentage of state funding in the parties' annual budgets had grown: for the Communist Party—from approximately 40% to over 50%, for 'Fair Russia'—from 7% to 25%, for the Liberal Democratic party—from below 40% to over 83%, and for 'United Russia'—from 23% to 36%.[46]

Note that none of the parties listed above belongs to the opposition in Russia. Needless to say, the parties that benefitted from the increases in public funding are those that are formally registered as parties, and the liberal democratic opposition in Russia has faced serious obstacles to registration throughout the post-Soviet period.[47] Here it should be noted that a 3 per cent threshold for receiving public funding is not among the higher thresholds. For instance, in Turkey parties need 7 per cent of the votes in the preceding elections to be eligible for public funding. Yet they do not face the same kinds of challenges in registering as opposition parties do in Russia.

In some more autocratic states—for instance Kazakhstan, Uzbekistan and Azerbaijan—public funding schemes for opposition parties serve as an instrument for suppressing, monitoring and controlling the political competition. In practice, public funding in this political context normally goes to docile or regime-friendly opposition parties, or is provided in such a way as to benefit the ruling party disproportionately.

As in the rest of the world's regions, the predominant model of disbursing public funding is direct subsidies distributed on the basis of the number of seats in parliament or votes won in the last election. None of the countries examined in this chapter employs complex allocation formulae that match public subsidies with small donations or membership fees. In addition to direct subsidies, the vast majority of the countries discussed have elaborate schemes of indirect, in-kind support to parties and candidates. The most important type of in-kind support is subsidized access to the media—which has become common practice in all the countries covered here except Estonia—providing free or subsidized access to the media for parties, candidates or both.[48]

The abuse of state resources

Abuse of state resources in the regions

The abuse of state resources is a major challenge, especially in countries that have an excessive concentration of power in the executive branch or limited media or judiciary independence. This structural bias in favour of the executive branch puts the governing parties in a privileged position not only in the more autocratic countries such as Belarus, Azerbaijan and the states of Central Asia, but also in others such as Armenia and Georgia.[49]

Even in more competitive democracies, such as those in Central Europe, governments have attempted to use state resources in their favour. However, the phenomenon is more accentuated in less democratic cases. For instance, in the most recent Armenian elections the OSCE/ODIHR documented several cases of local administration offices being used for the incumbent president's re-election campaign.[50] The OSCE Armenia report further notes that lax enforcement of existing regulations allowed for the abuse of administrative resources, and therefore 'did not provide for a level playing field among candidates'.[51]

One form of abusing state resources is the practice of government parties 'extorting' money from state-owned enterprises. The fact that one-third of the countries discussed here allow public enterprise donations to candidates is a strong indication of the abuse of state resources. Even in countries that ban donations from public enterprises to candidates,[52] such prohibitions have proved ineffective, and have become a further motivation to evade transparency and disclosure requirements.[53]

Donations by public enterprises are facilitated by widespread political patronage in the appointment of the managing directors and board members of publicly owned enterprises in the regions.[54] While there are few specific examples of public enterprises funding party activities, the parties sometimes disclose information that reveals illegitimate connections between public enterprises and parties. For example, in Serbia, the Democratic Party's list of donors in its publicly available financial reports includes individuals that the party appointed to leading positions in public enterprises.[55] This is an example of so-called party taxation: party members who were appointed to public enterprises have to pay a share of their salary back to the party. There have also been cases where donors listed by the parties on their own websites include some in leading managerial positions in state-owned enterprises.[56]

It should be noted that dubious connections between state-owned enterprises and parties have been reported in countries that give some degree of freedom to investigative journalists. Yet this practice also probably takes place in countries where investigative journalism is suppressed and there is not the level of media freedoms or transparency laws to allow such facts to emerge.

In many countries in the regions discussed here, incumbent parties have shown great inventiveness in using public resources to support the party's electoral chances.

Private companies that have privileged access to the markets can also be a problem. Politicians or their close relatives sometimes own private companies that benefit from such access. Given the deficiencies in procurement processes, companies often get valuable contracts on questionable grounds. In Serbia, for instance, a security company owned by the husband of one of the highest officials in the Democratic Party reportedly has several contracts with different state institutions, including the National Employment Service and the Tax Administration; the company also donated around EUR 40,000 to the party in 2011–12.[57]

Finally, it has to be said that the issue of the abuse of state resources can hardly be discussed as a narrow political finance matter; it relates to the overall constitutional structure of the political regime. All the countries under review here have provisions banning the use of state resources (other than those legally provided as subsidies and in-kind support) by political parties and candidates. Yet the impact of these provisions is different in different settings. Incumbent candidates invariably have a competitive edge: they are more visible in the media and have the opportunity to use resources such as transport, security, interpretation and so on for their own ends. Competitive democracies have other instruments to check the abuse of state resources: for instance, parliamentary commissions examining government use of facilities, means of transport and so on. Especially after a change of government, this is usually done whenever there are suspicions of illegitimate use of state resources.

In many countries in the regions discussed here, incumbent parties have shown great inventiveness in using public resources to support the party's electoral chances. In 2013, the newspaper *Dan* in Montenegro published the transcripts of secret recordings of meetings between senior government party officials. In one of the recordings, a party official expressed satisfaction with 'the number of internships that the Ministry of Education, the Ministry of Health and the Agency for Environmental Protections gave us, and I believe it gave us additional strength and better results in these elections'.[58]

Abuse of state resources and the media

A particular problem throughout several of these regions is control over the media. Control over the media is related to the issue of political finance through the access of political parties to public media. A lack of media access for political parties can manifest itself in many ways, from outright censorship to more subtle forms of public media restrictions and incentives for media conglomerates.

Recent reports of unequal access to public media and unbalanced coverage in favour of the incumbent regime have been made in Azerbaijan, Belarus, Montenegro and Kazakhstan. Complaints about biased media coverage were also made in Bosnia and Herzegovina.[59] In Azerbaijan, the OSCE found that candidates for the 2013 presidential election were provided with insufficient access to the media and that the disproportionate coverage received by the president contributed to a non-level playing field.[60] And in the 2012 parliamentary election in Belarus, despite rules providing for the allocation of free and equal media coverage in the state media (both print and broadcast), the OSCE found that reporting from state-owned media outlets focused heavily on the ruling party and president. Indeed, opposition parties and candidates only received 2 per cent of the coverage in the state-owned print media.[61]

In Georgia, the opposition successfully challenged the incumbent in 2012 partly by aggressively investing in the media sector and thereby balancing an otherwise biased media environment. President Mikheil Saakashvili had the benefit of a state-owned channel (Channel 1) with coverage across the territory. There were also two privately held pro-government channels, Rustavi-2 and Imedi, which together dominated TV viewing in Georgia.[62] In the 2012 elections the billionaire Bidzina Ivanishvili led the opposition coalition Georgian Dream. His wife and brother invested heavily in opposition-minded TV companies, TV9 and Global TV, respectively. In the months leading up to the election, many TV companies faced difficulties: one company was fined after a tax audit, satellite antennas were seized in another over vote-buying allegations, and technical equipment belonging to a third company was allegedly damaged while waiting for customs clearance.[63] There was suspicion of political motivations behind such actions, which the authorities vehemently denied. In the end, the opposition's financial clout produced a more balanced media space in Georgia.

Spending by political parties and candidates

Spending limits

The general preference in the regions is for overall spending limits. Some countries have no spending limits, including the Czech Republic, Turkey, Ukraine, Kazakhstan, Turkmenistan and Uzbekistan. In other countries, the spending limits are so high that they have no impact on political competition.

In Hungary, a party can spend a maximum of 386 million Hungarian forints (HUF) (I$2,670,000), or HUF 1 million (I$6,900) per candidate, while in Moldova the equivalent amounts are (in 2009) around 12 million Moldovan lei (MDL) (I$2 million) and MDL 500,000 (I$87,000), respectively. By contrast, in Russia the limits are 250 million roubles (RUB) (I$12.9 million) for parties.

In some cases, especially where the government party uses state resources to unofficially fund its activities, spending limits have been used to obstruct the opposition, for example Ivanishvili's challenge to Saakashvili in Georgia in 2012. Much of the state machinery under Saakashvili was mobilized against the challenger, including the parliament. Under new legislation passed at the end of 2011, evidently to prevent Ivanishvili from spending his own money on his campaign, a cap of 60,000 Georgian lari (GEL) (I$77,000) was placed on the amount individuals could donate to political parties.[64]

In Kyrgyzstan, political parties may not spend more than 1 million monthly salaries (the exact amount is not specified). Using the country's minimum wage of 600 Kyrgyz som (KGS) (I$40) per month,[65] the spending limit is very high relative to the regions considered here: 1 million minimum-wage monthly salaries equals I$36 million. Similarly, spending limits for candidates are 500,000 times the minimum, or I$18 million.

Actual spending

Level of spending

In the 60 per cent of states under review that have limits on expenditures, according to their official reports parties normally comply with these limits. Yet virtually everywhere experts and analysts insist that official reports reflect only a fraction of actual expenditures. One factor that complicates the calculation of electoral costs is the murky situation in the media sector. Most of the analysis of costs uses standard advertising rates for political advertisements. Yet political actors may use preferential rates or discounts, which could seriously change the estimates. Whether such discounts are legal, and whether they are granted to all participants in elections on a fair basis, are also matters of concern.

The Ukrainian case also helps to illustrate the level of spending on elections. According to official reports, during the 2012 parliamentary elections political parties jointly spent more than 600 million Ukrainian hryvnia (UAH) (I$207.14 million).[66] The Party of Regions spent about UAH 218 million (I$75.26 million), the Fatherland UAH 107 million (I$36.94 million), the Ukrainian Democratic Alliance for Reform more than UAH 33.7 million (I$11.63 million), the Communist Party of Ukraine UAH 72 million (I$24.86 million), Our Ukraine UAH 63 million (I$21.75 million) and Ukraine–Forward! UAH 60.6 million (I$20.92 million).[67]

The Ukrainian situation reveals modest spending if we limit our analysis to official reports. Yet analysts estimate much higher figures for the real cost of elections in Ukraine in 2012: from USD 850 million to the rather astronomical figure of USD 2.5 billion.[68] The political scientist Artem Bidenko reports that the Party of Regions spent around USD 850 million, Ukraine–Forward! some USD 150 million and the rest of the political parties USD 350 million, while candidates in single-member districts had spent approximately USD 900 million on the campaign.[69] Only about half of the single-member district candidates submitted reports on their campaign spending.[70]

If these speculative estimates are close to the real level of political spending in Ukraine, the situation would not be too dissimilar to that of that of established democracies. Admittedly, the calculation of electoral expenditure is not an exact science, and is sometimes connected to political spin and propaganda. Even so, there is reason to believe that campaign spending, and especially overspending, in Ukraine and many other countries in the regions is significant. This is also the case in Hungary, where overspending has occurred in recent times. Transparency International reports that the five parliamentary parties in the 2006 election spent, according to conservative estimates, a combined total of HUF 7.3 billion (I$50.07 million). In this election, the two biggest parties alone allegedly spent ten times the legal limit of HUF 386 million (I$2.65 million).[71]

Another factor that complicates reporting on actual spending is the difficulty of capturing vote buying. There are numerous anecdotal cases of vote buying, but it is notoriously difficult to document; new information technologies like mobile phone cameras can help. In the Balkans, vote buying is still fairly widespread, for instance in areas populated by minorities such as the Roma.[72] In some cases the candidates themselves even admit to having paid voters a bribe. For instance, in the 2012 parliamentary elections in Georgia, a ruling party candidate in a single-member district admitted to having assisted a local resident with GEL 500 (I$300).[73] List experiment surveys that guarantee respondents anonymity have recently been used to estimate the extent of vote buying.[74] The International Foundation for Electoral Systems (IFES) collaborated with a local survey organization to conduct a list experiment survey on the 2012 parliamentary elections in Ukraine. One in ten voters admitted in the survey that vote buying affected their vote choice in the single-member district elections.[75] The study also included a detailed analysis of crowd-sourced reports on vote buying.

Official reports from across the regions covered by this chapter suggest that a significant portion of campaign expenditures is spent on TV and media advertising.[76] In Moldova, almost 80 per cent of publicly disclosed expenditures went to advertising, and a majority of that went to TV advertising.[77] The standards for reporting are often not strictly adhered to. While some parties report spending on billboards and other unspecified 'election materials', others are more explicit and report spending on calendars and other specific types of promotional material.

Third-party spending

Because of the enormous weight of large corporate donations in the incomes of political actors, direct transactions are probably not the preferred means of obtaining funds. Accordingly, money might instead be channelled through party-related foundations, which are usually not subject to the same restrictions as political parties with regard to the size and origin of donations. They are therefore convenient instruments for ‘legalizing’ money obtained from publicly owned enterprises, foreign donors or large corporate sponsors. Sometimes the legislation is rather lax, making it easy to use foundation money for straightforward political purposes. More commonly, however, funds are disbursed under the pretext of seminars, training for party officials or honoraria for services never performed, for example.

For instance, party-affiliated NGOs in Latvia were set up to circumvent spending limits when enforcement was tightened. US Embassy-funded research in Latvia summarizes the effect of third-party spending as: ‘non-governmental organisations, established by the organisers of their election campaigns, for their advertising, has ruined the political party financing system developed in 2004’.[78]

Another challenge is monitoring and enforcing restrictions on private in-kind donations. In some cases, cars and mobile phones are provided for electoral campaigns or for the routine use of political parties.[79] In Kosovo, political parties were obliged to disclose in-kind contributions exceeding EUR 1,500 in the early 2000s. A detailed audit by the OSCE suggests that the parties that reported their contributions largely stayed within the limits for in-kind contributions.[80]

Enforcement of political finance regulations

Many analyses of political finance have concluded that enforcement is generally the weakest link in the system. In the regions under discussion there are no exemplary models in terms of enforcement, and there are a number of widespread challenges—including often-ambiguous mandates, insufficient resources, and unclear reporting procedures for parties and candidates. Moreover, all of the approaches to enforcement used by countries in this chapter suffer from a considerable disparity between regulation and actual practices. Either state audit offices or electoral management bodies are generally tasked with enforcing the laws. In both cases, some degree of transparency is achieved, especially regarding public funds. Civil society monitoring projects have also been carried out in many states, especially in Central Europe, but their efficiency is not well documented. In any case, civil society monitoring cannot replace the role of formal institutions in performing their oversight role. In addition, civil society pressure for political finance reform is not very strong in the regions analysed, perhaps because the public has little understanding of the vagaries of political finance beyond what has been revealed by a few media scandals.

One dilemma, when analysing enforcement, is whether to treat political parties as civil society organizations or state constitutional bodies. If political parties are seen as civil society organizations, they may claim a right to privacy regarding their funding matters. From this point of view, parties have the right to regulate their internal affairs, including funding matters, without limitations and restrictions imposed by the state. Generally speaking, parties in these regions enjoyed considerable privacy during the first ten years after the fall of communism, due in part to the poor quality of regulatory efforts to ensure a degree of transparency and enforceability[81]. However, given the prevalence of corruption there is a general trend toward requiring transparency in party and candidate funding. By contrast, if political parties are treated as quasi-state bodies, then their finances should be just as transparent as those of budgetary organizations. In such cases, access-to-information legislation that is applicable to state bodies should regulate access to party income and expenditure data, which should be available to citizens upon request.

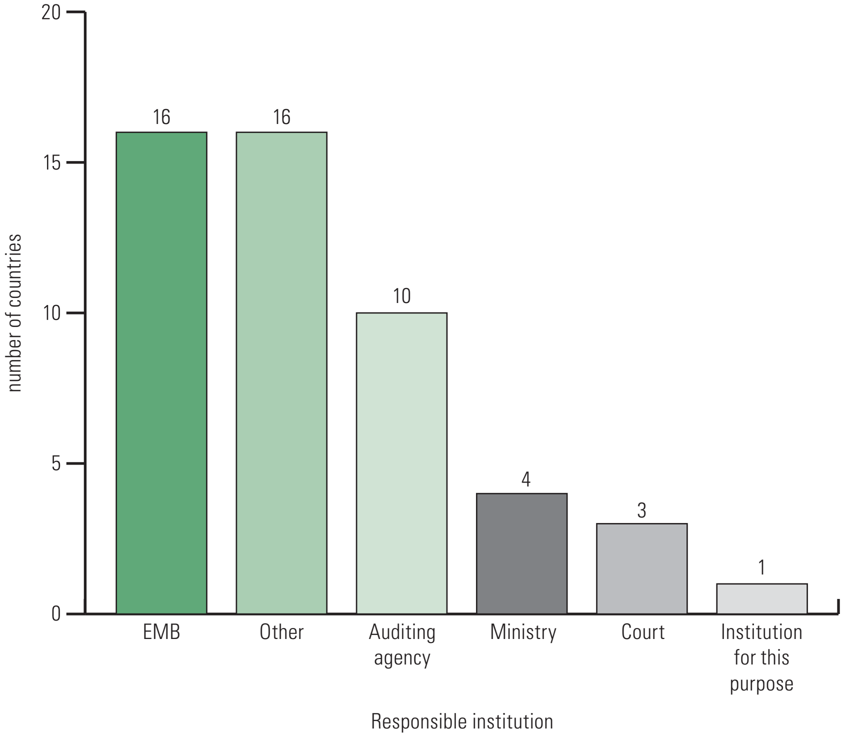
There are four main types of institutional enforcement arrangements. First, state audit offices can be used for enforcement, but they may lack sufficient resources and prerogatives to properly audit the internal affairs of political parties.[82] In theory, they might be efficient at controlling the state aid received by parties, but might not be able to control private funding. A second option is a parliamentary commission, as in the Czech Republic. Yet such a commission's lack of independence—and conflicts of interest between parties—can render it ineffective.

The judiciary as the enforcement force is a third option, but generally has not been widely utilized in the regions discussed here. One reason is that party financing is seen as a 'partisan' matter, one with which the judiciary (which is supposed to be unbiased) should not interfere.[83] However, a deeper reason is that many countries in the regions, such as Bulgaria and Romania, have a very low level of public trust in the judiciary, which is perceived as one of the most corrupt branches of power. The fourth institutional option, independent commissions such as electoral commissions, is used in countries such as Albania and Bosnia and Herzegovina. Unfortunately, this option has suffered from most of the weaknesses of the other options discussed above, and has in some cases led to very low levels of activity from the enforcing institution (such as in Georgia and Serbia before the mandate was moved to the State Audit Office and the Anti-Corruption Agency respectively).

Some countries have created hybrid institutional arrangements. For example, the Former Yugoslav Republic of Macedonia (FYROM) has two oversight agencies: the State Commission for Prevention of Corruption and the State Auditor's Office.[84] One practical concern with such a set-up is independence from political parties. Technically, members of the State Commission cannot be removed for political reasons, but a commission member was dismissed in 2012 for alleged abuse of office, without parliamentary approval.

A Transparency International report notes that the dismissal was 'in clear contravention of the regulations'.[85] Furthermore, the mandate of the Auditor's Office in the FYROM is quite broad, but its audits are reported to be rather superficial.[86]

Figure 6.2. Institutions responsible for examining financial reports and/or investigating violations in Eastern, Central and South-eastern Europe and Central Asia



Note: As some countries have more than one institution, the total number is higher than the number of countries.
Source: International IDEA Political Finance Database.

In Eastern Europe and Central Asia, there are a lot of rules and regulations, but selective enforcement is a problem[87]—and is compounded by the incumbent advantage in countries with poor rule of law. The Georgian case is worth considering further. After new legislation was introduced, opposition leader Ivanishvili and his affiliates were fined more than GEL 80 million (I$102 million) for allegedly violating campaign funding rules,[88] which produced several accusations of biased enforcement against his party.[89]

The role of civil society organizations and the media

The role of civil society organizations

Many international donor organizations have placed their hopes on NGOs in the fight against corruption and for transparent political finance. However, it is far from certain that civil society organizations can induce the reforms necessary to eliminate pro-government bias in political finance in the regions or enforce the rules more generally.[90] The political will for such reforms is lacking, especially in the more autocratic countries. However, in addition to their advocacy work, NGOs also play an important role in monitoring compliance with existing rules and standards. NGOs can use innovative measurement and outreach strategies to make it more difficult for political actors to use loopholes or otherwise exploit existing political finance regulations.

Recent examples include projects that monitor the use of administrative resources in Georgia. The local branch of Transparency International examined the use of administrative resources in the 2010 local elections[91] and found increased spending on social services by local governments during the election year, and reported that public officials who had formally taken leave for the duration of the campaign continued to use office resources. Elsewhere, methods have been developed to track actual party spending on print, radio and TV media.[92] Realistic assessments of expenditures, which account for possible discounts, make it more difficult for parties to spend beyond the formal limits. Such reports will hopefully demonstrate the extent of the abuse of public office for partisan purposes during elections. In contrast to other monitoring projects, which have focused on the lack of transparency, these new approaches promise to tackle a real problem behind the veil of public ignorance, which will undoubtedly be a step forward.

The role of the media

It is commonly stated that engaged media are necessary for political finance transparency.[93] Yet some of the countries covered here (particularly the post-Soviet states) do not have independent media or unimpeded media access, which hampers the unveiling of political finance scandals. In autocratic states such as Belarus and most of Central Asia, access to the media—be it public or private—is strictly controlled by the administration.[94] Thus, while over 90 per cent of the countries analysed have subsidized media access that is supposed to be allocated equitably, it is often reserved for pro-presidential parties and the convenient 'opposition'.[95] Poland and Romania are notable in that they take into account the number of proposed candidates when calculating subsidized media access.

In the more competitive post-Soviet states, pockets of media independence exist, but they are generally marginalized by pro-government forces. Central

Europe has greater media independence, but the Hungarian example has recently demonstrated that majoritarian governments still see the public media as an instrument of propaganda.[96] In the Balkans and Turkey, government influence in the media sector is very visible: for instance, news about the protests against Prime Minister Recep Tayyip Erdogan in Turkey only made it to the public channels with great difficulty.[97] It should be noted that the lack of coverage by established media was offset by the use of social media in this case. Bulgaria and Romania are also typically cited as offenders against media independence, although both of these countries have pluralistic and vibrant media sectors.[98]

Party funding scandals emerge more easily in competitive political systems and where the opposition exercises some degree of control over the government, especially with the help of an independent judiciary. One study reports: 'it is no coincidence that the more consolidated democracies—such as the Czech Republic and Poland—produce scandals, while the other types of system produce mainly extensive allegations of scandalous doings'.[99] It is no surprise then that Russia was more capable of producing political finance scandals in the 1990s than in the 2000s, as the political regime has become less competitive.

Thus, it is difficult to generalize on the link between political finance and media freedom over such a vast part of the world. Central Europe and parts of the Balkans have a more competitive and pluralistic media environment; freedom of speech and information is suppressed in Belarus, Central Asia and Azerbaijan; and Russia and Ukraine have regressed and become more autocratic.

Conclusions

The regions of Eastern, Central and South-eastern Europe and Central Asia are diverse and contain countries with fundamentally different regimes. Some countries are consolidated democracies, while others are outright autocracies. There is also considerable variation in political finance regulation throughout the region, but there are some interesting similarities. The two major categories of political finance violations are (1) evasion of expenditure and/or contribution restrictions and (2) major parties' exploitation of their access to the government to secure financial benefits for party members and the party treasury, including access to state media.

Generally, the electoral and party finance agencies lack adequate enforcement mechanisms, especially in cases of systematic violations of expenditure and contribution restrictions. Another problem is vague and gap-ridden (or even conflicting) laws. Rules are often not conducive to increased political pluralism and transparency. In some cases, expenditure and contribution limits are set very low in order to make their observance difficult—which invites the selective use of the sanctions regime to keep political opponents out. Selective implementation of strict regulations is a hallmark of the more autocratic regimes in the area. The opposite also happens: setting the restrictions so high that even the richest political party could not violate them.

The provision of public funding in some of the countries analysed here is modest and does not sufficiently cover the parties' costs, especially for those without access to the government machinery. Admittedly, one of the reasons for the low level of public funding is the economic plight of many of the countries in these regions.

The experience in these regions shows that strict regulations are not sufficient to create control over (or transparency of) political finance. Rules that are better adapted to each country's situation—and implemented by well-resourced and dedicated public entities—are needed. Even then, effective oversight is unlikely without the engagement of civil society groups and independent media.

Recommendations

Policy makers[100]

1. Further specify requirements for reporting on finances for both parties and candidates. *More* regulation is not necessarily needed, but rather *more specific guidelines* on how to comply with existing regulations.
2. Require parties to comply with all regulations to be eligible for public funding.
3. Expenditure and spending limits should be reasonable and indexed for inflation.
4. Focus the regulatory apparatus on a few items that can realistically be implemented without stifling political competition.
5. Provide indirect public funding to all eligible parties—including the opposition.
6. Seek parity between government and opposition parties in the broadcast media, especially if the public media control large sections of the online market.
7. Consider matching small donations and membership dues to political parties with the same amounts of public funding.
8. Further specify the authorization of oversight bodies. They should be able to apply fines for breaches of regulations.
9. Oversight and regulatory bodies need sufficient human and financial resources to perform their duties properly.

Monitoring and enforcement agencies

1. Address transgressions throughout the campaign period and inform the voters in a timely fashion, prior to voting if applicable.
2. Develop standard reporting templates that provide enough detail for meaningful public scrutiny.
3. Provide candidates and parties with clear instructions on how to complete reporting templates. If needed, provide training for candidates and parties.
4. Publish standardized, detailed reporting online, allowing for public scrutiny. Provide financial reports in a spreadsheet format that facilitates comparisons.
5. Create incentives for donors to disclose their identity and the nature of their donation.
6. Do not overburden parties and candidates with reporting requirements during the critical stages of the campaign.
7. Consider ways in which investigative journalism can be supported.

Political parties and politicians

1. Government parties should strive to avoid abusing public resources in order to maintain their public legitimacy and avoid large-scale public protest that may destabilize the entire country; political finance protests in Ukraine, Romania and the Czech Republic are a case in point. Such abuse not only entails a significant waste of public funds, it also entrenches a political culture that makes it less likely that a party can regain power in the future if an election is lost.
2. Opposition parties should realize that exposing the abuse of state resources by the ruling party is one of the most effective ways of appealing to large groups of citizens. Cooperate with civil society and the media for proper investigations that provide you with solid proof. Given that the quality of political finance legislation is often reasonable, opposition parties should invest in understanding and using the available law as much as possible to scrutinize ruling party behaviour.

Civil society and media actors

1. Focus especially on monitoring abuses of administrative resources for partisan purposes.
2. Further develop methods to measure actual spending levels, accounting for preferential advertising rates and discounts.

International actors

1. Do not support a political finance regulatory regime that stifles political competition.
2. When supporting the fight against corruption, include measures that address the lack of political will for political finance reforms.

3. Support the use of innovative measurement strategies and outreach by NGOs working on political finance transparency.

References

Bajovic, V. and Manojlovic, S. (2013) *Corruption and Financing of Political Parties: Case of Serbia*. Observatório de Economia e Gestão de Fraude.

Balkan Insight (2009) 'Serbian Political Party Financing Not Transparent', 21 April, available at http://www.balkaninsight.com/en/article/serbian-political-party-financing-not-transparent

Baykurt, B. (2013) 'The Gezi Protests Have Shown the Rampant Institutional Bias in Turkey's Media Which Now Leaves Little Room for Facts', available at http://blogs.lse.ac.uk/europpblog/

Chicago Tribune (1997) 'To Keep Power, Milosevic Switches Jobs', 24 July, available at http://articles.chicagotribune.com/1997-07-24/news/9707240217_1_slobodan-vuksanovic-slobodan-milosevic-serbian

Čigāne, L. (2007) *9th Saeima Election Finances: Political Party and Third Party Election Campaign Expenditure*, Riga, 27 February.

CNN (2011) 'Russia Refuses to Register Liberal Party; U.S. "Disappointed"', 22 June, available at http://www.cnn.com/2011/WORLD/europe/06/22/russia.party.elections/index.html

Conference on Security and Co-operation in Europe (CSCE) (1990) *Document of the Copenhagen Meeting of the Conference on the Human Dimension of the CSCE*.

Council of Europe (2003) *Recommendation Rec(2003)4*, adopted by the Committee of Ministers on 8 April at the 835th meeting of the ministers' deputies.

De Waal, T. (2012) 'A Crucial Election in Georgia'. Washington, D.C.: Carnegie Endowment for International Peace, available at http://carnegieendowment.org/2012/09/11/crucial-election-in-georgia/drlp

Estonian Public Broadcasting (2012) 'Reform Party Caught Up in "Dirty Money" Scandal', 22 May, available at http://news.err.ee/politics/660921d5-6410-43a1-b01e-ec47e2d3550f

Federal Election Commission (2013) The FEC and the Federal Campaign Law - Contribution Limits, available at http://www.fec.gov/pages/brochures/fecfeca.shtml#Contribution_Limits

Freedom House (2004) *Freedom in the World Report 2004*, 'Russia', available at http://www.freedomhouse.org/report/freedom-world/2004/russia

Freedom House (2013) *Nations in Transit 2013: Authoritarian Aggression and the Pressures of Austerity*.

Gonzalez-Ocantos, Ezequiel et al. (2012) 'Vote Buying and Social Desirability Bias: Experimental Evidence from Nicaragua', *American Journal of Political Science*, 56(1), pp. 202–17.

Grigas, A. (2012) *Legacies, Coercion and Soft Power: Russian Influence in the Baltic States*, Briefing Paper. London: Chatham House.

Group of States against Corruption (GRECO) (2011) *Third Evaluation Round, Evaluation Report on the Czech Republic on Transparency of Party Funding*, adopted by GRECO at its 50th plenary meeting, Strasbourg, 28 March–1 April 2011.

Group of States against Corruption (GRECO) (2012) *Third Evaluation Round, Evaluation Report on the Russian Federation Incriminations* (ETS 173 & 191, GPC2), adopted by GRECO at its 54th plenary meeting, Strasbourg, 20–23 March 2012.

Grzymala-Busse, Anna (2003) 'Political Competition and the Politicization of the State in East Central Europe', *Comparative Political Studies*, 36(10), pp. 1123–47.

Human Rights Watch (2012) Memorandum to the European Union on Media Freedom in Hungary, available at http://www.hrw.org/news/2012/02/16/memorandum-european-union-media-freedom-hungary

Human Rights Watch (2013) *Laws of Attrition Crackdown on Russia's Civil Society after Putin's Return to the Presidency*, available at http://www.hrw.org/sites/default/files/reports/russia0413_ForUpload.pdf

International Foundation for Electoral Systems (IFES) (2010) *Campaign Finance in Moldova: Big Money, Few Donors, Undeclared Expenses – Reform Needed!* Washington, D.C.: International Foundation for Electoral Systems.

International IDEA, Political Finance Database, available at http://www.idea.int/political-finance

International IDEA (2013) *Illicit Networks and Politics in the Baltic States*. Stockholm: International IDEA, available at http://www.idea.int/publications/illicit-networks-and-politics/

Karadaku, L. (2013) 'Accused Crime Boss Arrest Is a "Kick" to Regional Drug Trade', *Southeast European Times*, 9 May.

Koppel, K. (2012) 'Tarand: Meikari väidetes ei ole midagi üllatavat' [Tarand: Meikar's Allegations Are Not Surprising], *ERR*, 22 May, available at http://uudised.err.ee/index.php?06253397

Kupatadze, A. (2008) 'Organized Crime before and after the Tulip Revolution: The Changing Dynamics of Upperworld-Underworld Networks', *Central Asian Survey*, 27(3-4).

Kyiv Post (2012a) 'Candidates Spent $2.5 Billion on Election Campaign, Says Expert', 2 November, available at http://www.kyivpost.com/content/politics/candidates-spent-25-billion-on-election-campaign-says-expert-315462.html

Kyiv Post (2012b) 'Media: Parties Report to CEC on Election Costs', 15 November.

Kyiv Post (2012c) 'Parties Spend over Hr 600 Million on Elections, According to Report', 16 November, available at http://www.kyivpost.com/content/politics/parties-spend-over-hr-600-million-on-elections-according-to-report-316205.html

Kyiv Post (2012d) 'Campaigns File Dodgy Spending Declarations', 8 December.

Kyiv Post (2013) 'Hiring Law Firm to Chase Lazarenko Assests is a New Waste of Money', 7 November.

Kynev, A. (2011) *State Duma Elections 2011 and the Marginal Role of Russian Parties*.

Leviev-Sawyer, C. (2011) 'Andrei Lukanov, Red Baron of Bulgaria', *Sofia Echo*, 11 February, available at http://sofiaecho.com/2011/02/11/1041549_andrei-lukanov-red-baron-of-bulgaria

Matuszak, S. (2012) 'The Oligarchic Democracy the Influence of Business Groups on Ukrainian Politics', *OSW Studies*, 42, September.

Mladenovic, N. (2012) 'Transnational Organized Crime: The Failed Divorce of Serbia's Government and Organized Crime', *Journal of International Affairs*, 66(1), Fall/Winter.

Nassmacher, K.-H. (2003) 'Party Funding in Continental Western Europe', in M. Tjernström and R. Austin (eds), *Funding of Political Parties and Election Campaigns*. Stockholm: International IDEA.

Network for Affirmation of NGO Sector (MANS) (2013) *Building Trust in the Election Process in Montenegro*, December, available at http://www.mans.co.me/en/about-mans/publications/building-trust-in-the-election-process-in-montenegro

Ohman, Magnus (ed.) (2013) *Political Finance Oversight Handbook*. Washington, D.C.: International Foundation for Electoral Systems (IFES), Training in Detection and Enforcement.

Orenstein, M. A. (2001) *Out of the Red: Building Capitalism and Democracy in Postcommunist Europe*. Ann Arbor, MI: University of Michigan Press.

Organisation for Economic Co-operation and Development (OECD) (2013) *Fighting Corruption in Eastern Europe and Central Asia Anti-corruption Reforms in Eastern Europe and Central Asia: Progress and Challenges, 2009-2013*, OECD Publishing.

Organization for Security and Co-operation in Europe (OSCE Kosovo) (2004) *Report on Political Party Annual Financial Reports for Years 2002 and 2003*, Department of Elections, Political Party Registration Office.

Organization for Security and Co-operation in Europe (OSCE Kosovo) (2007) *Report on Political Entity Campaign Financial Disclosures for 2007 Kosovo Elections*, Political Party Registration Office.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2009) *Republic of Uzbekistan Parliamentary Elections Election Assessment Mission: Final Report*.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2011) *Guidelines on Political Party Regulation*.

Organization for Security and Cooperation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2012) *Republic of Belarus, Parliamentary Elections: OSCE/ODIHR Election Observation Mission Final Report*.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2013a) *Review of Electoral Legislation and Practice in OSCE Participating States*.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2013b) *Republic of Azerbaijan, Presidential Election, 9 October 2013*, OSCE/ODIHR Election Observation Mission Final Report, Warsaw, 24 December 2013.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2013c) *Needs Assessment Mission Report: Republic of Azerbaijan Presidential Election*.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2013d) *Statement of Preliminary Findings and Conclusions, Republic of Albania Parliamentary Elections*.

Organization for Security and Co-operation in Europe, Office for Democratic Institutions and Human Rights (OSCE/ODIHR) (2013e) *Republic of Armenia Presidential Election 18 February 2013: Election Observation Mission Final Report*.

Radio Free Europe, Radio Liberty (RFE/RL) (2013) 'Controversial Tajik Tycoon Falls from Grace', 25 December, available at http://www.rferl.org/content/tajikistan-zayd-saidov-convicted/25212375.html

Schroder, H.-H. (1999) 'El'tsin and the Oligarchs: The Role of Financial Groups in Russian Politics Between 1993 and July 1998', *Europe-Asia Studies*, 51(6).

Service-Public.fr (2014) 'Salaire minimum de croissance (Smic)' [Minimum wage], available at http://vosdroits.service-public.fr/particuliers/F2300.xhtml

Shelley, L. (1998) 'Organized Crime and Corruption in Ukraine: Impediments to the Development of a Free Market Economy', *Demokratizatsiya*.

Sindelar, D. (2013) 'How Far Will Nazarbaev Go To Take Down Mukhtar Ablyazov?', *RFE/RL Features*, 7 June.

Sjoberg, F. M. (2011) *Competitive Elections in Authoritarian States: Weak States, Strong Elites, and Fractional Societies in Central Asia and Beyond*, PhD Dissertation. Uppsala: Uppsala University.

Sjoberg, F. M. and Herron, E. (2013) 'Electoral Systems and Fraud: Evidence from Ukraine's 2012 Parliamentary Election', working paper.

Smilov, D. (2002) 'Governmental Favouritism in Bulgaria and Russia', in Stephen Kotkin and Andras Sajo (eds), *Political Corruption of Transition: A Sceptic's Handbook*. Budapest: Central European University Press.

Smilov, D. and Toplak, J. (2007) *Political Finance and Corruption in Eastern Europe: The Transition Period*. Aldershot: Ashgate Publishing Ltd.

Teleradio Moldova (2013) 'Moldovan Political Parties to Get State-budget Funding', 19 June, available at http://www.trm.md/en/politic/partidele-politice-ar-putea-sa-fie-finantate-din-bugetul-de-stat/

Transparency International (2009) *Political Finance Regulations: Bridging the Enforcement Gap*, available at http://www.transparency.org/whatwedo/pub/policy_position_no._02_2009_political_finance_regulations_bridging_the_enfo

Transparency International (2013) *Buying Influence: Money and Elections in the Balkans*, available at http://www.transparency.org/whatwedo/pub/buying_influence_money_and_elections_in_the_balkans

Transparency International Georgia (2010) *The Use of Administrative Resources for Election Campaign 2010 Local Self-Government Elections*, available at http://gateway.transparency.org/tools/detail/105

Transparency International Georgia (2012a) *Pre-Election Period Monitoring Results, August 1 to September 27*, available at http://transparency.ge/sites/default/files/post_attachments/Pre-Election%20Period%20Monitoring%20Results.pdf

Transparency International Georgia (2012b) *Georgia's Television Landscape August 2012*, available at http://transparency.ge/sites/default/files/post_attachments/Georgian%20Television%20Landscape%20Report%20English_0.pdf

Transparency International Hungary (2008) 'Transparent Campaign Financing!', 26 September, available at http://www.transparency.hu/Transparent_Campaing_Financing_?

Tynan, D. (2008) 'Freedom House Media Report Paints Bleak Picture for Central Asia', Caucasus, 28 April, available at http://www.eurasianet.org/departments/insight/articles/eav042908b.shtml

Ukrainian News Agency (2008) 'Experts Estimate Costs of Party's or Bloc's Campaign in Snap Rada Elections at USD 25–100 Million', 22 October.

United States Department of Labor (2009) Wages: Minimum Wage, available at http://www.dol.gov/dol/topic/wages/minimumwage.htm

US Department of State (2013) 'Country Reports on Human Rights Practices for 2012: Secretary's Preface', available at http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper

Wilson, A. (2011) 'Latvia's Unnoticed Revolution: Analysing the Elections', 22 September, available at http://www.opendemocracy.net/od-russia/andrew-wilson/latvias-unnoticed-revolution-analysing-elections

Notes

1 For the purposes of this chapter, Eastern, Central and South-eastern Europe and Central Asia refers to (in alphabetical order) Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, the Former Yugoslav Republic of Macedonia (FYROM), Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan.

2 This does not hold for Turkey, a country with no communist legacy.

3 CSCE 1990.

4 Ibid., p. 4.

5 Smilov 2002.

6 See http://www.freedomhouse.org/regions/central-and-eastern-europeeurasia

7 As evidenced by, for instance, the Freedom House scores for the time period. See Freedom House 2004.

8 Kynev 2011.

9 Smilov and Toplak 2007.

10 Matuszak 2012.

11 Koppel 2012.

12 Grigas 2012; OECD 2013, p. 145.

13 Smilov and Toplak 2007.

14 International IDEA 2013.

15 Kyiv Post 2013.

16 See, for instance, reports from the Group of States against Corruption (GRECO), established in 1999 by the CoE to monitor states' compliance with the organization's anti-corruption standards.

17 Council of Europe 2003.

18 OSCE/ODIHR 2011. The ODIHR is the main institution responsible for the 'human dimension' of security in the OSCE.

19 OSCE/ODIHR 2011.

20 Human Rights Watch 2013.

21 The recent case of the main domestic election observation organization in Azerbaijan, the Election Monitoring and Democracy Studies Center (EMDS) illustrates this point. The EMDS has observed elections since the 2000s, but still has not been officially registered. See OSCE/ODIHR 2013c.

22 According to the International IDEA Political Finance Database, 55 and 59 per cent of the countries covered in this chapter have a limit on the amount a donor can contribute to a political party over a non-election-specific time period and an election period, respectively, while 62 per cent have a limit on the amount a donor can contribute to a candidate.

23 Throughout this publication, international dollars (I$) are presented alongside amounts in national currencies. The international dollar is a hypothetical currency that takes into account purchasing power parity and is therefore suitable for comparisons between countries. For countries in which the power purchasing power parity varies significantly from the United States (which is used as the baseline for the comparison), the I$ exchange rate may be considerably different from the nominal exchange rate. No conversions are given for US dollars (as this is by default the same amount as the I$) or for those instances where the original currency is unknown and a secondary currency such as the euro has been cited instead. For further information, see Annex V. In 2012 the minimum wage in Ukraine, as determined by the Social Policy Ministry, was USD 146 per month.

24 Federal Election Commission 2013.

25 United States Department of Labor 2009. Calculation based on the US hourly minimum wage of USD 7.25 (I$7.25) per hour.

26 Service-Public.fr 2014.

27 So-called membership fees in Russia are of particular interest in this regard. The 2012 GRECO report explains how membership fees are distinct from donations and that they can be given without any upper limit, as opposed to specific caps established for monetary donations. The report's authors were 'made aware of important sums of money being voluntarily given as membership fees to political parties by influential business persons and elected members of parliament'. The existing legal framework in Russia creates ample opportunities for circumventing disclosure rules: see GRECO 2012.

28 The case is best illustrated by a quotation: 'In particular, the party [Klaus' party, the Civic Democratic Party, CDP] received several large gifts from two fictitious donors (including a dead Hungarian) that actually proved to come from a businessman, Milan Srejber, who had won a successful bid to gain ownership of one of the major Moravian steelworks under the CDP government'. Orenstein 2001.

29 International IDEA 2013.

30 Estonian Public Broadcasting 2013.

31 The Reform Party leadership has disputed the details in Meikar's story.

32 Schroder 1999.

33 Wilson 2011.

34 As head of the petroleum company Yukos, Khodorkovsky was one of the richest men in Russia in the early 2000s. Around the time of Putin's ascendancy he started to finance human rights groups and parties that were critical of the Kremlin. He was charged with fraud in 2003, convicted two years later and imprisoned until the end of 2013. Some have argued that the legal case against Khodorkovsky was politically motivated.

35 An illustrative case is that of Zayd Saidov, a prominent Tajikistani businessman who was imprisoned on multiple charges in December 2013 after he announced earlier that year the creation of a new political party (see RFE/RL 2013). Another example is the case of the oppositional Kazakh businessman Mukhtar Ablyazov, whose wife and six-year-old

daughter were deported from Italy in a move that suggested political pressure from the authorities in Kazakhstan. See Sindelar 2013.

36 For instance, the alleged narcotics boss Naser Kelmendi, who was arrested, is speculated to have connections to the ruling party in Montenegro. See Karadaku 2013.

37 Mladenovic 2012.

38 Leviev-Sawyer 2011.

39 Smilov and Toplak 2007

40 Sjoberg 2011.

41 Kupatadze 2008.

42 Shelley 1998.

43 Teleradio Moldova 2013.

44 *Chicago Tribune* 1997.

45 For example, in the Czech Republic political parties received a total subsidy of 866,445,067 koruny (CZK) (I$59.67 million) in 2010. See GRECO 2011.

46 GRECO 2012, p. 26.

47 CNN 2011.

48 Ibid.

49 OSCE/ODIHR 2013a, p. 21.

50 OSCE/ODIHR 2013e.

51 Ibid.

52 For donations to parties, 87 per cent of countries outlaw them.

53 Smilov and Toplak 2007.

54 Grzymala-Busse 2003.

55 *Balkan Insight* 2009.

56 Ibid.

57 Bajovic and Manojlovic 2013.

58 Network for Affirmation of NGO Sector 2013, p. 6. A parliamentary committee was set up as a result of these tape recordings, but it concluded its work without reaching any conclusions, and the prosecutor's office concluded that there had been no corruption among senior party officials.

59 OSCE/ODIHR 2013a, p. 26.

60 OSCE/ODIHR 2013b, p. 16.

61 OSCE/ODIHR 2012, p. 15.

62 De Waal 2012.

63 Transparency International Georgia 2012b.

64 De Waal 2012.

65 US Department of State 2013.

66 *Kyiv Post* 2012c.

67 Ibid.

68 *Kyiv Post* 2012a, 2012d; Ukrainian News Agency 2008. In October 2008, Ukrainian experts estimated that a small political party that wanted to win seats in parliament would spend up to $30 million (I$30 million) on the campaign and that large political parties would spend up to USD 100 million (I$100 million). Political analyst Pavlo Bulhak stated that a party's election budget would be spent on advertising on television, bribing voters, organizing rallies and party propaganda.

69 *Kyiv Post* 2012a.

70 *Kyiv Post* 2012d.

71 Transparency International Hungary 2008.

72 For a reference to vote buying in the Roma community, see OSCE/ODIHR 2013e.

73 The transaction took place during a public holiday event organized by the government-affiliated local governor. See Transparency International Georgia 2012a.

74 Gonzalez-Ocantos et al. 2012.

75 Sjoberg and Herron 2013.

76 See for instance OSCE Kosovo 2007.

77 IFES 2010.

78 Čigāne 2007.

79 Smilov and Toplak 2007.

80 The OSCE report appendix lists all the in-kind contributions. See OSCE Kosovo 2004.

81 Smilov and Toplak 2007.

82 Nassmacher 2003.

83 Smilov and Topak 2007.

84 Transparency International 2013.

85 Ibid.

86 Ibid.

87 See, for example, the cases described in Ohman 2013, pp. 175–80.

88 De Waal 2012.

89 It should be noted that the Georgian Dream falls into the category of 'oligarchic parties', which is widespread in the post-Soviet space. One wonders what the overall assessment of the regime should be if it takes a billionaire to offset the self-entrenchment efforts of political parties.

90 Smilov and Topak 2007.

91 Transparency International Georgia 2010. The organization has also monitored the same issue in subsequent elections.

92 Čigāne 2007.

93 Transparency International 2009.

94 Tynan 2008.

95 For instance in Uzbekistan, where no genuine oppositional parties are allowed to participate in elections, each of the officially sanctioned parties is entitled to 40 minutes per week on state-funded TV and radio, and half a page twice per week in the three daily state newspapers. Media monitoring by the OSCE/ODIHR notes that media companies generally complied with this obligation. See OSCE/ODIHR 2009.

96 Human Rights Watch 2012. This document outlined several concerns about media freedom in Hungary, including the independence of the Media Council, self-censorship by independent media and political interference in public television editorial content.

97 Baykurt 2013.

98 Freedom House 2013.

99 Smilov and Toplak 2008.

100 Policy makers are defined as those involved in the drafting, amending and adopting political finance policies, either from the executive or from the legislative arm of government. The focus is therefore on the role policy makers play rather than on a particular institution.