Similar Challenges, Different Outcomes?

The Development of Political Financing Regimes in Post-Communist Space

Sergiu Lipcean

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of Political and Social Sciences
of the European University Institute

Florence, 12 April 2019

European University Institute

Department of Political and Social Sciences

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Abstract

This thesis analyses the evolution of political financing regimes (PFR) across post-communist polities from the outset of transition through the lenses of their restrictiveness. Unlike existing comparative research, that defines restrictiveness of party and campaign funding almost exclusively in terms of regulatory scope, this dissertation argues that restrictiveness emerges from the interplay between regulatory scope and intensity. While scope pertains to the gamut of financing regulations, intensity relates to their stringency. This analytical framework is then employed to assess the variation in restrictiveness along the key dimensions of PFR such as private financing, public funding, spending, transparency and enforcement. More specifically, I show that restrictiveness of regulatory provisions on each dimension does not emanate from the mere availability of various restrictions, liabilities or entitlements such as donation and spending limits, reporting and disclosure obligations, oversight and sanctioning rules or the provision of public funding. Instead, it stems from different levels of regulatory intensity, typified by how much: (i) a donor can contribute, (ii) a party or candidate can spend, (iii) public funding is provided, (iv) information is reported and disclosed, (v) autonomy and powers supervisory body holds and (vi) punishment is foreseen for financial wrongdoings.

Based on this approach, I construct an original dataset of restrictiveness for 27 post-communist regimes for each regulatory dimension containing indicators that capture the nature of regulatory regimes considerably better than aggregate composite indexes. The analysis of regulatory developments reveals that despite a global shift from laissez-faire towards quite elaborate financing rules, post-communist regimes have varied significantly regarding the pace and magnitude of regulatory reform for both party statutory and election financing. Furthermore, the convergence of PFR in terms of regulatory scope was not followed by a similar process in terms of regulatory stringency. Quite the contrary, the variation in donation limits decreased neither cross-nationally nor over time, although the incentive structure of fundraising was favourable to parties and candidates, who could rely on a narrow donor base to cover their financial needs. Likewise, the gap between countries providing the most lavish and the scarcest state support to parties and candidates substantially increased once the pool of countries that introduced public funding has expanded over time. Spending caps, on the other hand, turned out to be excessively restrictive in most cases, which have clearly undermined the fairness of electoral competition and actors' compliance by the rules. Transparency and enforcement represent the two dimensions where, regardless of the diversity of institutional configurations, post-communist regimes have resembled each other mostly. The blurry nature of reporting and disclosure provisions and the preservation of many regulatory loopholes into legal framework have allowed political parties to keep significant portions of their finances out of public scrutiny. Similarly, the control mechanism was hindered by several factors, including politicization and/or limited powers of the supervisory body accompanied by a toothless system of sanctions.

Besides, by exploring the relationship between public funding with other regulatory dimensions, I found that the level of state support is unevenly correlated with their restrictiveness. While a high level of state support is not accompanied by more restrictive contribution limits, it is associated by stricter transparency and enforcement rules. Finally, the analysis shows that a more generous public funding mechanism is negatively associated with the level of political corruption and positively correlated with the proportionality of electoral system and democratisation, though in the latter case the strength of the correlation is weaker.

Acknowledgments

The completion of this work, dealing with one of the most obscure aspects of political process, would not have been possible without the direct and indirect contribution of many people to whom I am deeply indebted. First and foremost, I would like to express my gratitude to my supervisor Prof. Stefano Bartolini for his insights and assistance during the process of writing this dissertation. His valuable suggestions, provocative thoughts and constant encouragement have guided me through the entire process, which otherwise would have been much more difficult. His analytical thinking and unconventional approach in analysing political life not only affected the shape of my thesis but also taught me to be explicit about my ideas and to support any statement or argument by logical reasoning and facts.

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This work owes a lot to the European University Institute as academic community. It is really hard to think of a better place where to engage in research activities. During my stay at the institute, I greatly benefitted from its vibrant intellectual environment as well as from its multicultural and interdisciplinary character. Beside its outstanding research facilities, the institute really takes care of creating an enjoyable atmosphere to focus on research. Unless one is not too spoiled and picky, there are few things to complain about in terms of administrative and related problems, which are quickly solved by a different kind of bureaucrats than we usually have in mind. Likewise, the patience and kindness of the library, mensa and cafeteria personnel deserve a special mention here.

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List of Acronyms

ALB	Albania
ARM	Armenia
AZE	Azerbaijan
BGR	Bulgaria
BIH	Bosnia & Herzegovina
BLR	Belarus
CZE	Czech Republic
EST	Estonia
GEO	Georgia
HRV	Croatia
HUN	Hungary
KAZ	Kazakhstan
KGZ	Kyrgyzstan

LTU	Lithuania
LVA	Latvia
MDA	Moldova
MKD	Macedonia (FYR)
MNE	Montenegro
POL	Poland
ROU	Romania
RUS	Russia
SRB	Serbia
SVK	Slovakia
SVN	Slovenia
TJK	Tajikistan
TKM	Turkmenistan
UKR	Ukraine
UZB	Uzbekistan
ACAS	Anti-Corruption Agency of Serbia
AMW	Average Monthly Wage
CoA	Court of Accounts
CoE	Council of Europe
CEC	Central Electoral Committee
CEE	Central Eastern Europe
DEC	District Electoral Committees
DPF	Direct Public Funding
GDP	Gross Domestic Product
GRECO	Group of States against Corruption
IDEA	Institute for Democracy and Electoral Assistance
IFES	International Foundation for Electoral Systems
IPF	Indirect Public Funding
IRI	International Republican Institute
KNAB	Corruption Prevention and Combating Bureau (Latvia)
MMW	Minimum Monthly Wage
NDI	National Democratic Institute
NRIIA	National Democratic Institute for International Affairs
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
PEA	Permanent Electoral Authority
PFR	Political Financing Regime
QCA	Qualitative Comparative Analysis
SAO	State Audit Office
TI	Transparency International
WB	World Bank

Introduction

The linkage between money and politics is one of the murkiest and opaque areas of the democratic process (Weber, 1978, p. 288). It is also an extremely complex and sensitive issue with ramifications far beyond their direct interplay, although the salience of money in the acquisition of prestige, status and political power has varied significantly across time and space. Under different historical circumstances and political arrangements, the ability of wealthy individuals and groups to convert their economic might into political power has been either facilitated (or hampered) by the relative balance of power between the ruling elites and the owners of productive assets. While the convertibility of money into other types of capital (cultural, social, and political) has always been contingent on a range of contextual factors (historical, structural, and institutional), it is clear that the advent of democracy fundamentally changed the rules of the game. The expansion of democratic government, premised on the notion of political equality embodied in the 'one man one vote' formula, has posed a fundamental challenge – the need to reconcile the conflict between the reality of social-economic inequalities, on the one hand, and the normative condition of political equality, on the other. Unlike other forms of government, in which this conflict has not been so contentious an issue, resolving it lies at the core of political action in modern democracies.

One way to look at the money – politics linkage across time and various political arrangements is to conceive of it as consisting across a spectrum. At one pole, there is a concentration of political power and economic resources in the same hands, while at the other they are completely separated. As one moves from the former to the latter, the overlapping area steadily shrinks until they become totally detached. Hence, moving from a condition in which they overlap entirely toward one in which they are completely detached, the need to manage the relationship between the two domains becomes more pressing. This highlights the core dilemma in accommodating the logic of the market with the logic of politics. As politics becomes more democratic it requires a much more demanding set of constraints if the public interest is to be defended, whereby the logic of market is confined and potential distortions brought about by the unequal distribution of wealth are mitigated. Wealth carries influence in myriad ways and even consolidated democracies are not protected from moneyed interests whose undue influence aims to undermine political equality and exacerbate social and economic inequalities (Bartels, 2008; Gilens, 2012; Rowbottom, 2010; Schlozman et al., 2018). Social and economic inequalities themselves may compromise equality before the law, create incentives for corruption, subvert political and legal institutions, and erode social trust (Glaeser et al., 2003; Rothstein & Uslaner, 2005; Uslaner, 2010; You, 2016; You & Khagram, 2005).

Political financing is one among many other channels through which wealth carries influence and the disproportionate economic clout of some individuals and special interests is translated into political power. Furthermore, this is an extremely powerful channel since political parties still represent one of

the main transmission belts converting citizens' preferences into public policies. Yet, this channel has for a long time been overlooked by the main stakeholders of the political process. While scholars have long noted the reluctance of political parties to open their finances 'for reasons which are readily understandable' (Weber, 1978, p. 288), the lack of attention from other stakeholders over a relatively long period is rather puzzling. Save the odd occasion when some high-profile corruption scandal bursts into view, the relationship between money and politics usually remains hidden from the public eye. However, as the high-profile political corruption scandals vividly illustrate, even the mostly advanced democracies have found it incredibly challenging to manage the complex and thorny relationship between money and politics.

The impetus to reconsider the impact of money on the integrity of the political process has come from segments of the international community, including (but not limited to) the World Bank (WB), the Organization for Economic Cooperation and Development (OECD), the Council of Europe (CoE), the Organization for Cooperation and Security in Europe (OSCE), and Transparency International (TI). Their interest and joint efforts to make political process more transparent and accountable was somewhat spurred by the collapse of the communist regimes during the late '80s and early '90s, which were accompanied by political democratization and market liberalisation. The fall of communism saw economic resources transferred en masse from the state into private hands under rules that were murky and opaque, exacerbating economic inequalities and opening up space for political corruption. Since communist states owned virtually all productive assets, economic liberalisation generated many opportunities for rent-seeking and accumulation of large fortunes at the expense of larger social interests. Against this backdrop, political corruption emerged as a central problem for post-communist states, negatively impacting on the business environment and economic development and exacerbating income inequality (Anderson et al., 2000, 2006; Gray et al., 2004; Kisunko & Knack, 2011).

Likewise, the regulation of political money is currently incorporated into broader anti-corruption efforts aimed at consolidating the integrity of the political process around the world (OECD, 2013, 2016a, 2016b; Speck, 2013). In Europe, the nefarious impact of the political money on the democratic process has not only been acknowledged at the highest political level by the Council of Europe, but was directly approached through a rigorous and comprehensive assessment of political financing regimes of its member states, followed by a set of nationally tailored recommendations to address the regulatory shortcomings, with a specific focus on enhancing the transparency and control mechanisms (Biezen, 2003a; Council of Europe, 2003, 2008; Doublet, 2012; Ohman, 2016; Peña Ardanaz, 2011). In the same vein, through its electoral monitoring reports and recommendations, the OSCE (Ofiice for Democratic Institutions and Human Rights/ODIHR) contributed to the international efforts to improve electoral legislation, including the regulation of campaign funding (OSCE/ODIHR & Venice Commission, 2011), an area particularly sensitive to manipulation by the incumbents at the expense of the opposition forces. Last but not least, several non-governmental international organizations with global outreach, most

notably TI, the International Foundation for Electoral Systems (IFES) and the International Institute for Democracy and Electoral Assistance (IDEA) have contributed significantly to our understanding of the deleterious consequences of unfettered political money on the democratic process and corruption, advocating for better control to mitigate its harmful impact on social and political development (Austin & Tjernström, 2003; Falguera et al., 2014; IFES, 2005; Mulcahy, 2012; Ohman, 2012a; Ohman & Zainulbhai, 2009; Transparency International, 2004, 2009a, 2009b).

The broadening and the deepening of party and campaign funding regulatory scope is one of the major shifts in managing political competition (and, more specifically, party competition) over the last two decades. Nevertheless, while there might have been common understanding and agreement on the need to confine the undue influence of money on democratic politics, there is less agreement over how to accomplish this goal effectively. Despite existing standards on political financing regulation (Council of Europe, 2003; OSCE/ODIHR & Venice Commission, 2011), their practical implementation in various national jurisdictions proves much more difficult. This illustrates the fact that one size fits all approach seems to be unsuited to political funding regulations. The adoption of a regulatory regime able to create optimal conditions for the meaningful participation in political life trough financial contributions, on the one hand, and to mitigate the impact of resource inequalities on political process and to curb political corruption, on the other hand, turns out to be a challenging task.

Political financing regime: definition and scope

In this research, political finance regime (PFR) is conceived as the entire body of laws and regulations pertaining to party and campaign financing, ranging from constitutional provisions to various kinds of legal acts issued by public bodies from different administrative tiers, including party and/or party financing laws, election laws, decisions of electoral bodies etc. (Biezen, 2003a, p. 14). This broad definition encompasses the 'set of rules that deals with the indispensable flow of money into political system and from it', as well as 'the legal instruments that oversee and enforce the operation of that framework' (Casas-Zamora, 2005a, p. 17). For the sake of simplicity and diversity, I will use the concept of PFR interchangeably with other similar terms such as 'legal framework', 'regulatory framework', 'regulatory regime', 'legal/legislative provisions', 'rules' and 'regulations'. Furthermore, this thesis focuses exclusively on legal framework governing the financing of political parties and candidates at national level. Therefore it leaves out legal provisions governing the financing of presidential elections or local administrative bodies.

Due to its multidimensionality, PFR represents a very complex unit for analysis and cannot be dealt with as a *whole*. Thus, I follow the conventional approach in the literature and split the analysis of PFR in several dimensions on a functional basis where each dimension matches a regulatory tool that aims to solve a specific problem and/or challenge generated by the uncontrolled inflows and outflows of political money (Casas-Zamora, 2005a; Ewing & Issacharoff, 2006a; Nassmacher, 2001a; Ohman, 2014a). This also concurs with the approach of international organisations in devising recommendations

and standards on party and campaign funding (Council of Europe, 2003; OSCE/ODIHR & Venice Commission, 2011). In general, these instruments fall within two broad categories – distributive and regulatory – where the former implies the provision of state support to political parties and candidates, while the latter establishes various restrictions and obligations concerning their financial management (Nassmacher, 2003a, pp. 9–10). More specifically however, for the purpose of this research, I split PFR in the following dimensions:

a) Income sources:
   - *Private financing*
   - *Public funding*;
b) Spending;
c) Transparency;
d) Control/Enforcement:
   - *Oversight*
   - *Sanctions.*

In the next chapters I provide a more thorough discussion of the theoretical and normative arguments supporting the regulation of political financing. Here I only briefly outline the intended purpose of each type of regulation in addressing the key problems associated with political financing, as well as to improve the quality of democratic process. As one can notice, except the provision of public funding, which is an obvious expression of a distributive policy, all other dimensions fall within the scope of regulatory policy, thus are subject to various regulatory interventions. For instance, the restrictions imposed on private financing and spending may be regarded as flip sides of the same coin since their goal is to reduce the supply and demand of political money at the input and output stages of political financing system (Ewing & Issacharoff, 2006a; Nelson, 2000; Sanderson, 2008; Scarrow, 2011). In the same fashion, transparency and control measures are devised to increase the accountability of parties and candidates, as well as to protect the integrity of political/electoral process in general (Cordes & Nassmacher, 2001; Hughes, 2001; Nassmacher, 2003b; Norris, 2017; Transparency International, 2009b).

Private financing. As far as the regulation of income from private sources is concerned, two kinds of restrictions are usually applied – on financing source and amount. The first restriction denotes a qualitative yardstick and aims to exclude some categories of donors whose contribution to party coffers is thought to be harmful for the democratic process. The second one, instead, targets the value contribution from those donors who are entitled to contribute. Overall, the purpose of these restrictions is to prevent the undue influence of vested interests over decision-making process and to reduce the risk of corrupt exchanges between parties/candidates and their financial backers.

Public funding. There are two paramount goals that the provision of public funding to political parties aims to achieve – to reduce their dependence from private sources and to contribute to the creation of a level playing field. First, by diminishing the parties' dependence on private financing, state

support aims to weaken their incentives to engage in quid pro quo exchanges. In this hypostasis, public funding plays a purifying role and contributes to the integrity of political process. Second, by providing access to budgetary resources, public funding aims to increase the fairness of political/electoral competition. In this case, it attempts to offset, at least partially, the unequal access to resources of parties and candidates with different political profiles. Since some of them, particularly those expressing more extreme views are less likely to attract sufficient private financing, state subsidies may help to cope with the burdening task of fundraising.

Spending. Unlike the restrictions on private financing, the regulation of campaign expenses is intended to achieve other goals. First, spending restrictions are devised to prevent parties and candidates with large access to financial resources to capitalize on their advantage. Second, they aim to prevent the escalation of campaign costs. Together they intend to ensure a level playing field for all electoral competitors, regardless of their belonging to the camp of incumbents or challengers. Generally speaking, there are two types of such restrictions – a limit on aggregate campaign expenditures and a limit or ban on specific spending categories. The two restrictions can be applied jointly or separately, but despite their declared goals, they still may be used as a strategic tool to undermine the fairness of electoral competition.

Transparency. Transparency represents a crucial element of a sound PFR without which is nearly impossible to observe how other regulations work and whether parties and candidates abide by the law. In the context of political financing, it aims to achieve several goals. First, transparency informs citizens about the provenience of financial resources, thus enabling them to make informed choices based on rather sensitive information, which electoral competitors might not be willing to publicise but are compelled to do so. Second, it acts as a disciplining mechanism by discouraging parties and candidates to engage in unlawful financial dealings. In this sense, transparency is thought '…to be the best of disinfectants' (Brandeis, 1913). It represents a safeguard for the integrity of political financing since the exposure of financial wrongdoings might severely damage the public reputation of parties and politicians involved in such malpractices. Finally, it helps to detect and prosecute financially related offences. The access of party financial reports by the civil society, media and oversight institutions represents a powerful tool to hold parties accountable through the crosschecking and verification of the accuracy and veracity of their reported data.

Control/Enforcement. If the key task of transparency rules is to shed light on party finances, the purpose of control mechanism is to ensure that political funding regulations are respected. The lack of enforcement renders futile other restrictions and obligations that political actors have to comply with such as donation and spending limits, the lodging of financial declarations and disclosure of donors' identity. Hence, while somewhat external to the actual regulations governing political financing, enforcement is a key piece that upholds the entire system. Without it, the probability that the entire system would be compromised increases exponentially. Therefore, for enforcement to work appropriately, at least two conditions must be met – an independent supervisory body endowed with

sufficient powers to carry out its mandate and a system of proportional and dissuasive sanctions to punish eventual transgression of financing related offences. In practice, these conditions are rarely met since political actors determine, in the first place, the mandate and powers of the supervisory body as well as the palette and severity of punishments.

While these dimensions are constitutive parts of PFR, their analysis as a whole is not possible. Furthermore, due to different goals targeted by each regulatory instrument, it is reasonable to assume that in different political contexts, one dimension may be regulated more than the others. Accordingly, I structure the empirical analysis of PFR around each dimension with a specific focus on ***restrictiveness*** of financing rules as explained in the next section.

Restrictiveness of political financing regime: definition and implications

This thesis analyses PFRs through the lenses of their restrictiveness. Whether explicitly or implicitly ascertained, restrictiveness is a built-in feature of any PFR since every piece of legislation aims to confine or free political parties and candidates regarding their financial affairs. Accordingly, I think of and define restrictiveness in these broad terms. The more a given PFR affects the freedom of political parties and candidates to raise and spend their resources, the more constraining it is deemed to be. The same logic applies to other regulatory dimensions such as transparency and enforcement. The more information parties are required to report and disclose about their finances, the more demanding transparency liabilities are. Likewise, the broader the powers of supervisory bodies to scrutinize their financial activity and the more severe the penalties related to financial breaches, the tougher the enforcement mechanism. Public funding, on the other hand, affects restrictiveness in the opposite direction. The larger the amount of state resources provided to political parties the less restrictive PFR is since it helps them to cope with fundraising.

This approach in analysing PFR is based on a specific understanding of restrictiveness, namely as an outcome of the interplay between regulatory scope and intensity. While the second chapter provides a more thorough discussion on how this interplay contributes to the overall restrictiveness score on each dimension, it suffices to point out that regulatory scope pertains to the range/gamut of legislative provisions governing party and campaign funding, while intensity emanates from either different restrictions such as contribution and spending limits, or entitlements such as different levels of state support to parties and candidates. In addition, here I only sketch out why restrictiveness matters and why it is worth investigating. If the relationship between money and politics is built upon the assumption that *'money is the mother's milk of politics'* (Jesse Unruh), then restrictiveness of PFR lies at the heart of analysis of this interplay. In this context, it acts as a filter of political money flows, which represents a crucial aspect regarding the impact of money on democratic process. Despite existing disagreements on the extent to which financial resources matter for electoral performance in democracies and beyond, there is a rather broad consensus that the unfettered and unscrutinised deployment of money in electoral competition does not advance democratic principles and ideals. Accordingly, the way in which political

money is regulated affects the permeability of the filter, that is, not only its capacity to allow more or less money pouring into political process but also what kind of money. From this perspective, restrictiveness of financing rules is relevant for several key aspects related to the fairness and integrity of political competition.

Perhaps one of the most topical issues pertains to how the regulation of political contributions and spending affects political/electoral competition and who is mostly affected by it. This means that restrictiveness of a given set of rules may have an uneven impact on different actors by either facilitating or hindering their access to resources. In this context, the prohibition of certain types of donors or setting donation cap at a certain level represent the most obvious example of how the restrictiveness of private funding rules may be altered in one or another direction. In the same vein, the level of spending may affect differently parties and candidates, contingent on their financial endowments. If spending limits are set very low, they clearly will affect much more those electoral competitors with access to large resources. Finally, the amount, access and distribution of state subsidies to political parties will clearly affect the incentive structure of financing both at party and system level. This brings us to another issue, namely the relationship between the restrictiveness of PFR and political corruption. If PFR is employed as a tool to fight political corruption, then it makes sense to inquire whether the restrictiveness of the legal framework is linked one or another way to this phenomenon. While in theory the natural assumption would be that under a more restrictive regime one is expected to find less corruption, it might not be so in practice. If financing rules are excessively restrictive political actors will strive to circumvent them, thus contributing rather to the increasing than decreasing of corruption. Last but not least, restrictiveness lies at the core of PFR as far as transparency and enforcement mechanisms are concerned. One of the key issues in this regard is why in some contexts political parties are more likely to adopt more demanding disclosure requirements, to give more powers to oversight body and to lay down more severe punishments than in others. Since all these measures are more likely to tie their hands and limit their financing opportunities, this represent a pertinent issue for the analysis of potential factors that would be conducive to the overall increase in restrictiveness. This outline illustrates that restrictiveness represents a valuable tool to study PFR as both dependent and independent variable. Furthermore, given the multidimensionality of PFR, it provides the possibility to assess separately either the effects of restrictiveness of a certain dimension on a phenomenon or process, or alternatively the impact of potential forces affecting the restrictiveness of PFR across one or several dimensions.

Objective and research question

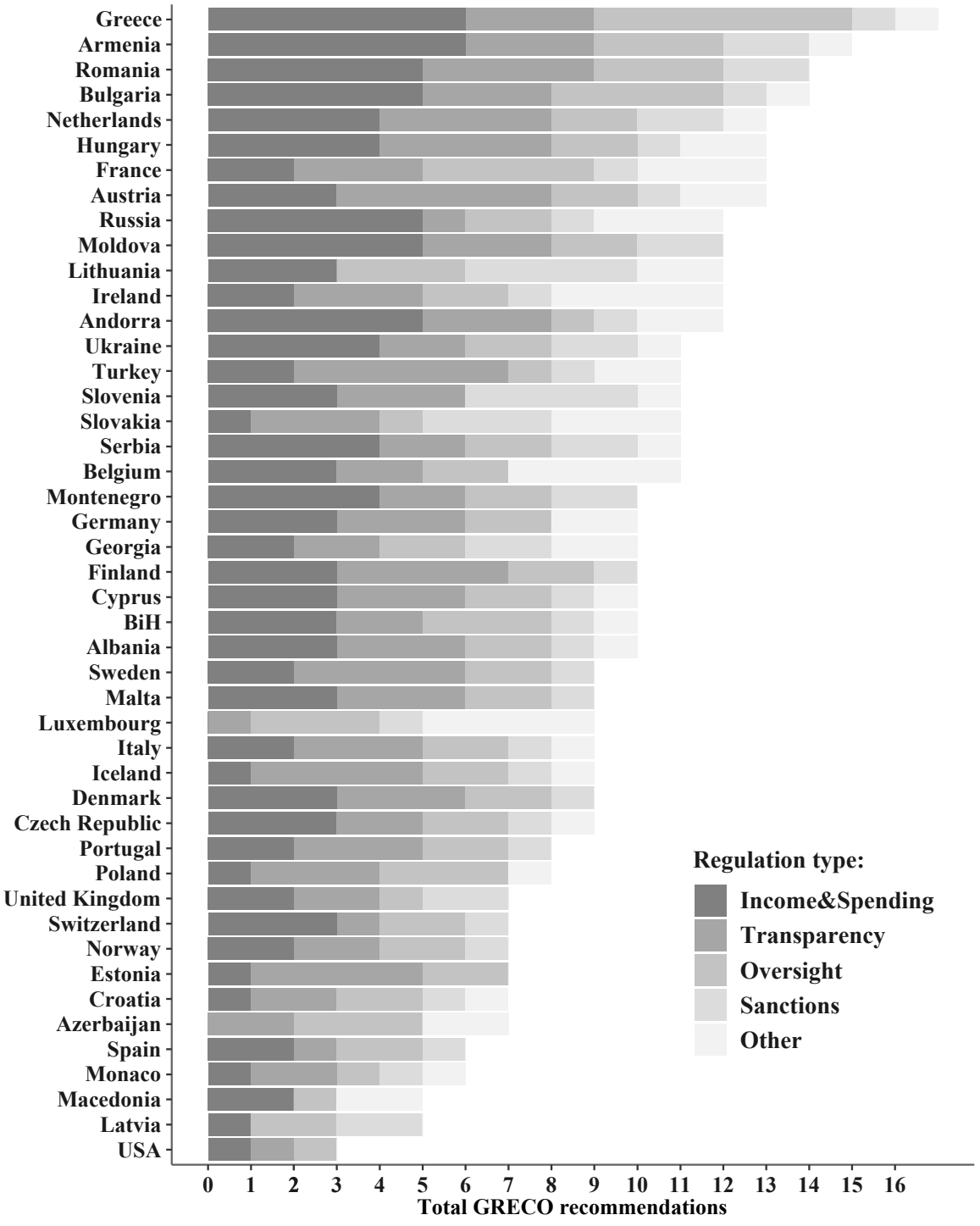
Despite its potential in studying the relationship between money and politics, the systematic comparative research on restrictiveness, either as a variable affecting certain political processes and phenomena, or as an outcome of the interplay between other forces, is still limited. One of the key challenges that comparative research on political financing faces emanates from limitations of existing cross-national data, which affects how restrictiveness is operationalized and measured. As a result, despite

an increasing attention to party and campaign funding in recent years from academics and policy practitioners, the case study approach still dominates the field of political financing research. While comparative studies based on a large N approach are gaining ground, they define restrictiveness almost exclusively in terms of regulatory scope, that is, the range of legal provisions governing party and campaign funding. Consequently, restrictiveness is analysed by using a proxy measure, usually typified by a composite regulatory index. In other cases, when research is focused on a more specific regulatory dimension such as public funding or campaign spending, restrictiveness is measured in dichotomous terms, lack vs. availability of state subsidies or spending and contribution limits. This approach, however, does not account for the variation behind the regulatory scope, which represents a significant limitation.

Accordingly, the goal of this research is to incorporate into the measurement of restrictiveness not only the regulatory scope but also the regulatory intensity. In this respect, it asks the following question: *how does the interplay between regulatory scope and intensity affect the overall restrictiveness of PFR?* While at a first glance it may seem a trivial question, this research provides strong empirical evidence that it is not the case and that delving into the analysis of restrictiveness beyond the regulatory scope, represents a worthy effort. On the one hand, it shows that apparently similar regulatory arrangements may still considerably alter the incentive structure of fundraising and spending. On the other hand, it also demonstrates that different institutional configurations may yield similar outcomes. This paradox is even more intriguing considering the global shift from laissez-faire to tighter financing regulations around the world. Yet, despite this shift that reflects the convergence of PFR in terms of regulatory scope, a more careful look on the content of financing regulations clearly illustrates the persistence of visible differences (Austin & Tjernström, 2003; Bértoa & Biezen, 2018; Biezen & Kopecký, 2017; Falguera et al., 2014; Mendilow & Phélippeau, 2018; Nassmacher, 2009; Norris & Abel van Es, 2016).

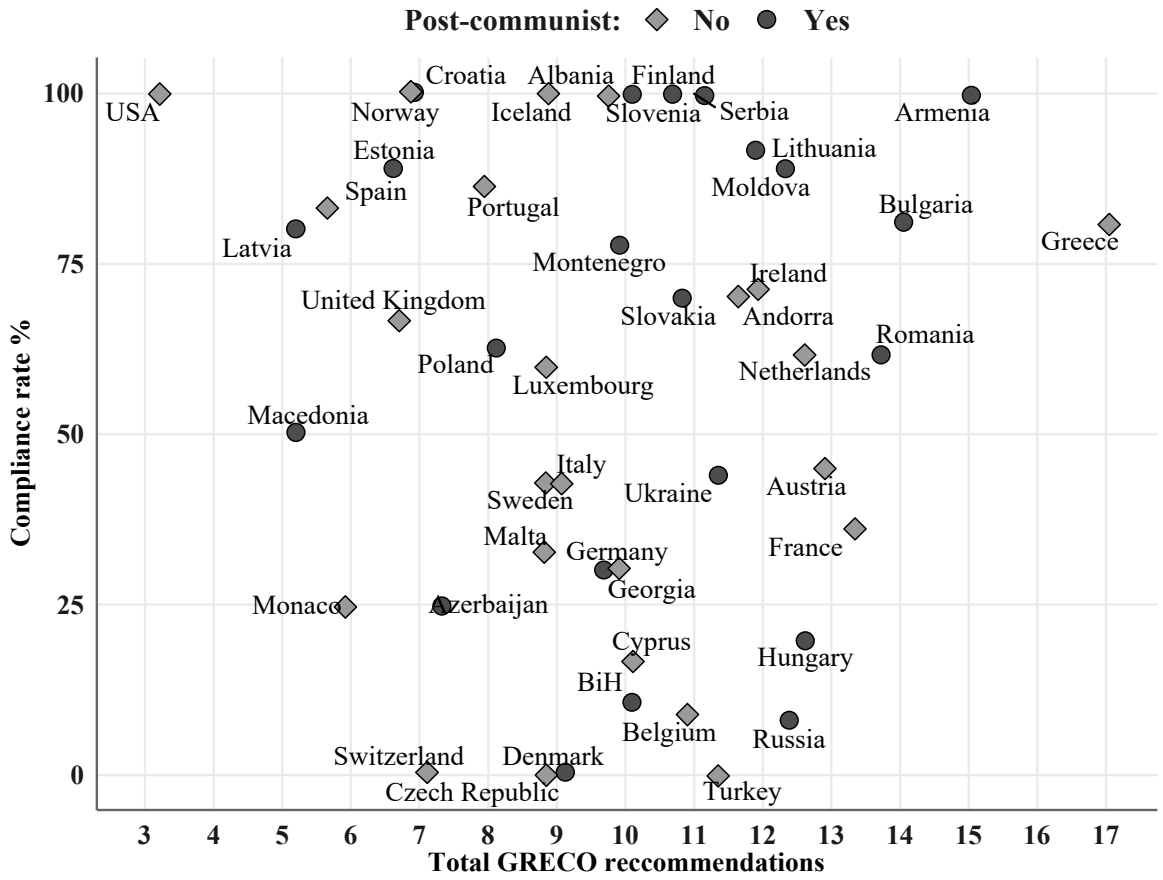
Perhaps one of the best examples that reflects this variation is represented by the GRECO's evaluation of PFRs across the CoE's member states in terms of their compliance with the CoE's standards on party and campaign funding. Interestingly, the analysis of country reports has not revealed substantive differences between the established and new democracies in terms of regulatory shortcomings identified by GRECO (Doublet, 2012). Equally relevant, there are no essential differences between established and new democracies either in terms of the number of recommendations or in the compliance rate between the two groups (Ohman, 2016). The lack of a clear pattern can be observed from figures A and B, respectively. It should be noted, however, that while the GRECO's assessment was based on the same methodology and format to ensure consistency across countries, the recommendations were not necessarily identical. While specifically tailored for each individual country based on regulatory shortcomings identified by experts, they addressed different problems of financing regime, even though could refer to the same regulatory dimension. For instance, in cases in which GRECO has found the lack of any regulations, it has recommended their introduction. In other cases, in which the legal framework was not in line with the CoE's standards, it required their amendment.

Figure A. Distribution of GRECO recommendations by country and regulation type*



Source: Author's elaboration based on data from Ohman (2016, pp. 13-14)
Note: *The regulation types are obtained by aggregating the scores form 11 categories based on which GRECO formulated its recommendations to member states (legislation/registration/campaign period, book-keeping & reporting, income, donation/spending limits, entities within/connected to parties, internal control, public monitoring, report to law enforcement, sanctions, statutes of limitation, overall & training).

Figure B. Compliance rate with GRECO recommendations among CoE member states*



Source: Author's elaboration based on data from Ohman (2016, pp. 13-14)
Note: * To avoid overlapping of cases that record similar scores on both dimensions, they are slightly jittered.

This example underlines that political financing represents a very diverse phenomenon despite a clear shift towards more regulation of political parties across European democracies (Biezen et al., 2015; Biezen & Borz, 2012). This only makes stronger the case for a more careful assessment of the interplay between regulatory scope and intensity to understand how they affect the restrictiveness of PFR.

Structure of the thesis

This dissertation is structured in eight chapters. The first chapter deals with the state of the art in the realm of political financing by touching upon two intertwined topics – the rationales to regulate the flows of political money and the relationship between political funding and political/electoral competition. It is argued that curbing political corruption and levelling playing field represent the chief reasons underpinning the regulation of political financing. While the regulation of private financing represents the primary tool to cope with political corruption, the provisions of public funding and spending regulations are designed to create equal opportunities among political actors. Then the chapter analyses the relationship between political financing and political competition in established and new

democracies with a specific focus on the cartel party thesis. It concludes with a synopsis on the employment of political financing both as an explanatory and response variable in comparative research.

The second chapter lays out the analytical framework of the dissertation. First, I ground the research project within the existing scholarship of political finance by highlighting the limitations of both case oriented research and comparative research relying exclusively on composite regulatory indexes. Next, I construct a typology of *restrictiveness* of PFR relying on two general principles – *regulatory scope* and *regulatory stringency/intensity*. While the former concerns the amount of regulations (or captures the dichotomy lack/presence of regulations), the later refers to the content of those rules when they are in place. This analytical scheme is then applied to each dimension of PFR by crossing the two key properties (regulatory provisions) that generate a four type matrix, which reflects different configurations of restrictiveness. Furthermore, since every dimension is different, the key attributes/properties used to construct the restrictiveness matrix are also different for each dimension. For private financing these properties are epitomized by contribution limits and limits on total income, for public funding – availability of direct and indirect funding, for spending – limits on aggregate spending and limits on individual spending items (e.g. broadcasting ads), for transparency – reporting and disclosure requirements, for monitoring and oversight – institutional autonomy and powers and for sanctions – their range and severity. This scheme is used to classify and analyse empirically the development of PFR over time for each dimension in chapters 3 – 7.

All empirical chapters are structured in a similar way. They start with a paragraph explaining the operationalization of restrictiveness for the respective regulatory dimension and then proceed with empirical analysis of cases belonging to each restrictiveness type. The analysis is further split based on the type of financing, that is, statutory vs. election financing. This split is justified by the fact that in many cases the rules governing the party routine financing are different from those governing election financing across all regulatory dimensions.

The third chapter deals with the analysis of private financing rules and their evolution over time. Beside grouping empirical cases based on their key features in different restrictiveness types, it also assesses within type variation using more fine-grained indicators when several empirical cases share similar properties. For this purpose, I use donation caps on physical and legal entities, that is, the amount of financial resources each entity is entitled to contribute to party/electoral competitor budget on annual/election campaign basis. Likewise, I construct an alternative indicator – the minimum number of donors required to reach the legal cap on total private income – to assess the variation in spread of donors' network, which reflects the incentive structure of fundraising as set out by the legal framework.

The chapter four is devoted to the analysis of public funding. As in the case of private financing, empirical cases are firstly clustered based on their restrictiveness, which stems here from the availability/lack of direct and indirect state support to parties and candidates. Then I use much more precise indicators to analyse the variation among those cases that foresee direct state subsidies. Given the

complexity of public funding as a regulatory dimension, I use several criteria to capture the multifaceted nature of the public funding mechanism – level of public funding, eligibility threshold and distribution formula – and how each criterion affects its restrictiveness and relates to other criteria. Additionally, for election financing I also look at the timing of disbursement of subsidies, which is a relevant aspect of electoral competition.

In chapter five, I assess the restrictiveness of campaign spending. Here the constraining nature of spending rules derives from the interaction of two kinds of restrictions: caps on aggregate campaign spending and bans or limits on separate spending categories. Besides, to differentiate between cases belonging to the same restrictiveness type, I construct a standardized indicator measuring the spending limit per registered voter controlling for the size of electoral market and the type of electoral system. Finally, since in many cases in addition to limits on total campaign spending, the financing regime envisaged additional restrictions on electoral broadcasting advertisements, I also look into the relationship between these restrictions and aggregate spending.

The sixth chapter deals with the transparency of political and campaign financing. In this case, the restrictiveness of transparency rules is conceived in terms of scope and depth of reporting and disclosure obligations. Overall, the more details parties and electoral competitors are compelled to shed light on their finances, the more restrictive a given transparency regime is thought to be. The chapter shows that different configurations that resulted from the interaction of scope and depth of reporting and disclosure requirements produced an incomplete and patchy transparency. It analyses how through the preservation of many regulatory loopholes such as the permission of anonymous donations or relatively high disclosure thresholds on donors' identity and spending, to name just a few, parties and candidates could easily circumvent existing rules by concealing large shares of their financial flows at the input (origins of financial resources) and output (spending destination) sides of the financing regime.

Chapter seven scrutinizes the control/enforcement mechanism of political financing, conceived as a joint combination of oversight and sanctions. From this vantage point, restrictiveness of enforcement hinges on the presence of both elements. Thus neither oversight, nor sanctions taken separately can ensure an effective control. The chapter shows that in most cases the discrepancy between the oversight and sanctions resulted in a deficient control. In case of supervision, either the lack of political autonomy of the oversight institution and its fragmentation or the lack of powers to scrutinize more thoroughly party/campaign financing turned out to reduce substantially the capacity of the control bodies to punish effectively financial violations. In the same fashion, either the limited gamut or the toothless nature of sanctions proved insufficient to ensure the compliance of political actors with the law.

In chapter eight, I addresses three issues. First, I pull together the findings from previous chapters and attempt to identify broader trends and patterns in the developments of PFR both over time and cross-nationally. In doing so, I focus exclusively on the macro features of PFR. While the analysis reveals a global shift in restrictiveness, that is from loose to extensive and complex regulations, the pace and

timing of this shift across different regulatory dimensions varied considerably from case to case. Second, I look at the internal dynamic of the PFR, more specifically at the impact of public funding on restrictiveness of other regulatory dimensions. Since public funding represents *the carrot*, while other PFR dimensions – *the stick* in the overall game of political financing, I assess whether a higher level of state support yields tighter rules on other regulatory dimensions. Third, I look into the relationship between the level of state funding and several structural and institutional features of the political regime such as political corruption, the level of democratic and economic development and the type of electoral system. Here the purpose is simply to see whether any pattern emerge out of this interaction. The dissertation concludes with the main findings and future avenues for research.

Chapter 1. The intricacies of the nexus between money and democratic politics

1.1. Justifying the need for regulation

1.1.1. Deterring political corruption

Preventing political corruption is perhaps one of the most frequently advanced claims to justify the need to regulate the interplay between money and politics. Regardless of the definitional intricacies and the difficulties associated with its conceptualization, operationalization and measurement (Gambetta, 2002; Heidenheimer, 1970; Heidenheimer & Johnston, 2002; Johnston, 2005; Klitgaard, 1988; Kurer, 2005; Lambsdorff, 2007; Mungiu-Pippidi, 2015; Mungiu-Pippidi & Johnston, 2017; Nye, 1967; Philp, 1997, 2002; Rose-Ackerman, 1978, 1996, 2006; Rose-Ackerman & Søreide, 2011; Rothstein & Teorell, 2008), there is little disagreement that political parties and/or elected politicians play a key role in the overall game of corruption control or the lack of thereof.

When applied to the realm of political finance, it becomes obvious that the usual approach of corruption as 'the use of public office for private gain' does not always work. First of all, it cannot be applied to all kinds of electoral competitors since challengers, by default, are outside the office and cannot misuse or abuse state resources for party or campaign purposes. Nevertheless, they may still partake in corrupt bargaining based on the future promises of abusing public office once they get elected. The second difficulty of applying the classic definition of corruption to political finance is that the money from illicit transactions may not necessarily be used for private gain. Instead, it may be used for party or campaign purposes, thus covering a wide range of activities on both the input and output sides of the political process. This can include receiving donations from unlawful and ill-famed sources, abuse of state resources for partisan goals, acceptance of money in exchange for a favour or promise and spending money on prohibited purposes such as vote buying (Casas-Zamora, 2013; Nassmacher, 2009; Pinto-Duschinsky, 2002, pp. 71–74). While some of these activities may not formally break the law, particularly when it comes to donations from less reputable or anonymous donors, they are always perceived as such by the ordinary citizen (Johnston, 2018, pp. 20–21). Furthermore, many believe that large donations, usually associated with plutocratic financing of parties and candidates, have a corrosive effect on the quality of democratic institutions, especially due to the ability of the moneyed interests to bypass regulations and to enhance their control over the policy-making process by pouring unlimited resources into political market (Etzioni, 1984; Gais, 1998; Kuhner, 2014; Nichols & McChesney, 2013; M. Smith & Powell, 2013; R. Smith, 2006).

From this perspective, political corruption is thought to affect the norms underpinning the democratic polity at a deeper level when one person deploys financial resources to gain a disproportionate influence over decisions to the exclusion of a large part of those who are directly affected by those decisions. As Warren (2004, p. 333) observes: 'For a decision, action or exchange to count as corrupt,

then, it must cause gains for those included in the decision or action and harm for at least some of those who are excluded'. This interpretation of political corruption provides a somewhat more unified conceptual framework designed to bundle together its various manifestations. These range from patronage and favouritism in the allocation of public contracts, reflecting the benefits distributed at individual level, to clientelism and favourable legislation, epitomizing the benefits distributed at the group/sector level. From the vantage point of democratic theory, it also means that those who are excluded are implicitly discriminated against based on certain arbitrary criteria, which goes against the universality and impartiality principles of distributive justice in 'the exercise of public authority' (Kurer, 2005; Rothstein & Teorell, 2008, p. 166). It follows that political corruption implies a modus operandi of the society in which particularism, as opposed to universalism, is the dominant pattern in the distribution of public goods (Lambsdorff, 2007, p. 82; Mungiu-Pippidi, 2006, p. 87). Beside other domains of social activities affected by the particularistic distribution of public goods, in the field of political finance:

> 'the predominance of particularism…also implies that political parties and candidates will get favours from private parties to aid their rise to power and will reciprocate once in control of public resources – and this will be a systemic and salient feature of the political system' (Mungiu-Pippidi, 2015, p. 16).

Yet the regulation of political financing, as a channel devised to curb political corruption, raises a fundamental challenge. It implies the overcoming of a conflict of interests faced by the regulators, in their capacity as law-makers and party representatives, which are both the drafters and the targets of the enacted legislation. This means that by tightening the rules they are, to some extent, *cutting the ground from underneath themselves* in narrowing the range of funding sources available and limiting the scope of fundraising tools and strategies. Accordingly, there will always be a temptation to leave open some regulatory loopholes that might be exploited to escape the regulatory burden. This is a critical issue given the centrality of political parties within the political system (especially in parliamentary regimes) – their involvement in corrupt exchanges raises even more concerns about the health and integrity of the democratic process.

These concerns prove warranted in light of the corruption scandals that regularly flare up across established democracies that show how mainstream political parties employ a wide array of tools to funnel money from illicit sources to party pockets (Alemann, 2002; Alexander, 1989; Ewing, 2006; Fisher, 2000; Hofnung, 1996; Jimenez & Villoria, 2012; McSweeney, 2000; Nassmacher, 2003c, 2003d, pp. 38–39; Daniela Romée Piccio, 2014, pp. 235–236; Porta & Vannucci, 1997, 1999, 2002; Véronique Pujas & Rhodes, 1999; Veronique Pujas & Rhodes, 2005; Rhodes, 1997; Saalfeld, 2000). While the magnitude and frequency of corruption scandals across Western democracies varies substantially, few of them escape the harmful influence of the black money on political activity altogether. Therefore, if in consolidated democracies the accountability checks have somewhat failed to constrain political parties from violating financing rules, it is hardly surprising that in other parts of the world, lacking comparable mechanisms

due to democratic deficit or other institutional shortcomings, political corruption has turned out to be an ubiquitous and resilient phenomenon with long lasting legacies on political competition. It is no wonder that in Africa (Friedman, 2010; Good, 2010; Ohman, 2014b; Saffu, 2003; Sole, 2010; Southall & Wood, 1998; Sylvester, 2012), Asia (Blechinger & Nassmacher, 2001; Callahan, 2000; Ejima, 2006; Ferdinand, 1998, 2003; Gomez, 2010; Jain, 2001; Mostafa & Bhuiyan, 2012; Reyes, 2012; Shiratori, 1994; Sridharan & Vaishnav, 2016), and Latin America (Bautista Urbaneja & Alvarez, 2005; Casas-Zamora, 2005b; Cepeda Ulloa, 2005; Garreton, 2005; Greene, 2010; Krause, 2010; Londoño & Zovatto, 2014, p. 138; Zovatto, 2003, pp. 94–100) corruption has been woven directly into the fabric of the political system, in part due to the financing practices of political parties and candidates.

Post-communist Europe is an even more interesting case. The aftermath of the breakdown of communism saw regime transition across the full range of economic, social and political institutions (Kuzio, 2001; Offe, 1994). The resulting economic liberalisation entailed the elimination of absolute state control of the economy via the transfer of a large share of state assets into private hands. Yet, the privatisation process was not accompanied by a commensurate development of state regulatory institutions, which generated plenty of opportunities for rent-seeking and corrupt exchanges. In these circumstances, political parties become important players in the liberalisation process. Since party-building has gone hand in hand with state building, political parties started to exploit the state through different channels by securing resources for their organizational survival (Grzymala-Busse, 2003, 2007; Kopecký & Spirova, 2011; Meyer-Sahling, 2006; O'Dwyer, 2006; Roper, 2006; Szczerbiak, 2006). It is worth noting however that the intensity of such exploitation has varied significantly across post-communist regimes. In some settings, especially where political parties and party systems were rather underdeveloped, they fell prey to more powerful oligarchic interests (Guriev & Rachinsky, 2005; Havrylyshyn, 2006; Hellman et al., 2003; Matuszak, 2012; Slinko et al., 2005).

Hence, the risk of political corruption linked to party and campaign financing serves as a legitimate justification to enact a more comprehensive legislation since a laissez-faire regime is believed to create and perpetuate an incentive structure that is less likely to discourage parties and candidates to engage in murky deals, often balancing on the brink of legality. Since liberal financing regimes of this sort are associated with a relatively costless exit option in case of financial wrongdoing (reputational cost can nevertheless remain high), it might also contribute to a lower responsiveness and accountability among political actors. In this respect, another challenge of political financing rules springs from the fact that elected representatives must enact both a regulatory framework constraining their own fundraising behaviour and an enforcing mechanism 'to supervise and investigate the very people who have created the scheme' (Ewing & Issacharoff, 2006a, p. 8). To curtail corruption, in other words, elected politicians must establish a control mechanism by empowering a given body to exercise oversight and to apply sanctions in the case of non-compliance. At the risk of conceptual stretching (Collier & Mahon, 1993; Sartori, 1970), one could argue that the establishment of a control mechanism able to effectively punish

political actors for their financial wrongdoings is a problem of credible commitment (Miller, 2011; North, 1993; Shepsle, 1991). If political parties are not willing to establish such a mechanism and, therefore, to self-commit to abide by the rules, any restrictions regarding political donations or expenditures are less likely to bring to bear any significant curbing effect on political corruption.

1.1.2. Levelling the playing field: economic inequalities vs. political equality

Besides preventing political corruption, another reason usually invoked to regulate political finances concerns political equality. Restrictions imposed on political financing – such as caps on donations and spending or the provision of public campaign funding – is seen by many as necessary to safeguard political equality in a democratic context. This view is underpinned by idea that democracies require tools to accommodate the tension between political equality – as expressed in the well-known formula *'one person, one vote'* – and socio-economic inequalities. According to this line of reasoning, the inequality of economic resources eventually translates into political inequalities. The latter arise as result of the disproportionate political influence exerted by the wealthy interests over political process and decision-making through generous campaign contributions. Since the rich are better resourced, they possess a built-in structural advantage relative to other social groups in converting their economic power into political influence. In other words, they are much better placed to overcome the problem of collective action (Olson, 1965). The incentive structure for the wealthy to become involved in solving collective action problems differs from that faced by the poor. Looking at party finances as a collective action problem reveals why the political parties that represent wealthy donors find it much easier to raise the necessary resources for their activity than those representing less affluent social groups that are much more vulnerable and exposed to financial hardship (Hopkin, 2004).

Furthermore, given the fact that liberal democracies operate within a market system, business possesses a privileged position resulting from its control of large resources outside governmental authority. Beside the fact that this specific endowment can be used as a bargaining chip in negotiations over policy decisions, the government itself is aware about the potential negative consequences of business decisions on its performance. Therefore, it will act to minimize the adverse impact of business actions by adopting favourable regulations even without explicit demands from corporate interests. (Lindblom, 1977, pp. 170–188). It follows that the structural advantage of business power is reinforced by its capacity to wield an even greater influence trough the channelling of political contributions to parties and candidates to uphold and promote certain ideas or interests. This may become an issue for the pluralist democracies since 'the scale of corporate spending dwarfs political spending of all other groups' (Lindblom, 1977, p. 195).

While there are different types of resources distributed inequitably among citizens, the unequal distribution of wealth is deemed to weigh heavier than other endowments in affecting the outcomes of political process. In the realm of political finance, the rich possess an undisputable advantage due to the easy convertibility of wealth into other types of resources (Foley, 1994; Overton, 2000). Any shortage of

expertise, skills, organization and labour identified by the wealthy can be offset through sources purchased in the market. This advantage has been consolidated over time by the shift from the labour-intensive to capital-intensive style of campaigning (D. Butler & Ranney, 1992; Kaid & Holtz-Bacha, 2006; Kreiss, 2016; Norris, 2004; Plasser & Plasser, 2002; Wlezien, 2010). If human resources might once have compensated for a political campaigns financial disadvantages, it is no longer a viable solution to compete with the wealthiest opponents. Accordingly, the edge conferred by the control of substantial financial resources has even further entrenched the position of the corporate interests in relation to their ability to contribute to the war chests of parties and candidates.

The impact of wealth inequalities on political equality would violate what Robert Dahl has labelled as the key feature of a democracy, that is, 'the continuing responsiveness of the government to the preferences of its citizens, considered as political equals' (Dahl, 1971, p. 1). While the idea of political equality, as the embodiment of the intrinsic equality, is one of the foundational principles of a democratic government (Dahl, 1989, pp. 83–88, 1998, pp. 62–68), its achievement is likely to be precluded by the unequal distribution of political and economic resources, knowledge, skills, incentives and time, which will affect the propensity of individuals to participate and engage in political activity (Dahl, 2006, pp. 50–76). The fact that a meaningful and equal participation in the political process might be hindered by high disparities in socio-economic status is well reflected in political thought, many agreeing that procedural equality is not sufficient to balance influence over policy decisions and outcomes.

Legislative intervention, including the regulation of party funding, must foster conditions that encourage the achievement of substantive equality (Beitz, 1989, pp. 192–194; Cohen, 2001, pp. 49–55; Rowbottom, 2010, pp. 7–13). John Rawls, for instance, argued that political liberties and participation will 'lose much of their value whenever those who have greater private means are permitted to use their advantages to control the course of public debate' (Rawls, 1999, p. 198).[1] To mitigate these disparities and to create a level playing field, compensatory measures are needed, including provision of taxpayer support for free public debates and to provide public subventions to political parties to free them from excessive dependence on narrow economic interests. When political parties are funded exclusively by private contributions, the discussion of public affairs is dominated by the voices of the wealthy interests that use their economic might to further accumulate political power and preserve their ruling position (Rawls, 1999, p. 199).

Beside the provision of public support for political parties, other restrictions such as donation limits are required to preserve the fair value of political liberties. The key requirement to ensure their preservation is that any kind of institutional arrangements should not impose an undue burden on different social groups. From this perspective, the prohibition of large donations from individuals and

[1] Rawls continued: 'If society does not bear the costs of organization, and party funds need to be solicited from the more advantaged social and economic interests, the pleadings of these groups are bound to receive excessive attention' (Rawls, 1999, p. 198).

corporate interests does not represent an undue burden. It is a rather necessary condition since 'citizens similarly gifted and motivated have roughly an equal chance of influencing the government's policy and of attaining positions of authority irrespective of their economic and social class' (Rawls, 1993, pp. 357–358).[2] At the same time, these restrictions are not considered to restrain political speech, as the embodiment of freedom of expression and thought, as long as the regulation of speech does not affect its content and therefore does not contradict the aim of protecting the fair value of political liberties (Rawls, 1993, p. 358).[3]

The excessive protection of free speech at the expense of political equality – defined as equal 'opportunity for effective political influence' (Cohen, 2001, p. 52) – became the central focus of theoretical and legal debates in the United States in the aftermath of the U.S. Supreme Court ruling in *Buckley vs. Valeo* (1976). This ruling was interpreted by many observers as sacrificing political equality in favour of free speech, as reflection of political liberty and individualistic values. Yet, liberty here was understood in very particular terms – namely, as protecting the right of wealthy interests to deploy large resources to tip the balance in the electoral game in their favour and gain a disproportionate influence over the legislative process (Attanasio, 2018; Hall & Wayman, 1990; Lessig, 2011; Overton, 2004; Powell, 2014). For some, the Supreme Court applied a very narrow – and rather libertarian – definition of free speech, one that emphasizes individualistic values at the expense of a broader and democratic interpretation. A more expansive definition would highlight the social value of free speech aimed at ensuring an open and fully informed debate, thus enabling ordinary citizens to weigh the power of arguments voiced by all sides (Fiss, 1996a, pp. 2–3, 22). Political spending – in this view – must be curbed, not only to equalize the opportunities of less affluent groups but also to make sure that their 'voices are not drowned out' (Fiss, 1996b, pp. 6, 19). In the same vein, Ronald Dworkin criticized the Court ruling because it failed to apply a symmetrical judgment to the regulation of contributions and expenses. The Court's attempt to achieve a compromise by limiting contributions while leaving expenditures uncapped turned out to be an unfortunate decision, since on the input size, the money found different ways to circumvent the contribution limits (Dworkin, 1996, 2002, pp. 351–385). The need to regulate campaign speech, some have argued, arises from the fact that it is a special type of speech, which is an indispensable

[2] And he further observed: 'On the other hand, regulations that restrict the use of certain public places for political speech might impose an undue burden on relatively poor groups accustomed to this way of conveying their views since they lack the funds for other kinds of political expression' (Rawls, 1993, p. 358).

[3] It should be noted that Rawls developed and augmented his ideas regarding the regulation of campaign finance in the United States since firstly expressed in his *Theory of Justice* (1971). In *Political Liberalism* (1993) his ideas on campaign financing—still formulated within the *justice as fairness* framework—were heavily influenced by the U.S. Supreme Court ruling in *Buckley vs. Valeo* (1976). The Supreme Court struck down the provisions regarding limits on campaign spending laid out in the Federal Election Campaign Act (1971) on the basis that such restrictions violate the First Amendment right to freedom of speech. In Rawls's view: 'The Court fails to recognize the essential point that the fair value of the political liberties is required for a just political procedure, and that to insure their fair value it is necessary to prevent those with greater property and wealth, and the greater skills of organization which accompany them, from controlling the electoral process to their advantage. Therefore it 'runs the risk of endorsing the view that fair representation is representation according to the amount of influence effectively exerted' (Rawls, 1993, pp. 360–361).

part of the 'institutionally bound electoral process'. Therefore, unlike other kinds of unregulated political speech, regulating it is justified on grounds related to the promotion of electoral fairness (Baker, 1998).

Irrespective of the line of argumentation, most commentators assert that inequality of resources – once it is translated into inequality of political influence – is more likely to result in biased decision-making in favour of the most affluent groups. In addition, these disparities are believed to affect the equality of opportunity to compete for political office since many qualified candidates who lack financial resources will not even consider running, acknowledging their limited ability to amass the necessary resources to mount an effective campaign. Regarding the first aspect, existing empirical research–which investigates the linkage between the impact of economic inequality on decision-making with political participation–compellingly illustrates that the most affluent groups indeed use their economic resources to gain political influence and that they are successful in doing so. This influence is reflected in legislators' disproportionate responsiveness to their policy preferences relative to the preferences of the low income groups, although political contributions represent just one among several channels through which these preferences are transmitted (Bartels, 2008; Gilens, 2005, 2012; McCarty et al., 2006; Schlozman et al., 2018; Verba et al., 1995). Yet, precisely because political contributions and expenses epitomize, perhaps, the most visible conduits for the deployment of money to affect the outcomes of political and electoral processes, it is considered a major distortion of the popular will, thus violating the representativeness principle. From this perspective, the adoption of restrictions on the use of political money – such as donation and spending limits – aim to mitigate against the impact of economic inequalities in political realm.

The second assertion–that resource inequalities may affect the fairness of electoral competition by preventing less affluent competitors from running for office – is based on an implicit assumption that money matters for electoral success. While the role of money in explaining electoral performance is heavily debated by scholars, political parties and candidates are far more optimistic about its impact on their electoral odds. Yet from the political equality perspective, the inequality of resources may affect not only the ability to compete on an equal footing but also the propensity to engage in political and electoral competition to begin with. Conditional on the institutional design for elections – be it party- or candidate-oriented – running for office can be incredibly expensive. For individual candidates, especially challengers, this is primarily related to their need to build up a recognizable name and reputation to overcome the opponent's incumbency advantage (Ansolabehere & Snyder, 2002; Hood & McKee, 2010; Kam & Zechmeister, 2013). For political parties, these costs might be even higher, since – beside the task of creating a distinct party label – they must also develop an organizational infrastructure. This may hobble those newcomers whose political views are more extreme, hampering their capacity to attract private donations from a larger segment of the electorate. Consequently, one can expect the emergence of a structural bias toward incumbents, who are the main recipients of private contributions. This may narrow, or even stifle, political competition, since the emergence of new parties and their participation

in elections is likely to affect their electoral odds. Furthermore, resource inequality might also affect the newcomers' capacity to establish stronger linkages with their constituency in the long run.

Against this backdrop, the provision of direct state subsidies to parties and candidates is another regulatory tool aimed at levelling the playing field. Unlike the contribution and spending limits that typify a levelling-down approach – i.e. preventing the most resourceful competitors from capitalizing on their financial advantage – the provision of state subsidies constitutes a levelling-up method, by providing budgetary support to less well-resourced contestants (Alexander, 1980; Fleishmen & McCorkle, 1984; Hasen, 2016). Yet, the impact of direct public funding (DPF) on political and electoral competition is not so clear. In the American context, for instance, the provision of public funding for campaigning has generated mixed results regarding its impact on political participation, electoral competitiveness, and the responsiveness of elected representatives to less affluent groups. While some scholars have found that the provision of DPF increases political participation, enhances the competitiveness of elections, and makes the elected officials more responsive to large social interests (Flavin, 2015; Levin, 2006; Malhotra, 2008; Mayer et al., 2006; Werner & Mayer, 2007), others have claimed that DPF has a rather limited impact on campaign competitiveness and on how citizens perceive the relationship between money and politics (Milyo et al., 2011; Primo et al., 2006; Primo & Milyo, 2006; Samples, 2005, 2006). Likewise, in party-oriented electoral systems the introduction of DPF to political parties is still mostly associated with the cartelization of political competition – rather than with equalizing the playing field (Katz & Mair, 1995, 1996, 2009) – although, a political cartel may emerge even without the provision of public funding (J. Bennett, 2010).

1.2. Party financing and party development in established democracies

The bulk of the literature on party and campaign funding has for a long time been dominated by a *country study* approach. This should come as no surprise due to the peculiarity of the topic and the difficulty of collecting and organizing reliable and comparable data on parties' financial activities. As a consequence of these objective constraints, the common format of comparative research in the area of party funding has generally taken the format of edited volumes in which several contributors provide an in-depth analysis of a single (country) case, addressing one or several pressing issues (Alexander, 1989; Alexander & Nassmacher, 2001; Alexander & Shiratori, 1994; Ewing, 1999; Ewing & Issacharoff, 2006b; Gunlicks, 1993; Heidenheimer, 1970; Williams, 2000).

Although there were attempts to overcome this shortcoming almost from the beginning of systematic research on political finance by constructing a standardized proxy to estimate the comparative costs of contemporary democracies, few scholars embarked on this path (Heidenheimer, 1963). Some collective efforts went beyond national settings, extending the scope of analysis to several countries, clustering them based on geographical criteria (Austin & Tjernström, 2003; Falguera et al., 2014). Other scholars combined large-N, cross-sectional analysis with small-N, longitudinal analysis (Casas-Zamora, 2005a). Only quite recently, (Nassmacher, 2009) offered a cross-national comparative analysis of party

funding in 25 democracies, thoroughly scrutinizing many dimensions of actual spending patterns, the structure of party revenue by sources and the relevance of public subsidies. Additionally, he tested several hypotheses about the impact of public subsidies on political competition and party organization. This by no means implies that there have not been attempts to go beyond the national framework, but the amount of research in this direction is scarce relative to the country study approach.

One of the distinctive features – and an implicit shortcoming – of party and campaign finance research is its long-standing isolation from the larger body of comparative research on party politics. The incorporation of party funding as one of the explanatory variables of party-system change and party organization triggered a burst of research in the field of party and campaign funding. The *cartel party* thesis served as an impetus in reviving the debate on party competition in Western Europe, emphasizing the changing roles of political parties in established democracies (Katz & Mair, 1995, 1996). Despite its apparent simplicity, the cartel party argument is robust and complex, implying analysis of both potential causes and consequences of cartelization.

Among several aspects of party activity and organization touched upon by the cartel thesis the provision of direct state funding for political parties was assumed to play a key role in the overall dynamics of both intra-party organization and inter-party competition. From this perspective, state subsidies were regarded as a hallmark of a newly emerging type of political party. Hence, the cartel party appeared to be an outcome of 'the interpenetration of party and state' having been fuelled by the 'inter-party collusion' (Katz & Mair, 1995, p. 17). For the purpose of this research, however, the central point advanced and highlighted by the cartel party thesis is the linkage between the dominant pattern of party organization and the party financing regime. This basically means that a certain type of party organization is closely associated with a predominant mode of financing. Therefore, while the cadre/elite party relies on large contributions and the mass party falls back on membership fees and subscriptions, the cartel party turns to the state subsidies as the primary source of income.

Reliance on the state as the main source of revenue was regarded as a collusion strategy employed to secure financial resources for party organizational survival. Hence, political parties retreated from society and encroached on the state. Consequently, much of the debate concerning party development and its linkage to state financing was somewhat trapped in the logic of the cartel party argument. Two kinds of criticism have been advanced against cartelization. The first is based on theoretical grounds and has questioned the underpinning assumptions and accuracy of predictions regarding dynamics of party development, organization, representativeness, responsiveness and the predominant pattern of linkages with the state, on the one hand, and various constituencies, on the other (Kitschelt, 2000; Koole, 1996). While Koole doubts several aspects of party cartelization in their original formulation, including the capacity of political parties to control the state given the diffusion and multiplication of sites of power both within and outside the state, he does not question the introduction of state subsidies as a major change in party development (Koole, 1996, pp. 514–515). In contrast, he acknowledges that state

subventions may help established parties to consolidate their positions against outsiders but qualifies this by saying the phenomenon does not inevitably 'lead to the petrification of the party system' (Koole, 1996, pp. 517–518). In a similar vein, but from a different vantage point, Herbert Kitschelt provides an incisive critique of the cartel party argument by thoroughly scrutinizing the presumed implications of cartelization. Nevertheless, he also does not dispute the increased reliance of parties on direct state funding but rather downplays the relevance and magnitude of subsidies relative to resources amassed and brought to bear by mass parties through patronage and clientelistic strategies (Kitschelt, 2000, pp. 163–164, 171). The target of his criticism is epitomized by the causal mechanism underlying party – constituency linkages that gave rise to and nourished citizen discontent with party politics, a mechanism which is different than that presented in the cartel party thesis. For Kitschelt, citizen dissatisfaction does not spring out of parties' withdrawal and insulation from the rank and file members and electorate due to their turning to the state as the main resource provider. Quite the contrary, citizen disaffection is fuelled by the increasing cost and inefficiency of patronage driven arrangements under a rapidly changing economic environment, much more sensitive to competitive pressures. A more educated and better-informed electorate is less willing to accept immediate and short-term material inducements supplied via traditional clientelistic channels and party networks. Hence, the change in public attitudes toward patronage and clientelistic mechanisms as legitimate tools to link parties with voters has diminished their significance, thus depriving parties of important bargaining leverage (Kitschelt, 2000, pp. 163–175).

On the one hand, this criticism appears to be well founded, offering an alternative exposition concerning the forces affecting the nature and dynamics of party – citizen linkages in advanced democracies. On the other, the declining opportunities for parties to make use of conventional strategies (implying the provision of selective benefits in exchange for support), coupled with less readiness among citizens to engage politically, may be regarded as evidence that parties are facing resource shortages. Consequently, the shrinking of the traditional income base has induced them to look elsewhere for the funds needed to keep up with ever fiercer political competition. If this explanation holds, then it seems that rather informal strategies of resource extraction from the state were replaced with formal ones via direct and indirect provision of public subventions.

Besides the conceptual critiques of the cartel party model – targeted especially at some of its inconsistencies and weaknesses (Kitschelt, 2000; Koole, 1996; Von Beyme, 1996) – the most vivid discussions have revolved around the potential consequences triggered by cartelization. Several assumptions – such as the petrification of party systems and closure of party competition springing from the cartel agreements, the detachment of parties from their constituencies, and the declining membership and centralization of party organization as result of public funding provision – have been subject to empirical testing. Overall, little evidence has been provided to back up the direction of the causal relationship between the availability of public funding and other variables. State subsidies – theorized to raise barriers to entry for newcomers, reducing their odds of success in the electoral arena – turned out

to have no systematic effects on party competition. In the same vein, there is no conclusive evidence that subsidies negatively affect changes in membership rates or create favourable conditions for a stratarchical structure of party organization (Alexander, 1989; Biezen & Kopecký, 2017; Biezen & Nassmacher, 2001; Casas-Zamora, 2005a; Nassmacher, 1989, 2001b; Pierre et al., 2000; Scarrow, 2006a).

Despite plenty of negative anecdotal evidence appearing to undercut some of the theoretical predictions of cartelization, the overall picture has remained quite mixed. This partially stems from the fact that most studies have focused on the output side – that is, on the impact of cartelization on political parties and competition. Less attention has been paid, from a comparative perspective, to the input side – that is, the conditions that facilitate or hinder party collusion in the process of cartel making. Here the crucial question is whether these preconditions are the same for all cases under examination and whether they yield similar outcomes. More case-oriented research has shown that inter-party agreements are indispensable to access public funds but while this is a necessary condition it is not always a sufficient one (Koss, 2010). In some instances, collusion turned out to be hindered by the competitive logic of the political system backed up by the long-standing political tradition of party rivalry. In other cases, even though inter-party cooperation on public funding was achieved, it was cancelled out by other institutional arrangements that lay outside of direct party control, such as corporatism and direct democracy (Detterbeck, 2005, pp. 177–178). Furthermore, the efforts of cartel parties to collude in preventing the access of newly emerging competitors through more restrictive rules has been compromised by court decisions (Young, 1998). This evidence suggests that, although political parties (as self-interested actors) are capable of reaching a mutually beneficial agreement, there are other factors obstructing their endeavours.

Yet, for analytical accuracy one must detach investigation of the potential forces driving cartelization from exploration of its outcomes, even if they may be connected. Since the reliance on public funding, as the dominant source of income, is regarded one of the hallmarks of cartelization, it implies that colluding parties will deploy their incumbency status to attempt to shape the regulations governing the allocation of public funds to yield the highest returns. Furthermore, if the cartel is designed to protect the established parties from potential challengers, one should expect the regulatory framework at the entry side to be altered in a way that would make it more difficult for the newcomers to break into the political arena. Several indicators are relevant for the assessment of the stringency of entry barriers, including ballot access, the electoral threshold, the eligibility threshold, the allocation formula for state subventions, and media access as a form of indirect state funding. However, empirical tests scrutinizing the relationship between the stringency of entry rules and access to public funding has failed to produce clear-cut empirical evidence. While change in advanced democracies concerning ballot access, access to the media and state subventions has been toward more permissive rules, the growing supply of state funds has continued to favour established parties and hampered the odds of success for newcomers (Bowler et al., 2003, pp. 92–93). Likewise, the comparative assessment of electoral laws regarding deposit

requirements, the availability of campaign subsidies, spending limits, media access rules, eligibility thresholds and allocation formulas as indicators of restrictiveness has revealed that Western European democracies vary significantly in terms of restrictiveness both cross-nationally and within the same polity across different dimensions of financing regulations (Loomes, 2012). Therefore, we see variation in the degree of collusive behaviour among the established political parties. In the same vein, Susan Scarrow has found no systematic association between electoral volatility and the number of contestants, on the one hand, and the provision of direct state subsidies or changes in the eligibility threshold for public funds, on the other (Scarrow, 2006a, p. 635). Still, some scholars have discovered a positive relationship between the availability of public funding and free broadcasting and the emergence and success of new challenger parties (Casas-Zamora, 2005a; Hino, 2012).

Against this background, the fundamental challenge is how to interpret these mixed findings in the light of the dominant paradigm of party-system change. If one takes the cartel party thesis in its mildest version – as depicting a general trend in party development – its core arguments remain fairly robust. The increased reliance on state subsidies has not only consolidated – at least in the new democracies – but has emerged as the dominant trend in party development. The provision of DPF has turned out to be a natural feature of PFRs across the world, becoming a dominant trend in the regulation of political financing (Alexander & Nassmacher, 2001; Biezen, 2003b; Biezen & Nassmacher, 2001; Casas-Zamora, 2008; Falguera et al., 2014; Katz & Mair, 2009; Nassmacher, 2009; Pinto-Duschinsky, 2002).

The weakness of the cartel party thesis surfaces only if one employs its hard version by linking the causes and the consequences of cartelization and its impact on party development. Indeed, it appears that all threads of criticism have sprung from this interpretation. It is also arguably the main reason that the empirical evidence is so mixed. The chief problem in failing to discover consistent evidence of the linkage between cartelization and the closure of political competition – the petrification of the party system and the establishment of stricter barriers against newcomers – lies in an overly simplistic view of political/electoral competition, which is often treated as a unidimensional space. In fact, in democracies competition is only one type of interaction between political actors and can be regarded as the flip side of cooperation/collusion. Moreover, it is backed up by non-competitive conditions, which lay the framework within which competition can take place. Competition, it must be recalled, depends on several factors, including electoral contestability, availability, and decidability over policy or electoral offer, as well as the incumbents' vulnerability. It is precisely the interplay between these factors that affects the decision of political actors to compete or collude in striving for desired outcomes (Bartolini, 1999, 2000). Therefore, the availability or absence of public funding should be addressed by looking at the profound changes across and/or within these dimensions, which might have affected the patterns of party competition in consolidated democracies. Therefore, the main question boils down to ascertaining what

factors have influenced parties' traditional income sources, forcing them to turn to the public purse for funds.

The decline in party identification, mobilization and membership associated with partisan de-alignment, the political disengagement of citizens, and the softening of ideological struggles is one set of factors deemed responsible for the increasing cost of campaigning and a heavier reliance on state subsidies. The second element, which contributed to these developments, is the professionalization of politics and electioneering, closely linked to the profound changes in media systems since the Second World War (Biezen et al., 2012; Cain et al., 2003; Dalton & Wattenberg, 2000; Katz, 2001; Katz et al., 1992; Mair & Biezen, 2001; Panebianco, 1988; Von Beyme, 1996; Whiteley, 2011). The debates over the relevance of public funding for party organization, party-system change, linkage between parties and citizens, and political participation was revived and became even more salient after 1989, when post-communist countries were brought into the analysis. This gamut of structural and institutional factors is commonly regarded as conducive to the profound shifts and rifts in the nature of party funding regulations in advanced democracies and might have affected their dominant modus operandi.

1.3. Party financing and party development in post-communist countries

The nexus between party finances and party-system development in post-communist countries has posed new challenges in assessing the relevance and impact of money on political and electoral competition, particularly in the framework of the cartel party thesis. Despite the fact that it is grounded in the experience of party-system development in established democracies (Blyth & Katz, 2005; Bowler et al., 2003; Detterbeck, 2005; Katz & Mair, 2009; Loomes, 2012; Pierre et al., 2000), the cartel party thesis has been applied extensively in post-communist settings. There are several issues that arise from such a move regarding the impact of state funding on party-system stability, institutionalization and development. These are mostly related to the specific details of the transition from communism, which generated vivid debates and disagreements about the extent to which the transitioning regimes were similar or different to other polities that had experienced democratic transformations in the past (or were undergoing similar processes) (Bunce, 1995, 2001; Karl & Schmitter, 1995; King, 2000; Linz & Stepan, 1996; Nodia, 1996; Schmitter & Karl, 1994). Nevertheless, the scope and depth of the post-communist transformations were regarded as much more encompassing than prior eras of democratic transition, implying a sweeping away of the old political, economic and social structure through simultaneous processes of liberalisation and marketization, state building, and democratization (Kuzio, 2001; Offe, 1994; Terry, 1993).

The magnitude of this change must therefore have affected party and party-system development in many ways, including the regulatory regime of party and campaign funding. While political parties were engaged in liberalisation, democratization and state building, they were in turn constrained in building up organizational structures and establishing links with newly emerging constituencies. Indeed, party development in post-communist countries was shown to display a different pattern in terms of

incorporation, mobilization, activation, and politicization of the electorate, which was more open and available (Mair, 1997, pp. 175–198). Given the scarcity of resources at the outset of transition, parties were expected to develop as organizations with a much narrower membership base, weaker connections with constituencies and stronger dominance of party leaders (Bielasiak, 1997; Kopecky, 1995). By the same token, parties were less likely to record the same performance as established democracies in terms of 'electoral structuration, symbolic identification, party governance, and interest aggregation' (Schmitter, 2001, p. 86). Nor would they pass through the same stages of party development as their counterparts in consolidated democracies (Bartolini & Mair, 2001).

Still, while many post-communist polities faced similar challenges regarding party-building at the outset of transition, historical legacies of the old regime affected their divergent paths. As a consequence, the interplay between the pre-communist and communist legacies (Kitschelt, 2001), coupled with the mode of transition (Karl & Schmitter, 1991; Munck & Leff, 1997), influenced the choice of institutional design. This, in turn, impinged on the character and dynamic of party competition and the nature of the dominant linkages between parties and constituencies (Kitschelt, 2001). Finally, democratic consolidation turned out to be feasible without party institutionalization and with high rates of electoral volatility (Biezen, 2003b; Enyedi & Tóka, 2007; Jasiewicz, 2007; Kopecký, 2007; Lewis, 2000; Meleshevich, 2007; Tóka, 1997; Webb & White, 2007; A. Wilson & Brich, 2007).

This short digression into the peculiarities of party and party-system development in post-communist polities highlight two points. First, the higher volatility rates, at least at the outset of transition, makes the application of the cartelization thesis more problematic since the emergence of stable patterns of interaction between political actors was less likely to occur and, therefore, might have negatively affected the propensity toward collusion. Hence, if one must employ the cartel thesis as an analytical framework to explain party and party-system development across post-communist polities, it has to be amended to consider the timing of cartelization. If provision of public funding to parties is a sign of cartelization, it matters when it was introduced. It is clear that if state funding was provided at the inception of transition, the underlying impetus will differ from cases where state subsidies were provided ten or twenty years afterwards. Second, a crucial difference between consolidated and newly emerging post-communist democracies is exactly the stage of party and party-system development concerning the regulation of party finances. While in consolidated democracies party financing reforms have happened in an institutionalized environment, in post-communist countries, reforms have been devised simultaneously with party-building. Therefore, the organizational infrastructure of political parties had to be built from scratch and the need for resources was perceived as an extremely acute problem for organizational survival.

Notwithstanding these fundamental differences, many country studies on party financing in post-communist countries have employed the cartel thesis argument to account for various degrees of cartelization as result of strategic collusion, undertaken by insiders, to secure access to state subsidies and

to hinder the emergence of the newcomers (Casal Bértoa & Walecki, 2014; Gherghina & Chiru, 2013; Haughton, 2014; Hutcheson, 2012, 2013; Ilonszki & Várnagy, 2014; Krašovec & Haughton, 2011; Popescu & Soare, 2014; Roper, 2007; Sikk, 2004). Yet, comparative cross-national empirical research on this relationship is more limited, with somewhat mixed findings. On balance, the increase in the range and density of regulation of political parties is found to restrict political competition by lowering the chances of newcomers to form and survive (Biezen & Rashkova, 2014). Yet, the availability of public funding across post-communist polities has had a rather beneficial impact on party-system stabilization and consolidation by shrinking electoral volatility and contributing to party institutionalization (Birnir, 2005). In addition, the provision of public funding seems to have affected the calculations of political entrepreneurs to form new parties and to run on their own in elections and has allowed them to survive between elections. In those post-communist countries where state subsidies have been available to a broader pool of political competitors, their survival odds turned out to be higher than otherwise (Casal Bértoa & Spirova, 2013; Ikstens, Pinto-Duschinsky, et al., 2002). However, there are voices asserting that the impact of state subsidies should be assessed only by looking at the relationship between public funds and private sources. When private contributions are capped and public funding is not available, the likelihood of newcomers' entry into the system is lower due to higher entry costs (Booth & Robbins, 2010). In the same vein, the introduction of public funding was found to have little effect on the number of competitors and electoral volatility. When addressed separately, public support does not explain much, and one should not overestimate its impact on cartelization. Accordingly, it must be incorporated into a broader framework, taking into account the amount of subsidies, eligibility criteria and access to private contributions (Scarrow, 2006a, 2007).

Most country studies on party financing in post-communist Europe also suggest that the provision of direct state subsidies has entailed multiple and dispersed effects on the overall funding regime and party-system dynamics (Gel'man, 2008a; Golosov, 2016; Ikstens, 2008; Ilonszki, 2008; Kostadinova, 2008; Linek & Outly, 2008; Protsyk & Osoian, 2008; Roper, 2002, 2007; Roper & Ikstens, 2008; Sikk, 2004; Sikk & Kangur, 2008; Unikaité, 2008). This evidence clearly reveals that state funding, while having significant implications for party and party-system development, is not the only indicator to be considered.

Despite the variation in the legal framework, there is still a shared view about the commonalities of post-communist PFR. All of them suffered similar shortcomings including the underdevelopment and vagueness of their regulatory framework, a lack of transparency and enforcement, limited diversity of funding sources, structural biases favouring incumbent parties, poor representativeness of parties and poor links between parties and their grass-root supporters (P. Burnell & Ware, 1998; Gel'man, 1998; Ikstens, Pinto-Duschinsky, et al., 2002; Ikstens, Smilov, et al., 2002; Lewis, 1998; Smilov, 2014; Walecki, 2003a).

Given these shortcomings – especially the dearth of enforcement mechanisms – political parties appear to have enjoyed substantial leeway in finding alternative sources of financing. Besides relying on direct state subsidies and private contributions (legal and otherwise) they have sought to extract state resources through a wide range of formal and informal practices. The availability of public subsidies has not prevented them from colonizing state institutions in search of rent-seeking opportunities (Biezen & Kopecký, 2007, 2014; Kopecký, 2006). Existing evidence suggests that rent-seeking and patronage practices employed at different tiers of the public administration and within semi-public and regulatory agencies were successfully used by political parties to extract state resources and to mobilize their supporters. The shortage of cash and human resources induced them to rely on and to exploit the state. (Grzymala-Busse, 2003, 2007; Meyer-Sahling, 2006; O'Dwyer, 2004, 2006; Roper, 2006; Rybář, 2006; Szczerbiak, 2006).

These shortages have prompted some scholars to claim that private money is much less salient in post-communist countries compared with consolidated democracies. Both political parties and private donors were expected to encounter difficulties in setting up a functional market of goods and services to be exchanged, due to the problem of credible commitments and poor enforceability of contracts in transition countries. Given the fluidity of political parties, potential donors would be more reluctant to contribute to party pockets, without guarantees that the return on such contribution investments could be readily realized (Treisman, 1998). Treisman's thesis was challenged with counterevidence, demonstrating that even in a transition environment the supply and demand for political contributions is strong enough to create a market backed by informal enforceable mechanisms that would lower the incentives to defect for both sides (Samuels, 2001). Nevertheless, the evidence concerning the relevance of financial resources is somewhat mixed.

On the one hand, the subsequent developments in post-communist countries invalidated the assumption that money is irrelevant in party-building and electoral process. In contrast, the increasing costs of electoral campaigns and routine party activities confirms the presence of a high demand for financial resources. On the other hand, however, Treisman's hunch regarding the potential problems associated with the emergence of a stable market between political parties and their sponsors turned out to be justified. This is confirmed by the reliance on the state and its exploitation either in the form of state subventions or informal methods, regardless of cross-country variation in the scope and the intensity of resource extraction. In this respect, rent-seeking and state exploitation by political parties is quite suggestive (Biezen & Kopecký, 2007, 2014; Grzymala-Busse, 2007; O'Dwyer, 2004).

Furthermore, in some cases the problem of credible commitment appears to have been solved in a different way. In some post-communist polities, the liberalisation and economic reforms resulted in the concentration of wealth in few hands and the emergence of powerful oligarchs, who deployed their fortunes to capture the state and to influence the key political and economic decisions beyond party control (Aslund, 2005; Guriev & Rachinsky, 2005; Havrylyshyn, 2006; Hellman, 1998; Hellman et al.,

2003; Matuszak, 2012). While this process was far more pronounced in former soviet republics, particularly in Russia and Ukraine, the Central and Eastern European polities (albeit less exposed to such extreme manifestations of business power) were similarly affected. The outburst of corruption scandals related to concealed political donations revealed the presence of a market mechanism based on demand and supply of political contributions in exchange for government favours (Cisar & Tomáš, 2007; Enyedi, 2007; Haughton, 2012; Kanev, 2007; Kostadinova, 2012; Kregar et al., 2007; Roper, 2002; Smilov, 2007; Toplak, 2007; Treneska, 2007; Walecki, 2007). These developments are in line with the Samuels' account of the motivations structuring the relationships between politicians and their business sponsors in informal environments (Samuels, 2001). Yet, the fundamental problem boils down to the fact that this is a black market – exchanges are thus hidden by both sides – i.e., politicians and contributors. Moreover, since these exchanges are covert, their goal is to obtain competitive advantages over potential competitors in either the political or business arenas and incumbents are more likely to benefit from quid pro quo exchanges, although the potential challengers might also engage in such illicit deals (Biezen & Kopecký, 2001; Pinto-Duschinsky, 2002). The mixed findings on the relationship between party funding regulations and political competition in both consolidated and new democracies point to some research areas which are less investigated by the party finance scholars in a systematic manner.

1.4. Political financing regime as cause and consequence of political competition

The above overview of the party finance literature across established and new democracies underscores two interesting points. First, political financing regimes, with a specific focus on public funding, are primarily tackled as an independent variable, which is expected to affect other variables of interest, such as party-system institutionalization, the dynamics of political competition, openness/closure toward newcomers, fluctuations in electoral volatility, linkages between parties and their members/constituencies, and the level of political corruption (Bértoa, Molenaar, et al., 2014; Bértoa & Biezen, 2018; Biezen & Kopecký, 2017; Biezen & Rashkova, 2014; Birnir, 2005; Booth & Robbins, 2010; Casal Bértoa & Spirova, 2013; Hug, 2001; Kostadinova, 2012; Pierre et al., 2000; Potter & Tavits, 2015; Scarrow, 2006a; Tavits, 2008; Whiteley, 2011). Yet the findings pertaining to the relationship between financing regulations in general (and public funding in particular) and the above-mentioned factors are rather mixed and often contrary to scholars' expectations. Second, in most cases the study of party and campaign funding is tackled by the case study methodology. As a result, analysis focuses almost exclusively on party funding regulations in a given country, exploring one or several features of the regulatory regime and its implication on party development or electoral competition. This approach still dominates the field of political finance research, regardless of whether it focuses exclusively on regulations or on other aspects of the relationship between money and politics (Alexander, 1989; Alexander & Shiratori, 1994; Bértoa & Biezen, 2018; P. Burnell & Ware, 1998; Casas-Zamora, 2013;

Ewing, 1999; Ewing et al., 2011; Ewing & Issacharoff, 2006b; Gunlicks, 1993; Koss, 2010; Malamud & Posada-Carbó, 2005; Mendilow, 2012; Mendilow & Phélippeau, 2018; Norris & Abel van Es, 2016; Roper & Ikstens, 2008; Smilov & Toplak, 2007). While the case study approach offsets the limitations of comparative research that employ composite regulatory indexes for analysing PFR and its interplay with other variables, it has its own limitations, mainly due to external validity. The generalization of findings from one case to the entire population is thus quite problematic. Yet, from a methodological and a substantive point of view there are (at least) two aspects of political funding that have as yet not been explored extensively from a comparative perspective. The first relates to the study of PFRs as a dependent variable, while the second refers to the limited comparative research using more precise indicators, thus stepping beyond the regulatory scope.

Regarding the first aspect, the fundamental challenge with cross-case comparison that seeks to identify the forces that shape the nature of political funding regulations is the sheer range of geographical, historical, financial, sociological, judicial, constitutional, structural, ideological, organizational and political factors that must be considered (Ewing & Issacharoff, 2006a, pp. 6–7). Such a broad gamut of potential variables mixed in various configurations makes it hard to single out the most salient factors affecting PFRs across nations and time. Nevertheless, in Western countries, many issues related to political financing are thought to having been linked to the changing nature of the party system and party organization – namely, declining membership and citizen disappointment in politics – which has ultimately undermined the sustainability of the mass-party model (Biezen et al., 2012; Dalton & Wattenberg, 2000; Mair, 1997; Mair & Biezen, 2001; Pharr & Putnam, 2000). As a consequence, the financing model associated with the mass party is no longer sustainable and political parties, more than ever, have had to overcome the problem of collective action by turning to alternative funding sources – namely, the state and wealthy interests. Depending on the identity of the actor replacing membership fees as the main income source, this would have different consequences for the party organization, political competition, the policy-making process and the democratic values the new financing model would uphold (Hopkin, 2004; Scarrow, 2018). While in Anglo-Saxon countries the main concern with political financing revolves around the excessive influence of moneyed interests over policy process due to their ability to convert economic resources into political influence (Bartels, 2008; Grossman & Helpman, 2001; Nichols & McChesney, 2013; Rowbottom, 2010), in continental Europe the focus has fallen on the increasing reliance of political parties on state subsidies, a phenomenon that gave birth to the cartel party thesis. Accordingly, from the perspective of approaching PFR as a dependent variable, the change in the dominant model of party funding in advanced democracies was triggered by the shrinking base of membership subscriptions and private contributions as well as the increasing costs of electioneering – conditions that induced the collusion among the mainstream parties and contributed to the cartel formation (Katz & Mair, 1995, 1996, 2009). However, the reliance on public funding is 'as much a consequence as a cause of the 'cartelization' of party democracy' (Hopkin, 2004, p. 640).

The investigation and empirical testing of the relationship between political financing and other variables (such as spending levels) employing a large-N research design is a relatively new trend in political finance research (Kulick & Nassmacher, 2012; Nassmacher, 2009; Smulders & Maddens, 2017). More specifically, assessment of the forces affecting the nature of PFRs remains without a clear answer. For instance, in her research on the impact of democratization, corruption, and the type of electoral system on PFRs, the only strong linkage Ingrid van Biezen found was between the type of electoral system and public funding, proportional representation systems being associated with the provision of state subsidies to a larger degree than majoritarian ones (Biezen, 2010). Likewise, by exploring the effect of social, structural, and institutional variables on the scope of PFRs,[4] the only positive relationship Susan Scarrow identified was between DPF and the amount of regulation (Scarrow, 2006b, 2010). More recent studies have also found an uneven impact of different variables on PFRs. While corruption, economic development and democratic consolidation were found to have no impact on the provision of public funding or the introduction of donation and spending caps, transparency was positively associated with democracy and economic development only and not corruption (Norris, 2017, pp. 228–230). At an extreme, state intervention to regulate political competition through the adoption of PFRs is tackled from the perspective of economic theories of regulation in order to address different failures in the political marketplace (Abel van Es, 2016).

Beside quantitatively oriented research, a different approach is based on a small-N comparative analysis. For instance, Michael Koss applies an actor-centred institutionalism framework (Scharpf, 1997) to identify the necessary and sufficient conditions for the introduction of public funding in advanced democracies. He concludes that the consensus of the relevant parties is necessary to ensure the provision of subsidies (Koss, 2010). According to other accounts, institutional factors such as the electoral system, regime type or the territorial organization of the state – as well as political or ideological factors, including the fragmentation of party system and the strength of party identity, among others – shape the incentive structure of political funding, which is ultimately reflected in the regulatory framework (Casas-Zamora, 2005a, pp. 54–55).

As far as post-communist regimes are concerned, Anna Grzymala-Busse singles out the robustness of political competition as the key factor moulding the nature of PFRs, conceived in terms of formal and informal tools of resource extraction from the state for organizational survival (Grzymala-Busse, 2003, 2007). Robust political competition, coupled with the uncertainty of post-electoral results has led to the establishment and acceptance of mutual constraints by political parties. Because extraction strategies were dependent upon funding sources and practices, tight political competition was essential in shaping financing regimes by establishing formal mechanisms of transparency and control, thus preventing future power holders from excessive exploitation of the state (Grzymala-Busse, 2007, pp.

[4] As independent variables she uses the electoral system, subsidies, population, regime type, corruption, inequality, oversight, and whether the regime is a new or an established democracy.

182–220). Within this analytical framework, the provision of state subsidies to political parties represents a qualitative shift from informal practices of resource extraction to formal ones through party funding regulations. This thesis, however, appear to be at odds with the cartel party interpretation, since competition, not collusion, is the driving force affecting the regime of party funding. Furthermore, it also seems to be at odds with a rather normative approach of PFR, treated as an outcome of the party – state relationship, in which state intervention into parties' internal affairs is justified due to the shifting status of parties from voluntary/private associations toward semi-state bodies. Therefore, since political parties are *public utilities*, a higher degree of state management, including the provision of DPF to fulfil their democratic functions, is justified (Biezen, 2004; Biezen & Borz, 2012, pp. 349–350; Corduwener, 2018; Epstein, 1989, pp. 157–158).

While the available empirical evidence makes it difficult to establish which competing approach better explains the development of PFRs, particularly in the newly emerging democracies, most scholars agree that state subsidies have turned out to be vital for party-building as an institutional expression of political pluralism. Many new democracies introduced public funding either from the outset of democratization or shortly after, providing the bulk of financial resources for party activity (Biezen, 2003b; Biezen & Kopecký, 2001; Biezen & Nassmacher, 2001; Ikstens, Pinto-Duschinsky, et al., 2002, 2002; Roper & Ikstens, 2008; Smilov & Toplak, 2007). The existence of competing explanations, coupled with mixed empirical evidence regarding the PFR's potential determinants as well as its consequences, reveals how little we can be certain about this complex phenomenon.

Chapter 2. Research design and analytical framework

2.1. Research rationale and methodological approach

2.1.1. Motivation and rationale

This research is driven by methodological and substantive considerations regarding the nature and the development of post-communist party finances from a comparative perspective. These considerations are based on the existing limitations regarding the investigation of PFRs to date both as independent and dependent variable. These limitations stem for the most part from the operationalization of PFRs to assess their relationship with other variables, such as political/electoral competition, corruption, electoral volatility, stability of the party system, party institutionalization, barriers to entry for newcomers, electoral system design, regime type, economic and democratic development, social inequality etc. As previous sections have indicated, there are too many variables involved in this equation. It is simply too difficult to isolate the impact of a PFR from other explanatory factors, when it is employed as an independent variable. When a PFR is tackled as a dependent variable, identifying the most relevant forces affecting the nature of the regulatory regime is equally challenging.

The main problem, however, is the way PFRs are operationalized in comparative research. As a rule, quantitatively oriented comparative research – regardless of whether it uses public funding or other dimensions of PFRs (donation and spending restrictions) as a dependent or an independent variable – relies almost exclusively on dichotomous coding (absence vs. availability of public funding; absence vs. presence of certain restrictions) or on composite indicators, constructed either as additive indexes or as ratio scales (Abel van Es, 2016; Ben-Bassat & Dahan, 2015; Biezen, 2010; Birnir, 2005; Booth & Robbins, 2010; Hummel et al., 2018; Kostadinova, 2012; Norris, 2005, 2017; Ohman, 2012a, 2012b; Potter & Tavits, 2015; Scarrow, 2006b).[5] This means that most comparative research on PFRs is based on analysing regulatory scope – that is, the number of regulatory dimensions in a specific national context at a given moment in time.

This approach, however, fails to capture variation either in the level/amount of state subsidies or the variation in donation and spending caps, which reflect the intensity of regulations. The same holds for transparency requirements, particularly when the identity of donors is disclosed only above a certain threshold, or regarding sanctions, especially when the range and stringency of sanctions applied for political funding violations is not accounted for. Yet this very type of difference might significantly affect the incentive structure of political competition, when a PFR is approached as an explanatory factor. For instance, the amount of public funding might significantly influence the fundraising behaviour of political

[5] See (Biezen & Kopecký, 2017) as an exception in assessing the relationship between the level of direct state funding and party membership and Bértoa, Molenaar, et al. (2014) as an exception in scrutinizing the effect of public funding on corruption. In both cases, however, direct state funding does not have the expected impact on the dependent variable—that is, it is not associated with decreasing membership rates, in the case of the first study, or with a lower perception of political corruption, in the second.

parties/electoral competitors. If public funding covers a large part of the parties' financial needs, it might weaken the incentives to source funds illicitly, especially when subsidies are withdrawn as punishment for such behaviour. Otherwise, the probability of deterring political actors' involvement in such murky deals remains relatively low. Likewise, more restrictive donation and spending caps might affect the challengers' ability to amass large resources from private sources to compete on equal footing with the incumbents. Finally, relatively high thresholds for the disclosure of donors' identity might jeopardise the transparency of political financing, while the establishment of powerless and politically controlled oversight institutions and the weak nature of sanctions could ultimately nullify the effect of other regulations.

The same problems arise when the PFR is approached as the outcome of the interplay between other structural, institutional, normative and contextual factors, which are assumed to confine politicians' choice of regulatory regime, where political financing is conceived as a tool to maximize the odds of succeeding in the political/electoral arena. This instrumentalist approach, while much less used in comparative party finance research, also falls short in considering the complexity of PFRs and the fact that political actors must make two interrelated decisions. The first decision pertains to the introduction (or not) of certain restrictions/obligations on donations, spending, transparency or the provision of public funding. The second pertains to determining the level of public funding or setting up other interdictions/requirements as reflected in contribution and spending limits or income and expense reporting and disclosure obligations. This decision, however, depends in the first instance on decision-makers' agreement to tighten the regulatory framework and/or to provide budgetary support for political parties.

Raising the above examples on public funding and private contributions but reversing the relationship – that is, treating the level of public funding and donation caps as an outcome of political decisions – helps illustrate this point. Where political corruption is mostly associated with political parties what really matters is not just to provide some budgetary support but to provide sufficient funds to weaken the parties' incentives to seek income from unlawful sources. Likewise, if unlimited donations are regarded as a channel to exert undue influence on political decisions, establishing donation caps is meaningful if they are not too permissive. Of course, the discussion of how much budgetary funds political parties should receive from the state to ensure their autonomy from private interests or what the optimal level of donations to reduce the disproportionate influence of vested interests on the democratic process remains open. We must, however, stress the fact that most existing comparative research on PFRs in post-communist states – and other countries, besides – rarely looks beyond the regulatory scope of political funding.

Another common feature of most comparative research dealing with PFRs is the omission of the time dimension. This is particularly common for research with relatively large numbers of cases (Abel van Es, 2016; Ben-Bassat & Dahan, 2015; Bértoa, Molenaar, et al., 2014; Biezen, 2010; Birnir, 2005;

Booth & Robbins, 2010; Norris, 2005, 2017; Ohman, 2012b; Scarrow, 2006b). Certainly, the temporal dimension is implicitly or explicitly present as an element of the research strategy – as a means to exclude the risk of reverse causation between the explained and explanatory variables through their measurement at different points in time. However, it is not present as a methodological tool to account for the diachronic variance in the same way as for the cross-case synchronic variance, meaning that 'there is no variance along the temporal dimension in the variables which are considered' (Bartolini, 1993, p. 135). Yet, including time as a factor in analysis of political events and processes – via analytical devices and concepts like path dependence, critical junctures, timing, sequence, duration, pace and magnitude of change – is methodologically valuable in the study of unfolding causal relationships and processes (A. Bennett & Elman, 2006; Fioretos et al., 2016; Grzymala-Busse, 2011; Mahoney, 2000; Pierson, 2000, 2004). Therefore, when the temporal dimension is added to the study of PFRs, the picture becomes more complex, since one must account for the time lag in the sequencing of the causal nexus between the potential determinants and consequences of the regulatory regime.[6] Of course, the temporal dimension is much more present in case study research on political financing, where one or several attributes of a PFR – and their impact on the development of party system and political competition – are investigated over a longer time span together with a more detailed account of regulatory scope and intensity (Bértoa & Biezen, 2018; Ikstens, Smilov, et al., 2002; Mendilow, 2012; Mendilow & Phélippeau, 2018; Norris & Abel van Es, 2016; Roper & Ikstens, 2008; Smilov & Toplak, 2007).

Overall, existing research on PFRs employs either a large-N, cross-sectional research design by employing composite indexes, which reflect only regulatory scope, or a case study approach consisting of the diachronic analysis of the PFR in one country and its effects on political developments. Much of cross-national research has focused on the effects of DPF. Yet even when public funding is analysed either as DPF or free/subsidized media, the emphasis falls on the effects of eligibility and distributional rules (Biezen & Piccio, 2015; Biezen & Rashkova, 2014; Bowler et al., 2003; Casal Bértoa & Spirova, 2017; Hino, 2012; Loomes, 2012; Scarrow, 2006a). The last two decades have seen a substantial increase in research dealing with various aspects of political finance in established and new democracies using more precise indicators, such as donation and spending limits and the level of public funding (Alexander & Nassmacher, 2001; Biezen, 2003b; Biezen & Kopecký, 2017; A. Butler, 2010; Enyedi, 2006; Ewing, 1999; Ewing et al., 2011; Ewing & Issacharoff, 2006b; Ferdinand, 2003; Londoño & Zovatto, 2014; Malamud & Posada-Carbó, 2005; Mendilow & Phélippeau, 2018; Nassmacher, 2001b, 2003d, 2006, 2009, 2014; Norris & Abel van Es, 2016; Ohman, 2014a; Daniela Romée Piccio, 2014; Saffu, 2003; Smilov,

[6] This is because the causal arrows might run in both directions, contingent on whether the PFR is a dependent or independent variable. This represents a particular issue when a PFR, especially public funding, is employed to explain other political/electoral processes. In these instances, it is usually assumed as given, thus omitting a crucial point – that is, its endogeneity. Yet, the fact that political actors determine the scope and intensity of financing regulations devised to constrain precisely their own fundraising and spending behaviour is what makes PFRs such a peculiar case relative to other types of regulations.

2014; Ufen, 2014; Walecki, 2003b; Zovatto, 2003). However, most of this research has been case-oriented and the combination of a synchronic cross-sectional method with a diachronic approach has seldom been employed. Only recently, some scholars employed such a research design to analyse the relationship between PRF, on the one hand, and political corruption, governmental favouritism and electoral competition, on the other hand (Fazekas & Cingolani, 2017; Hummel et al., 2018; Lopez et al., 2017; Potter & Tavits, 2015). Still, in all these studies the assessment is based exclusively on composite indicators of regulatory scope.

Against this background, the current project aims to contribute to the existing scholarship in several ways. First, I combine the cross-sectional and the longitudinal approaches to investigate the development and variation in post-communist PFRs over two decades from the outset of transition. This analysis covers the restrictiveness of the PFR, conceived as the combination of regulatory scope and intensity, which is briefly introduced in the next section and extensively discussed and conceptualized in this chapter. Second, given the complexity and the multi-dimensionality of PFRs, I adopt a variable-oriented research strategy. This allows me to use more precise indicators to do three key things: (1) assess the restrictiveness of individual regulatory dimensions, not only based on regulatory scope but also intensity; (2) investigate the variation in restrictiveness across space and time from a different perspective and; (3) analyse how the restrictiveness of different dimensions relate to each other. Third, drawing on the work of Karvonen (2007), who argues that less democratic or even authoritarian regimes have their own motivation to regulate party activity, including their financial management, I expand the pool of cases by incorporating almost all post-communist countries in the analysis, regardless of their level of democratic development. Beside the fact that authoritarian regimes, particularly in the post-soviet space, are less studied, this will allow to see whether these political regimes substantively differ regarding the use of PFR to affect political competition, especially the openness and competitiveness of election campaigns.

2.1.2. Methodological approach

In this research, I adopt the configurational method of political analysis (Ragin, 1987, 2000, 2008; Rihoux & Ragin, 2008; Schneider & Wagemann, 2012). I use set-theoretic logic for a specific purpose – namely to construct a typology of restrictiveness applied to political financing regulations. Hence, I will use this typology mainly for descriptive and classificatory purposes by assigning empirical cases to different categories of restrictiveness. In set-theoretic terminology, this assignment is based on the interaction between different qualitative properties of the regulatory regime, which determines the degree of membership in a given set (A. Bennett & Elman, 2006; Elman, 2005). In my case, this is a given restrictiveness category or type.

Before providing more details on the use of the configurational approach to investigate the restrictiveness of PFRs, it is worth noting that typologies are increasingly being used as analytical devises to investigate various aspects of political financing. While this is a prominent development, they are still

less popular for systematic analysis of PFRs than composite indexes. This is primarily because PFRs are complex, making it difficult, if not impossible, to provide a unified analytical framework able to incorporate the diversity of regulatory tools when addressing different questions based on conflicting normative assumptions. Scholars of political funding are thus increasingly turning to the configurational approach to construct typologies covering various features of the PFR or other aspects reflecting the complex relationship between money and politics. For instance, Daniel Smilov combines the institutional (parliamentary vs. presidential) and ideological (libertarian vs. egalitarian) dimensions to identify four general models of party funding (Smilov, 2002, p. 329). Likewise, Michael Koss proposes a typology of financing regimes based on the relevance (significant vs. insignificant) of private and public resources in the aggregate structure of party income (Koss, 2010, p. 18). In the same fashion, by using the interaction between rules governing eligibility to state funding (low vs. high threshold) and the level of state support (small vs. large), Susan Scarrow identifies four different ways in which public funding may affect party competition (Scarrow, 2006a, p. 625). She also investigates the interaction between donors' motivation to give (collective vs. selective incentives) with the expected benefits (non-specific vs. specific benefits) to explain patterns of contributions to political parties (Scarrow, 2006b, p. 24). Following a similar logic, Iain McMenamin explicitly differentiates between the ideological and pragmatic motivations of a business to explain its donation behaviour toward left-wing and right-wing governments (McMenamin, 2012, p. 7, 2013). More ambitiously, Kevin Casas-Zamora has constructed a complex typology (16 types) by crossing regulations of donations and public subsidization (limited vs. extensive), on the one hand, with regulations on spending and transparency, on the other (Casas-Zamora, 2005a, p. 27).

These examples underscore the utility of the configurational approach in analysis of various aspects of political financing. Yet, as Casas-Zamora's typology demonstrates, it can also become extremely complicated, given the numerous configurations that emerge from the crossing of the selected criteria. The more criteria the researcher uses, the more complex the typology becomes, thus making comparison problematic. To avoid this trap, I use a slightly different method to construct a typology of restrictiveness, though remaining within the logic of the configurational approach. In so doing, I rely on a simple template for constructing multidimensional typologies that must incorporate the following elements: overarching concept, row and column variables, matrix and cell types (Collier et al., 2008, p. 156, 2012, p. 223). Hence, in my case the restrictiveness epitomizes the overarching concept employed to investigate the political financing regime, which is the unit of analysis. However, given the complexity and heterogeneous nature of PFRs, I follow standard practice by splitting the regime into several regulatory dimensions, such as private income, public funding, spending, transparency and enforcement. Then I select the two most substantively relevant properties of each dimension and cross-tabulate them as row and column dimensions. The outcome matrix covers four types, each of them reflecting the degree of restrictiveness that results from the absence/presence of properties for each regulatory dimension.

This conceptualization allows me to use restrictiveness as a unifying analytical tool even as the heterogeneity of a PFR precludes using the same criteria to assess its overall restrictiveness. Furthermore, this approach allows me to use what in QCA terminology are called crisp- and fuzzy-set indicators to construct the typology of restrictiveness and to assign the empirical cases to a given restrictiveness type. Furthermore, in some cases I combine this approach with more fine-grained indicators to analyse variation within each restrictiveness type when additional indicators can be used to account for this variation. When, for instance, several regulatory regimes share the same property – e.g. presence of donation caps – the variation in restrictiveness also springs from how much a donor is entitled to contribute, not only from the sheer lack/presence of such limits. The same applies to other dimensions of a PFR, such as spending levels, public funding amounts or the size of monetary penalties. It is precisely this kind of variation relevant to investigate more accurately the restrictiveness of individual regulatory dimensions. Hence, this approach offers the possibility of investigating the variation between different restrictiveness types as well as within-type variation. In my opinion, this method has more advantages compared to the usual approach of focusing almost exclusively on regulatory scope, because it also accounts for regulatory intensity – which, as mentioned, remains understudied in comparative perspective.

2.2. Data and case selection

For this dissertation, I constructed my own data set on political finance regulations separately for party routine and electoral activities. This was because no existing data set fulfils the requirements to investigate regulatory development over time with more precise indicators beyond regulatory scope. Although there has been a proliferation of efforts to construct datasets fully or partially dealing with PFR over the last 10–15 years, they contain cross-national data and do not capture the developments over time. For instance, the well know 'IDEA Political Finance Database' – the largest in geographic coverage and the most frequently used in comparative research of political financing – captures only two points in time (Austin & Tjernström, 2003; Falguera et al., 2014; Ohman, 2012a). The first edition was released in 2003; the second version in 2012 was an extension and improvement of the first. While this dataset captures the state of PFRs at given points in time, it does not show when the regulations were actually adopted. Given the fact that political finance regulations represent one of the most exposed dimension of political and electoral engineering this is a significant shortcoming. Alternative datasets, such as the one from the 'Money, Politics & Transparency – Campaign Finance Indicators' project, similarly focus on regulatory scope. This dataset, however, applies a different methodological approach in generating regulatory scores (Global Integrity, 2014; Norris & Abel van Es, 2016). It is also very recent and contains only cross-national data. Another recent dataset, covering mostly EU countries, was released as a tool of the European Public Accountability Mechanisms, itself part of an EU-funded project (DIGIWHIST)

'that aims to improve trust in governments and efficiency of public spending across Europe'.[7] While this dataset is diachronically organized (2012, 2015–2017), it starts when my upper time limit ends. Furthermore, it is based on the IDEA methodological approach and refers primarily to regulatory scope and therefore does not tackle regulatory intensity.

Finally, 'The Political Party Database Project' provides more precise indicators both on regulations and actual figures related to private financing or public funding. It contains party level financial indicators that can be aggregated to obtain system level scores (Poguntke et al., 2016, 2017; Scarrow, 2017). Building on the methodological approach of Richard Katz and Peter Mair, it represents a follow up of their research on party organization (Katz & Mair, 1992). Yet, at this stage, it includes data on just three post-communist polities (the Czech Republic, Hungary and Poland) with the earliest data on party financial indicators from 2009–2010 to 2014, which means that it also has an extremely limited geographical and temporal coverage for the purpose of my research. Accordingly, given the limitations of existing datasets and the need to explore the evolution of PFR restrictiveness over time, as reflected by the interaction of different regulatory provisions and by employing more precise indicators, I have constructed my own dataset on restrictiveness separately for party statutory and election funding rules for 27 post-communist regimes (see table 2.2).

Table 2.1. List of countries and the time frame analysed for each country

Country	Period	Country	Period	Country	Period
Albania	1991–2012	Georgia	1991–2012	Poland	1990–2012
Armenia	1991–2012	Hungary	1990–2012	Romania	1990–2012
Azerbaijan	1991–2012	Kazakhstan	1991–2012	Russia	1991–2012
Belarus	1991–2012	Kyrgyzstan	1991–2012	Serbia	1990–2012
Bosnia and Herzegovina	1996–2012	Latvia	1991–2012	Slovakia	1990–2012
Bulgaria	1990–2012	Lithuania	1991–2012	Slovenia	1990–2012
Croatia	1990–2012	Macedonia	1990–2012	Tajikistan	1991–2012
Czech Republic	1990–2012	Moldova	1991–2012	Ukraine	1991–2012
Estonia	1991–2012	Montenegro	1990–2012	Uzbekistan	1991–2012

Source: Author's elaboration

To accomplish this task, I have used a wide array of legal and other data sources, especially for standardized indicators such as contribution limits per donor, spending limits per registered voter or the level of public funding per voter. Since the restrictiveness of PFRs is analysed separately for parties' statutory and electoral activity, I collected and aggregate data from different sources. For statutory party financing, I relied heavily on the legal texts on political parties from the 'Party Law in Modern Europe' database built by Ingrid van Biezen and her collaborators in the 'The Constitutional Regulation of Political Parties in Post-War Europe' and 'Re-conceptualizing Party Democracy' projects.[8] It however does not cover all post-communist countries and does not provide data on election financing, unless it

[7] http://europam.eu/?module=about.
[8] http://www.partylaw.leidenuniv.nl/.

was regulated by the party law. Likewise, I relied heavily on the bilingual (English and Russian) OSCE database on party and electoral laws in the OSCE member states.[9]

In addition, to source electoral legislation from the early stages of post-communist transitions, I used legal texts from the database created under the 'Political Transformation and the Electoral Process in Post-Communist Europe' project conducted at the University of Essex.[10] For the same purpose, I also relied on electoral legislation texts from the database on 'Electoral System Change in Europe since 1945', jointly managed by the Université Libre de Bruxelles and the University of Reading.[11] None of these datasets contain complete information in terms of geographic and temporal coverage or the full package of relevant amendments for party and campaign funding regulations. Thus, I supplemented it by browsing through national legal databases, tracing all regulatory changes from the beginning of transition. This was particularly the case for almost all post-soviet republics. Since in most cases the second legislative language was Russian, I was able to track regulatory developments both for party and election financing. Where I was still unable to find the necessary information, mainly from the earlier stages of the transition process, I relied on the reports of several international organizations and foundations that offered electoral and technical assistance to the newly emerging political regimes at that time. Overall, these reports contained the relevant pieces of electoral legislation and helped to fill gaps in the data.

Beside the collection of relevant legal texts, one of the main challenges was creating standardized indicators to make data comparable cross-nationally and over time. While I describe in each empirical chapter how I deal with the operationalization of restrictiveness for the respective regulatory dimension, a few general remarks are in order here. This is because analysis of regulations alone was not sufficient for comparative analysis of PFRs. When it comes to the comparison of donation and spending caps or the level of state support, in many cases regulations do not directly provide the full information on how much a donor is entitled to contribute, on how much an electoral competitor can spend or on how much public money a party/electoral competitor receives. In such cases, these parameters are expressed in different macroeconomic indicators such as the minimal/average wage and the percentage of budgetary revenue or GDP etc. In some cases, such rules – especially those related to the provision of public funding – did not exist at all. Therefore, the allocation of public funding was not codified and remained at the discretion of political parties, which decided the amount of subsidies to be allocated on ad-hoc basis.

In all these cases, regardless of the regulatory dimension, I used a variety of primary and secondary data sources including national statistical databases, budgetary laws, decisions of various state institutions, as well as datasets on specific topics such as voter registration,[12] wage levels[13] and electoral

[9] http://legislationline.org/.
[10] https://web.archive.org/web/20120121200355/http://www.essex.ac.uk/elections/.
[11] http://www.electoralsystemchanges.eu/Public/TextPage.php?ID=5.
[12] Voter Turnout Database: https://www.idea.int/data-tools/data/voter-turnout.
[13] WSI Minimum Wage Database: https://www.boeckler.de/wsi-tarifarchiv_44064.htm; ILO Global Wage Database:

system design[14] among others in order to construct standardized and comparable indicators. As a rule, when I lacked the necessary information, or I was not confident about its accuracy, I cross-checked and corroborated it using secondary sources such as electoral monitoring reports from various international organizations (OSCE, IFES, etc.) as well as various country studies. In this way I managed to obtain more reliable indicators that allowed me to look beyond regulatory scope and to track the development of PFR restrictiveness over time.

Before I turn to discussion of the analytical framework, a few clarifications are necessary regarding the case selection strategy. As already mentioned, I include 27 post-communist polities in the analysis, which are very diverse in terms of democratic development and institutional setup. This diversity might represent a weakness for the research design. Yet, despite this apparent shortcoming, the existing comparative research on party regulations does not find systematic and substantive cross-national differences among democratic and non-democratic regimes, at least in terms of regulatory scope (Ohman, 2012b, pp. 11–15). Furthermore, while there are some considerable differences between democracies and non-democracies regarding the regulation of party activity and formation, these differences vanish for party funding and the provision of state subsidies (Karvonen, 2007, p. 447). Therefore, my goal is to step beyond regulatory scope and to use more precise indicators to investigate variation in financing regulations contingent on the level of democratic development.

2.3. Conceptualising restrictiveness: general considerations

Any PFR consists of several dimensions, making it a complex unit of analysis. Thus, it is difficult to construct an aggregate measure of restrictiveness by merging individual restrictiveness scores on income, spending, transparency and enforcement (oversight and sanctions). Furthermore, constructing a restrictiveness index for each of these subunits is already a burdensome task. Nevertheless, in this chapter I provide an analytical tool that attempts to overcome this problem to account for the level/degree of regulatory restrictiveness. To explore variation in the degree of restrictiveness of different PFRs, I employ two criteria: ***regulatory scope*** (or alternatively, extensiveness) and ***regulatory stringency*** (or alternatively, ***intensity***). Regulatory scope relates to the number of PFR dimensions subject to regulatory intervention. The higher the number of dimensions covered by specific provisions regarding party and campaign income, spending, transparency and enforcement, the wider the regulatory scope. Consequently, as a regulatory regime becomes more encompassing, it simultaneously becomes more constraining for political/electoral competitors by narrowing the room for manoeuvre.

Yet, regulatory scope is but one dimensions on which PFRs can vary. Some PFRs may display similar features across one or several dimensions, particularly when the assessment of restrictiveness is performed employing a binary/dichotomous coding. In other words, extensiveness refers only to the

http://www.ilo.org/travail/areasofwork/wages-and-income/WCMS_142568/lang--en/index.htm.

[14] Electoral System Design Database: https://www.idea.int/data-tools/data/electoral-system-design; Democratic Electoral Systems Around the World 1946-2011 (Bormann & Golder, 2013).

amount of regulations without delving into their content. In this case, a proper comparison is hindered by the fact that behind the same values (yes/no) one may still observe significant variation driven by the content of legislative provisions, regardless of their amount. Hence, the content of legislation accounts for regulatory stringency that is not captured by regulatory scope.

For instance, two PFRs might record identical values across several dimensions – that is, they may both establish donation and spending limits and provide public funding for political parties and/or candidates. Nevertheless, they might employ wildly different caps on donations, i.e. how much a donor is authorized to contribute to party or campaign coffers, or spending, i.e. how much an electoral competitor is permitted to spend on the campaign. Regulatory scope does not capture these differences. They are captured by regulatory stringency. The lack of donation caps and/or spending limits is clearly associated with fewer constraints on party behaviour concerning their financial affairs. But the presence of such restrictions still matters and is contingent on the contribution and spending levels established by law. This, in turn may differentially affect fundraising and spending strategies of political actors, as well as their odds and capacity to compete for public office.

Likewise, it would be impossible to differentiate among two PFRs when exploring their restrictiveness related to public funding solely based on regulatory scope. This only indicates whether public funding is available or not. Yet, the sheer availability of public funding to political parties tells almost nothing about the stringency of regulation in comparative perspective, either cross-nationally or over time. When addressing the size of state aid, one may assume that the larger the amount of public funds, the less restrictive a certain PFR tends to be since it releases political parties to engage in fundraising activities requiring a lot of time and effort. Conversely, if the available public funding is limited, the regime is more likely to be deemed as constraining. Besides the amount of public funds, regulatory stringency also depends on eligibility and allocation rules. Concerning eligibility, a PFR is regarded as less restrictive (and more inclusive) if the eligibility threshold to qualify for state subsidies is lower, and vice versa. Furthermore, the distribution formula used to allot the state subsidy is even more problematic in assessing the PFR's restrictiveness since its built-in partisanship will favour some actors at the expense of the others. When the allotment of public funds rests on a value-laden benchmark, restrictiveness transforms from a fixed yardstick into a rather shifting one, conditional on the policy aims public funding is designed to achieve. Accordingly, every allocation formula will be qualified as biased and will be perceived as more or less restrictive given its distributional implications for the beneficiaries.

In the same vein, crossing regulatory scope with regulatory stringency can be employed to assess the restrictiveness of a PFR beyond income and spending. It may be applied to assess other dimensions such as reporting, disclosure, oversight and sanctioning, even though operationalizing and measuring a PFR's degree of restrictiveness for each of these properties would be different from income and spending given the object of regulatory intervention for each of these dimensions. If in the case of income and spending the regulatory intervention pertains to the donor's contribution capacity and the electoral

competitor's fundraising and spending restrictions, then one may identify various objects of regulatory intervention for other dimensions. In the case of reporting, the object of intervention may consist in laying down an itemised structure of revenue and expenditure. Thus, parties may be required to report their revenue based on income sources (e.g. subscriptions, donations, public funds etc.). Additionally, they might be obliged to report their expenditures according to the type of spending (e.g. advertisements, salaries, transportation etc.). Concerning disclosure, the object of regulatory intervention may refer to both the amount of money to be disclosed (value of donations), as well as information pertaining to donors' identity (address, workplace, occupation etc.).

Assessing the PFR's restrictiveness concerning oversight may become even more cumbersome as the object of regulatory intervention is epitomized by the supervisory institution(s). In this respect, analysing restrictiveness is fraught with many pitfalls since it is affected by at least several factors: institutional autonomy, i.e. how remote the oversight body is from the immediate political control; institutional mandate, i.e. what the powers and the scope of its jurisdiction are; resources such as staff, money, and expertise, which are necessary to monitor and supervise party financial activities. A similar concern emerges concerning the restrictiveness of the sanctioning mechanism. At first glance, the evaluation of sanctions appears to be less problematic if their stringency is taken as a benchmark. However, if one links the stringency of sanctions to the type of party funding infringements, the picture becomes more complicated. For instance, if similar offences are punished differently in different national jurisdictions, then it is quite clear that a given PFR is more restrictive if it imposes a more severe penalty than applies to a similar infringement elsewhere.[15] The higher the value of a fine for the same infringement, the more stringent the sanction mechanism. Alternatively, one could picture the opposite situation, where the same penalty is applied to different offences, regardless of their stringency. In this case, a given PFR is more restrictive if applies the same sanction for less severe infringements. It is difficult to identify a common denominator to fix once and for all the restrictiveness of sanctions based on the relationship between the graveness of infringements and the severity of sanctions.

The multidimensional character of PFRs points to another potentially relevant matter that may affect the nature and development of any given regime. It touches upon the linkages between each of these facets – that is, how they relate to each other and whether a change in restrictiveness within one dimension of the regulatory regime affects other dimensions. Given the highly complex structure of a PFR, one may expect various degrees of restrictiveness within the same PFR. In addition, the shift from less to more restrictive rules within one dimension may not necessarily be associated with – or accompanied by – a similar drift in other dimensions.

In the main, there are two potential scenarios concerning the scale and direction of change within a PFR. The first assumes that the alteration of the regulatory framework in any particular dimension may

[15] I do not discuss here the effectiveness of sanctions to prevent misdemeanours related to party and campaign funding.

occur without affecting the substance of other properties. It also implies that the change may impinge on the restrictiveness in both directions, either making a given PFR more permissive or more restrictive relative to the status quo. For instance, the provision of public funding to political parties, without altering other properties, would make the overall regime less restrictive since political parties will receive an additional source of income, while facing no restrictions on alternative income sources. Likewise, by lowering donation caps on physical and legal entities, or outlawing some categories of donors, without affecting other features, would be conducive to a higher degree of restrictiveness because political actors will be forced to work harder in their fundraising.

The second scenario implies a more interactive way of relating different regime properties to each other. Here, any shift in restrictiveness on a certain dimension, regardless of its direction, would entail simultaneous shifts across other dimensions. Still, this does not imply that altering restrictiveness in one direction will entail changes in the same direction across other dimensions. On the contrary, we might face a trade-off situation in which relatively permissive rules regarding one dimension of party financing are associated with tighter rules regarding other dimensions. For instance, if the donation caps are too permissive – to wit, either absent or extremely high – then one might expect more severe disclosure rules pertaining to the donor's identity and a tighter control mechanism to prevent the undue influence of big donors on the political/electoral process. Likewise, if parties are provided with direct state funding, this represents a shift toward a less restrictive regime on the income dimension. On the other hand, however, this shift may be accompanied by stricter rules on private financing, transparency and control. Note that the trade-offs between various properties of a PFR reflect a state in which the relative advantages of permissive rules within one dimension are cancelled out by more constraining regulations across others. The second scenario is more likely to unfold in the real world of party and campaign funding but the first one might work as well. In the next sections, I classify PFRs according to their restrictiveness on each regulatory dimension by using the most relevant qualitative properties refelecting the substance of the respective dimension.

2.4. Restrictiveness of income sources

2.4.1. Private financing

There are two kinds of restrictions worth considering in analysing the restrictiveness of private financing: qualitative and quantitative. Qualitative restrictions are bans on income from certain categories of donors based on characteristics usually thought of as harmful for the autonomy and representativeness of political parties. In this case, the two dimensions of restrictiveness – scope and stringency – overlap since regulatory scope refers to the number of the donors' categories that are entirely barred from contributing to party and campaign funding, while regulatory stringency embodies the prohibition itself. This is because regulatory stringency may take only two values, *yes* and *no* – the former implying an actual ban on that income source, the later excluding the donor from the pool of outlawed sources. Consequently, a PFR will become more restrictive as the pool of forbidden sources for political parties

grows, and vice versa. In this respect, foreign entities, anonymous donors, trade unions, state bodies, corporations with state ownership, religious and non-profit organizations etc. are the main types of potential donors more likely to be prohibited.

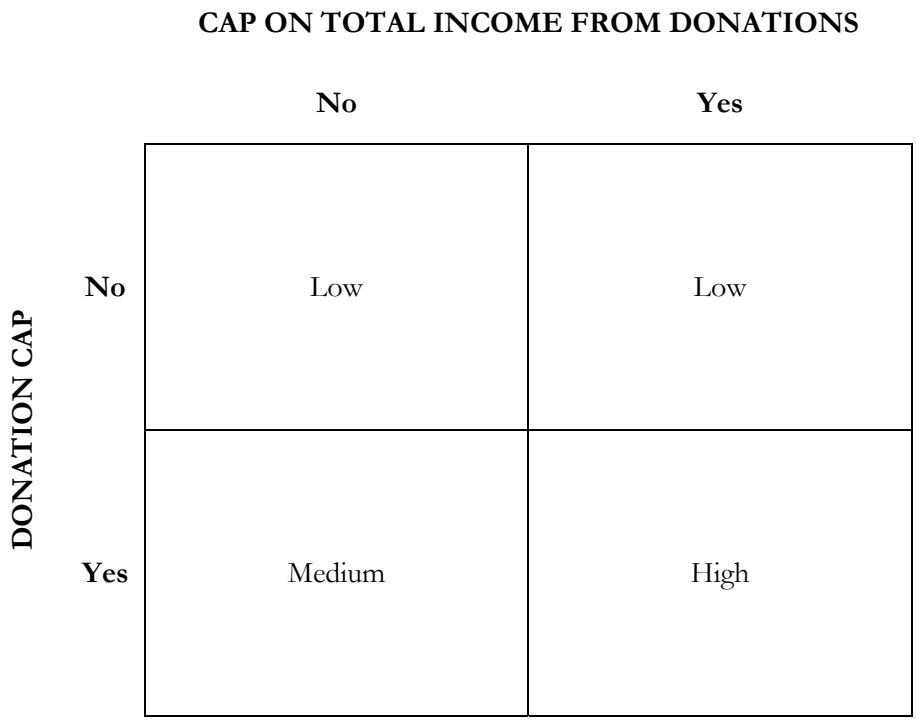
Nonetheless, there might be some exemptions that allow even these entities to contribute to party coffers. Depending on their legal status, some foreign entities might be permitted to donate. In other cases, public events or the educational activities of political parties may receive support from abroad. Likewise, corporations with a state shareholding may be authorized to donate if the state's ownership is below a given threshold. Under such conditions, the state's share of ownership would reflect regulatory stringency, with lower/higher shares being associated with less/more restrictive rules. The same holds true for the anonymous donors, public contractors, foreign organizations and other entities falling under this kind of qualitative restrictions.

The second indicator employed to explore the PFR restrictiveness are quantitative restrictions on private financing. There are two criteria I use to account for regulatory scope and intensity in this regard. The first relates to donation caps on physical and legal entities, while the second concerns the limit on the total income a political/electoral formation can raise from private sources yearly and/or during elections. Hence, in building up a classification of PFR concerning private sources, based on their restrictiveness, I mainly use the quantitative restrictions, leaving aside the qualitative ones. While bans on different donor categories are relevant and meaningful for overall restrictiveness, they are difficult to incorporate into a simple and manageable typology of regime restrictiveness. Moreover, given the nature of party and campaign finances, quantitative restrictions, in my opinion, better capture regulatory scope and stringency. They represent the ultimate check on flows of money into the political/electoral process.[16] Hence, based on these restrictions on private sources I construct a PFR typology by crossing the two criteria mentioned above. The interplay between the absence/presence of donation caps and the absence/presence of caps on total income collected from private sources yields a typology of regime restrictiveness ranging from a low to high restrictiveness as depicted in figure 2.1.

The advantage of this typology is that it has a *two-layered structure*. The upper layer, depicted in figure 2.1 – reflecting the meta-properties of each type based on the lack/availability of regulatory provisions – is accompanied by another layer which is nested within each type (except the low one) and captures the stringency of regulations epitomized by different donation caps and limits on total income amassed from private sources. I provide below a brief overview of each type based on its degree of restrictiveness.

[16] The relationship between the range of sources legally authorized to contribute to party and campaign funding, as an expression of regulatory scope, and quantitative restrictions, which reflects instead regulatory stringency, is more complex. However, my focus on quantitative restrictions is precisely justified by prioritizing stringency, since it accounts for the amount of financial resources a donor is entitled to contribute to party/campaign coffers. In this respect, regulatory scope is still epitomized by the income sources that are legally permitted.

Figure 2.1. Typology of private income restrictiveness



Source: Author's elaboration

The low restrictive type in the top-left and the top-right quadrants features the most permissive rules on income from private sources, since there are no limits on private contributions. Hence, within this type, neither political parties nor their donors are constrained in terms of the amount that can be poured into party or campaign budgets. While the low type located in the top-right quadrant appears to be slightly more restrictive in foreseeing a limit on total income from private sources, from a fundraising and legal perspective, it is no different from its neighbour in the top-left quadrant. Legally speaking, under this regulatory framework, any political party/electoral competitor can be financed by a single donor. Consequently, political actors are not required to deploy substantial efforts to collect financial resources from a large pool of contributors. Given the lack of donation caps, they might prefer to extract resources from a narrow pool of affluent sponsors.

The medium restrictive regime, located in the bottom-left quadrant, is a case in which restrictiveness stems from the donation limit on physical and/or legal entities. The larger/smaller the donation the more permissive/restrictive a given PFR is. More permissive/restrictive donation caps imply that political actors are compelled to deploy fewer/more efforts to amass the necessary resources by having to reach a narrower/larger pool of potential donors. Overall, those PFRs with low donation caps compel political parties to deploy more efforts to create and nurture a broader base of potential sponsors. As the donation caps are raised, the regime becomes more permissive, making party fundraising efforts less demanding.

The last type in the bottom-right quadrant is the most restrictive, due to the presence of both kinds of quantitative restrictions, i.e. individual and aggregate limits on income from private sources.

Besides the similarities with the medium type, which allows analysis of the variation in donation caps within the same type, the most constraining PFR type offers an alternative method to assess the variation among cases recording similar properties. [17] Overall, however, the direction of permissiveness/restrictiveness regarding donations described for the medium type is extrapolated to the limit on total income collected from private sources. Accordingly, lower/higher ceilings on total income are associated with more/less restrictive regulatory regimes.

Despite this simple framework, analysing PFR restrictiveness is more involved due to its implications for political/electoral competition. Each regulatory type from figure 2.1 may distort political competition in different ways, advantaging certain political actors and disadvantaging others, depending on their resource endowments. For instance, the low restrictive type is obviously biased toward richer parties and candidates, allowing them to fully capitalize on their financial might due to the lack of any quantitative restrictions. In contrast, this manifest bias vanishes in the medium and high restrictive regimes as both kinds of restrictions are expected to curtail the financial advantage of richer competitors. In a medium restrictive PFR, for instance, low donation caps advantage parties with well-developed grassroots networks, while hampering those that rely on large donors, since the latter will not be able to capitalize on their financial advantage. The direction of bias is however reversed as donation caps are set at higher levels, since the lack of restrictions on total income favours political parties better connected to affluent donors. Likewise, the same logic operates in a high restrictive environment with the only difference being that, besides donation caps, political actors are also bound in their fundraising by a ceiling on total income.

Obviously, in the real world of party financing it is possible that the limit on total income will never be reached (if it is set up too high) or, conversely, it might be set too low, thus increasing the probability it will be breached. Similarly, it is impossible that all party donors will give the maximum amount permitted by the law. On the contrary, it is more likely to witness a situation in which most political actors encounter common fundraising challenges associated with the scarcity of financial resources and the unavailability of lavish donors. While this is a pertinent objection to my approach, it does not undermine the analytical framework described above. My primary concern is the leeway political parties have in their financial activities given the stringency of regulatory provisions. Whether they can fully exploit the opportunities enshrined by law or are willing to comply with its confinements is another issue.

2.4.2. Public funding

The role played by public funding in the overall restrictiveness of a PRF raises some paradoxes. On the one hand, the provision of public funding to political parties is a hallmark of the regime's permissiveness, inasmuch as public funding releases political parties from the burdensome need to

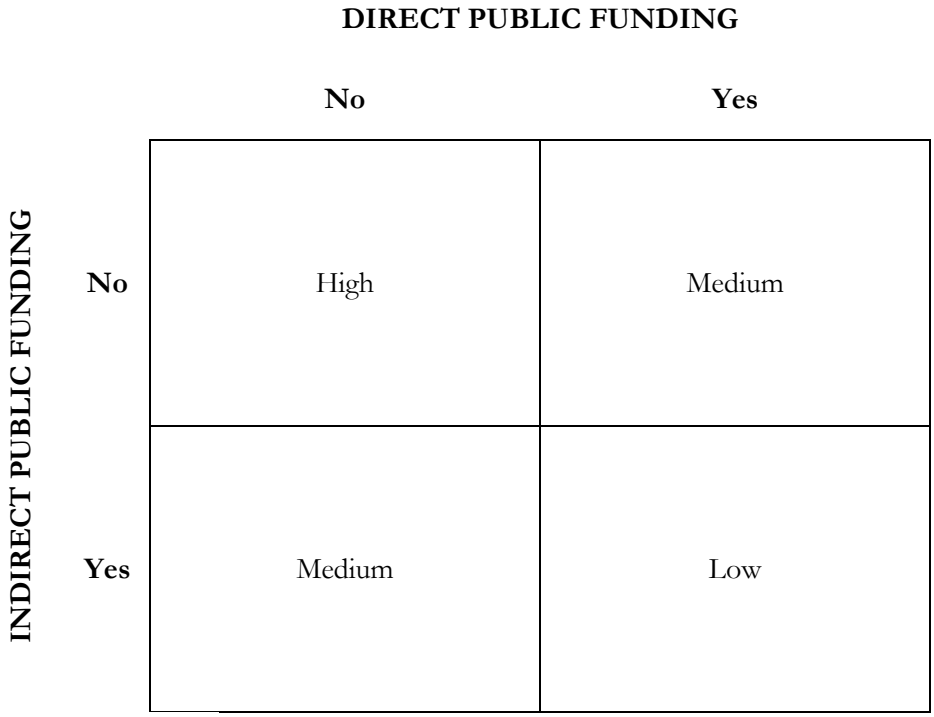
[17] I will provide more details on this method in the next chapter when discussing the operationalization of restrictiveness.

constantly seek financial resources. On the other hand, the potential strings attached to the provision of state support – such as stringent rules on donations, spending, transparency and control – may pull the overall restrictiveness in the opposite direction. Although this need not always be the case and it does not unconditionally emanate from the provision of public funding, such a trade-off is more likely to occur than not. It is less credible to expect that the introduction of public funding would leave other aspects of PFR unaffected by maintaining the same degree of restrictiveness prior to its enactment. Analysing the effects of the public funding provision would require weighting the potential gains and losses political parties might incur. Furthermore, the assessment of restrictiveness should also consider the distributional consequences of state subsidies for the beneficiaries. Public funding may positively/negatively discriminate for/against some political actors depending on the allotment scheme. For instance, political actors who do not benefit from public funding might find themselves in a worse situation, since as a result of state subsides the rules on private income might become more stringent, thus limiting their access to alternative funding sources.

The restrictiveness of a PFR concerning public funding regulations is determined by two types of state aid, i.e. direct and indirect funding. Direct state funding consists in direct subventions disbursed from the state budget to political parties and/or electoral competitors, while indirect funding refers to subsidized or free access to media, tax deductions on donations, free use of state premises for electoral purposes and other facilities aimed at supporting parties and candidates in their activities. To construct the matrix on public funding restrictiveness, I use the same approach as for private funding by crossing the lack/availability of DPF with the lack/availability of indirect state support to parties and candidates. The outcome of this crossing is depicted in figure 2.2, which contains four configurations of restrictiveness. Yet, prior to delving into analysing the degree of restrictiveness for each individual type it should be noted that the direction of restrictiveness concerning public funding is reversed – that is, the regulation and provision of state subsidies is associated with less restrictive regimes. Therefore, unlike other PFR dimensions, in which legislative provisions indicate more constraining rules, the availability of state support for political/electoral contestants indicate a more permissive PFR.

The most restrictive PFR located in the top-left quadrant of the matrix is the one that that provides neither direct nor indirect public funding to political parties and candidates. In this case, all activities related to fundraising are left exclusively in the hands of political parties as private associations. Under these conditions, the regime's restrictiveness hinges on the rules across other regulatory dimensions. If the state does not provide any support for political parties but leaves to them a large room for manoeuvring to acquire funds from alternative sources (even illegal), then the overall regulatory regime cannot be deemed restrictive. Furthermore, precisely because of the easy availability of resources from other sources, including illegal, political parties might not strive to get access to public funding. Accordingly, the lack/availability of state support for political parties needs to be assessed in relation to other PFR dimensions.

Figure 2.2. Typology of public funding restrictiveness



Source: Author's elaboration

The medium restrictive type is encapsulated by the top-right and the bottom-left quadrants. In the first case, the degree of restrictiveness is driven by the availability of direct state funding but the lack of indirect support, while in the second case only indirect funding is provided to parties and candidates. Within these types restrictiveness derives from the stringency of rules pertaining to several indicators like the level of the state support, eligibility rules and the allocation criteria. As a rule, the larger/smaller the budgetary subventions or the amount of free airtime allotted to political/electoral competitors, the less/more restrictive is the PFR. Likewise, the lower/higher thresholds of eligibility for state funding and a more/less egalitarian distribution formula in the allocation of state aid are associated with a less/more restrictive PFR. Of course, in reality these indicators could be mingled in different configurations. For example, a generous amount of public funds might be combined with a high eligibility threshold and a distribution formula based on pure proportionality. An additional problem for the medium type based on indirect funding stems from the impossibility to quantify and measure aggregate support from the state given the multiplicity of subsidized items and different rules concerning eligibility requirements and allocation criteria. For instance, while prospective donors are more likely to be treated in the same way, regardless of which party they contribute to, when tax deductions are foreseen, then for subsidized access to media, it might be provided contingent on past electoral performance. Those parties that scored better in the last elections might be allotted larger shares of the public broadcasters' airtime. Consequently, the impact of indirect funding on overall restrictiveness is hard to estimate.

Finally, the low restrictive type envisages both kinds of public funding. Hence, analysing restrictiveness sketched for the medium type is also valid here with the only difference being that one

should scrutinize the stringency of rules considering the join effects of direct and indirect state funding on political competition. It is crucial to point out that the provision of public funding raises probably most of the questions regarding the overall restrictiveness of a PFR due to various discriminating effects among political parties. While the provision of state aid may be beneficial for some of them, it may also inflict damage on others. Nevertheless, I rely on the assumption that, at least partially, public funding aims at helping political parties cope with the burden of fundraising. Yet, the complexity of the public funding mechanism involving several criteria makes it difficult to assess its restrictiveness. When several PFRs record the same properties, which determine the assignment of a case to a certain restrictiveness category, the further variation in restrictiveness within each type is determined by the amount of state subsidies, eligibility/access rules and distribution formula (plus timing of disbursement in the case of elections).

I use the amount of state subsidies as the benchmark to assess a PFR's restrictiveness. Hence, any PFR becomes more permissive as the size of public funds provided to political/electoral actors gets larger. The next yardstick refers to the rules concerning eligibility/access to state subsides. The lower the threshold the less restrictive a public funding regime tends to be. The same logic applies to indirect public funding such as media access. The third indicator touches upon the allocation rules, i.e. how public funding is apportioned among beneficiaries. However, the problem with an objective and unbiased analysis of the effects of the allocation formula on restrictiveness is that it merges two opposite criteria for the apportionment of public funding: proportionality and equality. Proportionality, in its purest state, implies that state subsidies are distributed relying strictly on electoral performance, either votes or seats. It takes the most concentrated form when public resources are distributed exclusively based on parliamentary representation, thus excluding from the equation those competitors that failed to pass the electoral threshold. As a consequence, the formula for converting votes into seats is, itself, a crucial variable since it affects the number of parliamentary seats, which is the basis for apportioning public funding. Equality, in its extreme hypostasis, instead envisages an equal allotment of state resources to all contestants regardless of electoral performance. It tends to weigh heavier in the overall distribution formula when a certain proportion of public funds is equally allotted to the beneficiaries of public funding. The higher/lower this share the more/less the distribution formula will tilt toward equality at the expense of proportionality. A distribution formula giving more weight to proportionality would rather favour insiders by allocating the lion's share of public resources to parliamentary parties. In contrast, a more egalitarian formula would advantage small parties. Hence, various configurations of these two criteria may work toward different and opposite aims, e.g. either freezing or boosting political competition.

Notwithstanding the implicit bias of every formula, I depart from the assumption that a given PFR is less restrictive if the formula tilts toward a more egalitarian distribution of state funds, thus offering a relative advantage to smaller players. The rationale for this choice lies with the overall capacity

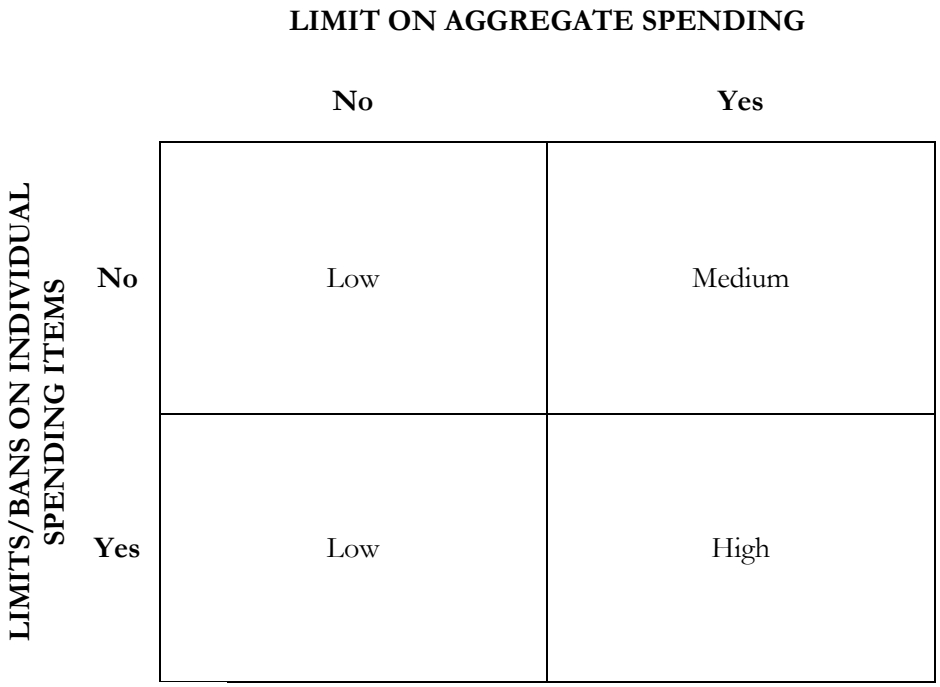
of political parties to access resources. Even though a slightly more egalitarian formula would relatively advantage smaller parties, this is because they are expected to struggle harder in getting access to alternative sources of financing. For the bigger and richer parties, state financing, although representing a crucial income source, is not as vital for their survival as it might be for the smaller ones (Casal Bértoa & Spirova, 2013). This is particularly relevant for incumbents who, given their position within the governmental arena, have an easier access to other kinds of resources, both public and private.

2.5. Restrictiveness of spending

To analyse spending restrictiveness, I focus exclusively on the election campaigns, leaving aside statutory party activity. This is justified by the lack of explicit spending regulations outside elections that would target political parties. Of course, in some cases there might be implicit spending restrictions stemming from the cumulative income amassed from private and public sources or restrictions on how public money can be spent for political purposes. However, unlike electoral campaigns in which electoral expenses represent one of the most regulated dimensions, routine party expenses are not usually an object of regulatory intervention. Accordingly, in constructing the restrictiveness matrix on election spending, I rely on two relevant criteria. The first refers to the spending limit on the total income an electoral competitor is entitled to spend during elections, regardless of the campaign length. The second indicator pertains to certain restrictions imposed on individual spending items, such as paid political advertisements with broadcasting outlets or on outdoor advertising. The regulatory scope in this case is determined by the range of spending restrictions, while the stringency is epitomized by the nature of provisions themselves, like the level of campaign expenses for a party/candidate or the amount of paid airtime for TV advertising. Consequently, any PFR grows more/less restrictive if the range of spending restrictions increases/decreases and the spending caps are lowered/raised. By crossing these two criteria we obtain a typology of spending restrictiveness that encompasses both the range and stringency of regulations as depicted in figure 2.3.

The least restrictive type is found in the top-left and the bottom-left quadrants of the matrix. The liberal nature of the spending regime is pretty straightforward for the top-left quadrant, which depicts a PFR that does not foresee campaign spending caps and other restrictions (bans/limits) on individual spending items. Accordingly, electoral competitors are free to spend as much as they can afford on electioneering. A slightly different situation is attested in the bottom-left quadrant which epitomizes a restrictiveness type in which campaign funding regulations stipulate only restrictions on certain spending items but do not limit aggregate spending. This configuration is unusual, since it could affect the electoral competitors' spending strategies but not necessarily aggregate spending. For instance, if there are some expenditure items that are regarded as paramount for the electoral success or, at least, are perceived as crucial for a smooth unfolding of the electoral campaign, then imposing some restrictions on paid political advertisements might reduce the demand for financing and lower the cost of elections.

Figure 2.3. Typology of spending restrictiveness



Source: Author's elaboration

Notwithstanding this possibility, I still consider the bottom-left type as rather permissive since electoral subjects can easily offset these restrictions by redirecting financial resources to other spending categories. Therefore, while this configuration appears to be slightly more restrictive, the lack of aggregate spending caps does not represent a significant constraining factor, thus I still assign it a low restrictive score. The top-right quadrant of the matrix encapsulates a medium restrictive type, which combines campaign regulations establishing a spending limit on the electoral competitors' electoral fund, without restricting the way in which the money is spent on individual items. While the limit on aggregate spending affects the behaviour of electoral contestants, they are still free to increase the efficiency of spending by channelling the financial resources toward those categories that are expected to yield the highest electoral returns. Finally, the most restrictive type, found in the bottom-right quadrant, is characterized by spending rules foreseeing both kind of limits. Although this type offers the possibility to use a more fine-tuned method to measure restrictiveness, its practical application might be hindered by the difficulty to quantify the impact of some regulations on electoral competition. For example, the full/partial ban on some spending categories like TV advertisements might have an uneven impact on the electoral competitors' freedom to spend since, depending on their resource endowments, they might be differently affected by such restrictions. A political party that mostly spends its election funds on a door-to-door campaign will not feel the pressure of these prohibitions compared to a party that opted for a more intensive campaign style in which TV ads account for a large share of the electoral budget. Hence, to avoid these potentially discriminatory effects I will focus on the level of aggregate spending, which

reflects the stringency of campaign rules, while treating the restrictions on single spending items as a subsidiary element.

However, this is not the only difficulty in assessing the restrictiveness of spending. There are more profound, substantive implications of this dimension on the electoral competition. The lack/availability of spending limits may have a differentiated impact on electoral contestants depending on their resource endowments. In this case, the restrictiveness of spending rules loses its neutrality since it may advantage some competitors and disadvantage others. Overall, however, the establishment of spending caps is usually justified by the need to level the playing field and to reduce the demand for financial resources. The first assumption implies that political parties who are better financially endowed will not be able to fully capitalize on their advantage. Hence, spending limits are expected to have a levelling effect, inducing a fairer political competition. The second assumption, while partially overlapping the first, is mostly aimed at ensuring a cleaner competition. Reducing the demand for money aims at mitigating the propensity of political parties and candidates to get engaged in dubious and murky affairs to secure electoral funding. Nevertheless, there are several counter arguments that claim that spending caps have precisely the opposite effect. The central idea is that limiting the pool of resources that can be spent is more likely to damage challengers than incumbents.

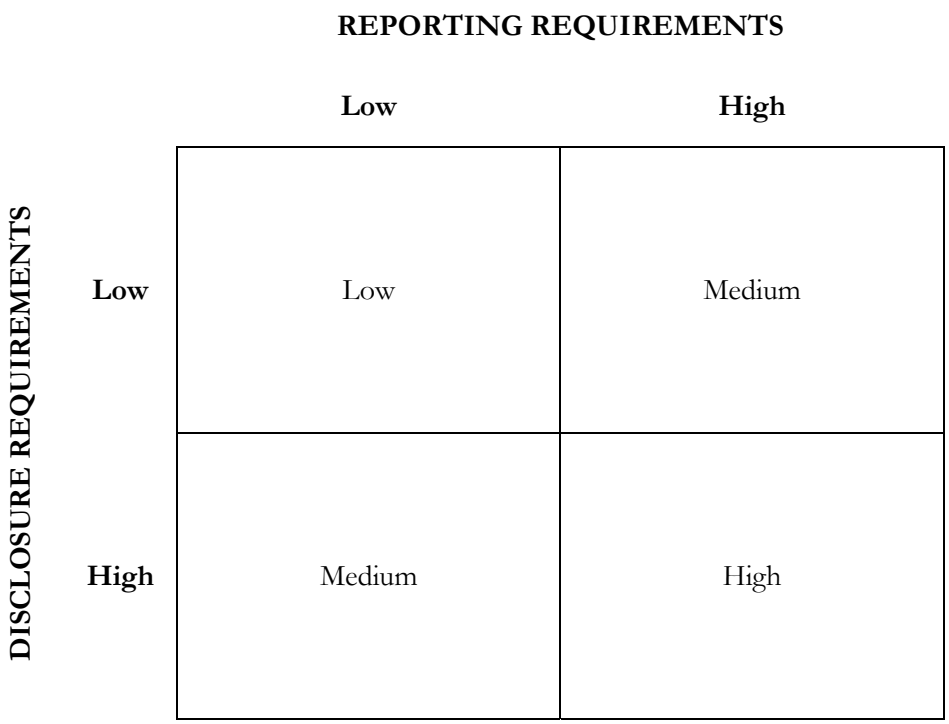
Beside having easier access to private income sources, incumbents are also better resourced relative to challengers, given their access to state resources. They also enjoy more media coverage – another key advantage. They are less likely to be negatively affected by spending caps. On the contrary, such limits may be applied exactly to hinder potentially rich outsiders who are able to garner substantial resources to compete on an equal footing with incumbents. When financial resources are available to, and can be accessed by, outsiders, lower caps on spending are more likely to hamper their odds of successfully competing, thus advantaging incumbents. Vice versa, the scarcity of resources backed up by high spending levels would rather create a bias toward office holders at the expense of challengers. Nevertheless, my hunch is that – given imperfect knowledge and information asymmetries – it is difficult to identify a priori the optimal level of spending limits that would, by default, advantage incumbents or disadvantage challengers. While it is true that incumbents will most likely attempt to tailor the rules to their own benefit, they do not hold complete information concerning the final outcomes likely brought about by their choices.

2.6. Restrictiveness of transparency rules

For the dimensions discussed above, the restrictiveness matrix was based on *hard* indicators which could be further split to differentiate between PFRs recording similar values on regulatory scope. However, for analysing transparency restrictiveness I use a slightly different approach. I address transparency as a confluence of the two kinds of regulatory provisions – namely, reporting and disclosure of the information regarding party and campaign funding. The distinction between reporting and disclosure is fundamental, since the obligation of political parties and candidates to report their income

and expenses to a monitoring body does not automatically translate into the disclosure to the public. While either political/electoral competitors or the monitoring body are required to disclose such information in some instances, this is not always the case. Hence, by using the regulatory scope and stringency to assess the reporting and disclosure obligations, I take into consideration the *fuzzy* nature of transparency obligations. Scope pertains to the availability and range of regulations, while stringency touches on the depth/content of transparency provisions.[18] In building up the restrictiveness matrix, I do not employ, as previously, a clear-cut dichotomy regarding the lack/availability of financing restrictions. Instead, I use a softer differentiation – low vs. high – reflecting the constraining nature of reporting and disclosure regulations. By crossing these two criteria, I come up with a similar restrictiveness matrix, as depicted in figure 2.4.

Figure 2.4. Typology of transparency restrictiveness



Source: Author's elaboration

The least restrictive type is located in the top-left quadrant – PFRs that either completely lack reporting and disclosure obligations or with requirements that are overly vague. As a consequence, political parties/electoral competitors are not actually bound by these requirements to provide information on their finances to external stakeholders. The opacity of this type indicates no effective external accountability checks, which also might affect the actors' compliance with other regulations.

[18] The differences in the scope and depth of reporting and disclosure are shown by the following situation. Conceive of two PFRs that foresee reporting and disclosure provisions for parties' income and spending. In the first, parties and candidates are required to report and publish the information only in aggregate amounts. The other obliges political actors to provide a more detailed account, including the identity of donors, the amount of private contributions and an itemised structure of spending. As a result, both regimes are similar regarding extensiveness, but they are far different regarding stringency.

The medium restrictive type is located in the top-right and bottom-left quadrants. While they are slightly different, in neither case can full transparency be achieved. The transparency regime from the top-right quadrant sets demanding reporting obligations but weak ones for disclosure.

Hence, while political parties are compelled to provide fairly detailed information on their finances to a monitoring/supervisory body, this information is either not made publicly available or only summary data is published. In contrast, the transparency regime in the bottom-left quadrant envisages low reporting but high disclosure obligations. In this case, reporting provisions are rather blurry and do not clearly specify what is to be reported. Still, the reported information must be publicly disclosed. The ultimate outcome is a limited transparency regime, since political parties themselves decide what financial data will be made publicly available. Finally, the most restrictive type, enclosed in the bottom-right quadrant represents a transparency regime with highly demanding reporting and disclosure requirements. The ideal case for this type would see full overlap of reporting and disclosure – in other words, political parties have to record and disclose every bit of information about their financial activities. Standard practice would include disclosure of donor identity and a very detailed and itemized structure of expenses.

Assessment of transparency restrictiveness presents its own challenges. When it comes to income sources, this is mainly related to the failure to define, report and disclose certain revenue types like in-kind donations. Furthermore, in some cases the disclosure of financial data is conditional on a certain threshold. The publication of donor identity only if the donation exceeds a given threshold is a case in point. But the same holds true for the spending dimension as well. The higher/lower the disclosure threshold, the less/more transparent a given PFR is. Higher non-disclosure contribution thresholds suggest considerable leeway exists for political parties to conceal more of their donors and, implicitly, the origin of their income sources. Likewise, when political/electoral competitors can bundle together expenses inside broad spending categories, transparency is also reduced. Accordingly, the more detailed and specific requirements on spending items are, the more reporting and disclosure of spending is achieved.

2.7. Restrictiveness of enforcement and control mechanism

Control over party and campaign financing is an indispensable element of the regulatory regime. While the control mechanism is somewhat external to the financing regulations as such, it is vital for ensuring that political/electoral competitors abide by the rules. I treat control/enforcement of political financing as the interaction of two elements: oversight and sanctions. Only when both elements are foreseen by law can we assert the presence of a more or less robust control. In terms of necessary and sufficient conditions, each of them is a necessary but not a sufficient condition, and only jointly are they necessary and sufficient to ensure a credible and effective control. Hence, the presence of a powerful oversight body entitled to check party and campaign funding will not have a deterrent effect on political parties if there are no sanctions for breaches. Likewise, a regulatory regime prescribing a broad and diversified gamut of sanctions will have little impact on party behaviour if the supervision is lacking or

weak. Furthermore, the establishment of an effective enforcement mechanism is a particularly sensitive matter, since parties themselves decide on the statute and powers of the monitoring/oversight institution, thus prescribing the boundaries within which it is entitled to act. The same holds true for the level of sanctions – these too are set by the political parties. Therefore, the restrictiveness of the control mechanism is directly affected by politicians' willingness to delegate it to an external body authorized to impose sanctions. However, the interactions between the oversight and sanctions may generate different configurations of the control mechanism, depending on the strength of the supervisory body and the nature of sanctions. Below I provide a framework that separately assesses the restrictiveness of oversight and sanctions, which are then combined into a more general framework of the enforcement/control mechanism.

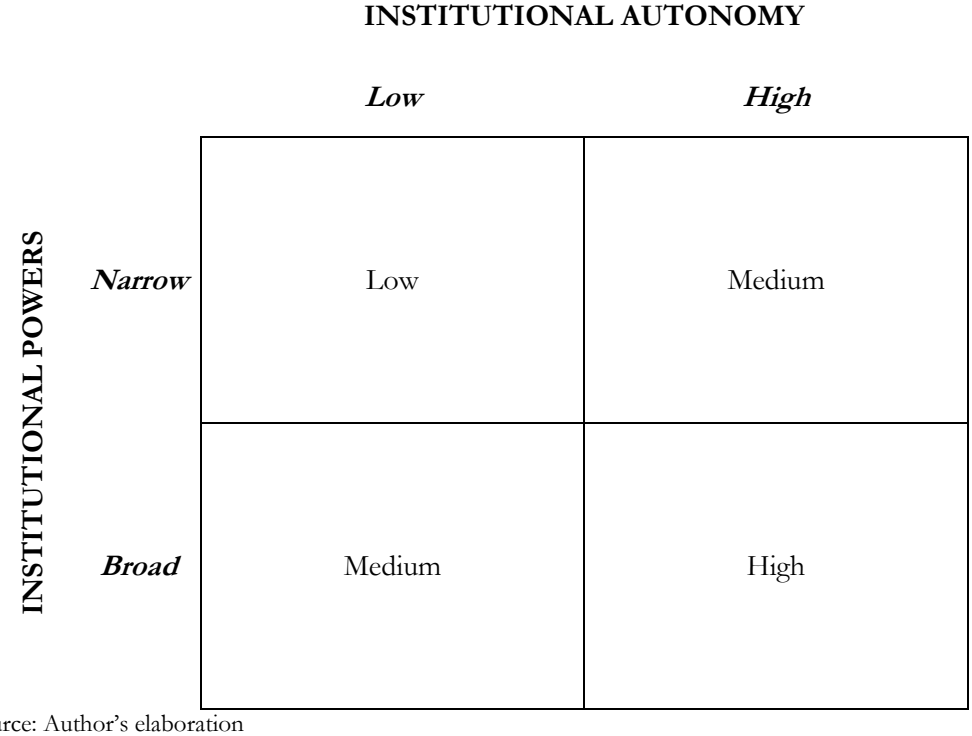
2.7.1. Monitoring and oversight

There are two key features of the supervisory mechanism that need to be simultaneously present to make it functional and effective: institutional autonomy/independence and institutional mandate/jurisdiction. Effectiveness and functionality of the oversight mechanism stand for its restrictiveness. Institutional autonomy implies the relative remoteness of the supervisory body from straightforward political influence/pressure, while institutional mandate refers to its powers in controlling party and campaign funding. Any oversight body outside direct government control is, all other things being equal, more autonomous than under the executive umbrella. Consequently, a ministry or governmental department in charge of supervision of party finances is less autonomous, given its direct political subordination as component parts of the executive. In contrast, an auditing agency or an electoral management body would enjoy comparatively more political independence. The autonomy condition is vital if the supervisory body is to apply financing rules in a uniform and consistent manner, regardless of the actors' political affiliation. Furthermore, the independence of the controlling body is expected to increase the integrity of the political process and ensure compliance with the regulatory framework. Of course, I conceive the autonomy of the supervisory body in relative terms, i.e., as a matter of degree. It is hard to think of any public body that is completely free from political interference. Nevertheless, supervisory bodies not directly under governmental control display more independence in their decision-making. This autonomy is often ensured by fixed terms in office, as well as more demanding and complex appointment and dismissal procedures. As a result, they are better protected from politicians' whims and changing political fortunes.

The second yardstick – institutional powers – refers to the boundaries within which the oversight body is empowered to act in checking the actors' compliance with financing rules. The restrictiveness of supervision clearly depends on what the nominated oversight body can and cannot do in accomplishing its mission. The comprehensiveness of institutional powers, in this respect, is determined by its self-sufficiency – that is, the supervisory body does not need to rely on other state bodies in terms of expertise, staff and resources in carrying out its duties. The more/less it is bound to resort to other agencies in

checking party and campaign funding, the narrower/broader are its oversight powers. Yet, formal powers do not suffice in performing financial control if the supervisory body is stifled by resource shortages. Whether these shortages are the outcome of deliberate action or are caused by other factors is another critical question but it will not be addressed here. Consequently, for the supervision to be effective/restrictive both conditions need to be met, i.e. the presence of political autonomy and extensive powers. As in the case of transparency restrictiveness, I employ a softer differentiation to distinguish between different levels of political autonomy and the scope of institutional powers. For the autonomy indicator, I use a similar low/high differentiation, while for the institutional powers I use a narrow/broad division. The crossing of these criteria produces the restrictiveness matrix depicted in figure 2.5.

Figure 2.5. Typology of oversight restrictiveness



Source: Author's elaboration

The least restrictive oversight mechanism is in top-left quadrant, combining limited institutional autonomy with weak legal powers. This is clearly a toothless supervisory mechanism in which a state body performs a rather symbolic role in overseeing party finances. While the partisanship of the supervisory body might present a hazard for certain actors, the lack of clearly defined formal powers cancels out this potential threat. Under this oversight design, the risk of being punished for financial wrongdoings is definitely small. The medium restrictive type is located in the top-right and bottom-left quadrants of the matrix. While they represent two different configurations of the interaction between autonomy and powers, in both cases the ultimate outcome is a truncated and deficient supervision. The top-right quadrant represents a combination between high political autonomy and limited powers to scrutinize party and campaign financing. The key shortcoming of the supervision design here is that the oversight body cannot scrutinize financial records beyond a certain line. Such an agency may still be able

to discover some party/campaign financing infringements but, since its powers are circumscribed to a clearly defined repertoire of actions, it will not be able to thoroughly investigate them. Conversely, the bottom-left quadrant captures an oversight regime with weak institutional autonomy and extensive powers. This mix yields a politicized supervisory mechanism, which can be dangerous for the integrity and fairness of financial control. Such a mechanism represents a double-edged sword, which is more likely to be selectively employed to defend or punish some actors depending on their political affiliation and/or positioning toward the incumbents. The direct subordination of the supervisory body to the executive makes it suitable to be arbitrarily deployed against political opponents. This kind of supervision may result in the application of different sanctions for similar violations, depending on who has committed the breach. Nevertheless, despite being more restrictive than the previous configuration, the key drawback of this supervisory configuration is that the control will not be carried out uniformly and consistently. That is why I still assign it a medium restrictiveness degree. Finally, the last and the most restrictive oversight regime, enclosed in the bottom-right quadrant, consists of an independent body endowed with broad supervisory powers. Only this configuration can yield a control mechanism with a higher propensity to resist political intrusion and to take politically unbiased decisions in surveying party finances.

The restrictiveness types of the oversight mechanism provided above assume a supervisory mechanism based on a single oversight body. When, however, more than one body is entrusted with supervisory duties the entire mechanism is likely to become weaker, more cumbersome and less effective. As a result of power sharing arrangements and other difficulties associated with bureaucratic coordination and resource allocation, one would expect the supervision of party and campaign funding to be negatively affected. Even when the oversight powers might be split on a functional basis (e.g. control over private sources vs. control over public funding) and/or based on timeframe (e.g. campaign funding vs. statutory financing), control is expected to become slower, more fragmented and narrower in its scope. In a nutshell, the more bodies involved in overseeing party and campaign funding, the less efficient the entire supervisory mechanism is expected to be. In addition, these latent shortcomings might be reinforced if the oversight institutions are partitioned along political lines. While this might increase the risk of their deployment against political opponents, the fragmentation of supervisory powers makes the materialization of such a risk highly improbable.

2.7.2. Sanctions

The sanctioning mechanism is the second pillar of the control in PFRs. Without an encompassing and dissuasive system of sanctions, oversight becomes meaningless. Yet, analysing the sanctions' restrictiveness also generates some problems. As already pointed out, by looking solely at the range and stringency of sanctions on a low – high continuum is not sufficient to assess their restrictiveness, although this represents the simplest and the most straightforward way to tackle the issue. For a full picture one also needs to consider the linkage between the nature and gravity of violations, on the one hand, and the

stringency of sanctions, on the other. In an ideal and perfectly symmetric enforcement regime, each offence would match a certain penalty. In practice, however, we might rather face various asymmetries between the gravity of infringements and the stringency of punishments. When a certain PFR defines some types of prohibited financial activities but does not explicitly stipulate any matching penalty for such offences, this is a gross omission. For instance, if vote buying is forbidden but is not legally codified as offence, it follows that this violation cannot be punished. Besides the mismatches between financial infringements and foreseen penalties, it should be noted that sanctions are relevant and meaningful only if the financing regime is heavily regulated and therefore sets up various restrictions on party/campaign funding. In those PFRs characterized by a laissez-faire philosophy, sanctions are rather pointless.

Bearing these pitfalls in mind, I nevertheless apply the same fuzzy distinction to classify sanctios in different restrictiveness types. For the regulatory scope, I use the narrow/broad demarcation indicating the range of the available sanctions, while for the stringency I use the light/heavy delimitation. Even though I do not provide, for now, any operationalization of the relationship between the regulatory scope/stringency and restrictiveness type, the full package incorporates sanctions ranging from warning (the lightest penalty), to the dissolution of a political party or the exclusion of an electoral competitor from the race (the heaviest punishment). Between these extremes there are many other penalties, including various fines, forfeiture of unlawfully acquired funds, imprisonment, suspension or the loss of state subsidies etc. Following this logic, the narrower/broader and softer/stricter the range of available sanctions, the less/more restrictive a given sanctioning mechanism is. Hence, by crossing these two criteria we obtain four different configurations of the sanctions' restrictiveness as depicted in figure 2.6.

Figure 2.6. Typology of the restrictiveness of sanctions

SEVERITY OF SANCTIONS	RANGE OF SANCTIONS: *Narrow*	RANGE OF SANCTIONS: *Broad*
Soft	Low	Medium
Harsh	Medium	High

Source: Author's elaboration

As a rule, the top-left quadrant of the matrix portrays the weakest sanctioning mechanism, incorporating only a few soft sanctions (if any) for party and campaign funding violations. Accordingly, under this regulatory regime there are few chances that parties and candidates would be punished for dodging the funding rules. While they might incur some reputational costs if caught breaching financing regulations, the softness of sanctions brings no severe repercussions for their political/electoral survival. In this case, the range and stringency of sanctions is merely symbolic and formal.

The next restrictive type is in the top-right and bottom-left quadrants, each of them illustrating a different configuration of regulatory scope and stringency. The top-right quadrant contains a regulatory regime foreseeing a broader and a more diversified palette of sanctions including, for instance, a more varied range of financial penalties matching infringements of different gravity. Nevertheless, given the low value of these fines, they do not sufficiently discourage political parties from engaging in unlawful financial enterprises. Conversely, the bottom-left quadrant, recording a similar restrictiveness score, foresees few but extreme sanctions (too mild and too severe), bringing about some puzzling implications regarding their application. On the one hand, the limited range of sanctions implies that the same sanction can be applied against infringements of different gravity, which renders the sanctioning mechanism overly disproportionate. On the other hand, precisely because of this disproportionality, they might be ineffective in ensuring compliance with financing regulations. If the only available sanctions are either too soft (warning) or too severe (cancellation/deregistration), the former will not be perceived as sufficiently costly and constraining, while the latter might be excessively strict to be applied universally. Conversely, it may be selectively applied to punish the opposition parties and candidates for minor legal breaches, which might turn it into a harassing tool against political opponents. The most restrictive type, found in the bottom-right quadrant, epitomizes a sanctioning regime containing a wide palette of sanctions matching different types of financing violations. Given the variation in the foreseen sanctions contingent on the gravity of the offence, this is the most proportional and dissuasive sanctioning regime. The availability of a wide range of sanctions reduces the risk that arbitrary criteria will be used to match financing violations with appropriate punishments.

The application of this framework to assess the restrictiveness of sanctions needs, however, to consider how the responsibility for financial breaches is attributed. In other words, which entity would bear the cost of breaching the law? Concerning party finances, it may be allocated to an individual or to a collective. While in the first case, physical persons are accorded responsibility for financial offences, in the second case political parties, in their capacity as legal entities, are liable for such breaches. While it is obvious that the overall restrictiveness of sanctions springs from the availability of both types of sanctions applied to parties and individuals, my focus is sanctions that target political parties. Only when political parties, as carriers of collective accountability, bear the cost of breaching the law can one speak of deterrent sanctions. While individual accountability is also relevant to prevent, for instance, the collusion between donors and party officials through dubious financing practices, it entails a less

damaging impact on the party's life as an organization. Of course, when the top party officials face charges on party financing grounds the reputational and subsequent electoral costs might be very high as well, irrespective of whether they spring from individual actions or not. Still, these costs are far lower than a punishment applied to the party itself, which might ultimately lead to its demise.

2.7.3. Aggregate enforcement: oversight and sanctions combined

The mix between oversight and sanctions generates nine restrictiveness types of the composite enforcement, which are depicted in figure 2.7. To obtain an aggregate enforcement score, I assigned the lowest value of oversight or sanctioning restrictiveness when there is a mismatch in their scores. The underlying rationale for this aggregation approach stems from the fact that the effectiveness of financial control of party/campaign funding is pulled down by the weakest link, regardless of whether it flows from supervision or sanctions. For instance, the presence of a strong supervisory body paralleled by soft penalties will hardly prevent political parties from engaging in shady deals with potential contributors. While the political repercussions of engaging in such fundraising behaviour might be very costly in terms of damaged reputation, there are no dangerous legal consequences for a political actor as result of financial wrongdoings. Likewise, the presence of a diverse range of sanctions will matter little if the supervisory body is constrained in its capacity to investigate and punish eventual violations.

Figure 2.7. Restrictiveness of combined enforcement mechanism

SANCTIONS \ OVERSIGHT	***Low***	***Medium***	***High***
Low	1. Low	2. Low	3. Low
Medium	4. Low	5. Medium	6. Medium
High	7. Low	8. Medium	9. High

Source: Author's elaboration

Yet, as figure 2.7 shows, between these two extremes there are several configurations with different restrictiveness scores of oversight and sanctions. The first, fifth and the ninth quadrants are the least problematic, since they embody restrictiveness types in which oversight restrictiveness perfectly matches the restrictiveness of sanctions. The other types are more difficult to assign a restrictiveness

value to, since all of them exemplify the mismatch between the restrictiveness scores on both dimensions. For the second, fourth, sixth and eighth quadrants there is a difference of one restrictiveness value. The second and sixth quadrants embody a restrictiveness type in which oversight is stronger than sanctions, while the fourth and eighth quadrants exemplify an opposite configuration in which sanctions are stronger than supervision. Nevertheless, I follow a rule of thumb, assigning the final restrictiveness score that reflects the value of the weakest link within the enforcement chain.

Finally, the third and seventh quadrants epitomize the most problematic types since the mismatch between oversight and sanctions restrictiveness spans two restrictiveness values, reflecting the configurations described in the last paragraph. While there is a lower probability of finding empirical cases fitting these analytical configurations, it cannot be completely excluded. I assign the lowest restrictiveness score to these types following the same rule of thumb. Yet, among the two configurations the riskier one is located inside the seventh quadrant, which combines weak supervision with severe sanctions. The risk derives from the fact that a weak supervisory body can still be used to harass the political opposition given its direct political subordination, thus opening the door for the arbitrary use of sanctions based on political affiliation. Despite this possibility, however, I think that from methodological and substantive standpoints it is safer to assign a lower restrictiveness score.

2.8. Caveats, drawbacks and trade-offs

The analytical framework depicted above is not flawless and has several shortcomings. They primarily stem from my conceptualisation of restrictiveness across all dimensions of PFR discussed above. Table 2.2 provides a summary of these dimensions, displaying the key criteria of regulatory scope and intensity which are used in the following chapters to classify and attribute the empirical cases to the respective restrictiveness types. Among several shortcomings, the weakness of this approach stems perhaps from the fact that the restrictiveness types assigned to each cell represent ordinal values. As result, they would not correspond to the classic understanding of *types as nominal categories* that are distinct and mutually exclusive (Collier et al., 2008, p. 157). While the nominal scale does not rule out the 'implicit or explicit ranking among categories, qualifying the typology as an ordinal scale' (Gerring, 2011, p. 145), in my case, the explicit ranking and labelling of restrictiveness types in 'low', 'medium' and 'high' still leaves space for perceiving restrictiveness rather as a continuous scale than a typology. This represents a justified concern and raises a legitimate question about the appropriateness of such a conceptualisation and classification. Nonetheless, as argued above, the complexity and multidimensionality of PFR poses a considerable challenge to obtaining nominal categories that are identical across all regulatory dimensions due to the impossibility to employ the same indicators for each of them. While some of these dimensions including private financing, public funding and spending can also be conceived in more quantitative terms, the same cannot be said about transparency, oversight and sanctions, which are more suitable for a qualitative assessment.

Table 2.2. Summary of restrictiveness by regulatory dimensions

REGULATORY DIMENSIONS ↓		RESTRICTIVENESS ↓	
		Regulatory Scope	**Regulatory Intensity**
Income sources	***Private financing***	Lack/presence of donation caps; Lack/presence of caps on total income collected from donations	Height of donation limits; The size of the donor network
	Public funding	Lack/presence of direct public funding; Lack/presence of indirect public funding;	Amount of subsidy per registered voter; Amount of free airtime/space in media, largesse of tax deductions, subsidized premises etc.
Spending		Lack/presence of aggregate spending limits; Lack/presence of limits/bans on individual spending items;	Spending limit per registered voter; Amount of paid airtime in broadcasting outlets
Transparency		Lack/presence of obligation to report and disclose income sources and expenses;	Detailing of financing reports; Height of disclosure threshold of income sources and spending
Enforcement/ Control	***Oversight***	Lack/presence of an oversight institution	Degree of institutional autonomy; Nature of supervisory powers
	Sanctions	Range of sanctions: narrow vs. broad	Severity of sanctions: notification, forfeiture, levels of pecuniary fines, loss of public funding, party cancellation

Source: Author's elaboration

Accordingly, given the different nature of the regulatory dimensions, I use the ordinal scale as a uniform instrument to assess restrictiveness across all of them. Hence, my focus on a few qualitative properties of private financing, public funding and spending, that is, those dimensions that lend themselves to a more quantitative assessment is underpinned by the need to align them with transparency, oversight and sanctions, which cannot be easily transformed to be measured on a continuous scale. As already mentioned, I treat these key properties as meta-features of the PFR. Furthermore, in my opinion, the crossing of qualitative attributes do generate distinct types, which are mutually exclusive and collectively exhaustive since they encompass the full universe of potential cases (Bailey, 1994, p. 4). Thus, the two key requirements for a typology to be considered as such are, at least, partially fulfilled. Accordingly, the use of qualitative attributes to obtain different restrictiveness types represents not as much a substantive classificatory issue as a labelling problem. While the use of ordinal scale to label different restrictiveness types indeed generates some confusion about the distinct nature of each type, given the need for consistency across all regulatory dimensions, I could not identify an alternative way to handle this methodological dilemma. If I would have chosen to build an aggregate index, the same issue would emerge because I do not see how the regulatory scope might be combined with stringency.

Moreover, I think that precisely because of the *interaction* between the key properties of PFR their nature better captured by the typology relative to a composite index constructed by using an additive method. In the case of private financing for instance, an index constructed through the addition of dichotomous indicators, that is, presence vs. lack of restrictions, would attribute the same score to PFR foreseeing a donation cap (without a limit on the aggregate income), and to those stipulating a limit on total income from private sources (without a limit on individual contributions). Accordingly, while the score would be the same, they would be fundamentally different since in the latter instance the law would allow a single contributor to cover entirely the financial needs of a political party or candidate. Instead, their matrix scores are different as they should be. The same applies to the restrictiveness of spending since a PFR limiting the total campaign spending would have a similar score with the one that does not set such a limit but only restricts the amount spent on certain spending items. Again, according to the typology they are distinct types and assigned thus different scores.

Another issue that might represent a source of confusion refers to the assignment of restrictiveness scores to the matrix cells. Since I constructed a matrix typology for each dimension of the regulatory regime and assigned only three values (while the matrix contains four cells), I attributed the same restrictiveness score to types located in different cells, thus featuring distinct configurations. Generally speaking, this does not correspond to the conventional use of typologies. There are two and somewhat intertwined considerations for this decision – practical and analytical.

Practically speaking, the purpose of this aggregation is to simplify and organize in a more structured manner the complexity of PFR around its key properties on each dimension so that to make it more manageable. Analytically speaking, the reason to proceed in this way follows the same logic of simplification but is based on other considerations. While the crossing of the key attributes on each dimension produced distinct configurations/types, some of them appeared to be similar in affecting the leverage of political parties and electoral competitors to raise and spend financial resources. Hence, based on this similarity I have bundled together two different types by assigning to them the same restrictiveness score. In the case of private financing, their merging was based on the legal possibility for a single donor to cover in full the financial needs of a political party. In the case of public funding the basis to combine them was the availability of state subsidies, although they are different with respect to the delivering method (indirect vs. direct state subsidies). Likewise, the lack of a limit on aggregate campaign expenses served as rationale to assign the same restrictiveness score to alternative configurations of spending restrictions.

I applied a similar logic to less quantifiable dimensions of PFR. As far as transparency is concerned, a medium score was assigned to those types in which disclosure was hindered although in different ways. Finally, given the complexity of enforcement, each of its components was firstly subject to a separate treatment and then combined in a unified framework. As result, the two alternative configurations that yielded a truncated oversight were merged together. The same aggregation was

performed in relation to sanctions by attributing an identical restrictiveness score to those configurations in which they were either soft or excessively limited and rigid. While this does not remove entirely some of the issues discussed above, the approach employed in this research in making sense of typology, represents one of the multiple ways to deal with a multidimensional variable for classificatory and descriptive purposes (George & Bennett, 2005, p. 238). Furthermore, in line with the assertion that a typology should be treated as 'useful or not useful rather than true or false' (Geddes, 2003, p. 51), I believe that for this research it proves to be useful and helpful in dealing with the complexity of PFR.

Chapter 3. Restrictiveness of private financing

3.1. Operationalization

In this chapter I investigate the restrictiveness of private financing relying on the analytical framework laid out in the second chapter. The underlying idea of restrictiveness is linked to the fundraising endeavours of political parties. Accordingly, a given PFR becomes less/more restrictive as political parties need to deploy fewer/more efforts in amassing income from private sources. The emphasis falls on donation caps from different sources like physical and legal persons and aggregate limits on party and campaign income. Within this framework, however, there are some extreme cases belonging to the high restrictive type, where private actors are completely banned from contributing to electoral subjects. Across former communist polities such regulations are found in several authoritarian regimes, which prohibited the use of private financing for campaign purposes.[19]

I employ this framework to scrutinize financing regulations for both statutory and election financing. By splitting analysis based on the financing type, the goal is to uncover whether the regulatory emphasis falls on statutory or campaign funding. For instance, if a given PRF is mainly concerned with election campaigns while leaving regular funding uncovered, then a large part of party finances would remain completely unaccountable for. Even though any party funding activity can be broadly regarded as 'money for electioneering' (Pinto-Duschinsky, 2002, p. 70), and that electoral competition makes the use of resources much more visible, the regulation of statutory financing is no of lesser significance. This is a critical issue, especially when the boundaries between the election and non-election timeframes are blurred and open various possibilities for electoral contestants to avoid compliance by concealing their funding sources.

Resorting to this guideline, I provide some considerations on how I operationalize restrictiveness and assign cases to different restrictiveness types as well as on how I differentiate them when they belong to the same type. It might well be the case that some PFR could share the same properties, but still exhibiting high variation within the same type. Medium and high restrictive types are particularly prone to such a variation. Bearing in mind that restrictiveness reflects the easiness whereby parties amass resources, the dividing line is drawn between those PFR that establish and not donation caps. The low restrictive type does not set any legally binding quantitative restrictions on the amount a single entity is authorized to contribute to party coffers. Therefore, it is relatively easy for parties to collect money, provided that they are capable to access the pool of affluent donors. The only restriction is the payment capacity of a donor and her willingness to contribute. Therefore, such PFR are the most prone to so-called *plutocratic financing* (Koole & Gidlung, 2001; Nassmacher, 2001a; Pinto-Duschinsky, 1989).

[19] The same holds true for the situation in which political opposition is completely prohibited—that is, the legal framework does not foresee the registration and operation of alternative political parties, which automatically applies to their financing.

The low restrictive type does not require any specific operationalization because it depicts a PFR with no legally prescribed restrictions substantively affecting the fundraising efforts of political parties. In this case one witnesses a situation in which a single resourceful contributor could bear the entire cost of campaigning. The occurrence of such an outcome is highly improbable in the real world but from a purely legal perspective it is nevertheless possible. The medium and high restrictiveness types share the presence of contribution limits. In both cases political parties must work harder to collect the necessary resources, contingent on the donation cap. The larger the amount a single donor is entitled to contribute, the less restrictive a PFR becomes. The logic is that under relatively permissive contribution limits, political parties are not required to struggle much to fill their war chests. Conversely, when donation levels are low, parties and candidates have to deploy more fundraising efforts since they must reach a broader pool of potential sponsors.

Given the fact that medium and high restrictive types are differentiated only by the presence of an annual or campaign limit, their operationalization is slightly different. Both types however offer the possibility to explore within-type variation when several cases would fall within the same type. For the medium restrictive cases, donation limits are the indicator that accounts for regulatory intensity/stringency. For the high restrictive cases, beside donation limit, the limit on total income is the second indicator. By dividing the latter by the first we obtain the minimum number of donors necessary to reach the cap on aggregate income. This number illustrate the spread of the donor network and can be used as a proxy to assess the fundraising efforts political parties need to deploy to collect financial resources from private sources. It represents an alternative way of assessing the restrictiveness of private financing. The greater the number of donors that a political party needs to approach to reach the cap on total income collected from donations, the more constraining a PFR is. Vice versa, the lower the number – the more permissive are donation rules since fewer efforts must be deployed to reach the legally binding ceiling. In light of these considerations, the next three paragraphs are devoted to the empirical analysis of financing arrangements regarding statutory party activity and their evolution over time.

3.2. Private funding for statutory party activity

3.2.1. Low restrictive cases

Low restrictive regimes feature a lack of legal quantitative restrictions on contribution limits from physical and/or legal entities and a lack of similar restrictions on the total income collected from private sources. Therefore, the most relevant aspect is the length of time post-communist polities managed to preserve such laissez-faire rules on private financing. Almost half of them – Albania, Armenia, Azerbaijan, Belarus, the Czech Republic, Estonia, Hungary, Kazakhstan, Kyrgyzstan, Slovakia, Tajikistan, and Ukraine – have been low restrictiveness regimes for almost the entire period examined here. Another group – Moldova, Croatia, Montenegro, Serbia, Poland, Russia, Uzbekistan and Bulgaria – spent at least

a decade without imposing such restrictions. Finally, the last group contains countries that introduced donation caps right away, switching faster to a more restrictive PFR. Between 1994 and 2000, Bosnia & Herzegovina, Slovenia, Macedonia, Latvia, Romania, Georgia and Lithuania introduced either one quantitative restriction (i.e., donation caps), or both restrictions (donation caps and caps on total income collected from private contributions).

3.2.2. Medium restrictive cases

Medium restrictive regimes are characterized by the presence of annual donation caps from physical and/or legal entities. During the first decade of transition only six countries set out quantitative restrictions on private contributions for routine party activity – Macedonia, Slovenia, Latvia, Lithuania and Georgia. Slovenia introduced limits on campaign contributions prior to the first democratic contest in its electoral legislation, passed in 1989 (SVK: №. 239, 1994, sec. 115; Toplak, 2007, p. 171). Likewise, the new party law, enacted in 1994, established annual donation caps on physical and legal persons (SVN: Official Gazette, №. 62/3402, 1994, sec. 22). In the same year, the newly enacted Macedonian party law restricted the amount that could be donated to party coffers. During election campaigns that amount was however doubled (MKD: Official Gazette, №. 24, 1998, sec. 30). Latvia followed suit in 1995 by setting up quite permissive donation caps (LVA: Official Gazette, №. 114(397), 1995, sec. 4), while Lithuania laid down more restrictive contribution limits four years later (LTU: №. VIII-1870, 2000, sec. 8). In all these cases, the upper limit was set at the same level for both individuals and organizations. Only Georgia established different limits for physical and legal entities.

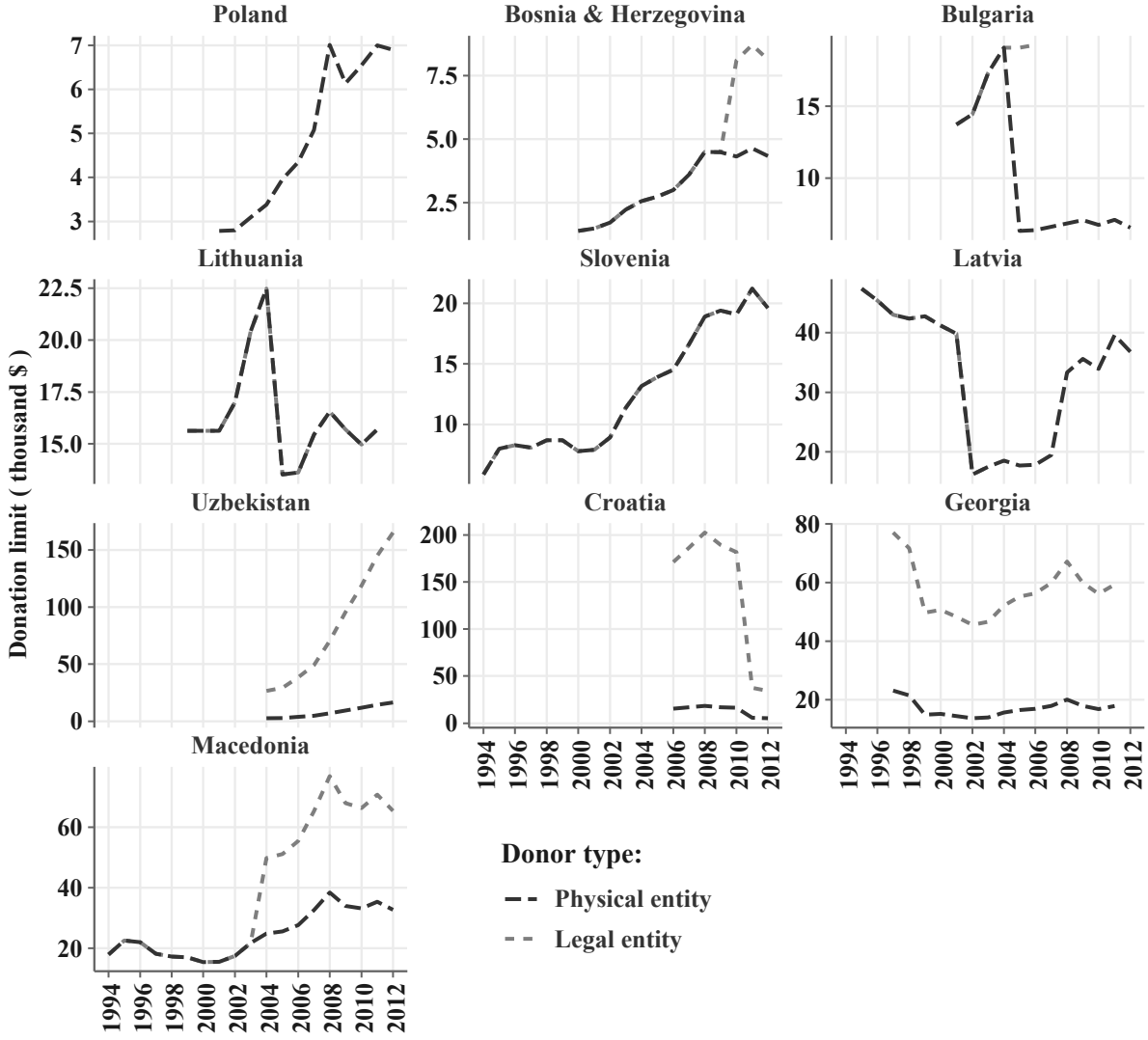
The pool of transition polities that switched to more restrictive regulations began to enlarge roughly a decade from the outset of transition. In this respect, they can be divided into two groups. The first group, including Bosnia and Herzegovina (BIH: Official Gazette, №. 22, 2000, sec. 5), Bulgaria (BGR: Official Gazette, №. 30, 2001, sec. 22), Croatia (HRV: Official Gazette №. 1, 2007, sec. 4), Poland (POL: Official Gazette, №. 79/857, 2001, sec. 25) and Uzbekistan (UZB: №. 337-I, 1996, secs 13–14) restricted only the size of donations, thus shifting from the low to the medium restrictive type. The second group, which comprises Romania (ROU: Official Gazette №. 493, 2007, sec. 35), Russia (RUS: №. 1557, 1993, sec. 30), Serbia (SRB: Official Gazette, №. 79, 1992, sec. 5), Moldova (MDA: Official Gazette, №. 81/667, 1997, sec. 26) and Montenegro (MNE: Official Gazette, №. 49, 1992, sec. 9) introduced both restrictions, thus switching from the low to the high restrictive type. [20]

Two aspects of reform are relevant in this respect: the timing of the switch from laissez-faire toward more stringent rules and the size of private contributions. Both aspects are crucial to understand the incentives political parties have faced to regulate financial inflows from private sources. In essence,

[20] In Moldova however, the annual limit on income amassed from donations was conditional on the provision of public funding. But since the provision of state subsidies was postponed several times, there were no de facto restrictions on the total amount of income amassed from donations.

the timing embodies the willingness of political actors to accept such restrictions as a matter of principle since this would qualitatively affect their fundraising behaviour. Regulatory intensity, as embodied by the donation cap itself, is somewhat a corollary of the first but reflects the willingness of political actors to accept more or fewer constraints. The larger/smaller the amount a physical and/or legal entity is authorized to contribute to party pockets, the fewer/more constraints political actors are willing to accept. Hence, even though politicians might introduce private contribution limits aimed at constraining their fundraising behaviour, the variation in donation caps represents a rough but good indicator of how much restriction they are ready to accept. As data from figure 3.1 illustrate, there is extremely high variation in donation caps across medium restrictive regimes.

Figure 3.1. Variation in donation caps on physical and legal entities for statutory party financing across medium restrictive cases (1994 – 2012)*



Source: Author's elaboration
Note: *Given the extremely high variation in donation caps, the y axis is adjusted to match the variation in each country

It suggests that despite the existence of contribution limits, political parties have faced different challenges and incentives related to their fundraising in their national contexts. Latvia and Macedonia established the most permissive donation limits on physical entities, followed by Georgia, Lithuania, Slovenia, Croatia and partially Bulgaria. The latter experienced higher variation within a relatively short time span. On the other hand, Poland, Bosnia and Herzegovina, and Uzbekistan restricted to a greater extent the capacity of individuals to contribute to their favourite parties.[21] Concerning the size of private contributions on legal entities, Croatia, Macedonia, Georgia and Uzbekistan created the friendliest environment for businesses to contribute to political parties, although Croatia shifted to much tighter rules on corporate donations quite fast.

It should be noted, however, that in Lithuania, Latvia, Slovenia, and Bulgaria the contribution limits on legal entities were the same as on physical persons. Bosnia and Herzegovina was in a similar situation until 2010 (GRECO, 2011a, p. 9) and Macedonia until 2004 (MKD: Official Gazette, №. 76, 2004, sec. 16). Besides, in some countries the regulatory regime was further restricted by a full ban on corporate donations. Poland prohibited donations from legal entities in 2001 (POL: Official Gazette, №. 79/857, 2001, sec. 25), Latvia in 2004 (LVA: Official Gazette №. 95 (2670), 2002, sec. 2) while Bulgaria did so in 2009 (BGR: Official Gazette, №. 29, 1990, sec. 23). Table 3.1 presents the full range of regulatory changes since the introduction of donation caps, including all subsequent amendments.[22]

Table 3.1. Legislative amendments on donation caps for physical and legal entities across medium restrictive cases for statutory party financing

		Natural persons		Legal persons	
Country	**Year**	**Amount: national unit/currency**	**Amount: $**	**Amount: national unit/currency**	**Amount: $**
Bosnia & Herzegovina	2000	8 AMW[1]	1400	8 AMW	1400
Bosnia & Herzegovina	2010	8 AMW	4300	15 AMW	8100
Bulgaria	2001	BGN 30000	13700	BGN 30000	13700
Bulgaria	2005	BGN 10000	6350	BGN 30000	19050
Bulgaria	2006	No limits	No limits	No limits	No limits
Bulgaria	2009	BGN 10000	7100	Banned	Banned
Croatia	2006	HRK 90000	15400	HRK 1000000	171000
Croatia	2011	HRK 30000	5600	HRK 200000	37400
Georgia	1997	GEL 30000	23100	GEL 100000	77060
Latvia	1995	LVL 25000	47400	LVL 25000	47400
Latvia	2002	LVL 10000	16050	LVL 10000	16050
Latvia	2004	LVL 10000	18500	Banned	Banned
Latvia	2008	100 MMW[2]	35600	Banned	Banned
Lithuania	1999	500 MLS[3]	15600	500 MLS	15600

[21] The partial liberalization of political life in Turkmenistan through the legalization of political pluralism in the law on political parties in 2012 also resulted in quite restrictive donation limits, making it quite problematic for potential opposition forces to easily collect financial resources to compete with incumbents.

[22] If a country records a single observation it means that donation caps remained unchanged over time. Every additional observation implies the amendment of the regulatory framework affecting donation caps at least for one category of donors. Given the limited number of high restrictive cases and the fact that they share the same property, i.e. donation caps, I incorporate them into analysis to have a fuller picture of developmental patterns.

Lithuania	2004	300 MLS	13500	300 MLS	13500
Lithuania	2010	20 AMW	11920	20 AMW	11920
Macedonia	1994	100 AMW	17950	100 AMW	17950
Macedonia	2004	100 AMW	24900	200 AMW	49800
Macedonia	2009	75 AMW	33900	150 AMW	67800
Poland	2001	15 MMW	2800	Banned	Banned
Slovenia	1994	10 AMW	5850	10 AMW	5850
Turkmenistan	2012	10 AMW	3300	10 AMW	3300
Uzbekistan	2004	500 MMW	2670	5000 MMW	26700

Source: Author's elaboration
Note: [1]AMW – Average monthly wage; [2]MMW – Minimum monthly wage; [3]MLS – Minimum living standard

Beside the actual value of donation caps, data from the above graph and table shed light on three other relevant aspects: direction, magnitude and frequency of change. Direction shows whether donation caps became more permissive or restrictive over time relative to previous levels, magnitude reveals how big the change in donation caps was, while frequency indicates how often the legislature amended legal arrangements on donation limits. We can identify different developments regarding the direction of change. In Georgia, Poland, Slovenia and Uzbekistan we witness continuity – that is, donation caps remained unchanged over time.[23] In other cases, such as Croatia and Lithuania, they became more stringent, while in Bulgaria, Latvia, and Macedonia they alternated from more permissive to more restrictive and vice versa. Only Bosnia and Herzegovina shifted toward more permissive limits but, given the initial relatively low donation value, this is hardly surprising.

There is quite pronounced cross-national variation in the magnitude of change as well. As table 3.1 illustrates, while some countries such as Bosnia and Herzegovina and Lithuania, only slightly altered donation caps, others – Bulgaria, Latvia, Croatia and Macedonia – employed a more radical approach. For instance, in 2011 Croatia lowered the donation caps for physical and legal entities by three and five times compared to previous limits respectively. Likewise, after a decade of stability, Macedonia liberalized its donation rules in 2004, by doubling the amount of money legal entities were entitled to donate. Shortly after it switched back to more restrictive rules, though this time the change was rather marginal. In the same fashion, Bulgaria and Latvia evolved significantly. Both countries initially moved from more permissive toward more restrictive donation caps. In 2005 Bulgaria lowered the contribution limit by three times for physical entities but left it unchanged for legal persons relative to previous arrangements. Likewise, Latvia decreased it by two and half times for both categories of donors in 2002 and completely banned corporate donations in 2004. After this downturn, however, they pursued divergent paths. In 2006 Bulgaria removed the donation limits for physical entities but reintroduced them in 2009 at the

[23] Continuity only means that regulations on contribution limits were not amended. In cases where donation caps were tied to average or minimum wages, there was an automatic adjustment for wage increases and inflation. Moreover, for some countries belonging to this group, like Moldova and Montenegro, the contribution limits were introduced much later than in other countries and they remained unchanged only as far as the timeframe of this study is concerned.

2005 level, while legal entities were prohibited from contributing to political parties altogether. Latvia, in contrast, maintained the ban on corporate donations but increased the upper limit for physical entities by two-fold.

The third aspect touches upon the frequency of legislative amendments. Based on this yardstick, I conventionally split them in three groups: stable, moderately stable (unstable) and highly unstable. The first group consists of Georgia, Poland, Slovenia, and Uzbekistan – namely, those countries that have never amended their rules since the enactment of regulatory framework establishing donation caps. The second group contains Bosnia and Herzegovina, Croatia, Romania and Russia, i.e. those countries that only once amended their regulations on contribution limits. Finally, the third group holds countries with the most unstable contributions rules, including those countries that more than once altered their regulatory framework. Bulgaria, Latvia, Macedonia and Lithuania are representative in this regard by having amended donation regulations at least twice. Such sharp disparities suggest that in different national contexts political parties have faced various incentives and constraints regarding their fundraising strategies and practices, which might have been influenced by the amounts they could legally extract from individuals and corporate donors.

3.2.3. High restrictive cases

Highly restrictive regimes stipulate both kinds of quantitative restrictions – caps on individual contributions and on total income collected from private sources. Their interplay provides an additional tool to assess the incentive structure of fundraising. Accordingly, beside analysing donation caps I also investigate another indicator – the extensiveness of the donors' network. This represents the minimum number of donors required to reach the legal cap on total income amassed from private contributions. Only five post-communist polities are of the high restrictiveness type: Romania, Russia, Serbia, Montenegro and Moldova.[24] Yet, as will be shown below, even these polities recorded very large disparities in the nature of legislative provisions and the timing of switching to more restrictive donation rules.

3.2.3.1. Variation in donation caps

Romania was the first post-communist regime that shifted toward a high restrictive type, although this status was achieved only in 1996 before the third parliamentary contest. The 1989 decree-law, which laid the ground for the emergence of political pluralism, contained only a single mention on party financing, namely that parties were compelled to declare their financial means as a requirement for their registration (ROU: Official Gazette, №. 9, 1989, sec. 3) Hence, throughout the next six years Romanian parties operated in a quasi-legal vacuum regarding their finances. While the 1996 party law brought about significant changes (ROU: Official Gazette №. 493, 2007), by setting up quantitative annual restrictions,

[24] Armenia and Georgia also shifted to a high restrictive regime in 2012 but given the short timeframe I do not analyse them here.

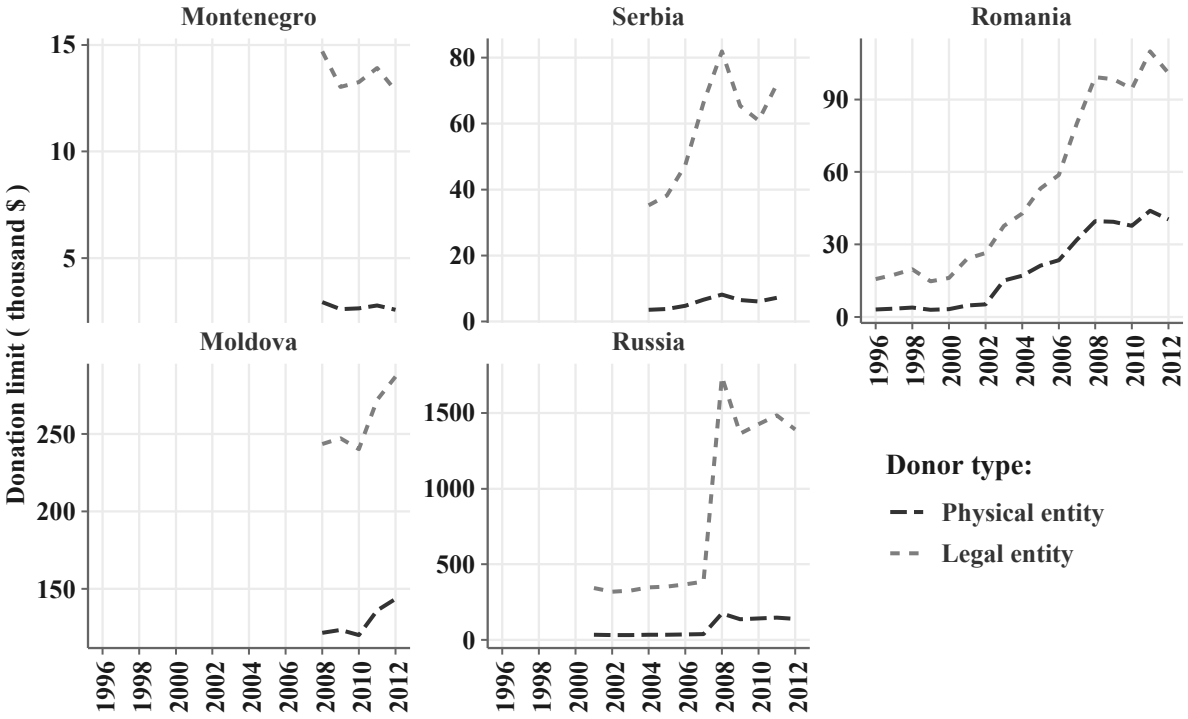
the law still contained some provisions that would allow political parties enough leeway to circumvent the rules.[25] Since 1996 the rules on contribution limits have been altered twice. The first amendment was adopted in 2003, increasing the donation level for physical entities (ROU: Official Gazette, №. 54, 2003, sec. 5),[26] while the second one was adopted in 2008 through an emergency ordinance by doubling the amount of donations when multiple elections are held in the same year (ROU: Official Gazette, №. 632, 2008). [27] Hence, the incentive structure of fundraising was designed to favour particularly large contributions and could hardly have boosted grassroots funding, although the law also foresaw that the income amassed from membership fees would not be limited at all. Serbian regulations on donations contained similar shortcomings. Although the 1997 party funding law restricted corporate donations, it did not foresee any contribution limits on physical entities (Goati, 2007, pp. 162–163; Stoyanov et al., 2002, p. 91), an omission that rendered corporate restrictions completely ineffective.[28] This legal loophole was removed only in 2003 when a new party funding law was enacted (SRB: Official Gazette, №. 79, 1992).[29]

As in Romania, Russia softened its restrictions on private contributions after their introduction in 2001(RUS: №. 1557, 1993, sec. 30).[30] In 2008 an amendment to the party law raised donation limits five-fold compared to 2001 (RUS: №. 144-ФЗ, 2008, sec. 30). Moldova and Montenegro joined the cohort of high restrictive regimes relatively late. Only at the end of 2007 did the Moldovan legislature pass a new party law that envisaged more elaborate provisions on party funding (MDA: Official Gazette, №. 81/667, 1997). Previous regulations did not foresee any quantitative restrictions, focusing exclusively on the identity of the authorized sources (MDA: Official Gazette №. 010, 1993). Notwithstanding the novelty of the legal framework, it turned out to be extremely permissive regarding the size of private contributions.[31] Among post-communist regimes, only Russia stipulated more permissive donation caps. While formally more restrictive, the law was drafted in a way that left quite a large manoeuvring room to political parties concerning their fundraising. Montenegro followed suit later the same year but, unlike other cases from this group, it established much more stringent contribution limits (MNE: Official

[25] In 1996, the contribution limit was set at the equivalent of about $3100 for physical persons and $15700 for legal entities. Yet, the maximum amount originating from membership fees was not capped altogether and private donors could keep their anonymity for amounts below a certain threshold.
[26] While the donation caps for legal entities remained at the same level as in 1996, i.e. 500 MMW ($42160), those for individuals were lifted from 100 to 200 MMW ($16860).
[27] The donation cap was set at 400 MMW ($79400 in 2008) and at 1000 MMW ($198500 in 2008) for physical and legal entities respectively.
[28] The donation limit for legal persons was fixed at 50 AMW ($6,750)
[29] The law capped annual donations at 10 AMW ($2,900) and 100 AMW ($29,000) for physical and legal entities accordingly.
[30] In 2001, the donation limit on physical and legal entities were set at 10,000 MMW ($34275) and 100,000 ($342750) respectively. The 2008 amendment changed the limit to RUB 4.33 million for individuals ($174000) and to RUB 43.3 million for corporations ($1.74 million).
[31] Donation caps on physical and legal entities were set at 500 AMW ($121700) and 1000 AMW ($243400), respectively, in 2008.

Gazette, №. 49, 1992).[32] Figures 3.2 depicts the variation in donation caps over time on both physical and legal entities among high restrictive cases.

Figure 3.2. The variation in donation caps on physical and legal entities for statutory party financing across high restrictive cases (1996 – 2012)*



Source: Author's elaboration
Note: *Given the extremely high variation in contribution limits, the y axis is adjusted to match the variation in each country

Even though these political regimes shifted from loosely regulated to more constraining financing rules, they still display an overly high variation in contribution limits. Russia clearly stands out by setting excessively permissive limits on corporate donations, especially as result of the 2008 amendments. Moldova imposed similar caps on individuals but is at a large distance regarding the limit on corporate donations. In contrast, Montenegro set the lowest caps, while Romania and Serbia are located in between, recording quite permissive limits, particularly on legal entities. Yet, even these restrictions were undermined by various omissions that rendered them more liberal. For instance, Serbia, Montenegro and Russia did not impose any caps on membership fees, generating a situation that could entail 'a theoretical risk that the legal limits on donations could easily be circumvented [by] means of unlimited membership fees' (GRECO, 2010a, p. 16, 2010b, p. 16). Although such a risk was minimal given the tiny share of membership subscriptions in the overall structure of party income, the poor regulation of membership fees nevertheless represented an opportunity for political parties to avoid not only these restrictions but also transparency obligations. Overall, this was a common issue for other countries as well. On the other

[32] The Montenegrin law capped individual and corporate contributions at €2,000 ($2,940) and €10,000 ($14,700), respectively.

hand, Romania and Moldova imposed tighter rules on membership dues but even in these cases financing regulations have been drafted in a rather friendly manner. While the annual cap on membership fees changed several times in Romanian legislation, the total income collected from this source has never been capped.[33] Moldova applied the same rules to membership fees as for donations, so they turned out to be overly permissive. Table 3.2 presents the regulatory amendments on donation caps for high restrictive cases.

Table 3.2. Legislative amendments on donation caps for physical and legal entities across high restrictive cases for statutory party financing

Country	Year	Amount: national unit/currency	Amount: $	Amount: national unit/currency	Amount: $
Moldova	2008	500 AMW	121,700	1000 AMW	243,400
Montenegro	2008	€ 2000	2,940	€ 10,000	14,700
Romania	1996	100 MMW	3,150	500 MMW	15,730
Romania	2003	200 MMW	15,050	500 MMW	37,650
Russia	2001	10,000 MMW	34,280	100,000 MMW	342,800
Russia	2008	RUB 4,330,000	174,000	RUB 43,300,000	1,740,000
Serbia	2004	10 AMW	2000	100 AMW	20000
Serbia	2011	20 AMW	13,600	200 AMW	136,000

Source: Author's elaboration

3.2.3.2. The size of the donor network

The breadth of the donor network is the second indicator I use to assess the most constraining PFR. As already mentioned, it represents the minimum number of donors a political party needs to reach the cap on total income it is legally authorized to collect from donations. Of course, this by no means implies that every contributor will give out the highest amount as foreseen by law, or that political parties will always reach the legal cap on aggregate income. This indicator rather serves as a proxy to assess the effort political parties need to make in their fundraising. Accordingly, the larger the number of individuals and/or businesses needed to reach the limit, the more efforts political parties ought to put into fundraising. Conversely, the lower this number, the fewer efforts parties are required to make, thus facing fewer constraints.

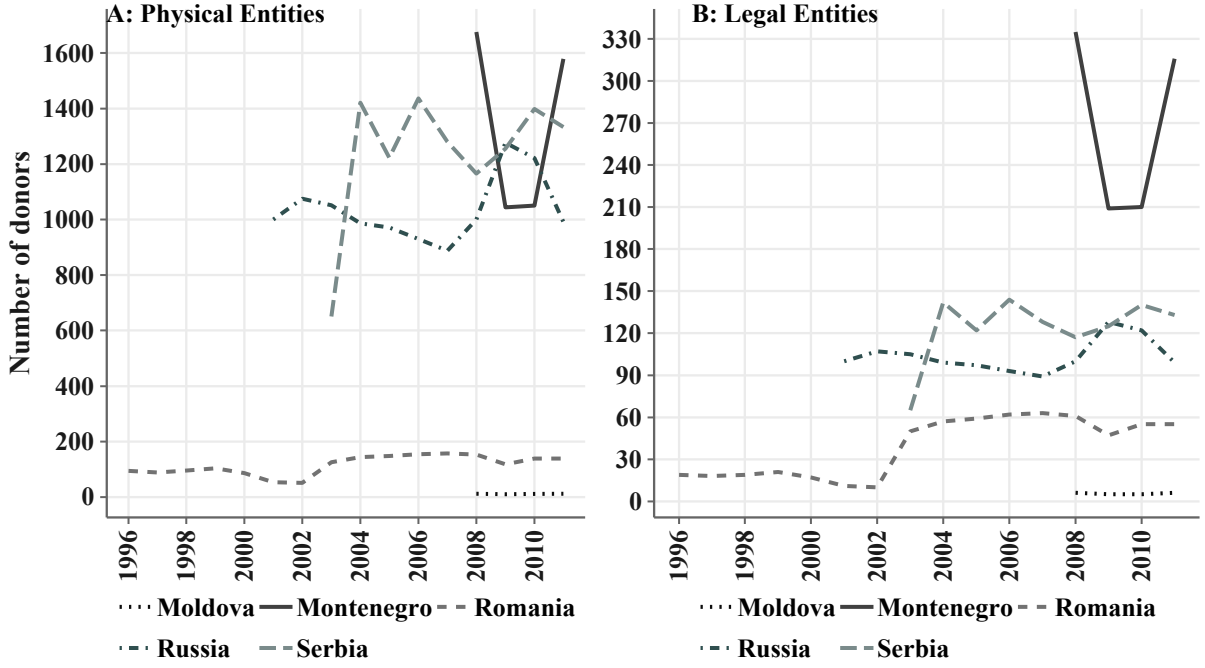
Based on legal provisions, I perform two operations to obtain the indicator of the extent of the donor network. First, I standardize data on donation caps and limits on total income accumulated from donations. Secondly, I divide the total income by donation caps on physical and legal entities. The result represents the minimum number of donors required to reach the limit on total income. The result of these operations is presented in figure 3.3, which shows the variation over time in the size of the donor network for physical and legal entities. The data shows that, regardless of cross-national variation in donation caps, or the variation in the maximum income level parties are allowed to amass from private

[33] In 1996 the upper limit on membership dues was set at 50 MMW ($1570), 100 MMW ($7530) in 2003, and 48 MMW ($5640) in 2006.

contributions, the interplay between these restrictions generates a rather favourable fundraising environment. The permissiveness of donation caps is well reflected by the small number of contributors necessary to cover the parties' financial needs. This means that even in the most restrictive PFR, political parties could rely on a handful of donors. The legal framework did not push them to expand and nurture a large network of potential contributors. Instead, financing regulations made it possible to rely on an extremely narrow group who could afford to carry the burden of financing.

Overall, fewer than 2000 individuals or 350 legal entities could have borne the cost of party activity. This represents clear evidence of a quite permissive regulatory environment. Furthermore, regulatory changes do not seem to have significantly affected the incentive structure of private financing over time. As the data shows, Moldova has the most favourable regulations in this respect. Despite introducing donation caps in 2008, the fundraising strategies were barely affected since Moldovan parties could literally rely on a handful of affluent contributors. Just a dozen of individuals or twice as fewer corporate donors would have sufficed to finance a political party. At the other extreme, Montenegrin parties had to mobilize much more resources to approach between 1,000–1,500 individuals or 200–330 organizations to reach the limit. Given the size of electoral market, this might have been a challenge but, unlike their Moldovan counterparts who did not benefit from state funding, Montenegrin parties were very generously financed by the state. In Romania, the incentive structure of private funding turned out to be, alike, very friendly in terms of inducing parties to rely on large contributions. Fewer than 200 individuals or about 60 companies could have borne the cost of party activity.

Figure 3.3. Variation in the minimum number of donors necessary to reach the limit on the total income collected from private contributions for statutory party financing (1996 – 2011)



Source: Author's elaboration

While slightly more demanding, the legal framework for Serbian parties cannot be considered burdening since fewer than 150 companies or about 1,400 individuals could bear the cost of political activity of a single party. It should be noted, however that in Serbia and Montenegro extra-parliamentary parties were considerably disadvantaged compared to the parliamentary ones regarding their access to both public and private funding.[34] Finally, while data from figure 3.3 show that Russia is somewhat at par with Serbia, it is more like Moldova if considering the size of electoral market and how it relates to the extensiveness of the donor network. Accordingly, about 1,300 individuals or 130 at most could legally finance a political party provided that they would have contributed with maximum amounts to the party budget.

3.2.4. Trends and patterns of restrictiveness on private income for statutory funding

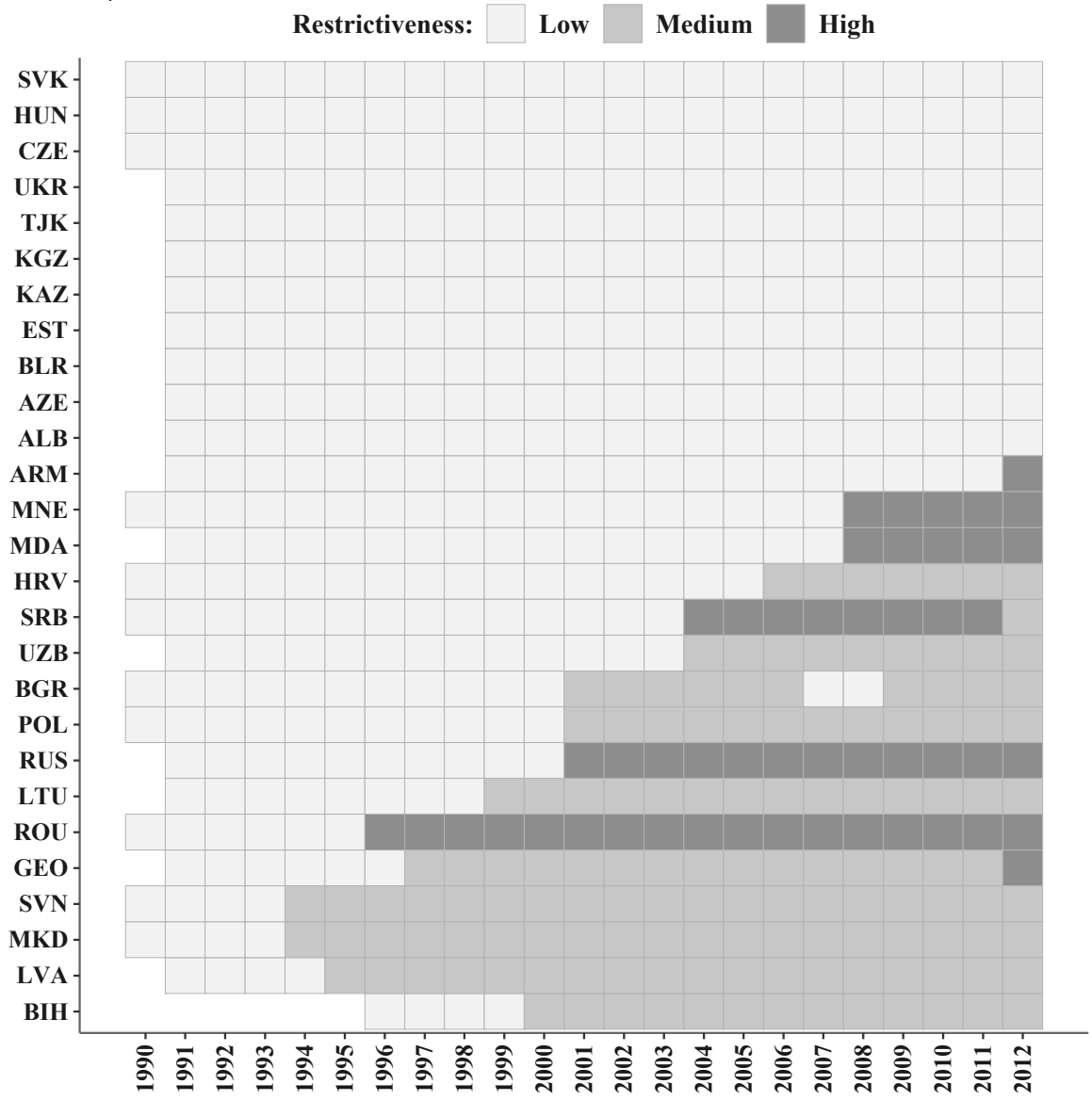
So far, we have noticed that post-communist polities have varied considerably concerning donation caps. Yet, they still resembled each other in one respect – the direction of restrictiveness. Most of them switched from overly liberal rules to quite complex regulatory regimes. In addition to quantitative restrictions, they also imposed qualitative restrictions, thus prohibiting the financing of parties by certain categories of donors (anonymous donors, state bodies) as well as restricting some activities (commercial). It is worth noting that more often the emphasis fell on qualitative restrictions, which rather reflected regulatory scope, and much less on regulatory intensity as epitomized by the donation caps. As this chapter has shown, except in a few cases, most post-communist polities did not alter their rules on private contributions during the first decade of transition.

The shift to introduce quantitative restrictions proved to be a slow and tedious process. After 20 years of transition, more than a third of 28 post-communist countries have never imposed donation caps for routine party financing while those that did, introduced them relatively late. The dominance of low restrictive regimes is underlined by the fact that they account for roughly two-thirds of country-year observations, suggesting that post-communist politicians were reluctant in halting financial flows. This pattern is depicted in figure 3.4 which presents cross-national variation in restrictiveness over time. As the data illustrates, a common feature shared by many cases is the preservation of a regulatory regime without quantitative restrictions for the entire period examined here. While some countries altered

[34] The discriminatory nature of the party funding regime in Serbia and Montenegro derives from the different treatment of parties conditional on their eligibility to public funding. Such a differentiated treatment generates disparities by disadvantaging non-parliamentary parties twice. First, they have not had access to state subsidies and, second, they have been confined in gathering resources form private contributions above a certain limit. For political parties that have benefited from public funding, the limit on total income garnered from donations is set at the same level as party's share of the state subsidies. For non-beneficiaries of public funding, instead, in 2008 this limit was established at 5 percent of the total amount of public funding in the respective calendar year (MNE: Official Gazette, №. 49, 1992, sec. 9; SRB: Official Gazette, №. 79, 1992, sec. 5). Due to this discrimination it is not possible to obtain a precise estimate of the minimum number of donors. Hence, to overcome this problem I estimate the average number of donors for parliamentary and extra-parliamentary parties based on the total state subsidy allotted to political parties. While data on Serbia and Montenegro from figure 3.3 depict the number of donors only for parliamentary parties, the estimation of the same indicator for non-parliamentary parties shows a much narrower donor network.

contribution limits, these amendments reflect variation within the same restrictiveness type. There are few exceptions from this rule, including Bulgaria and Serbia.[35] The former removed for a short time the restrictions on donations, but they were quickly reintroduced. Serbia, meanwhile, removed the annual cap on total private income, which had previously been tied to the size of public funding.

Figure 3.4. Restrictiveness of private income for statutory party financing by country and type (1990 – 2012)



Source: Author's elaboration

The empirical analysis presented in this chapter allows us to draw some conclusions. First, the regulations concerning donation limits for statutory party activity was a neglected issue. Consequently,

[35] The third case is epitomized by Turkmenistan and reflects the overall liberalization of the regime through the adoption of a party law that envisages the possibility for political parties to receive private contributions.

political parties had free reign in managing their finances for quite a long time in terms of fundraising practices. During the early transition, only a handful of ex-communist polities passed more restrictive regulations on donations and capped the income that could be drawn from private sources. The shift toward more restrictive rules occurred relatively late and, in many cases, the newly enacted rules turned out to be flawed, allowing political parties to circumvent the regulations. The pool of PFRs setting contribution limits began to outnumber the less regulated PFRs relatively late. Second, despite the partial shift toward more restrictive rules, within-type variation – as reflected by donation levels – was extremely high. In most cases, donation limits proved to be overly permissive, thus laying down an incentive structure of fundraising that would stimulate political parties to appeal to plutocratic financing. Finally, despite significant cross-national variation in donation caps – as well as in the limits on aggregate income from private sources – their interaction turned out to generate a relatively permissive framework. Even in the most restrictive cases, their interplay generated favourable conditions for parties to focus their fundraising strategies on a handful of wealthy donors, as mirrored by the narrowness of their donor networks.

3.3. Private funding for election activity

3.3.1. Low restrictive cases

Unlike routine party financing, election financing is associated with more restrictions. As analytical framework shows, there are two types of PFR that score low on restrictiveness. The first type includes cases that lack any quantitative restrictions while the second foresees only limits on aggregate income/spending. Albania, Serbia, Croatia, Estonia, and the Czech Republic are representative of the first group, while Slovakia, Montenegro, Moldova, Kazakhstan, and Hungary are typical for the second group. Among these cases, the Czech Republic and Estonia have never adopted regulations capping donations during elections, while other cases such as Albania and Croatia set contribution limits only in 2005 and 2006, respectively. Furthermore, this shift took place only after the fifth parliamentary contest held since the outset of transition. Concerning the second group, their situation is not substantively different in terms of the underlying incentive structure for donations. Despite introducing caps on the election funding of parties and candidates, they did not establish quantitative restrictions on donations as such. Legally speaking, this arrangement still allowed for a single entity to bear the entire cost of campaigning.

About one-third of ex-communist regimes applied this kind of regulation. For instance, Slovakia introduced a limit on total campaign income in 1994 (SVK: №. 239, 1994) and employed this regulatory tool for the 1994, 1998 and 2002 parliamentary campaigns. This restriction was however lifed in 2005 (SVK: №. 157, 1994), implying a shift toward an even more liberal regime (Casal Bértoa et al., 2014, p. 18). Likewise, Hungary limited campaign spending for candidates in 1997 without capping the amount

of campaign contributions (HUN: Act C, 1997, sec. 92). A similar practice was widespread among the former soviet republics, including Kazakhstan (1995–2012), Moldova (1994–2009), Georgia (1992–1995), Lithuania (1992–1996), Ukraine (1994) and Armenia (1995). Yet, while these restrictions limited the total amount electoral competitors could amass and spend, there were no limits on private contributions. While in most cases campaign limits proved to too stringent for electoral competitors to mount an effective campaign, electoral legislation concerning donations was rather liberal. In a few cases, electoral competitors were restrained in their capacity to use their own financial means but otherwise individuals and businesses were permitted to donate as much as they wished to.

3.3.2. Medium restrictive cases

Medium restrictive regimes stipulate donation caps but do not restrict the overall amount of the election fund. This configuration represents a rather unusual outcome, since in most parliamentary elections across the region donation caps were used in combination with limits on aggregate income. Yet, this regulatory tool was employed separately by almost one-third of countries for different parliamentary elections. Slovenia introduced donation limits for the founding democratic elections held in 1990 (Toplak, 2007, p. 171). Likewise, Russia restricted campaign donations for its first democratic elections in 1993, although the law contained a significant loophole since it authorized entities other than physical and legal persons (such as candidates and parties) to contribute to their own election funds without any limits (RUS: №. 1557, 1993, sec. 32). Therefore, there was no way to check the origin of money since the funding of routine party activity was poorly regulated. While this loophole was cancelled before the 1995 Duma elections, by explicitly stipulating the amount of personal resources transferred by candidates to their own election fund (RUS: №. 90-ФЗ, 1995, sec. 52), the weak regulation of statutory funding made checking the origin of financial sources unfeasible.[36] Other ex-communist regimes have tightened their donation rules at various stages of electoral competition. Macedonia and Latvia instituted such limits before the second parliamentary contest in 1994 (MKD: Official Gazette, №. 24, 1998, sec. 30) and 1995 (LVA: Official Gazette, №. 114(397), 1995, sec. 4) respectively, while Romania and Georgia did so prior to the third democratic elections in 1996 (ROU: Official Gazette №. 493, 2007, sec. 35) and 1999 (GEO: №. 1028-IS, 1997, sec. 27), respectively.[37] The pool of medium restrictive cases has further expanded with Ukraine and Croatia joining. Ukraine shifted to this type before its fourth parliamentary contest in 2006 (UKR: Official Gazette №. 48, 1993, sec. 53), while Croatia followed suit prior to its sixth elections for the Sabor in 2007 (HRV: Official Gazette №. 1, 2007, sec. 4). These cases vary not only regarding

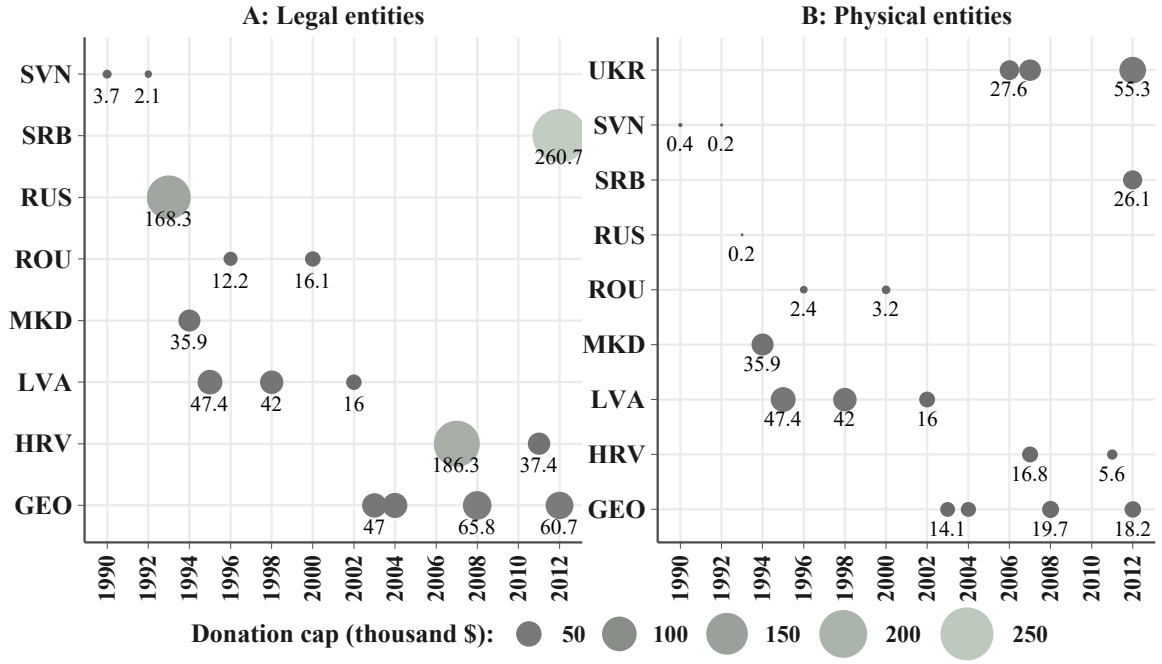
[36] The transfer of the candidate's personal resources to her own election fund was a common drawback for some other ex-soviet republics, including Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, and Tajikistan.

[37] Even though in all four cases donation caps were applied annually, I use them similarly for elections since they can be subsumed into annual caps.

the timing of adopting stricter rules, but also concerning the amount of private contributions. The differences shown in figure 3.5 illustrates this situation quite well.

Based on the permissiveness of donation caps, we can split these cases into three groups. Ukraine, Macedonia, Latvia and Serbia feature the most permissive caps on donations received from individuals. They are followed by Georgia and Croatia, while Slovenia, Russia and Romania have the most restrictive caps. The situation is however different regarding legal entities. Russia, Croatia (2007) and Serbia can be easily singled out, given the legal framework designed to give corporate donors ample room to make lavish donations. Latvia, Macedonia and Georgia follow next, but they still provide quite favourable conditions for corporate donors to contribute to electoral competitors' war chests. Note, however, that in some cases – including Macedonia, Russia, Romania and Slovenia – the lack of data means that these countries switched over time to more restrictive campaign rules, by capping aggregate campaign income. Serbia, in contrast, moved in the opposite direction by removing it.

Figure 3.5. Variation in donation caps on physical and legal entities for election financing across medium restrictive cases (1990 – 2012)*



Source: Author's elaboration
Note: *Data depicts limits on contribution by physical and legal entities to political parties only

There are other interesting developments, besides. For instance, Latvia (2003) and Croatia (2011) switched from less to more restrictive contribution limits, while Ukraine fully prohibited corporate donations during the campaign period. Ukraine is an exemplary case that illustrates the fragility of campaign funding rules given the frequency of their amendment,[38] which were partially driven by the

[38] For the first elections to the Verkhovna Rada in 1994 the only restriction was a limit on the candidate's election fund set at

change of electoral system.[39] Yet the 2005 electoral legislation left completely unrestricted the transfer of party money into a party's own election fund, clearly specifying that financial resources transferred by this method are not subject to any restrictions in terms of frequency and amount (UKR: №. 2766-III, 2001, sec. 53). As a result, this provision rendered ineffective the ban on corporate donations given the lack of restrictions from corporate sponsors for statutory party financing.[40] Ukraine's experience vividly illustrates the unwillingness of political actors to confine themselves, even though contribution limits became much more permissive over time, thus allowing electoral competitors to rely on large donations. Still, their reluctance to cancel out existing loopholes rendered campaign regulations virtually unenforceable (Meleshevych, 2016).

3.3.3. High restrictive cases

Since electoral competition turned out to be more intensely regulated than statutory party activity there are more PFRs foreseeing quantitative restrictions. Beside the standard restrictions, there are some extreme cases that have instituted absolute bans on private financing for electioneering. Three ex-soviet republics – Belarus, Uzbekistan and Tajikistan – completely prohibited campaign funding from private sources for their electoral contests.[41] The first free parliamentary elections in Belarus were held under the old soviet law on elections for deputies to the Supreme Council, amended prior to the 1995 parliamentary contest (BLR: № 2919-XI, 1989; BLR: Official Gazette № 1-2, 1995). It completely prohibited the direct or indirect participation of domestic and foreign entities in election financing. Hence, elections were financed entirely by the state and the budgetary resources were to be evenly distributed among candidates and spent according to the regulations set out by the Central Election Committee (CEC). Likewise, the Tajik election law prohibited any financial or material assistance to an organization or for electoral campaigning from sources other than the state budget (TJK: Official Gazette, №. 23–24/444, 1994, sec. 9). Similar provisions were incorporated into the Uzbek election law, although individuals and legal entities (including political parties, public associations and businesses) willing to provide assistance in organizing elections could transfer their financial resources to the CEC, which had a free hand in their

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the equivalent of 100 times the minimum non-taxable income ($190) (UKR: Official Gazette №. 48, 1993, sec. 36). It was the most stringent limit on a campaign fund across all post-communist states. These limits were abolished prior to the 1998 Rada elections, thus removing all restrictions on campaign funding (UKR: №. 4061-VI, 2011). Another radical turn occurred before the 2002 parliamentary contest. The new election law introduced restrictions on donations and total campaign income (UKR: №. 2766-III, 2001, sec. 36). Before the 2006 parliamentary elections the election law was amended again, removing the restrictions on total campaign income, banning corporate donations and increasing the donation cap to 400 MMW ($276,000) (UKR: №. 2777-IV, 2005, sec. 53).

[39] Ukraine shifted from a pure majoritarian system used in 1994, electing its 450 deputies based on SMD, towards fully-fledged, party-list proportional representation employed for the 2006 parliamentary elections. For the 1998 and 2002 Rada elections it applied, instead, a mixed formula electing 225 MPs based on SMD and another 225 based on party lists.

[40] The vagueness of the regulatory framework was noticed by the OSCE and the Venice Commission, which recommended the regulations concerning the sources and amounts of financial contributions be clarified and expanded (Venice Commission, 2006). Nonetheless, this provision was kept in the new law on people's deputies prior to the 2012 Rada elections (UKR: №. 4061-VI, 2011, sec. 50).

[41] The fourth ex-soviet republic falling into this group is Turkmenistan, but it represents a special case since there was no political opposition and there were no competitive elections, at least formally, until 2013.

distribution for election related purposes (UZB: №. 990-XII, 1993, sec. 49). While Belarus and Tajikistan relaxed their legal framework by allowing an influx of private money for campaign financing, Uzbekistan maintained them. Tajikistan amended its 1999 election law in 2004 (TJK: Official Gazette, №. 24, 1990), while Belarus followed suit before its fifth parliamentary elections held in 2012 (BLR: №. 25, 2/145, 2000; BLR: №. 99-3, 2010, sec. 48[1]). As a result, electoral contestants had to comply with three quantitative restrictions: donation caps, limits on campaign total income and caps on personal resources deployed for campaigning.

The consequences of prohibiting private financing of parties and candidates in elections are manifold but two are of particular relevance. First, in these authoritarian regimes, opposition parties were completely deprived of the possibility to compete on an equal footing with the incumbents, given the access of the latter to the administrative resources and their control of the media. Second, they also affected the financing of statutory party activity, since the opposition's capacity to amass resources from private sources became irrelevant they could not be deployed for campaigning.

I turn now to the investigation of standard cases by applying the same indicators as for statutory party activity: donation limits, limits on campaign total income and extensiveness of the donor network. Because there are more cases matching the high restrictive type, this will provide us with a clearer idea about the incentive structure of fundraising. By looking at the interplay between donation caps and limits on total campaign income, we can assess better the way in which electoral legislation shaped fundraising strategies of electoral competitors – that is, either to rely on a large pool of small contributors or to focus on a narrow group of wealthy donors.

3.3.3.1. Variation in donation caps

While there is a relatively high number of elections in which the regulatory framework envisaged both types of restrictions, quite a few post-communist regimes introduced both of them at the beginning of transition. Bulgaria was the first country to do so for its founding elections, held in 1990 (BGR: №. 28, 1990, sec. 53). Political parties and candidates indeed faced quite tight legal constraints on their financing (Kanev, 2007, p. 38).[42] Because of their stringency, contribution limits turned out to be short lived and were repealed by the next parliamentary contest in 1991 (BGR: Official Gazette №. 69, 1991).[43] As a result, Bulgarian parties and candidates unencumbered themselves from such a burden. Such restrictions were reintroduced again roughly one decade later via the passage of a new election law in 2001 (BGR: Official Gazette, №. 37, 2001, secs 71–72). In the same fashion, the winners of the first

[42] According to the 1990 law on elections to the National Assembly, the upper contribution limits for individuals and legal entities were set at BGL 100 ($15) and BGL 2000 ($290), respectively, while the maximum limits for total campaign income were established at BGL 20000 ($2900) per candidate.

[43] The amendments to the election law however maintained the upper limit for candidate election funds by raising it to BGL 30000 ($1600) per candidate (Art.62). Yet, while the nominal value of the upper limit of the candidate funds was increased, the real value of was almost two times lower compared to previous elections.

democratic elections across post-soviet space introduced more restrictive regulations prior to the second parliamentary contest, reflecting a choice to restrict electoral competition somewhat on their own terms. Accordingly, Russia switched to a high restrictive regime before the 1995 Duma elections (RUS: №. 90-ФЗ, 1995, sec. 52), Armenia and Kyrgyzstan followed suit in 1999 (ARM: №. 3P-284, 1999, sec. 79; KGZ: №. 39, 1999, sec. 64), while Azerbaijan introduced such restrictions prior to the 2000 elections for the Milli Majlis (AZE: №. 900-IQ, 2000, sec. 59).

At the other extreme, one finds a group of polities that switched to a high restrictive regime quite late. For instance, Romania and Moldova imposed both kinds of restrictions only prior to their fifth electoral contests, held in 2004 (MDA: Official Gazette, №. 81/667, 1997, sec. 26; ROU: Official Gazette, №. 54, 2003, secs 5, 21), respectively.[44] Albania capped private contributions and the election fund of electoral subjects only before the sixth parliamentary contest in 2005 (ALB: №. 9341, 2005, sec. 144). Finally, Serbia and Montenegro shifted toward highly restrictive rules only on the eve of their seventh parliamentary campaign (MNE: Official Gazette, №. 49, 1992, sec. 12; SRB: Official Gazette, №. 79, 1992, sec. 11).[45]

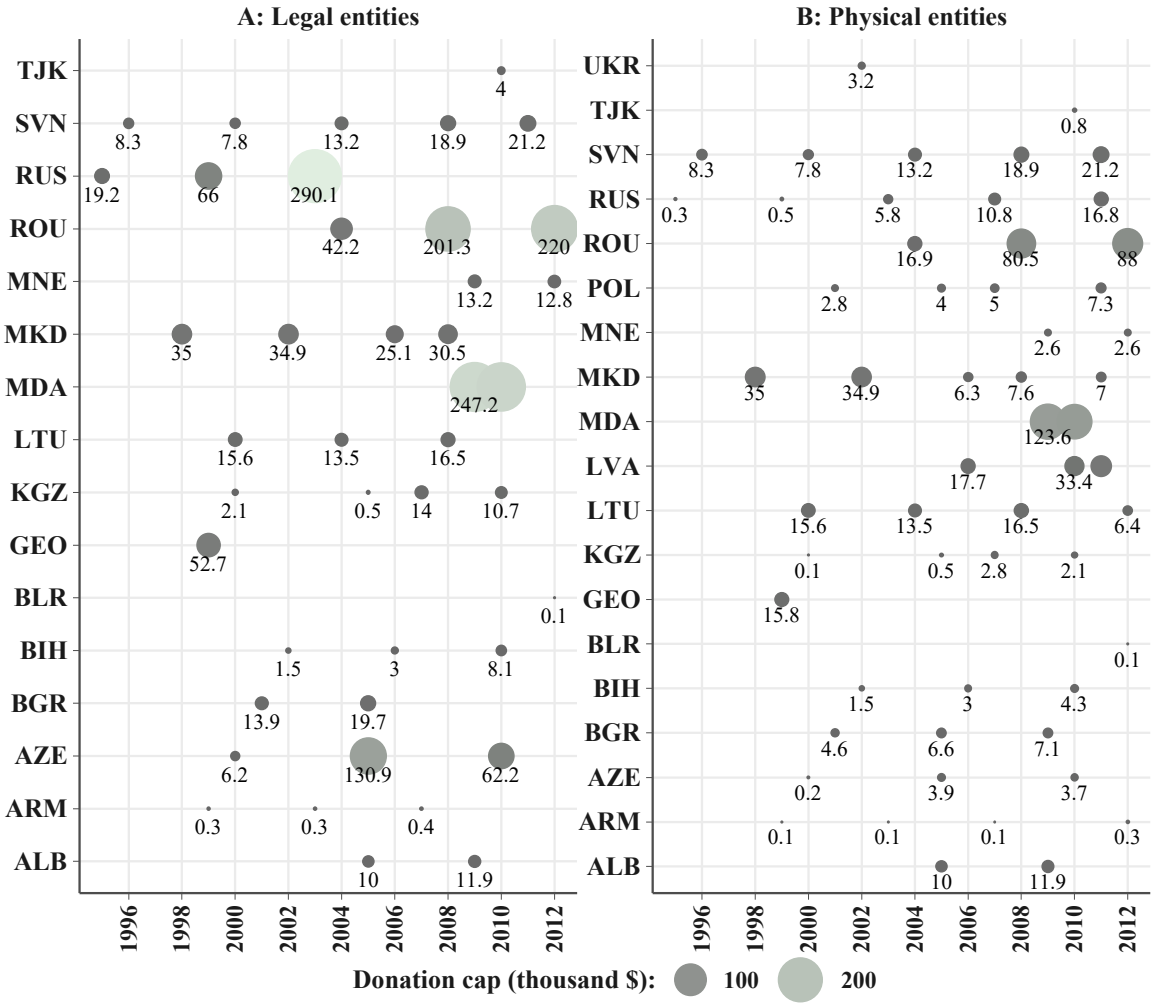
Finally, in between there are several countries – Macedonia, Lithuania, Poland, Slovenia and Ukraine – which switched to this regulatory regime somewhat in the middle, prior to their third or fourth electoral contests. Slovenia tightened campaign funding rules before the 1996 elections as result of the interaction between the contribution and campaign spending limits (SVN: Official Gazette, №. 62/3402, 1994, sec. 22; SVN: Official Gazette, №. 70/8659, 2000, sec. 20). A similar interplay brought about a more stringent regime for the Macedonian parties on the eve of the 1998 elections (MKD: Official Gazette, №. 24, 1998, sec. 59; MKD: Official Gazette, №. 41, 1994, sec. 30), as well as for their Lithuanian counterparts before the 2000 parliamentary contest (LTU: №. VIII-1020, 1999, sec. 8; LTU: №. VIII-1870, 2000, sec. 55). Poland and Ukraine altered their electoral legislation in 2001, introducing both types of restrictions (POL: Official Gazette, №. 21/112, 2011, secs 113–114; UKR: №. 2766-III, 2001, sec. 36). Such a wide dispersion of cases over time points to the lack of any distinct pattern in the pace of reform, though it shows that as time passed, more countries opted for tighter regulations.

[44] While Romania's party law, passed in 1996, limited annual donations as well as aggregate income collected from private sources, it did not foresee any restrictions on the electoral fund of parties and candidates. These restrictions were introduced only in 2003 and therefore applied first at the 2004 elections. In Moldova, the restrictive nature of campaign funding rules results from the interaction between the annual donation caps established by the new party law passed in December 2007 (in force from 2008) and the limits on the party/candidate election fund. This limit is determined on an ad-hoc basis before each election campaign by the CEC since the Electoral Code does not foresee such limits.

[45] While Serbia passed a new party funding law in September 2003, its provisions did not apply to the parliamentary elections held in December the same year and therefore entered into force before the 2007 elections. The Montenegrin party financing law passed in 2004 is almost identical to the Serbian regulations. Yet before the 2006 contest the cap on election funds was doubled, thus allowing political parties to amass more resources from private sources (MNE: Official Gazette, №. 33, 2005, sec. 5).

Besides timing, post-communist polities display high cross-national variation in donation caps. Based on national regulations, I standardized data on the contribution limits set on physical and legal entities for 76 parliamentary elections in 19 countries of the high restrictive type between 1990 and 2012. Figure 3.6 depicts their cross-national variation over time.

Figure 3.6. Variation in donation caps on physical and legal entities for election financing across high restrictive cases (1995 – 2012)*



Source: Author's elaboration
Note: *Russia (2011) is not presented

As the data reveal, in most cases donations caps on business contributors are more permissive relative to physical entities. Nevertheless, in many cases individuals could also donate large amounts of their income to electoral competitors, even though disparities in donation caps are noticeable. Russia clearly drives up the overall variation due to its move to more permissive caps over time, particularly favouring corporate sponsors. While at the 1999 Duma elections a legal person could give out about $66,000 to a party election fund, this amount had increased to almost $840,000 by the 2011 Duma

elections.[46] Romania, Azerbaijan and Moldova also established very permissive limits on private contributions for electioneering. Romania amended its party financing rules just before the 2008 parliamentary contest, doubling the allowable private contributions during election years (Official Gazette, No. 630, 29.08.2008). This decision increased the size of contribution limits for individuals and businesses to about $80,000 and $201,000 respectively. In Moldova, the annual donation cap was equally applied for elections, therefore political parties were not much restrained in their fundraising. Similar to Russia, Azerbaijan adopted a very discriminatory approach, by imposing rather restrictive caps on individuals but overly permissive caps on corporate donors. Latvia and Macedonia also established PFRs that instituted rather permissive caps, though the former banned corporate donations in 2002, so that such permissive limits were established to offset partially this prohibition. Yet the ban on corporate donations was not always accompanied by compensatory measures, as reflected by more liberal contribution limits. In cases such as Poland, Bulgaria, and Lithuania, which imposed bans on corporate donations in 2001, 2009 and 2011 respectively (BGR: Official Gazette, №. 29, 1990; LTU: №. XI-1777, 2011; POL: Official Gazette, №. 21/112, 2011), the limit on donations from physical entities was set much lower: $6,400 in Lithuania (2012), $7,300 in Poland (2011) and $7,100 in Bulgaria (2009).[47]

At the other extreme, there are several post-soviet republics that instituted an overly restrictive regime on campaign donations. Armenia is a case in point, since during four electoral cycles between 1999 and 2012 the contribution limits for physical and legal entities ranged from $85 to $270 and from $260 to $415 respectively. The same holds true for Belarus. Once the ban on private income for elections was lifted in 2010, donation limits were laid down extremely low (BLR: №. 99-3, 2010, sec. 48[1]). For instance, during the 2012 parliamentary elections a physical person could give out only $60, while a legal entity about $120. While such restrictive donation limits are found in several other cases like Kyrgyzstan (2000, 2005) or Azerbaijan (only physical entities 2000), they were offset by the legal possibility of parties and candidates to use personal funds in elections. Such arrangements can also be found in other post-soviet republics, especially from Central Asia, Caucasus, Russia and Ukraine. The key problem with this money was the impossibility to track its origins, since in most cases donation regulations for statutory party financing were either lacking or poorly defined. This in turn allowed electoral participants to circumvent the otherwise quite restrictive donation caps.

3.3.3.2. The size of the donor network

Unlike statutory party activity, election campaigning requires more intense fundraising, which may affect the capacity of electoral competitors to respond to higher fundraising pressure in a shorter

[46] In addition, any legal entity was authorized to contribute up to 50 percent of the total campaign income to the electoral fund of regional party branches. The precise amount was based on the number of registered voters and ranged between $257,000 and $942,000.

[47] Estonia also banned corporate donations in 2003 but there were no limits on contributions from physical entities (EST: Official Gazette, №. 90/601, 2003).

time span. Therefore, the impact of regulations may be felt more keenly by electoral contestants. Moreover, some fundraising rules may have a differentiated impact on their capacity to corral necessary resources. Consequently, the interplay between both types of quantitative restrictions may affect the fundraising behaviour of parties and candidates. When their interaction yields a regulatory environment allowing electoral contestants to rely on a small number of large donors, this implies less effort is needed to fill their campaign war chests. In contrast, when the same interaction generates an environment where it is necessary to approach a much larger number of potential donors this clearly reflects a more restrictive environment.

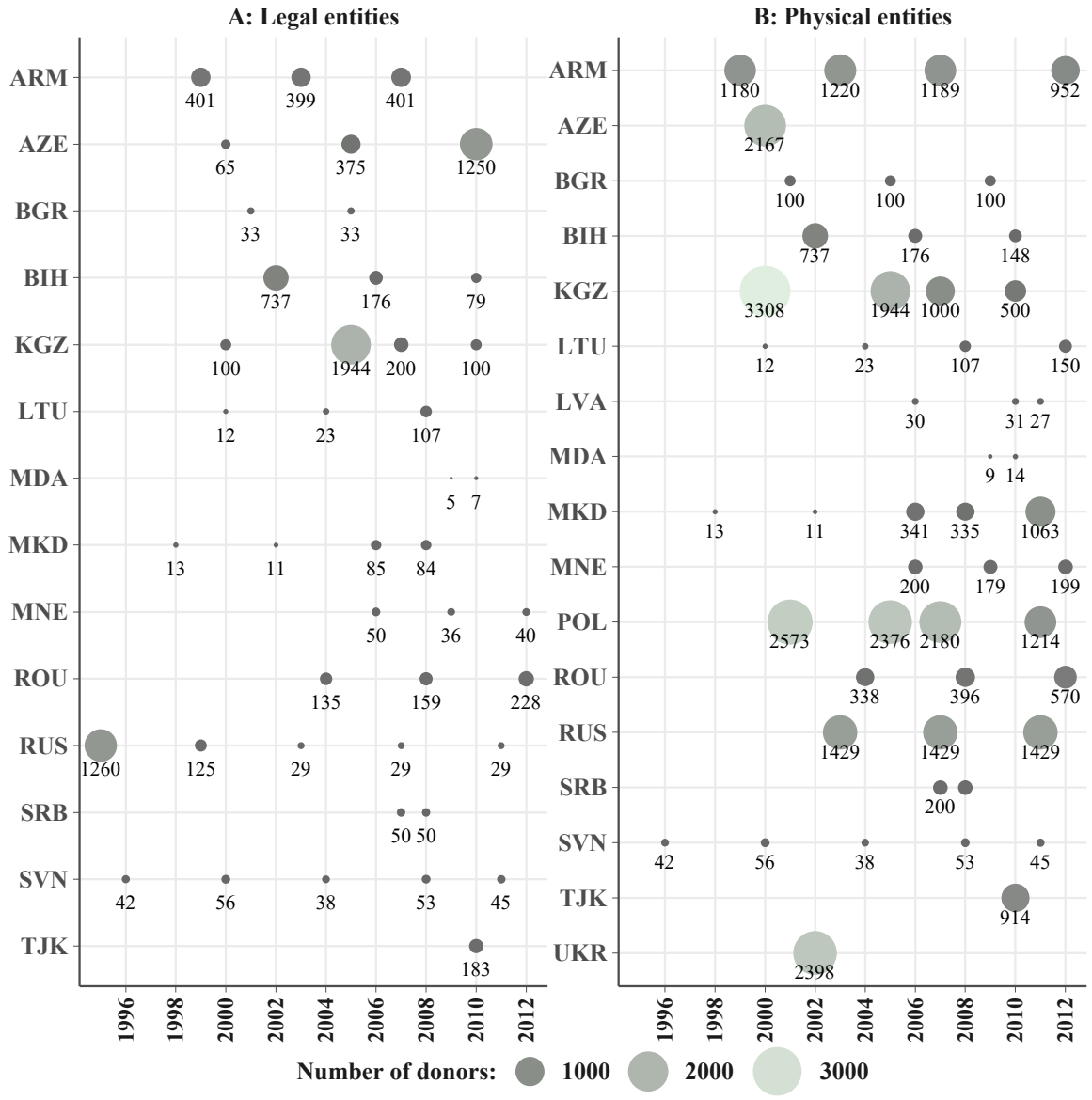
Here, I analyse the extensiveness of the donor network in the same way as done for routine party financing. The goal is to see whether the regulatory framework forces electoral competitors to solicit a larger pool of private contributors or allows them to limit fundraising to a narrow group of affluent sponsors. Recall that financing regulations concerning statutory party activity were devised in a rather permissive way, allowing political parties to extract large amounts from affluent donors without any need to develop and maintain a fundraising mechanism based on grassroots funding. Yet, the number of cases falling into the highly restrictive type pool was too limited to generalize this finding, though we observed that subsequent legislative amendments in high restrictive cases did not alter financing rules to induce political parties to expand their donor networks. The high number of cases (elections) offers a better opportunity to explore this aspect.

Thus, to estimate the size of the donor network, I performed the same calculations as for statutory funding – I divided the cap on the election fund by the cap on private contributions. The result is presented in figure 3.7, showing how many donors electoral competitors would have needed to approach to reach the campaign spending limit. The data are compelling, showing that, beside quite pronounced cross-national variation, the regulatory framework was quite permissive even in the most restrictive regimes. Only in a few cases like the 1990 parliamentary elections in Bulgaria or the 1995 Russian Duma elections, would the extremely low contribution levels on physical entities have required electoral participants to engage in demanding fundraising activities.

For instance, the 1990 parliamentary contest in Bulgaria stands out because of the most stringent donation caps across the entire region.[48] Under such constraining conditions each candidate running for office in a SMD would have needed the support of at least 10 corporate sponsors or 200 individuals to reach the campaign spending cap. For a political party that would have filed candidates in all multi-member constituencies and in all 200 SMD it would have required at least 4000 corporate sponsors or roughly 80,000 individuals.

[48] According to the Election law, donation limits were set out at BGL 100 ($15) for physical entities and BGL 2000 ($285) for legal entities (BGR: №. 28, 1990, sec. 53).

Figure 3.7. Variation in the minimum number of donors necessary to reach the limit on total income collected from private contributions for election financing*



Source: Author's elaboration
Note: * Bulgaria (1990), Russia (1995 – only physical entities), Belarus (2012), Azerbaijan (2010 – only physical entities) are not presented.

A partly similar situation was attested in the 1995 Russian Duma elections, although individuals and businesses could donate much larger amounts.[49] Nevertheless, a party putting up party lists to compete for office would have needed the financial support of at least 83,400 individuals, or the backing of at least 1,260 legal entities. On the other hand, a SMD candidate would have required the financial

[49] Physical entities could donate up to 20 MMW ($190) and 30 MMW ($290) to the electoral fund of majoritarian candidates and parties, respectively. Legal entities could contribute up to 200 MMW ($1900) and 2000 MMW ($19000) to the electoral fund of majoritarian candidates and parties, respectively (RUS: №. 90-ФЗ, 1995, sec. 52).

backing of 500 individuals or 50 corporate donors. It appears however that these requirements were deemed too stringent, and they were quickly amended. While Bulgaria completely removed donation limits already before the subsequent parliamentary contest, Russia freed parties and candidates from such a burden by significantly raising the contribution levels, especially for corporate donors at the subsequent Duma elections.[50]

Overall, the authoritarian regimes in the former soviet republics turned out to be the most restrictive in this respect. Along with the prohibition against using private money in elections, their regulatory framework also made fundraising more difficult. Among them, Azerbaijan and Belarus stand out as cases that required quite demanding fundraising efforts on behalf of electoral contestants. Yet, they are quite opposite cases due to different spending levels. While in Azerbaijan the large number of donors required to finance elections was driven by an extremely permissive cap on total income combined with a low donation level for physical entities, in Belarus both caps proved to be overly restrictive. This difference is reflected by the fact that the cumulative income of 110 Belorussian candidates in the 2012 elections was roughly the same as for three Azeri candidates in the 2010 parliamentary contest. Furthermore, in Azerbaijan the restrictive contribution limit on individuals was offset by a rather permissive cap on donations from legal entities. This was not the case in Belarus. Compared to an Azeri SMD candidate, who needed to secure the financial backing of about 10 corporate donors to reach the spending cap, a Belorussian candidate would have had to approach at least 100 corporate donors.

At the other extreme, one finds several countries where parties and candidates could literally rely on a handful of wealthy individuals to cover the cost of elections. In Moldova, for instance, the full burden of financing in the 2009 elections could have been borne by five corporate sponsors or ten individuals. For the 2010 snap elections this number increased to 7 and 14 contributors, respectively, but only due to the increase of the election fund. Likewise, just a dozen individuals or corporate donors would have sufficed to fund Macedonian parties in the 1998 and 2002 parliamentary contests, while a Lithuanian party would have required the financial backing of only 12 business or 23 individuals to fill the election war chest in the 2000 and 2004 parliamentary races. In the same vein, just 30 individuals could have met the entire cost of campaigning for Latvian competitors during the 2006, 2010 and 2011 parliamentary contests. The same number, but of corporate donors, was sufficient to reach the spending cap in the 2003, 2007 and 2011 Russian Duma elections.

The same permissive environment can be observed in other cases. Accordingly, between 40 and 60 contributors were sufficient to finance Slovenian parties over five parliamentary elections from 1996

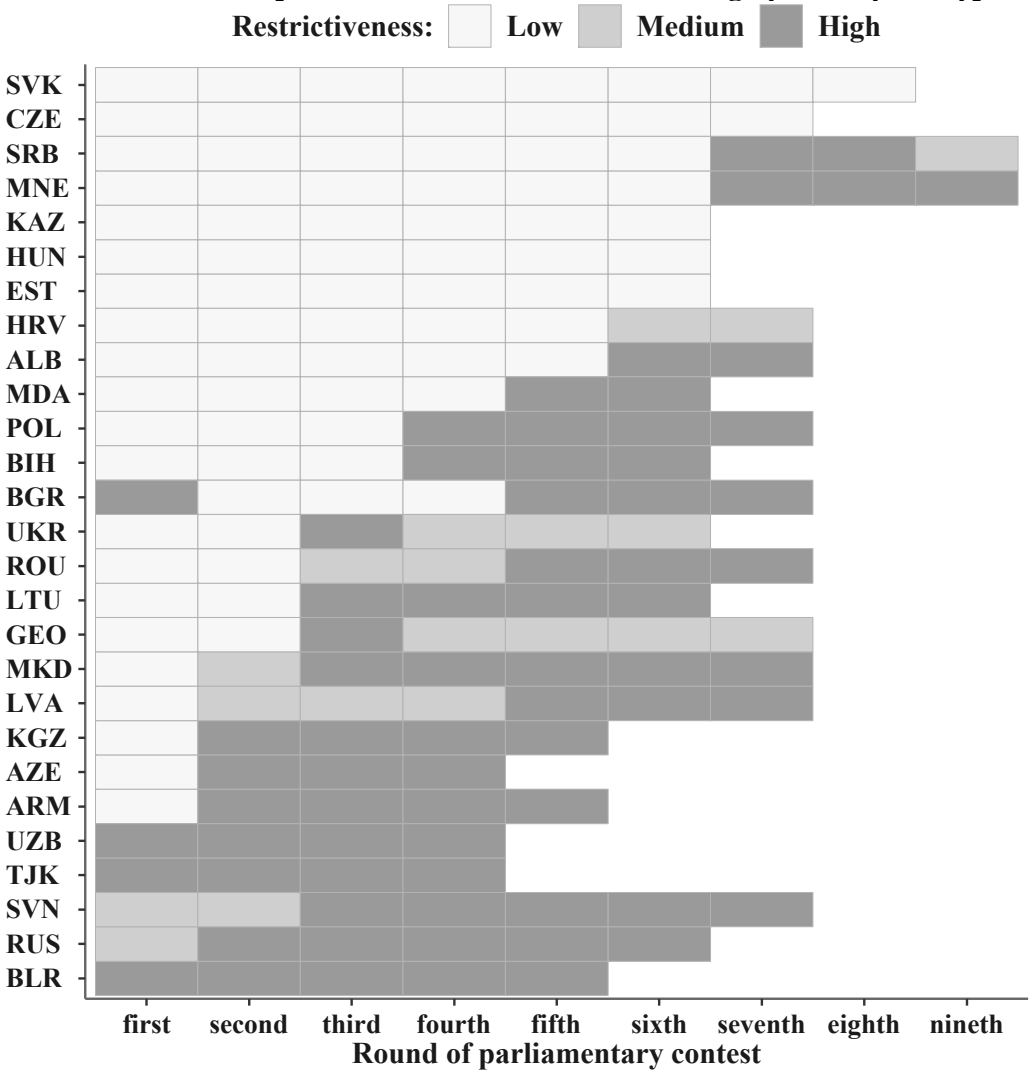
[50] For the 2003, 2007 and 2011 Duma elections the upper donation level for physical and legal entities were determined in relation to the size of electoral fund. Each physical entity was entitled to contribute up to 0.07 percent of total campaign revenue, while the limit for legal entities was set at 3.5 percent.

to 2011. Since the reintroduction of donation caps in 2001, Bulgarian parties could be financed by about 100 individuals or 33 legal entities, whereas for electoral coalitions these figures would be only twice as high. Finally, for the 2004 and 2008 elections, Romanian parties would have needed the backing of at least 160 legal entities and about 400 individuals to fill up their war chests. Even in such cases as Poland, Ukraine, Kyrgyzstan and Armenia, where electoral competitors had to approach a larger number of potential contributors, this was not so much of a challenge given the size of electoral market, especially in Poland and Ukraine. While these figures are sufficient to underscore the permissiveness or campaign regulations even in the most constraining regimes, they do not account for other factors that would even further alleviate the fundraising requirements of electoral contestants, such as the provision of public funding for election expenses or the possibility to transfer large amounts of the candidates' own resources into their election fund. Hence, except a few deviant cases, data clearly shows that the interaction between donation and spending caps has created a regulatory environment in which parties and candidates could primarily rely on plutocratic financing.

3.3.4. Trends and patterns of restrictiveness on private income for election financing

Unlike the financing of statutory party activity, campaign funding turned out to be much more regulated, despite the poor enforceability of many legislative provisions. Already in the middle of the 1990s, election financing had become a target of regulatory interventions from post-communist politicians. By that time, half of the post-communist polities were imposing at least some quantitative restrictions on income from private sources. Furthermore, already in the late '90s the number of elections held under stricter regulations outnumbered electoral races organized under more liberal rules. Nevertheless, after two decades of transition, few of them, including the Czech Republic, Slovakia, Hungary, Estonia and Kazakhstan still lacked some kind of restrictions. While some of them restricted the total amount electoral competitors could spent during elections, there were no restrictions on how much a donor could pour into the election fund of parties and candidates. At the other extreme, several post-soviet authoritarian regimes including Belarus, Tajikistan, and Uzbekistan completely banned the use of private resources for different parliamentary races. Even when campaign financing regulations liberalized and electoral contestants were allowed to receive private contributions, they proved to be excessively stringent. Other cases fall within these two extremes but still display noticeable variation regarding the timing, direction and nature of change from one restrictive type to another. This variation is illustrated by figure 3.8 which shows the evolution of restrictiveness over time for all election campaigns, thus capturing all three indicators mentioned above.

Figure 3.8. Restrictiveness of private income for election financing by country and type



Source: Author's elaboration

The clear pattern that emerges from the graph points to a shift from less to more restrictive regulations, although some of these moves were more sweeping than others. While in some cases, such as Albania, Armenia, Azerbaijan, Poland and Moldova, both types of restrictions were introduced at once, in others – Romania, Latvia, Macedonia, Russia and Slovenia – the shift was more gradual (donation caps were introduced first, followed by a cap on the election fund somewhat later). Yet, in several instances, including Ukraine, Serbia, Georgia and Bulgaria, one notices alternation between different regulatory regimes, including a shift from more to less restrictive regulations. The remaining cases retained the status quo across the entire period, regardless of the difference in their degree of restrictiveness. Most, however, endorsed both kinds of restrictions aimed at controlling the supply and demand of campaign resources. This is hardly surprising, given the nature of electoral competition and the widespread belief that money is a critical resource for electoral success.

This is particularly relevant for newcomers, since different rules may affect their electoral odds. Therefore, electoral competition can be managed by raising or lowering entry barriers through the manipulation of financing regulations. From this perspective, the timing, frequency and magnitude of change in the degree of restrictiveness may play a significant role even if the alteration of financing rules takes place within the same restrictiveness type – for instance, through raising or lowering donation and spending levels. Notwithstanding the differences with statutory party financing in terms of regulatory scope and intensity, the nature of PFR was not substantively much different. Despite quite striking cross-national variation in the upper contribution levels and caps on aggregate campaign income, in most cases, election funding regulations have been tailored in a very friendly manner toward electoral competitors. Their interaction yielded a similar incentive structure as for statutory funding, thus generating favourable conditions for political parties to rely on large donations instead of grassroots financing.

Chapter 4. Restrictiveness of public funding

4.1. Operationalization

This chapter analyses public funding regulations based on the framework detailed in the second chapter. Unlike other dimensions of the regulatory regime, the provision of direct public funding (DPF) to political parties and electoral competitors makes a regulatory regime less restrictive since public funding alleviates their fundraising endeavours. Of course, the provision of DPF may entail stricter requirements regarding transparency, enforcement or private financing. Nevertheless, it may offset the costs associated with stricter rules on these regulatory dimensions. This is particularly relevant for the post-communist polities where, especially at the outset of transition, many of the newly emerging political forces had to operate in a resource-scarce environment. Therefore, the provision of DPF may have constituted a vital source of income to compensate for the lack of private resources. Of course, beside direct budgetary subsidies, political parties and electoral competitors had access to indirect funding in the form of free or subsidized media access, the use of state premises, tax benefits etc. However, while indirect funding might represent an important sources of party income, it is impossible to quantify and measure, at the aggregate level. Hence, I focus here exclusively on the empirical analysis of DPF by investigating cross-national variation of several indicators reflecting distinct aspects of the regulatory regime:

1. The level of state support, i.e. how much of the budgetary resources are provided to parties and candidates;
2. Eligibility rules, i.e. who qualifies for state funding;
3. Allocation rules, i.e. how public funding is allotted to beneficiaries;
4. Timing of disbursement, i.e. when the state subsidies are delivered to beneficiaries (only for elections).

Since each indicator addresses a different facet, it is impossible to build up a composite indicator, so I will treat them independently. While the level of state support is the key indicator of restrictiveness, the other three indicators are still relevant to assess the dynamics of political competition regarding the struggle over public funding. Analysing the eligibility rules is crucial to assess the regime's inclusiveness vs. exclusiveness, while the assessment of distribution rules shows the degree of inequality/equality in the apportionment of state subsidies. Lastly, the timing of allocation for election financing represents a key indicator of restrictiveness since it shows when electoral competitors will receive state support, i.e. before or after elections, which in turn reflects the degree of openness/closure toward newcomers.

Due to the diversity of channels through which political parties can obtain state support, either direct or indirect, it is difficult to obtain a precise estimate of the aggregate level of such support. Given this shortcoming, I focus here exclusively on DPF to parties and candidates for their statutory and

election financing separately, using the amount of budgetary support for a registered voter as a benchmark. Because of the cross-national variation regarding the size of the electoral market (number of registered voters), the size of the legislature and various formulas used to determine the level of the state support, this is the best indicator to compare reliance on budgetary subventions in different national settings and over time.

As far as the operationalization of restrictiveness pertaining to the distribution formula is concerned, it ranges between 0 and 1, where 0 implies perfect equality in the allotment of state subsidies, i.e. regardless of electoral performance, while 1 implies perfect proportionality – that is, an allocation based exclusively on electoral performance. For instance, if half the state subsidies are equally distributed to parliamentary parties irrespective of their seat share, while the other half is distributed proportionally to their share of parliamentary seats, then the restrictiveness score of the distribution formula is 0.5. If all subsides are earmarked proportionally to the party's seat share, its restrictiveness score is 1.

Unlike the measurement of DPF, the measurement of indirect public funding (IPF) is impossible to perform in the same way. Even for the most crucial aspect of IPF – that is, the amount of free airtime available to electoral competitors during an election – it is difficult to estimate how much each of them receives for campaigning. Unlike routine party financing, access to public broadcasters has been among the most regulated issues during parliamentary campaigns. In a resource-scarce environment and with a lack of alternative sources of information, free access to state broadcasters was critical to most electoral competitors since prior to the emergence and liberalization of the media market, the state broadcaster was the only media outlet enjoying national coverage. Furthermore, television was the main – and the most credible – source of information across the region. Given all of this, the terms under which political parties and candidates obtained access to free media can hardly be overemphasized. However, due to the variation in the eligibility requirements, allocation method and the number of electoral contestants entitled to free airtime, which in turn affected the length of broadcasting slots, it is extremely difficult to obtain a standardised indicator. Therefore I will focus only on the level of DPF leaving aside IPF, despite its significance during election campaigns.

4.2. Public funding for statutory party activity

4.2.1. Low restrictive cases

4.2.1.1. Level of public funding

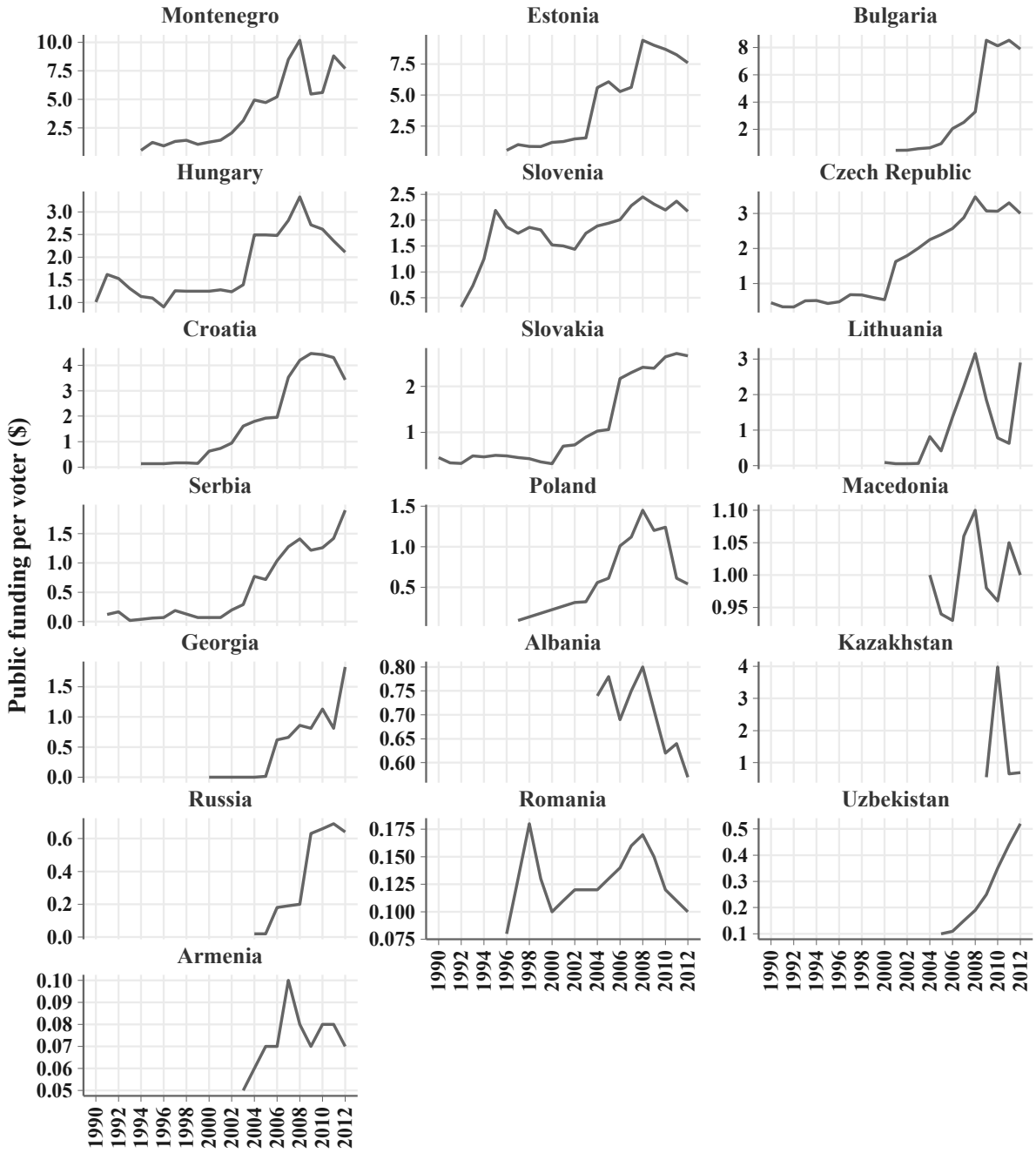
In this section I provide a comparative empirical overview of state funding to political parties by using the above specified indicators that typify different facets of public funding. The amount of DPF per voter represents the key yardstick and was crucial for party development. Several methods were employed by post-communist polities to determine the level of state support:

1. A fixed amount of subsidies tied to a certain indicator directly reflecting electoral performance like the number/share of cast ballots or parliamentary seats;
2. An amount tied to a flexible economic indicator such as the average or minimal wage, a share of budgetary revenues or expenses or even a proportion of GDP;
3. An amount determined by an ad-hoc legislative decision, usually passed through budgetary process, in which parliamentary parties determined the size of state subsidies allotted to themselves yearly.

These methods are ordered based on their flexibility regarding the freedom they offer to political parties in deciding on the size of DPF. Additionally, each of them has some advantages and disadvantages. For instance, while the real value of public funds may depreciate over time, given the impossibility to adjust for inflation, the first method is the most transparent and predictable in terms of how subsidies will be calculated and distributed. It was used to set the level of state funding in the Czech Republic, Slovakia, Poland, Georgia and Russia. However, either because of the initial low level of funding, or its devaluation over time due to inflation, some of these polities increased the public funding coefficient substantially or switched to alternative methods. For instance, in the Czech case the nominal value of the coefficient was increased significantly in 2001. Likewise, the nominal value of DPF per valid vote in Russia increased by forty times between 2004 and 2009, while Slovakia switched from a fixed to a floating coefficient in 2005.

The second method, which ties the size of public funding to a certain economic indicator, overcomes the shortcoming of devaluation due to its flexibility. However, depending on the precise indicator employed to establish the value of subsides, the allocation mechanism varies. When the state budget or GDP is used as a benchmark to calculate the size of public funds, the total amount represents a certain share of revenues/expenses which is apportioned to political parties according to distributional rules. Montenegro and Romania used this method for the entire period analysed here while Serbia, Croatia and Slovenia did for shorter timespans. Conversely, when average or minimum monthly wages (AMW/MMW) are used, the size of DPF is tied to the votes/seats as a coefficient, either as a wage share for a cast ballot or as a given number of wages for a parliamentary seat. This method was employed in Armenia, Uzbekistan, Bulgaria and Slovakia in different periods. Finally, according to the last method, the size of public funding is determined by the parliamentary parties annually via the budgetary process. While this is the most flexible, it is also the most discretionary way for the political parties to establish the size of budgetary resources. Estonia, Lithuania, Kazakhstan, Georgia, Macedonia, Hungary and Albania all applied this approach at various periods. Yet, there is no clear relationship between the type of the method and the amount of public funding and its evolution over time. This can be observed in figure 4.1 which provides the full overview on the cross-national variation in the level of DPF and its evolution over time for 19 post-communist countries between 1990 and 2012.

Figure 4.1. Cross-national variation in the level of direct public funding to political parties (1990 – 2012)*



Source: Author's elaboration
Note: *Given the high variation in the level of state subsidies, the y axis is adjusted to match the variation in each country

Data clearly reveal a considerable variation in the level of the state support for political parties for their statutory operation.[51] While at the beginning of transition these differences were less

[51] Figure 4.1 does not contain data on Azerbaijan and Latvia, which introduced DPF for statutory party activity only in 2012. The level of state support for the Azerbaijani parties was set at $0.40 per registered voter, while Latvian parties received about

pronounced, they grew over time, indicating an extremely uneven development. The trend is particularly well reflected by the steep increase in the size of DPF for a range of countries: Estonia, Bulgaria and Montenegro followed by Croatia, the Czech Republic, Slovakia, and Slovenia. At the other extreme, Armenia, Macedonia and Romania feature the smallest change in the level of DPF, although they still varied regarding the amount per se. The Bulgarian, Estonian and Montenegrin parties thus stand out for their capacity to extract large amounts of state resources. Yet the Bulgarian parties accomplished this task during a much shorter time span. The introduction of DPF for routine party activities in 2001 was not accompanied however by a method determining the size of state subsidies. Therefore, the level of state funding was decided by the winners of the 2001 parliamentary elections who set it up at BGN 1 ($0.46) for a valid vote.[52] These arrangements survived however less than four years, when just before the 2005 contest the same legislature determined it at 1 percent of the MMW ($0.95) (BGR: Official Gazette, №. 28, 2005, sec. 27). The formula was changed again by the winners of the 2005 elections who increased the state support for a valid vote to the equivalent of 2 percent of the MMW ($2.05), therefore by doubling the previous amount (BGR: Official Gazette, №. 73, 2006). The rapid increase of the MMW turned out to be extremely beneficial for party finances contributing to a sharp jump in the level of state support which reached in 2009 the equivalent of $8.5 per a valid cast ballot and remained at the same level for the next several years.

Unlike Bulgaria, Montenegro and Estonia had a longer tradition of DPF, therefore the level of state funding recorded a smoother growth. Montenegro introduced public funding for parties already in 1993 and from the beginning tied it to the size of the state budget. Initially, political parties were entitled to 0.2 percent of budgetary revenue.[53] The share was raised to 0.3 percent in 1997 as a new law on party financing was enacted (Vujović et al., 2005, p. 25). As a result, the level of DPF doubled.[54] Subsequent economic development proved to be extremely beneficial for political parties. By the 2003, the level of DPF surpassed $3 per voter. Notwithstanding this, the 2004 party financing law increased the leverage of parliamentary parties to decide on the size of state funds by fixing it at between 0.3 and 0.5 percent of the state budget (MNE: Official Gazette, №. 49, 1992, sec. 5). Apparently, this discretion was too great, and the law was amended to set it at 0.4 percent of budgetary revenue (MNE: Official Gazette, №. 33, 2005).[55] By the 2008 election, the lavish state support peaked at $10 per voter. A significant drop in the

$0.90 per registered voter from the state. Data on Montenegro and Macedonia do not reflect the initial level of state support given the unavailability of information from earlier periods. For Montenegro the departure point for estimation is the amount of state subsidy provided in 1996 while for Macedonia is 2004. Nevertheless, the amount of public funding in Montenegro was relatively high from the beginning in 1993 due to the estimation formula used to establish it at the level of 0.2 percent of the state budget. The Macedonian party law passed in 1994 did not contain any rules determining the level of public funding to parties.

[52] The average exchange rate in 2001 was US$1 = BGN 2.18. Source: BNB

[53] In 1996 this amounted to about $0.90 per registered voter.

[54] In 1997 this amounted to about $1.90 per registered voter.

[55] In 2005 this amounted to about $4.70 per registered voter.

amount of state subsidies in 2009 and 2010 was due to the lower shares of budgetary revenues granted to parties, which were set at 0.29 and 0.27 percent, respectively (Centar za demokratsku tranziciju, 2010, p. 7, 2011, p. 10).[56] The increasing reliance on public funds did not stop however at this point. In 2010, the level of DPF was again raised and set at 0.5 percent of the state budget (GRECO, 2010a, p. 5). As a result of this provision, in 2011 alone Montenegrin parties received about €3.16 million from the state (Centar za demokratsku tranziciju, 2012, p. 9).[57]

Like Montenegro, Estonia introduced DPF relatively early (1994, coming in to effect in 1996) but the amount was determined through the standard budgetary process. Consequently, political parties were relatively free to lay down the level of funding. Yet, between 1996 and 2003 there was a rather incremental increase in the size of budgetary subventions.[58] The situation dramatically changed at the end of 2003 when the freshly elected parliament increased the level of state support three-fold, from EEK 20 million in 2003 to EEK 60 million in 2004 (GRECO, 2008a, p. 6).[59] The level of DPF was again raised in 2008 reaching EEK 90 million ($9.43 per voter).

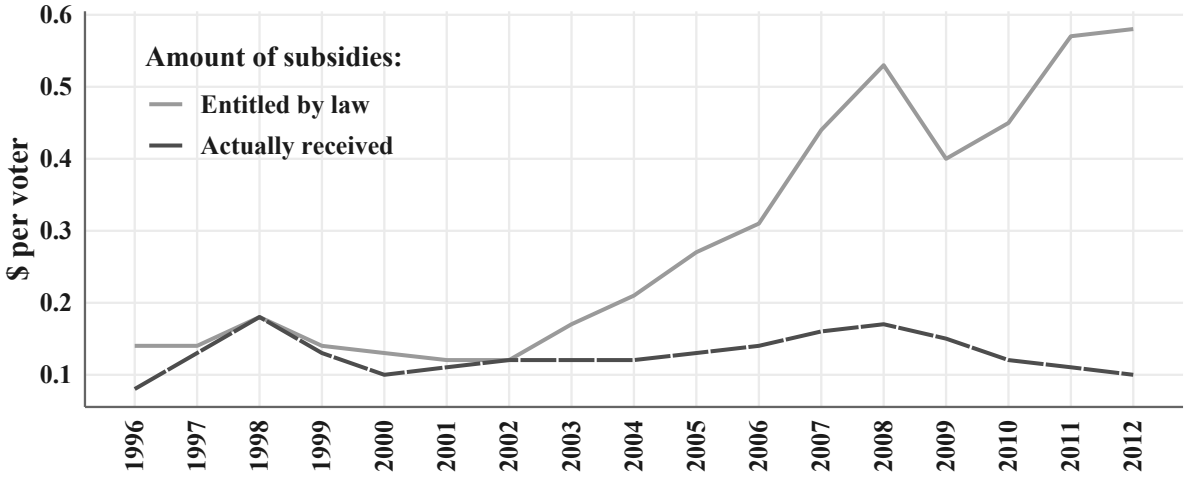
In contrast to Bulgaria, Montenegro and Estonia, several former soviet republics, alongside Romania, represent cases of extremely scant budgetary subventions. Armenia introduced state funding to parties in 2002 and determined the level of state support based on a coefficient tied to MMW (ARM: №. ЗР-410, 2002).[60] But since MMW has remained frozen over time, the level of state support has been flat. The same method was adopted by Uzbekistan in 2004 but it was set at a higher level and adjusted for inflation (UZB: №. 337-I, 1996).[61] Yet, a particular method is not necessarily linked to the low level of DPF. Russia and Romania, which have used totally different methods illustrate this point. While in Russia the DPF represented a fixed amount per valid vote, in Romania it was tied to budgetary revenue. Nevertheless, whereas the Russian parties increased their reliance on the state from RUB 0.50 ($0.02) in 2004 to RUB 5 ($0.18) in 2006 and then to RUB 20 ($0.63) in 2008, their Romanian counterparts have not even fully exploited the opportunity they created for themselves.

The Romanian case is somewhat intriguing because political parties have never tried to increase their reliance on the state, at least not through DPF. Despite setting the level of state support very low – 0.04 percent of budgetary revenues – they have rarely taken full advantage of regulatory provisions to allot the maximum funds they were entitled to. As figure 4.2 shows, between 1996 and 2012 the actual level of state funding matched the upper threshold of 0.04 percent only a few times. For instance, between 2002 and 2007 the total funding provided to parties stayed at the same level, regardless of the increase in budgetary revenues. Had the Romanian parties

[56] In 2009 and 2010 this amounted to about $5.46 and $5.59 per registered voter, respectively.
[57] In 2011 this amounted to about $8.82 per registered voter.
[58] Between 1996 and 2003 the level of state support increased almost three times, from about $0.55 to $1.55 per registered voter.
[59] In 2004 this amounted to about $5.60 per registered voter.
[60] The total amount of state subsidy 'shall not be less than the product of 0.03-fold of the minimum salary established by the law and the total number of citizens included in voting lists during the last elections to the National Assembly' (Art. 27).
[61] The level of state support for statutory party activity was set at 2 percent the value of minimum salary and over five years state contribution to party coffers increased by 2.5 times reaching $0.25 per voter in 2009.

fully exploited the provisions of the law, the level of state funding would have reached Russia's level but would have nevertheless remained rather modest compared to other countries.

Figure 4.2. Difference between the level of DPF as foreseen by law and the actual amount received by Romanian parties (1996–2012)



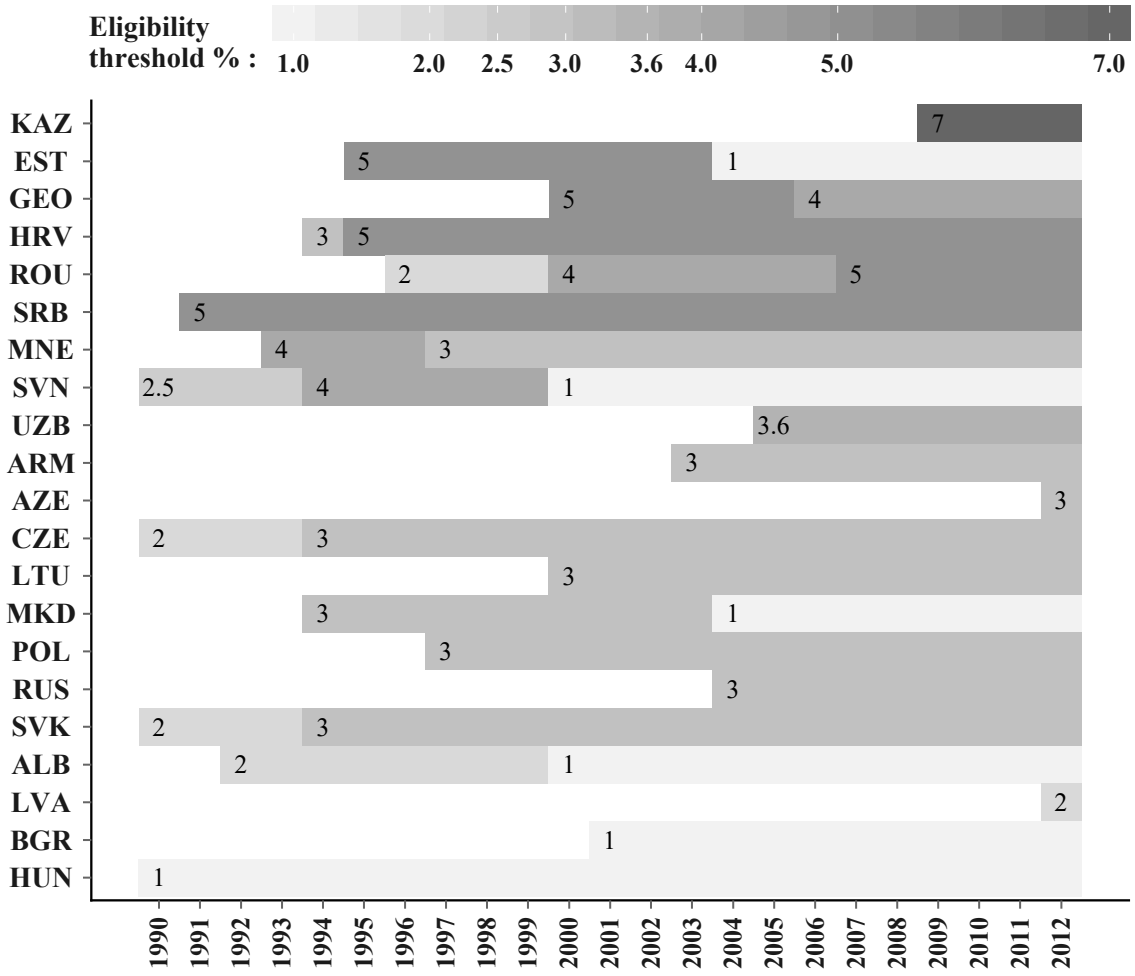
Source: Author's calculations

Other transition regimes in post-communist Europe are caught between these two poles but the discrepancies in the level of DPF have remained quite visible even within this larger group. Hence, Croatia, Hungary, Slovenia, the Czech Republic and partially Slovakia can be singled out as PFRs with a longer tradition of public funding. Likewise, they provided more generous state subventions to political parties for their routine activities. On the other hand, Albania, Poland, Macedonia, Lithuania, Serbia and Georgia are located at a significant distance behind the first subgroup regarding the size of budgetary subventions.

4.2.1.2. Eligibility rules for public funding

The second relevant indicator employed to assess the restrictiveness of public funding concerns eligibility criteria for beneficiaries of state funds. Overall, an easier/harder access to DPF is associated with a less/more restrictive PFR. This in turn will affect the inclusiveness of the system and its openness toward newcomers. This is an essential point in light of the cartelization thesis, which assumes that established parties will raise entry barriers to protect themselves from competitive pressure from newly emerging parties (Katz & Mair, 1995, 2009). Empirical evidence, however, is rather mixed in this respect. Figure 4.3 depicts the variation in the access rules, as captured by the eligibility (pay-out) threshold, for public funding for ex-communist polities over time.

Figure 4.3. Eligibility threshold for direct state subsidies for statutory party financing (1990 – 2012)



Source: Author's elaboration

The data from the figure 4.3 illustrate three trends in the evolution of the eligibility threshold: stability, increase and decrease. It also shows that the range of the eligibility rules used to select the recipients of public funding varied from 1 to 7 percent. A quick glance at the chart shows that stability is the dominant pattern – characterizing roughly half of the ex-communist polities, in which the threshold has not changed since the DPF was introduced. This was the case in Bulgaria, Hungary, Serbia, Russia, Lithuania, Kazakhstan and Uzbekistan. The remaining polities are split in roughly two equal groups that either increased or decreased it. On the one hand, Croatia, the Czech Republic, Slovakia and Romania switched from less to more demanding requirements to access state funding over time, thus making it harder for new parties to qualify for state subsidies. On the other hand, Estonia, Georgia, Macedonia and Montenegro switched to lower requirements, thus enlarging the pool of potential recipients. Only Slovenia alternated between different threshold levels, first raising and then lowering it. Furthermore, beside these divergent trajectories, there are not so many changes over time. Of the countries that did

alter the eligibility threshold, only Romania and Slovenia altered it more than once while other countries amended it just one time.

Yet besides the direction of change, there is perceivable variation in the level of the threshold, which actually accounts for the restrictiveness of access rules. The lowest threshold, 1 percent of cast ballots, was used by Hungary and Bulgaria for the entire period, by Albania and Slovenia after 2000, and by Estonia and Macedonia after 2004. Kazakhstan is at the other extreme, setting it at 7 percent of votes, followed by Serbia and Croatia that have used a 5 percent threshold for longer time spans. The same threshold of 5 percent, but for shorter periods, was applied by Estonia before 2004, Georgia until 2005, and Romania post 2007. The rest of the post-communist polities fluctuated between 2 and 4 percent but the most widespread threshold of 3 percent was used by eight countries for different intervals and accounts for roughly 40 percent of their cumulative time. In some cases, however, the softening of eligibility rules occurred as result of judicial decisions that compelled parliamentary parties to extend access to state subsidies to extra-parliamentary parties. For instance, in 1999 the Constitutional Court of Slovenia ruled that the provision of state subsides exclusively to parliamentary parties was unconstitutional (Toplak, 2007, p. 172). Accordingly, the subsequent amendment of party law passed by the parliament in 2000 reduced it to 1 percent of votes (SVN: Official Gazette, №. 70/8659, 2000). By another decision adopted in 2002, the Constitutional Court cancelled another restrictive provision according to which access to DPF was granted only to party lists that filed candidates in at least 75 percent of electoral constituencies (Krašovec & Haughton, 2011, p. 205). The extension of public funding to extra-parliamentary parties turned to be vital for small parties to survive in the political arena (Casal Bértoa & Spirova, 2017). Yet, it is not only eligibility that has mattered for overall restrictiveness. It is also about how state subventions have been distributed among beneficiaries.

4.2.1.3. Allocation rules of public funding

The distribution formula represents the last relevant indicator. Two underpinning principles are built into any distribution formula, i.e. *equality* and *proportionality* (Biezen, 2003a, pp. 44–45; OSCE/ODIHR & Venice Commission, 2011, pp. 73–74).[62] The equality principle, in its extreme form, implies that DPF is evenly apportioned to political parties/electoral competitors, regardless of their electoral performance. In contrast, the proportionality principle implies the distribution of DPF exclusively based on electoral performance measured in votes, parliamentary seats or a combination of both. From a normative perspective, it is usually assumed that PFR regimes that combine both principles applying 'objective, fair and reasonable criteria' in distribution of subsides 'might be most effective at achieving political pluralism and equal opportunity' (Council of Europe, 2003; OSCE/ODIHR & Venice

[62] The guidelines on party regulations jointly elaborated by the OSCE/ODIHR and Venice Commission uses the concept of 'absolute equality'—rather than 'strict equality' and 'equitable'—to denote a proportional distribution based on the electoral strength of a party.

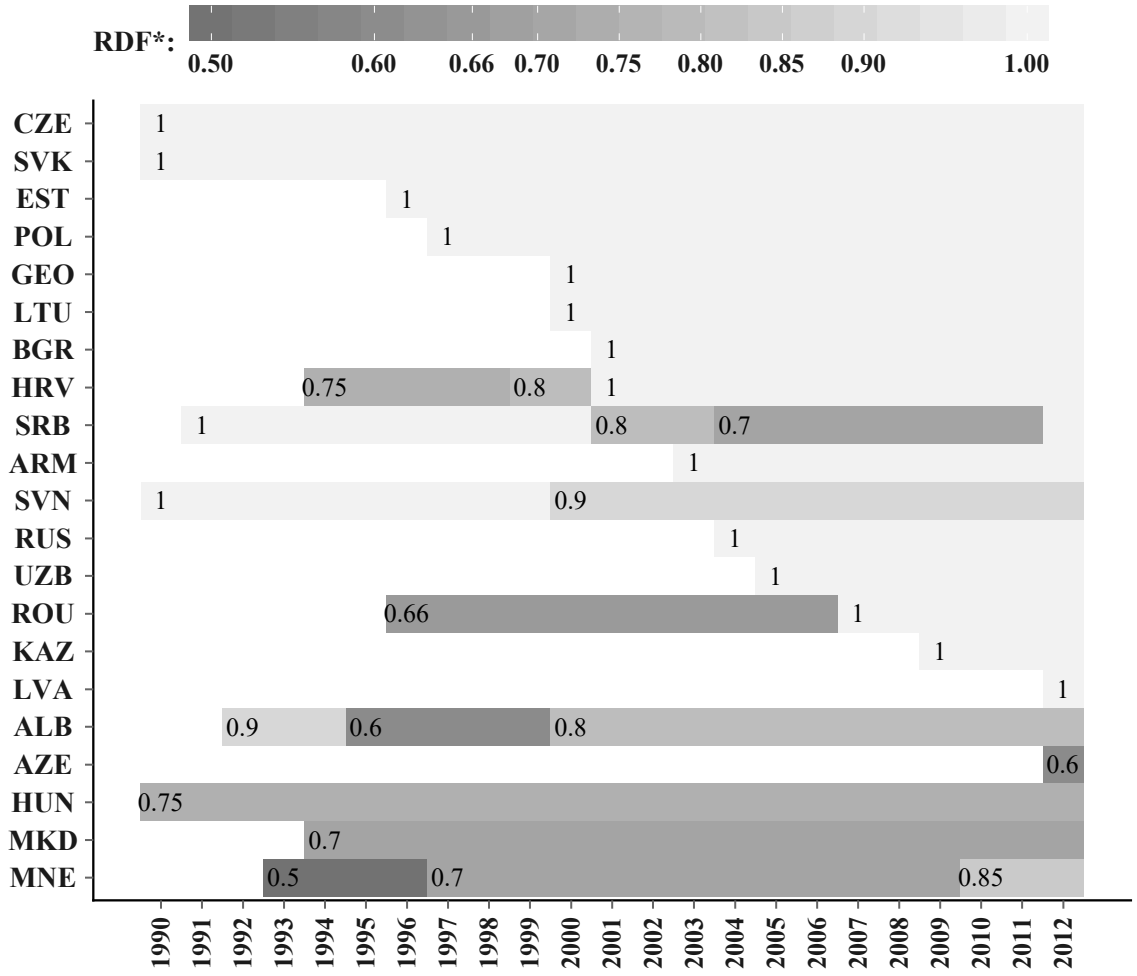
Commission, 2011, p. 74). Yet when it comes to defining such criteria, which are applied to the most sensitive aspect of party activity, the precise meaning of 'objective, fair and reasonable' becomes quite problematic (Pinto-Duschinsky, 2006). Yet, given the different distributional consequences for political competition, the incorporation of the two conflicting principles into the allocation formula will always yield biased results in the actual allotment of state subventions.

Notwithstanding this risk, I operationalize the restrictiveness of the distribution method as an indicator ranging between 0 and 1, where 0 implies the lowest and 1 the highest restrictiveness. The least restrictive method is also the most egalitarian one, by apportioning state subsidies in equal amounts to each political competitor. Conversely, the most restrictive method foresees a purely proportional allocation of subsidies based on electoral performance. Moreover, the restrictiveness of the second method also depends on how the electoral performance is defined, i.e. in terms of votes or seats. A seat-based allocation is more restrictive than a vote-based one, since only parliamentary parties would benefit from state support. Even though the underlying distribution principle remains the same, the number of parliamentary seats won produces a more unequal distribution of subsides than the share of votes received. In cases that mix both methods, the restrictiveness score reflects the share of subsidies allotted based on electoral performance. For instance, if half of the total subsidy is evenly distributed among all beneficiaries, while another half is proportionally split based on electoral performance, I assign a restrictiveness score of 0.5. The closer/farther this score is to/from 1, the more/less restrictive a distribution method is assumed to be. By using this indicator, I investigate empirically the restrictiveness of the allocation method looking at the direction of restrictiveness, the frequency and the magnitude of change. The result of this operationalization is reflected in figure 4.4, displaying nine restrictiveness levels ranging between 0.5 and 1. Furthermore, as the data reveal, the dominant method in the allocation of DPF is electoral performance, meaning a prevalence of proportional distribution.

Regarding the direction of restrictiveness, one can identify three distinct trends: stability, toward a more egalitarian allocation and toward a more proportional one. As the data illustrates, the status-quo policy option was the preferred one in almost half of these countries. Once a given distribution formula was adopted, it remained unchanged over time, irrespective of its restrictiveness.[63] The second largest group is represented by cases displaying a shift toward a more concentrated allocation of public funds, while the remaining cases, either swayed between proportionality and equality or ended up with a slightly more egalitarian distribution than initially adopted.

[63] The precise formula employed to distribute budgetary subventions may be subject of change but incorporating the same principle. For instance, the ratio between the number of votes and seats in allocating public funding can be altered but the underlying principle of proportionality in allocating subsidies, which reflects electoral performance, is not substantively affected.

Figure 4.4. Restrictiveness of the allocation formula in the distribution of direct state subsidies for statutory party financing (1990 – 2012)



Source: Author's elaboration
Note: *RDF – Restrictiveness of distribution formula

Almost half of the post-communist regimes employed a strict proportionality method in distributing state subsidies. In many fewer cases, proportionality was blended with egalitarian elements to various degrees, but even in those cases it clearly prevailed as an allocation criterion. Armenia, Bulgaria, the Czech Republic, Slovakia, Poland, Lithuania, Estonia, Russia, Georgia, Kazakhstan, and Uzbekistan employed strict proportionality for the entire period after the introduction of public funding. Although the ratio between the shares of distributed subventions based on votes or seats varied from case to case, it did not affect the underlying distribution yardstick, though it did affect the eligibility threshold. In some cases, like Poland, which applies a regressive coefficient foreseeing the gradual shrinkage of subsidies for

additional vote quotas, the proportionality logic remains unaffected since each party receives the same amount per vote for the same vote quota.[64]

Within this group, Estonia, Slovakia, the Czech Republic and Georgia have experimented more with the distribution method but these experiments have not substantially affected the nature of allocation. Estonia is a showcase of how parliamentary parties have managed to preserve almost unaltered the distribution of DPF despite amending the allocation method. The transition from a distribution method that benefitted only parliamentary parties (1996–2003) to a method that envisaged the extension of the state support to extra-parliamentary parties in 2004 (by replacing the seat-based with a vote-based allocation) did not alter the actual distribution since the new formula envisaged a differentiated approach toward parliamentary and extra-parliamentary parties. The latter group was allotted a lump sum, conditional on the eligibility threshold since the law envisaged two such thresholds: one and four percent, respectively.[65] Based on the electoral results from the 2004 and 2008 parliamentary contests, I simulated the distribution of public funds to extra-parliamentary parties and found that the amount of subsidies allotted to them was so small that it had no effect on the overall distribution, thus keeping Estonia in the group with the most restrictive allocation rules.[66]

In the same vein, the Czech Republic and Slovakia switched from a vote-based to a mixed allocation method. The Czech Republic adopted a combined vote/seat-based distribution model in 1994 and amended it in 2001, though the distribution mechanism remained untouched and was purely proportional in awarding public subventions.[67] Slovakia later followed suit embracing a similar formula in 2000 but, again, electoral performance was the only indicator used to allot budgetary funds for both components of the distribution formula.[68] In both cases, however, the partial replacement of the vote-

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[64] Art. 29 of the party law establishes the following quotas and amount of state contribution for each quota: 3–5 percent, PLN 10 ($2.4); above 5 percent to 10 percent, PLN 8 ($2); above 10 percent to 20 percent, PLN 7($1.7); above 20 percent to 30 percent, PLN 4($1); above 30 percent, PLN 1.50 ($0.4). Average exchange rate US $1 = PLN 4.1 in 2001 when this model of public funding was approved.

[65] The amount for the 1 percent threshold was fixed at EEK 150,000 ($12,000), while for the 4 percent threshold it was set at EEK 250,000 ($20,000) (EST: Official Gazette, №. 90/601, 2003, sec. 12[5]). Average exchange rate US$1 = EEK 12.4 in 2004.

[66] In both the 2003 and 2007 parliamentary elections only two extra parliamentary parties reached the eligibility threshold of 1 percent, thus receiving together EEK 300,000 (about $25,000) which constituted 0.5 percent of the total amount of state subsidy provided to all parties from 2004 to 2007. In 2008 their cumulative share dropped to 0.33 percent due to the increase in public funds allotted to parliamentary parties only.

[67] The Czech mechanism of public funding adopted in 1994 envisaged a lump sum of CZK 3 million ($105,000) for parties that reached the eligibility threshold of 3 percent. This amount was supplemented with CZK 100,000 ($3475) for each additional 0.1 percent of votes up to 5 percent. Therefore, the maximum subsidy based on votes was limited to CZK 5 million ($174,000). However, the largest part of public funds was linked to the number of parliamentary seats. For each parliamentary seat a party was entitled to CZK 500,000 ($17,370). In 2001 the base subsidy of CZK 3 million was raised to CZK 6 million ($160,000), the supplement of CZK 100,000 was similarly doubled ($5,350), resulting in a maximum vote based contribution of CZK 10 million ($267,000), while the contribution for a single parliamentary seat was set at CZK 900,000 ($24,000). Average exchange rates: 1994 US $1= CZK 28.78; 2001 US $1= CZK 37.43.

[68] Between 2001 and 2005 the amount of state subsidy provided for a vote represented a quarter of the value of the subsidy allotted as reimbursement of campaign expenses. In 2001 it amounted to SKK 15 ($0.31) per vote. In 2004, the electoral law was amended to change the allotment formula for the reimbursement of campaign expenses, by switching from a fixed quota per vote to a floating coefficient tied to the equivalent of 1 percent of AMW. In 2010 another amendment of the election law reduced it from 1 to 0.75 percent of AMW. This in turn affected the calculation formula for statutory funding. The second

based method with one based on seats won highlights a shift toward a more concentrated allotment of public funds. Finally, in 2005 Georgia shifted from a fully vote-based allocation method (1997–2004) to a mixed one, incorporating distribution elements found in Estonia, Slovakia, the Czech Republic and Poland. Still, regardless of their blending, all of them reflect a strict proportionality based allocation resting on electoral performance.[69]

At the other extreme, one finds a more egalitarian apportionment of DPF but there are much fewer cases that used it to manage political competition. Montenegro and Romania record the lowest restrictiveness scores but both shifted toward stricter rules over time. In Montenegro between 1993 and 1996, half of the total budgetary subsidy was split equally among all parliamentary parties, while another half was apportioned according to the share of seats won (Vujović et al., 2005, p. 24). In 1997 the share of evenly allotted funds shrank to 30 percent, while in 2008 it was further cut, to just 15 percent. Hence, the restrictiveness score of the distribution method increased from 0.5 to 0.85. Likewise in Romania, the initially established ratio between the egalitarian vs. proportional distribution was one to two-thirds in 1996. Furthermore, a single party could not receive more than five times the basic subsidy, which represented the party's share from the one-third of public funds equally distributed among parliamentary parties. Extra-parliamentary parties were to receive only the leftovers undistributed among the parliamentary parties. In 2006 the allocation method was replaced with a fully proportional one, exclusively based on electoral performance measured in ballots cast.

The remaining countries – Macedonia, Hungary, Croatia, Albania and Serbia – have floated between restrictive scores ranging between 0.7 and 1. For instance, Macedonia clung on a vote/seat-based allocation method, envisaging an equality vs. proportionality ratio of 30 – 70 percent. Hungary adopted an identical model with the only difference consisting in the ratio of 25 – 75 percent. Croatia moved from a 0.75 to a slightly more restrictive allocation score of 0.8 in 1999 but, regardless of the timeframe, only parliamentary parties could benefit from state subsidies. During the first decade of transition, Albania switched from a 0.9 to a 0.6 restrictiveness score, thus a shift to a more egalitarian distribution of state funds. In 2000 however, it switched back to a 0.8 score, adopting an allocation formula whereby 20 percent of subsidies were equally distributed among parliamentary parties, 70 percent were proportionally apportioned based on seat share, with the remaining 10 percent divided among

part of public funds that was linked to the number of parliamentary seats was calculated as in the Czech case, relying on a fixed coefficient per seat, initially set at SKK 500,000 ($10,350). However, in 2005 a new formula for estimating the contribution per seat was adopted using a regressive coefficient tied to the value of AMW. Hence, for the first 20 seats a party received 30 AMW (in 2005, the value of AMW was about $830) per each seat, while for the supplementary seats it received 20 AMW per seat. Average exchange rates: 2001 US $1= SKK 48.35; 2004 US $1= SKK 32.22; 2005 US $1= SKK 31.08.

[69] The Georgian regime of public funding enacted in 2005 contained three allocation criteria to allot state subsides. A basic amount of GEL 150,000 ($83,000) for a party and GEL 300,000 ($166,000) for a coalition; a seat allocation using a regressive coefficient of GEL 71,000 ($3,920) per seat up to 30 seats and GEL 12,000 ($660) for each seat above 30; an allocation for votes similarly applying a regressive coefficient of GEL 1.5 ($0.83) per vote up to 200,000 votes and GEL 1 ($0.55) per vote above 200,000 votes.

political parties that have cleared the eligibility threshold of 1 percent. Like Albania, Serbia has altered its distributional rules several times. The first change occurred in 2000 and foresaw an equality vs. proportionality distribution ratio of 20 – 80 percent of subsidies among parliamentary parties. In 2004 that distribution was replaced with a ratio of 30 – 70 percent, thus making the allocation slightly more egalitarian. Yet, these arrangements lasted until 2012 when a strict proportionality-based allocation method was introduced. Finally, Slovenia relaxed its apportionment rules in 2000 by switching from seats to votes as the distribution yardstick. Yet only 10 percent of the public funds were to be equally allocated, thus recording only a marginal shift toward a less restrictive distribution.

Unlike eligibility rules, which have become more inclusive over time, the distribution method of DPF has become more restrictive. While one can notice a slight shift to a more egalitarian distribution of funds in a few cases, the allocation of the state subventions has mostly become more concentrated. Accordingly, despite the cross-national variation, the prevailing allocation method is highly proportional, significantly outweighing the egalitarian principle.

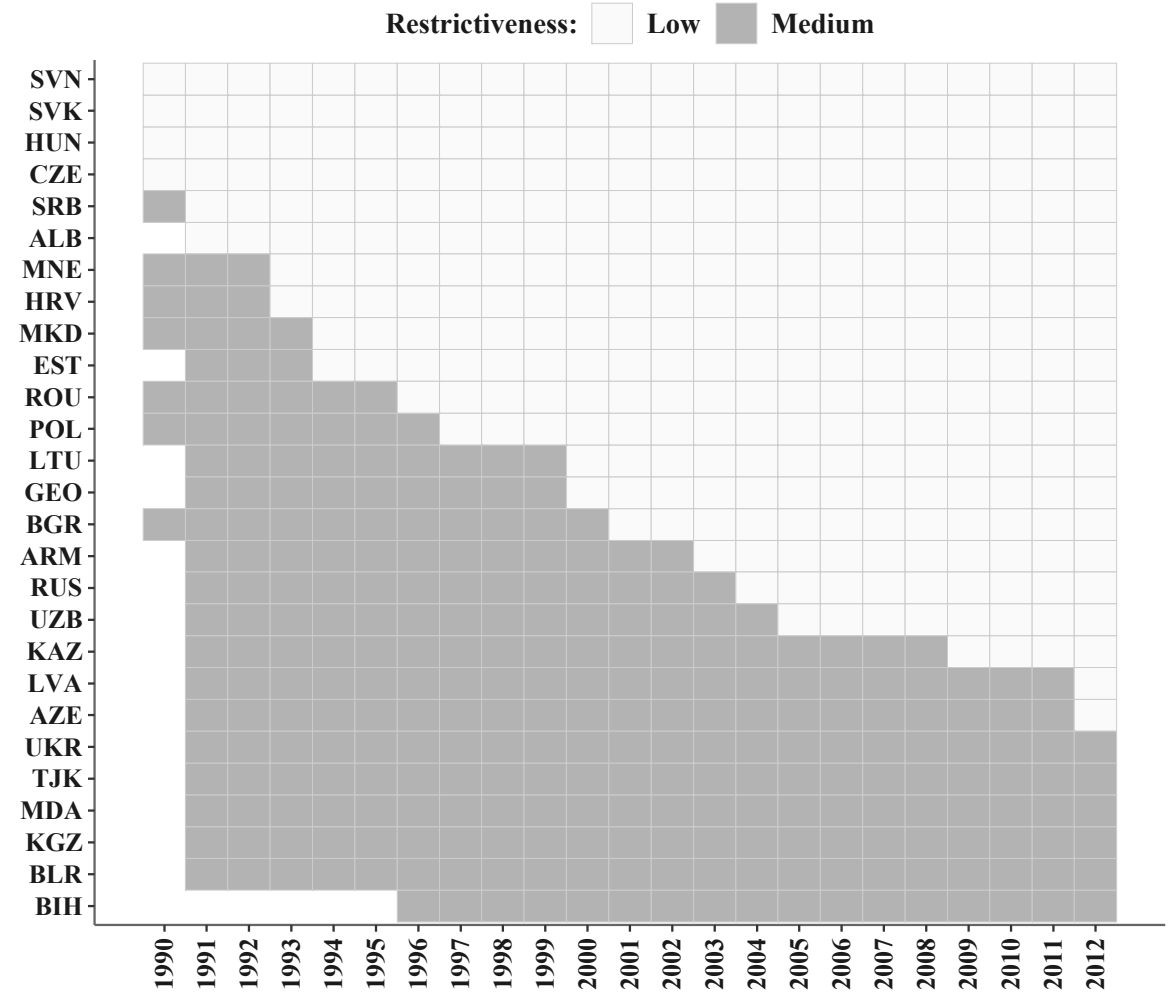
4.2.2. Trends and patterns of restrictiveness on direct state funding for statutory activity

Out of four configurations of restrictiveness derived from the interplay of direct and indirect state funding, only two configurations match the empirical reality of post-communist polities. There are no cases matching the high (absence of DPF and IPF) and medium (absence of IPF but availability of DPF) restrictive types, since all post-communist polities provided some kind of IPF but not all of them provided DPF. Therefore, we are left with cases matching the two remaining types, i.e. the low (both kinds of public funding) and the second mix of the medium (only IPF) restrictive types. Furthermore, given it is impossible to compare PFRs envisaging IPF, I narrowed down the analysis to regulatory regimes that provided DPF to political parties, at least during some period of time. Nevertheless, unlike other aspects of a PFR, analysing public funding regulations required scrutiny of several dimensions of restrictiveness, i.e. the size of DPF, eligibility rules and the distribution method.

In this section, I look more broadly at variation in the development of public funding rules and how they unfolded over time. I first look comparatively at the general trends over time in the availability/absence of public funding, including the timing of switching from one regime to another. Second, I investigate what is behind the general trends by pooling all three indicators of public funding restrictiveness – amount, eligibility and distribution – and analysing their interaction. This allows me, for instance, to ascertain whether post-communist regimes display signs of cartelization as some authors of individual country studies have claimed (Casal Bértoa & Walecki, 2014; Hutcheson, 2013; Ilonszki & Várnagy, 2014; Krašovec & Haughton, 2011; Sikk, 2004, 2006). If this is true, one would expect public funding rules to become more exclusionary over time – through raised barriers against newcomers, increased eligibility thresholds and more proportionally based allocation, thus contributing to the entrenchment of incumbents. Figure 4.5 depicts the general trends on DPF for statutory party activity,

displaying both the duration ex-communist polities have spent under different PFRs and the timing of the introduction of DPF.

Figure 4.5. Restrictiveness of public funding for statutory party financing by country and type (1990 – 2012)



Source: Author's elaboration

Based on the timing of the DPF provision, the data allows us to cluster post-communist polities in three groups. The first group comprises countries that have not provided direct subsidies to political parties. All of them, with the exception of Bosnia and Herzegovina, are part of post-soviet space.[70] Among the post-soviet republics, only Estonia, Georgia and Lithuania introduced DPF for statutory party activities during the first decade of transition, although the level of public funding was sizeable only for the Estonian parties when it was introduced.[71] The second group encompasses polities that introduced public funding to parties from the outset of transition or in the middle of the '90s: Albania,

[70] While Bosnia and Herzegovina does not provide direct public funding at the federal level, political parties are entitled to state subsidies at the entity level.

[71] However, if one considers the size of state support, it was rather symbolic in the case of Georgia up to 2005. The situation of Lithuanian parties was slightly better but until 2004 the amount supplied by the state budget was also very small.

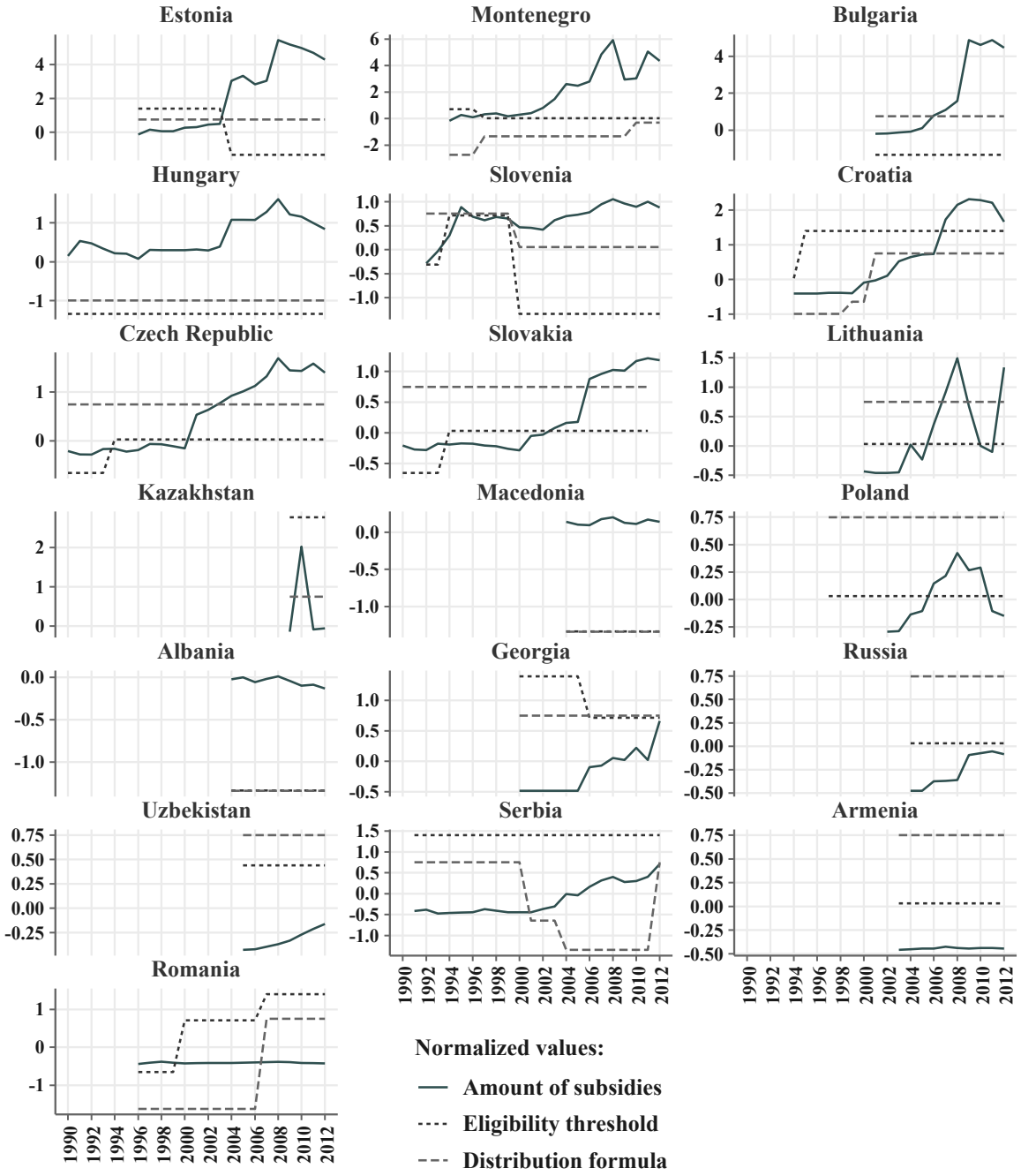
the Czech Republic, Croatia, Estonia, Hungary, Macedonia, Montenegro, Poland, Romania, Slovakia, Slovenia and Serbia. Finally, the last group includes Armenia, Bulgaria, Russia, Uzbekistan, and Kazakhstan – which all introduced public funding for statutory party activity after the first decade of transition – plus Latvia and Azerbaijan, which provided direct subsidies only in 2012. Besides the timing of DPF introduction, a more relevant aspect is the evolution of DPF concerning the interplay between the level of state support, the eligibility threshold and the distribution method.

Given the differences in the measurement units reflecting the restrictiveness of DPF, I normalized all three indicators and plotted their evolution against each other over time. The result is presented in figure 4.6, which illustrate different patterns of the interplay between the level of DPF, the eligibility threshold, and the allocation formula. As the data illustrate, except for the increase in the level of state support for parties, there is no a single development pertaining to other two indicators, although as already shown the distribution of subsidies became overall more concentrated over time while the eligibility rules more inclusive due to the lowering of the pay-out threshold. Yet, the most striking aspect of public funding relates however to the cross-national variation in the level of state support and its fluctuation over time. Depending on the level of DPF, post-communist regimes may be clustered in three groups. At one pole, we find several regimes providing quite lavish subventions to political parties, which contrasts with a pool of countries with extremely scant support at the other. Most cases are located somewhat in between. Given such large disparities it would be erroneous to speak about public funding as having the same value across all cases. It is more justified to speak about different *worlds* of public funding, since the variation is so great. These disparities are further underlined by divergent patterns of evolution in the level of state support, from the moment of its introduction. While in some cases there is a quite a steep increase, in other cases the growth has been incremental.

The other two indicators – eligibility and distributional rules – display lower variation and higher stability over time. In some cases, like Armenia, Bulgaria, Hungary, Lithuania, Kazakhstan, Poland, Russia and Uzbekistan, both the eligibility threshold and distribution formula remained stable over time, thus indicating a preference for the status quo. In other cases, which have displayed some variation in the degree of restrictiveness, it has gone in both directions. While access to public funding has become more restrictive in the Czech Republic, Slovakia, Croatia, Romania and Serbia, in other cases – Albania, Estonia, Georgia, Macedonia, Montenegro and Slovenia – it has become more inclusive, thus enabling a larger pool of political competitors to benefit from state support. A different development is observed however with respect to the allocation rules. Even though the distribution method turned out to be less affected by frequent regulatory changes, in most cases in which it has been amended, the change has represented a shift toward a more proportional and concentrated allocation of subsidies. Montenegro, Croatia and Romania depict a clear shift from a more egalitarian toward a more proportional distribution of public funds, while Albania and Slovenia epitomize a shift in the opposite direction, by slightly

increasing the share of state subsidies evenly allotted to the recipients of state funds. Yet, even in these cases it was a very incremental change, without significantly affecting the previous distributional pattern. The developments discussed above refer only to the provisions of DPF for statutory party activity. For the remainder of the chapter, I detail the analysis of DPF for election campaigning.

Figure 4.6. Interplay between the amount of public funding, the eligibility threshold and distribution formula (1990 – 2012)



Source: Author's elaboration

4.3. Public funding for election activity

From the perspective of electoral competition, the provision of public funds for electioneering is somewhat more relevant than the provision of subsidies for statutory activity, since the latter may affect the permeability of the political system at the entry level for newcomers (Birnir, 2005; Booth & Robbins, 2010; Potter & Tavits, 2015). Of course, the availability of public funding for elections is not the only factor that can affect electoral outcomes but in a scarce-resource environment, it can play an important role in helping newly emerging parties cope with election expenses. Yet, there are several fundamental differences between the provision of public funding for parties' statutory and electoral activity.

First, the provision of *campaign subsides* is a one-shot game, i.e. electoral contenders are entitled to benefit from such support only once. Second, unlike statutory funding, it may be earmarked both prior to and after elections, which radically changes the incentive structure for the potential electoral competitors. Putting aside the level of DPF, which still remains a key element of restrictiveness, the timing of disbursement entails different consequences for the competitiveness and fairness of elections. For instance, if potential contenders know that public funding is distributed in advance to all registered candidates and its distribution is not tied to previous electoral performance, the competitiveness of elections is more likely to increase. Conversely, when public funding is handed out after elections, as reimbursement of campaign expenses, it may deter electoral competition since this approach automatically raises the eligibility threshold and by default reduces the pool of recipients. As a result, given the scarcity of alternative resources, this may tilt the balance toward non-participation for some competitors. From this perspective, state support (if any) may act as a double-edged sword, either hampering or boosting electoral competition contingent on the specific financing mechanism.[72]

4.3.1. Low restrictive cases

4.3.1.1. Level of public funding

The provision of state subsidies for elections has turned out to be a quite widespread tool employed by the state to provide financial support to electoral contenders in post-communist space. From 176 elections held in post-communist polities between 1990 and 2012, electoral competitors benefitted from such support in more than 60 percent of cases. However, analysing the regulatory framework reveals sizeable variation in the largesse of public funding allotted to parties and candidates. Furthermore, there are striking differences in this variation over time. While some polities have increased the level of state funding significantly, others have maintained it at a relatively stable level across several

[72] Of course, besides public funding there are other legal requirements to be fulfilled to run for office, such as an electoral deposit and/or a given number of voters' signatures to register, which implies that the prospective candidate may need additional financial resources (e.g. to collect signatures).

electoral cycles. These divergent developments are reflected in figure 4.7, which depicts the state of public funding for 74 elections in 20 countries for which I was able to find information.[73]

Figure 4.7. Level of state funding for campaign expenditures (1990 – 2012)

[73] Overall there are 102 elections in which parties and candidates were provided public funding, but I was not able to find data on the remaining cases to perform the estimation of the level of state funding. While there is missing data for roughly thirty electoral contests, this does not affect the general pattern in the development of public funding. The number of elections for which there is missing data on the level of state funding in each country is shown in brackets: Albania (5), Azerbaijan (1), Belarus (1), Croatia (2), Georgia (3), Hungary (1), Kyrgyzstan (1), Macedonia (2), Montenegro (1), Serbia (1), Slovenia (2), Tajikistan (3), and Uzbekistan (2).

Source: Author's elaboration

As the data illustrate, while at the beginning of transition there was only slight cross-national variation in the level of public funding, this gap has increased considerably as the transition has unfolded and more countries introduced it for parliamentary contests. The Czech Republic, Montenegro and Slovakia feature the steepest increase in the level of state subsidies for parliamentary contests, leaving other countries far behind. At the opposite end of the spectrum, one finds several post-soviet republics, plus Hungary and Bulgaria, providing the lowest level of subsidies. Albania, Macedonia, Slovenia, Poland, Croatia, Lithuania and Serbia are somewhat in the middle, but still feature a rather modest level of state funding relative to the most generous countries. In those cases with a very low level of state support to electoral contestants, it was mostly symbolic and thus played no relevant role in aggregate campaign financing. In other cases, where state funding was the only source of legal income, the amount of subsides allotted to electoral contenders was crucial not only for their electoral performance, but also for the fairness of the electoral process. Since the total subsidy was evenly distributed among electoral participants, the actual amount was contingent on the number of registered candidates. This egalitarian approach was common to the electoral process in several post-soviet republics, including Belarus, Tajikistan, Uzbekistan, Russia and Azerbaijan, but was not limited to them.

During the '90s, the Russian Duma elections were one of the best examples of scant and rather symbolic public support for electoral contestants. Since the electoral legislation did not set the level of funding, this decision was left to the CEC, which usually decided the amount on an ad-hoc basis before each parliamentary contest. Yet, the amount of public funds was so meagre that it was hardly sufficient to mount an effective campaign. For the 1993 elections, every registered candidate received just RUB 100,000 ($83) from the state budget.[74] DPF was increased marginally for the next parliamentary contest, held in 1995, when each electoral coalition (43 registered) received RUB 115 million ($25,000), while each SMD candidate (2,729 registered) received just RUB 400,000 ($90) (Колюшин, 2002, p. 59). Despite being increased by almost four times (to RUB 118 million, or $4.67 million), before the 1999 Duma elections, it still accounted only for less than 1 percent of the candidates' reported aggregate outlays (Beznosov, 2007, p. 243).

This approach toward public funding was a distinctive feature among other former sister republics. The scarcity of electoral subsidies for parties and candidates was common in Belarus, Tajikistan, Uzbekistan and Azerbaijan. More importantly, except for Azerbaijan, in all these cases private funding was completely banned and the government was the only entity legally authorized to finance elections. Accordingly, parties and candidates were fully dependent on state funding, which was far from sufficient to compete for office. The 2000 Tajikistani elections represent an extreme case, since each

[74] It means that a political party/electoral block that would have been able to put up candidates in all 225 SMDs and on the party list would have received about $375,000. Exchange rate $1=RUB 1,200.

political party received only 200,000 Tajik roubles ($113) from the state budget, while each candidate was given about 40,000 Tajik roubles ($23). Such low support from the state, accompanied by the prohibition on private funding, triggered dissatisfaction among electoral contenders, who were ultimately permitted to use some limited private resources, although the CEC's decision was at odds with the provisions of the electoral law (OSCE/ODIHR, 2000a, p. 11).

Unlike the Tajik case, the level of public support for the Uzbek candidates increased over time but was nevertheless insignificant relative to the size of the electoral constituency. For the 1999 campaign, public funding was confined to 500 posters and the reimbursement of candidates' wages foregone during campaigning (OSCE/ODIHR, 2000b, p. 11). In 2004 it increased as result of party financing reform, but still represented only a tiny amount relative to the financial needs of the electoral contenders since the state provided only SOM 430.5 million ($423,000), amounting to about $850 per registered candidate (Соатов, 2004, p. 138). Yet, given the fact that every SMD represented on average 120,000 voters, this amount could barely cover campaign expenses. For the 2009 elections, the level of state funding proved even less generous, amounting to SOM 1.1 million ($750) for each candidate (OSCE/ODIHR, 2010a, p. 12). The electoral activities of the Belarusian candidates have likewise been hindered by resource shortages. However, unlike previous cases, in which the level of public funding was determined through ad-hoc decisions, in Belarus it was determined by the election law at the equivalent of 50 MMW (Official Gazette №. 370-3, 11.02.2000: Art. 45).[75] Despite increasing over time – from BYN 130,000 ($130) per candidate in the 2000 parliamentary contest, to BYN 950,000 ($450) in 2004, BYN 1.75 million ($820) in 2008, and BYN 5 million ($1,680) in 2012 – it was hardly sufficient to wage an effective campaign (OSCE/ODIHR, 2001a, p. 9, 2004a, p. 11, 2008a, p. 7, 2012a, p. 12).[76] Because the average size of a SMD ranged between 63,500 and 65,900 registered voters (2000–2012), the level of state support proved to be very low relative to the magnitude of the electoral district. In the same fashion, the limited amount of public funds, combined with the high number of registered candidates in the 2000 and 2005 legislative elections in Azerbaijan, resulted in a dissipation of public funds. For instance, the high number of registered candidates (2,063) competing for 125 seats during the 2005 parliamentary contest meant that each of them received on average only about $210 (GRECO, 2010c, p. 8; OSCE/ODIHR, 2006a, p. 9).

The former soviet republics were not alone, however, in providing scant budgetary support for elections. Among former socialist regimes of Central Eastern Europe, Romania, Bulgaria and Hungary are typical examples of a similar approach toward electoral contenders. In the 1990 founding elections,

[75] The 2003 amendment to electoral code substituted the unit 'minimum monthly wage' with the 'base amount' but kept it at the same level of 50 units (№. 183-3, 04.01.2003).

[76] There is a mismatch between the amount of state funding provided for each candidate (€460/$590) as reported by the OSCE in its election assessment report of the 2012 parliamentary elections and legal requirements, according to which any registered candidate was entitled to the equivalent of 50 base amounts of state subsides, i.e. BYN 5 million ($1,680). The base amount was raised from BYN 35,000 to BYN 100,000 on 1 April 2012, while elections were held on 23 September 2012.

each Romanian party was entitled to less than $500 from the state (Roper, 2007, p. 101). But even this tiny amount did not always reach the coffers of the opposition parties (Carothers, 1992, p. 85). Moreover, after the first parliamentary contest state support was completely repealed. Even though the 1992 election law stipulated that parties and electoral coalitions would receive state funding based on the provisions of a future special law, such a law was never enacted (Official Gazette №. 164, 16.07.1992: Art. 45). The same holds true for the Hungarian case, albeit with the level of DPF being higher and provided on a permanent basis, amounting to HUF 100 million ($478,000 in 1998) during election years. Yet, it was regarded as 'ridiculously low, but…symbolically important' for election expenses, given it was distributed equally among candidates (Enyedi, 2007, p. 98). Since the amount of subsidy varied depending on the number of registered candidates, every candidate received only a tiny subsidy. In the 1998 and 2002 elections there were registered 1,250 and 1,609 candidates respectively (OSCE/ODIHR, 1998a, p. 11, 2002a, p. 8), meaning that each candidate was allotted about $300 for campaigning.[77]

Bulgarian competitors found themselves in the same boat, although the level of public funding per election contestant was somewhat higher at the beginning of transition. However due to the devaluation of the national currency, the real value of public funding vanished by the 1997 parliamentary contest. In the 1990 elections to the Grand National Assembly, each party list received about $10,000 but this money reached party coffers just shortly before election day, so that electoral competitors could not use it effectively for campaigning (NDI & NRIIA, 1990, p. 37). For the 1991 contest, the limit on campaign reimbursement expenses was set at BGN 30,000 ($1,640) per candidate (NDI & IRI, 1992, pp. 125–126).[78] During the 1994 campaign it remained at the same level but was worth only $540. Furthermore, the hyperinflation that hit Bulgaria prior to the 1997 contest depreciated the national currency so much that from the total of BGN 50 million provided by the state, the average subsidy allotted to each candidate was worth less than $20 (Kanev, 2007, p. 41).[79]

In contrast to these cases with the poorest state support to electoral competitors, the Czech Republic, Slovakia and Montenegro (after the 2002 elections) stand out with the most lavish public funding schemes for campaigning among post-communist regimes. The nominal value of the campaign reimbursement in the Czech Republic increased by ten times from CZK 10 ($0.47) per vote in the 1990 elections (CZE: №. 046, 1990, sec. 54) to CZK 100 ($3) in the 2002 parliamentary contest (Cisar & Tomáš, 2007, p. 76).[80] Slovakia followed a similar path almost immediately raising the size of campaign

[77] Enyedi (2007, p. 98) asserts that the amount of state subsidies to candidates was even lower ranging between HUF 25,000 ($95) and HUF 30,000 ($115) in 2002.

[78] The same amount was provided for the 1994 elections but due to the devaluation of the national currency, the value of BGN 30,000 dropped to about $540 per candidate.

[79] After the 1997 elections the provision of state funding for campaign expenses was abolished and replaced in 2001 with public funding for statutory party activity.

[80] Between the 1990 and 2002 elections the level of campaign reimbursement was altered twice. The first increase in state funding for elections occurred in 1992, raising only marginally the level of subsidy from CZK 10 to 15 ($0.53) per vote. The second increase, however, was more radical due to the six-fold increase from CZK 15 to 90 ($3.3) (№. 59, 29.01.1992; №.

reimbursed expenses from CZK 15 ($0.53) to SKK 60 ($1.9) after Czechoslovakia's split in 1993 (SVK: №. 157, 1994, sec. 53). In 2004 the level of campaign reimbursement was raised again by tying it to the average wage, so that the beneficiaries of public funding were entitled to the equivalent of 1 percent of AMW, which in the 2006 elections was almost $6 per ballot cast. While this coefficient was reduced to 0.75 percent just before the 2010 elections (OSCE/ODIHR, 2010b, p. 11), the level of campaign reimbursement reached $7 per vote – the highest across the region. Like Slovakian parties, those in Montenegro increased their reliance on the state after the adoption of the 2004 party financing law, so that in the 2006 elections it was raised by more than seven times relative to the previous contest.

While the remaining cases including Poland, Lithuania, Croatia, Slovenia, Macedonia, and Serbia (after 2003) are located in the middle, they still display significant variation both in terms of amounts and developments over time. For instance, Macedonia has maintained the same level (nominal value) of state support per ballot cast after the 1998 campaign (GRECO, 2010d, p. 6; MKD: Official Gazette, №. 24, 1998, sec. 59). Likewise, the actual value of electoral subsides for Slovenian competitors increased rather incrementally, although it was raised twice in 1997 and 2007 (SVN: Official Gazette, №. 17, 1997, sec. 20; SVN: Official Gazette, №. 41, 2007, sec. 24). In contrast, in Poland, Serbia and Lithuania the shift from relatively modest to heavier reliance on the state was more pronounced. As a result of the 2001 party financing reform, budgetary support for Polish parties grew roughly three times compared to the 1997 parliamentary contest (Państwową Komisję Wyborczą, 2002; Walecki, 2007). Likewise, Serbian parties increased their reliance on the state in 2004. As a consequence, the amount of election subsidies in the 2007 parliamentary contest was 20 times higher than in the 2003 campaign. Lithuania has experienced even more turbulent times with the reimbursement of campaign expenses. It was introduced in 2004 at a relatively high level, more than doubled in 2008 but was totally repealed before the 2012 elections ((LTU: №. IX-2428, 2004; Vyriausioji Rinkimų Komisija, 2012). Unlike the previous cases, the level of campaign subsidies to Croatian parties and candidates have followed a slightly different trajectory. They soared between the 1992 and the 2007 elections but were cut almost four-fold prior to the 2011 contest after a different allocation method was enacted (Državni Ured za Reviziju, 2008, p. 7, 2012, p. 7; HRV: Official Gazette №. 24, 2011; HRV: Official Gazette №. 42, 1992).[81]

247, 27.09.1995).

[81] Given the peculiarities of the legal framework, I could not estimate the aggregate amount of public funding provided to party lists and candidates running in SMDs for the parliamentary elections held in 1992 and 1995. Since the total amount of campaign reimbursement was contingent on the number of individual candidates passing the electoral threshold of 6 percent in their districts, the lack of data on this indicator makes the estimation of the aggregate amount impossible. Nevertheless, the law set out the amount of campaign reimbursement on an individual basis. Hence, each parliamentary candidate who passed the 6 percent threshold in the 1992 elections was entitled to the reimbursement of campaign expenses amounting to HRD 150,000 ($570). For the 1995 contest, financial support from the state increased to HRK 8,000 ($1,530) for SMD candidates and HRK 80,000 ($15,300) for party lists competing on a proportional basis, provided that they reached the 3 percent electoral threshold (HRV: Official Gazette №. 42, 1992; HRV: Official Gazette №. 74, 1995).

This overview highlights the distinct institutional arrangements and approaches regarding the level of state funding and the timing of its introduction across post-communist space. Despite divergent trajectories at the national level, the increasing reliance on the state for election financing represents the dominant trend that clearly emerges from figure 4.7. This is highlighted clearly by the Czech Republic, Slovakia and Montenegro, which all saw steeper jumps in the amount of budgetary support provided to electoral competitors. In other cases, such as Belarus, Poland, Slovenia, Russia and Serbia, the level of state funding was similarly augmented although at a lower scale. The same holds true for Georgia, which reintroduced election subventions at the 2012 elections.[82] Furthermore, while state funding for elections was repealed in several cases – Azerbaijan, Bulgaria, Russia and Romania – it was replaced with more generous subsides provided for statutory party activity, although this occurred at different points in time. Notwithstanding this trend, there are some exceptions from this general rule, including Lithuania and Ukraine, which after experimenting with campaign subventions abolished them altogether. But if in the Lithuanian case, the loss of campaign subsides was offset by a substantial increase in public funds for statutory party activity, this was not the case of Ukraine. Finally, in some cases like Hungary and Macedonia the level of DPF for elections remained stable over time while in other cases, including Albania, Uzbekistan and Tajikistan, the lack of systematic data does not allow assessing these developments over time.

4.3.1.2. Eligibility rules for public funding

There are several differences concerning the eligibility requirements for DPF between statutory and election financing: the identity of beneficiaries, the eligibility threshold and the timing of disbursement. Under every aspect, campaign rules are more complex compared to similar regulations on statutory party activity, entailing more potential outcomes from the interaction of these criteria. First, the identity of beneficiaries refers to parties, candidates and electoral coalitions. Therefore, if political parties are the only recipient of state subsides earmarked for their statutory activity, then conditional on the type of electoral system, political parties, electoral blocks and individual candidates may stand as recipients of state funds during elections. Unlike statutory party activity, in which access to public funding is usually based on electoral performance, in elections candidate status may also be applied to provide access to budgetary subventions, which automatically lowers the eligibility threshold and expands the pool of potential recipients. The last difference between statutory and electoral financing relates to the timing of payment. If for statutory party activity public funds are always disbursed after elections, this is not always

[82] State funding for elections was foreseen in Georgian electoral legislation from the first elections held in 1992, however the actual provision of campaign funding was not fulfilled for all campaigns as stipulated by law. At least for the 1995 parliamentary contest, there was no state funding provided to electoral competitors despite this being envisaged in the electoral legislation (OSCE, 1996, pp. 4–5).

the case for election campaigns. Campaign subventions may be disbursed either before or after elections, or even through a mix of both methods.

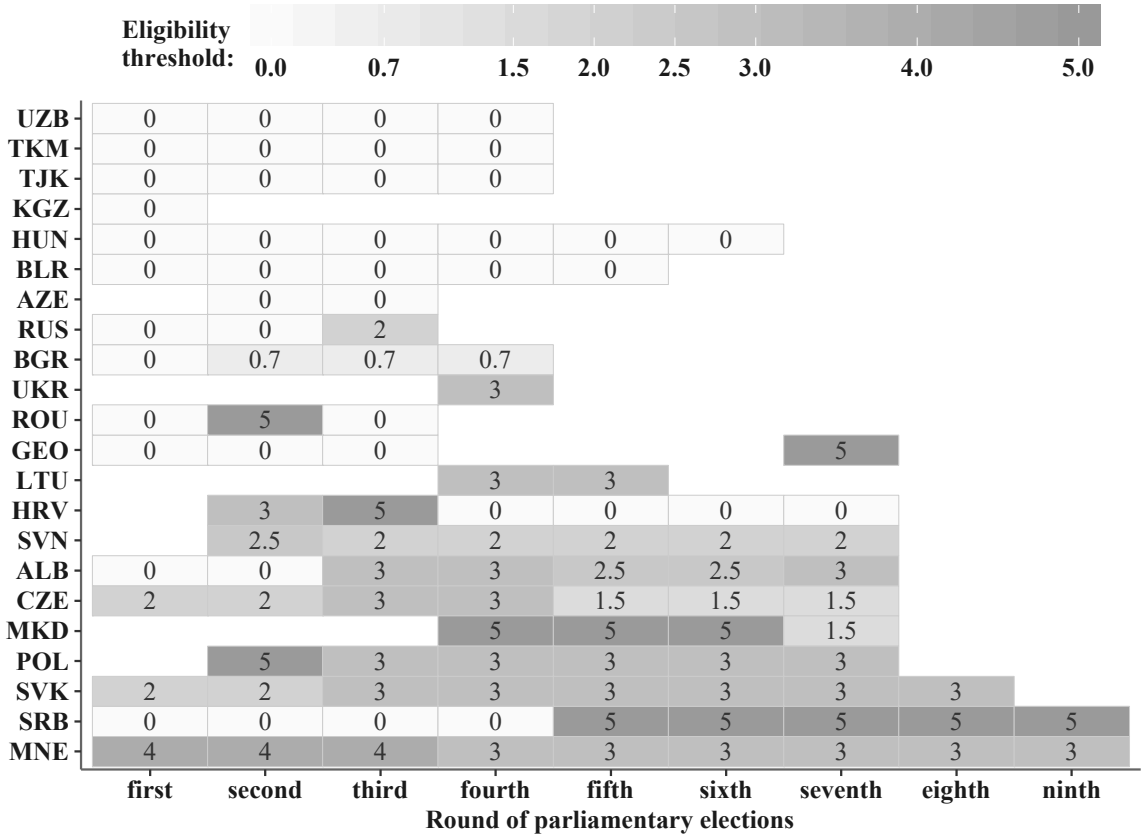
When these criteria are blended in different combinations, they yield different outcomes regarding eligibility rules. Candidate status, as a sufficient requirement to access DPF, represents by far the most inclusive method, since all registered competitors are provided with equal budgetary means for their campaign war chests. Beside its inclusiveness, candidate status is the most egalitarian method. Given its detachment from prior electoral performance, it acts as a lower barrier to new entries compared with alternative indicators, i.e. vote and seat shares. The downside of this method, as I have shown above, is that it might entail a higher dispersion of election subsides among electoral contenders so that everybody is more likely to receive a lower share from the common pool, especially if the registration procedure to become an electoral competitor is permissive. This method has been used separately or in combination with the other two allocation methods (vote or seat share) by almost half of the post-communist regimes, including Albania, Azerbaijan, Belarus, Bulgaria, Croatia, Georgia, Hungary, Kyrgyzstan, Montenegro, Russia, Romania, Serbia, and Tajikistan. In these cases, electoral subsidies have usually been evenly distributed in proportion to the total number of registered candidates and earmarked before elections. Yet, in some cases, such as Albania and Russia, while distributed before elections, public funding has hinged on the candidates' electoral performance. As a consequence, those failing to pass the eligibility threshold had to pay it back, although the enforcement of this provision was problematic.

Unlike candidate status, vote- or seat-based eligibility implies the existence of a previous electoral record and represents a much stricter requirement, particularly concerning the use of parliamentary seats as a benchmark, which in practice overlaps with the electoral threshold. Consequently, the higher electoral threshold the more exclusionary the eligibility rules for campaign subsidies, which can affect the nature of electoral competition considerably. Vote share, as an eligibility method, has been employed for different elections in ten countries: Albania, Bulgaria, Croatia, the Czech Republic, Georgia, Lithuania, Macedonia, Slovakia, Slovenia and Ukraine. In most cases, state funding was delivered after elections. Bulgaria and Croatia stand as exceptions from this rule. In Croatia, state funding was fully disbursed before elections; whereas in Bulgaria one-half of the total subsidy was delivered before, while the second half after elections. Finally, seat share, which represents the most stringent requirement for access to budgetary subsides, was applied in fewer cases, including Albania, Montenegro, Serbia and Poland. Additionally, in several cases, such as Albania, Croatia, Montenegro and Serbia, more than one eligibility criterion has been employed for different parliamentary contests in various combinations simultaneously.

The last aspect that affects the competitiveness of the electoral process through eligibility rules touches upon the timing of payment, which is partially linked to the allocation method. When the provision of public funding is based on candidate status, it is usually delivered before elections, which might spur a proliferation of electoral competitors who are less financially endowed but expect to

overcome the prohibitive costs of campaigning given the availability of public subventions. In contrast, when the provision is vote/seat-based, it is usually delivered after elections in the form of reimbursement for campaign expenses. This method is more likely to inhibit electoral competition since only the bigger and wealthier contestants can afford to invest their own resources in advance and wait for post-election reimbursement.[83] The interplay of these indicators generates different incentive structures for electoral competition in accessing campaign subsidies. Figure 4.8 captures this variation in the eligibility threshold over time, showing a diverse picture across post-communist space. The eligibility threshold expands over eight different values, ranging between 0, as the lowest requirement (candidate status), and 5 percent, as the most stringent requirement (parliamentary representation).

Figure 4.8. Eligibility threshold for direct state subsidies for election financing (1990 – 2012)



Source: Author's elaboration
Note: * Between 1990–1998 Macedonia had a majoritarian electoral system and access to campaign subsides was granted exclusively to parliamentary parties, implying a very high eligibility threshold.

As the data illustrate, there are diverging trends in the evolution of eligibility requirements for campaign subsidies. The first trend indicates the persistence of status-quo in eligibility rules over time, which is observed in Azerbaijan, Belarus, Hungary, Lithuania, Tajikistan and Uzbekistan, although the number of parliamentary contests varies in each country. The second trend illustrates the tightening of

[83] A similar but not so straightforward effect on electoral competition is likely to occur when the provision of state funding is performed before elections but electoral contenders are obliged to pay it back if they fail to reach a certain threshold.

eligibility requirements, thus restricting access to DPF and narrowing the pool of recipients. Albania, Bulgaria, Georgia, Russia, Serbia and Slovakia belong to this group, although in Russia and Albania the tightening of access rules has applied only to those competitors that failed to clear the threshold. The third trend, represented by Croatia, the Czech Republic, Macedonia, Montenegro, Poland and Slovenia, features the lowering of eligibility requirements over time, with a larger pool of electoral contestants thus able to access to election subsidies. In spite of diverging trajectories, the overall development of the eligibility rules mirrors a shift toward more inclusive rules to qualify for campaign subventions.

Yet, a full picture of restrictiveness also needs to incorporate the timing of disbursement correlated with the eligibility method, which is crucial for the fairness of electoral competition. Table 4.1 complements figure 4.8 by providing the full overview of the interplay between the eligibility method and timing of disbursement. Except for a few cases, there is a clear relationship between the eligibility method and the timing of payment.

Table 4.1. Eligibility requirements to access state subsidies for election campaigns

	Elections timeframe	**Number of contests**	**Eligibility criteria**			**Eligibility threshold***	**Timing of payment**	
			Vote share	Seat share	Candidate status		Before elections	After elections
Albania	1991 – 1992	2			+	0[a]	+	
Albania	1996 – 1997	2	+		+	0	+	
Albania	2001 – 2005	2	+	+	+	0	+	
Albania	2009	1	+	+		0	+	
Azerbaijan	2000 – 2005	2			+	0	+	
Belarus	1995 – 2012	5			+	0	+	
Bulgaria	1990	1			+	0	+	
Bulgaria	1991 – 1997	3	+			0.7	+	+
Croatia	1992	1	+			3 – PP[b] 6 – IC[c]		+
Croatia	1995	1	+			5 – PP 6 – IC		+
Croatia	2000 – 2011	4	+		+	0 + PR[d]	+	
Czech Republic	1990 – 1992	2	+			2		+
Czech Republic	1996 – 1998	2	+			3		+
Czech Republic	2002 – 2010	3	+			1.5		+
Georgia	1992 – 1999	3			+	0	+	
Georgia	2012	1	+			5		+
Hungary	1990 – 2010	6			+	0	+	
Kyrgyzstan	1995	1			+	0	+	
Lithuania	2004 – 2008	2	+			3		+
Macedonia	1990 – 1998	3	+			50+1		+
Macedonia	2002 – 2008	3	+			5		+
Macedonia	2011	1				1.5		+
Montenegro	1990	1		+		4		+
Montenegro	1992 – 1996	1		+	+	0 + 4	+	
Montenegro	1998 – 2012	6		+	+	0 + 3	+	+

Poland	1993 – 2011	6		+		5		+
Romania	1990	1			+	0	+	
Russia	1993 – 1995	2			+	0	+	
Russia	1999	1			+	0	+	
Serbia	1990 – 1997	4			+	0	+	
Serbia	2000 – 2004	2		+		5		+
Serbia	2007 – 2012	3		+	+	5	+	+
Slovakia	1990 – 1992	2	+			2		+
Slovakia	1994 – 2012	3	+			2		+
Slovenia	1990 – 1992	2	+			PR		+
Slovenia	1996 – 2011	5	+			2–national level 6–district level		+
Tajikistan	1995 – 2010	4			+	0	+	
Ukraine	2006	1	+			3		+
Uzbekistan	2004 – 2009	2			+	0	+	

Source: Author's elaboration

Note: *In percentages if not otherwise indicated; [a] A zero threshold indicates that only candidate status is required to access public funding; [b] Political Party; [c] Individual Candidates; [d] Parliamentary Representation.

As a rule, candidate status is associated with the distribution of subsidies before elections. In contrast, when a vote/seat allocation is used to identify the beneficiaries of election subsidies, in most cases state funding was allotted after elections as reimbursement of campaign expenses. Furthermore, while there is no a clear relationship between the eligibility method and the amount of public funding, in cases where candidate status was employed as a benchmark to allot campaign subventions, the amount of public funds was substantially lower compared to those cases in which state support was delivered after elections. This is clearly the case for ex-soviet republics, including Russia, Belarus, Tajikistan, Uzbekistan and Azerbaijan. Outside the ex-soviet area, only Hungary has consistently applied the same method and it has also provided only a tiny amount of election subventions to electoral contestants. Besides these pure cases, there are several mixed cases that have employed different eligibility requirements, by splitting the total amount into two or more chunks using different access rules for each portion. This brings us to the last aspect of restrictiveness – the allocation formula – which is discussed in the next section.

4.3.1.3. Allocation rules of public funding

The method of distributing campaign subventions is more complex than the same rules for statutory party activity funding due to the use of candidate status as a benchmark for their apportionment, along with vote- or seat-based distribution. This in turn renders measuring their restrictiveness on the same continuum ranging from 0 (strict equality/lowest restrictiveness) to 1 (strict proportionality/highest restrictiveness) more problematic. Nevertheless, I adjust the restrictiveness formula by embedding the registration status into the allocation method by regarding it as apure egalitarian principle, since public funding is equally distributed per candidate but proportionally to the number of candidates. By possessing this information beforehand, electoral competitors are incentivized to file as many candidates as possible to benefit maximally from state support. Furthermore, given that distribution of subsidies based on

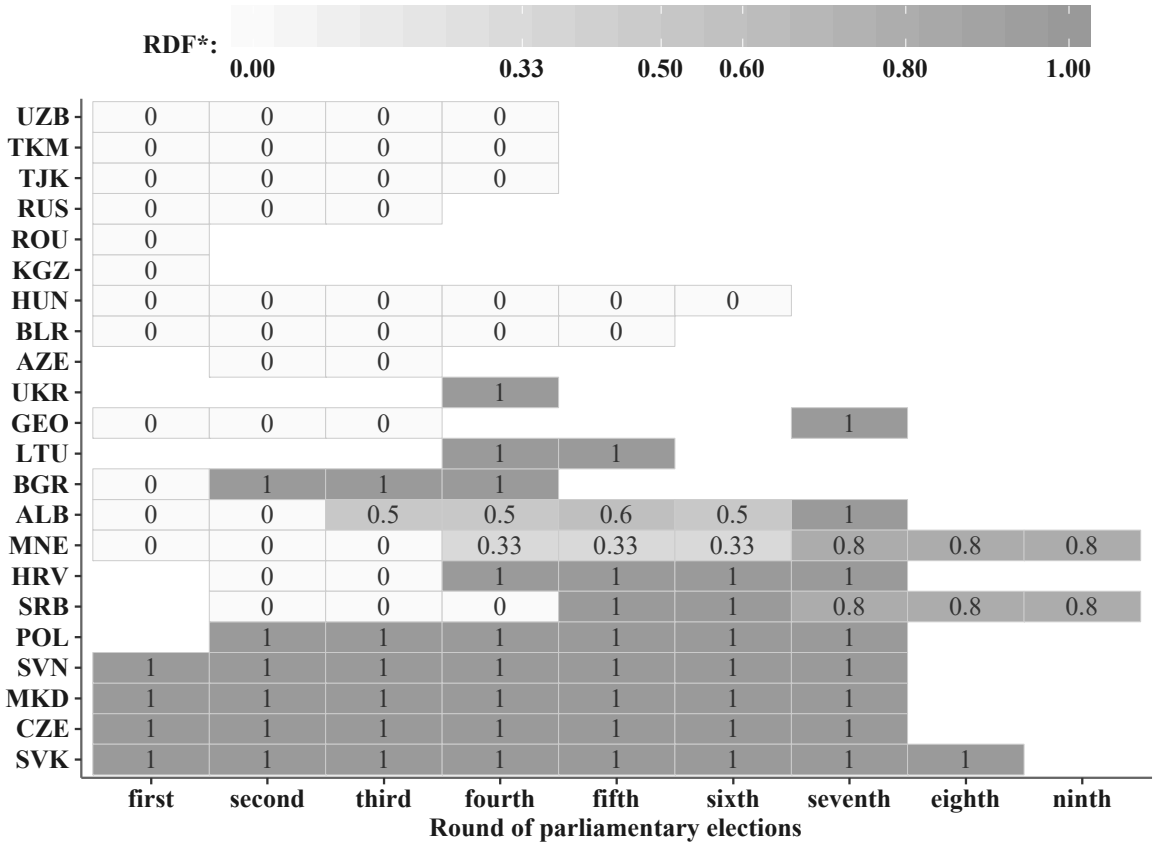
candidate status is undertaken before elections, this is expected to level the playing field and to foster the competitiveness of the electoral process.

Following this logic, I assign a 0 restrictiveness score to the allocation method when the total amount of budgetary support is equally distributed per candidate but proportionally to the number of registered candidates. Conversely, an allocation method receives the highest restrictiveness score 1 when public funding is split among electoral competitors based exclusively on their electoral or parliamentary strength. In those cases in which the criteria are mixed, the restrictiveness score represents the share of subsidies distributed based on electoral performance. In cases where candidate status is not among the distribution criteria but a certain share of subsides is equally divided among the eligible electoral subjects regardless of electoral performance, I follow the same rule as for statutory party activity. Therefore, if 30 percent of the aggregate subsidy is equally distributed to all parliamentary parties irrespective of their parliamentary strength, while the other 70 percent is distributed proportionally to their vote or seat share, then the restrictiveness of allocation method has a score of 0.7.

There are however more complex cases in which candidate status, seat, and vote shares are simultaneously applied to distribute campaign subsidies. In such instances, I add up the share of electoral subsidies distributed on an equality basis and subtract it from 1. Consequently, if 20 percent of public funds are equally divided among electoral competitors proportionally to the number of registered candidates, another 20 percent are evenly split among parliamentary parties, regardless of their seat share, and the remaining 60 percent are distributed proportionally to their electoral performance, then I assign a score of 0.6 for restrictiveness. Resorting to this logic, I construct an indicator of the allocation restrictiveness for each election campaign in which electoral competitors benefitted from state subsides. As figure 4.9 shows, the restrictiveness of the allocation rules spreads across six different scores, with most cases tilting toward extreme values of restrictiveness and fewer intermediate cases.

Based on the allocation method for election subsidies, ex-communist states can be split into three groups. The first group reflects the most egalitarian distribution and is mainly represented by the former soviet republics, including Azerbaijan, Belarus, Georgia, Russia, Uzbekistan and Tajikistan, which are joined by Hungary and Romania. This is not surprising, since the egalitarian allocation perfectly overlaps with the eligibility criterion based on candidate status. Yet, while this method proves to be the least restrictive one, it should be noted that in several cases, like Belarus, Uzbekistan and Tajikistan, there was no alternative to public funding since election financing was the exclusive prerogative of the state given the ban on private financing. Furthermore, the choice of an egalitarian distribution is also related to the amount of electoral subsides. In all six countries, the level of public funding for campaigning was the lowest across the region. Therefore, given the tiny amount of public funds relative to the size of aggregate expenses, the distribution formula was not so much a contentious issue in Russia, Azerbaijan and Hungary where electoral contenders had access to private funding.

Figure 4.9. Restrictiveness of allocation formula in the distribution of direct state subsidies for election financing (1990 – 2012)



Source: Author's elaboration
Note:*RDF – restrictiveness of the distribution formula

The second group, encompassing the Czech Republic, Lithuania, Macedonia, Poland, Slovakia and Slovenia, applied the most restrictive allocation method – based exclusively on electoral performance. In all these cases, state support was disbursed after elections as campaign expense reimbursements. Finally, the last group, containing Albania, Bulgaria, Croatia and Montenegro, switched from a more egalitarian toward a more proportional allocation method over time, while Serbia experimented in both directions by switching from a purely egalitarian to a fully proportional distribution and then moving slightly back but with a clear preference for a more restrictive allocation.

When a single criterion was applied to split the total subsidy among beneficiaries, regardless of the allocation benchmark, i.e. votes, seats or registered candidates, one notices a more stable allocation pattern. Conversely, when candidate status is combined with vote or seat share it yields larger fluctuations in the restrictiveness of the allocation method. Hence, the higher the share of public funds allotted based on candidate status and/or evenly distributed among parliamentary parties, irrespective of their strength, the more egalitarian/less restrictive the allocation method turned out to be. This is clearly the case for Albania, Montenegro and partially Serbia, which earmarked larger shares of public funds evenly

distributed among electoral subjects. Table 4.2 presents this relationship for all cases by showing how each allocation benchmark was applied separately or in combination with the other two methods. As the data reveal, in most cases a certain allocation method of electoral subventions remained stable over time due to the employment of a single benchmark and only in a few cases was the change in the restrictiveness score driven by the combination of more than one allocation yardstick.

Table 4.2. Share of state subsides allotted to electoral subjects based on different distribution criteria (1990-2012)

	Election timeframe	Number of contests	Allocation criteria: % of public funds		
			Vote share	Seat share	Candidate status
Albania	1991 – 1992	2			100
Albania	1996 – 1997	2	50		50
Albania	2001	1	60	30	10
Albania	2005	1	50	40	10
Albania	2009	1	50	50	
Azerbaijan	2000 – 2005	2			100
Belarus	1995 – 2012	5			100
Bulgaria	1990	1			100
Bulgaria	1991 – 1997	3	100		
Croatia	1992 – 2011	6		100	
Czech Republic	1990 – 2010	7	100		
Georgia	1992 – 1999	3			100
Georgia	2012	1	100		
Hungary	1990 – 2010	6			100
Kyrgyzstan	1995	1			100
Lithuania	2004 – 2008	2	100		
Macedonia	1990 – 2011	7	100		
Montenegro	1990	1		100	
Montenegro	1992 – 1996	2			100
Montenegro	1998 – 2002	3		67	33
Montenegro	2006 – 2012	3		80	20
Poland	1993 – 2011	6		100	
Romania	1990	1			100
Russia	1993 – 1999	3			100
Serbia	1990 – 1997	4			100
Serbia	2000 – 2004	2		100	
Serbia	2007 – 2012	3		80	20
Slovakia	1990 – 2012	8	100		
Slovenia	1990 – 2011	7	100		
Tajikistan	1995 – 2010	4			100
Ukraine	2006	1	100		
Uzbekistan	2004 – 2009	2			100

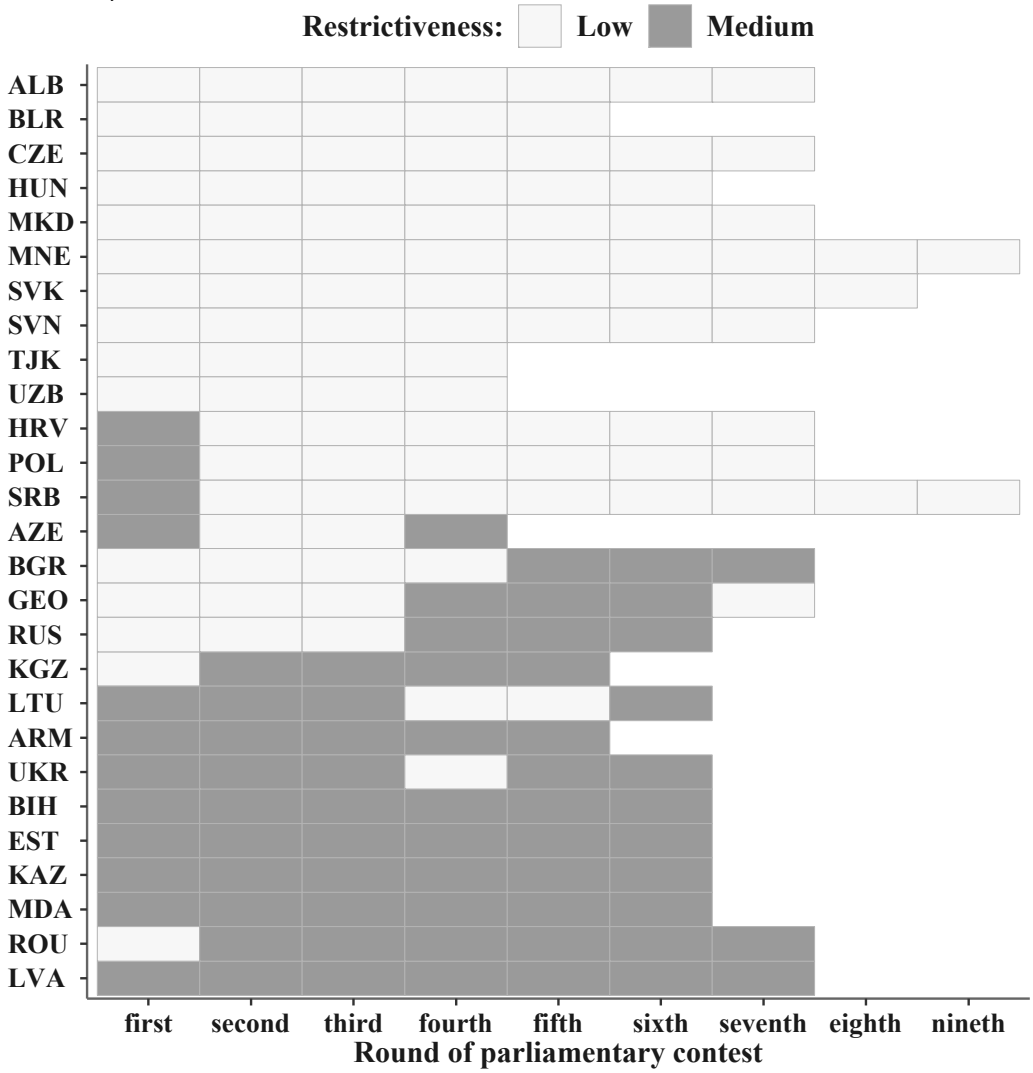
Source: Author's elaboration

4.3.2. Trends and patterns of restrictiveness on direct state funding for election activity

As for statutory party funding, there are only two restrictiveness types that are matched by empirical cases – namely, low restrictive type (both kinds of public funding) and one subtype of the

medium restrictive type (the availability of IPF). Therefore, here I follow the same line of exposure, by looking firstly at the variation in public funding rules for elections and then by scrutinizing the interconnection between the size of DPF, the eligibility threshold and the allocation method. Figure 4.10 presents the state of affairs on the general developments regarding the absence/availability of electoral subventions.

Figure 4.10. Restrictiveness of public funding for campaign financing by country and type (1990 – 2012)



Source: Author's elaboration

In about 60 percent of parliamentary elections held across post-communism space since 1990, parties and candidates benefitted from DPF. Based on their development over time, I cluster them in several groups. The first group is represented by Armenia, Bosnia and Herzegovina, Estonia, Latvia, Kazakhstan and Moldova, which have never provided direct subsidies to electoral subjects for campaigning. Only indirect funding, such as free broadcasting time, have been made available. At the other extreme, Albania, the Czech Republic, Hungary, Macedonia, Montenegro Slovenia, Slovakia,

Belarus, Tajikistan and Uzbekistan have provided DPF to electoral competitors for all election campaigns, although in the former soviet republics state support was the only source of legal income that would have made electioneering possible. Poland, Croatia and Serbia may also be attributed to this group since they quickly introduced campaign subventions in the aftermath of the first free elections. In other cases, there was an opposite development. After the introduction of campaign subsidies, they were subsequently withdrawn. This was the case for about one-third of countries. Kyrgyzstan and Romania withdrew the provision of DPF in the aftermath of the founding elections, Bulgaria and Russia followed suit after the third parliamentary contest, while Azerbaijan, Lithuania, Ukraine and Georgia fluctuated between both types of public funding regimes, i.e. with and without DPF. Yet, in several cases, including Georgia, Romania, Russia or Bulgaria, the withdrawal of the state subventions for campaigning was replaced by more generous subsidies for statutory party funding. Despite these divergent developments, the variation in the level of state support for political parties turned out to be so high that it might have had different effects on electoral competition.

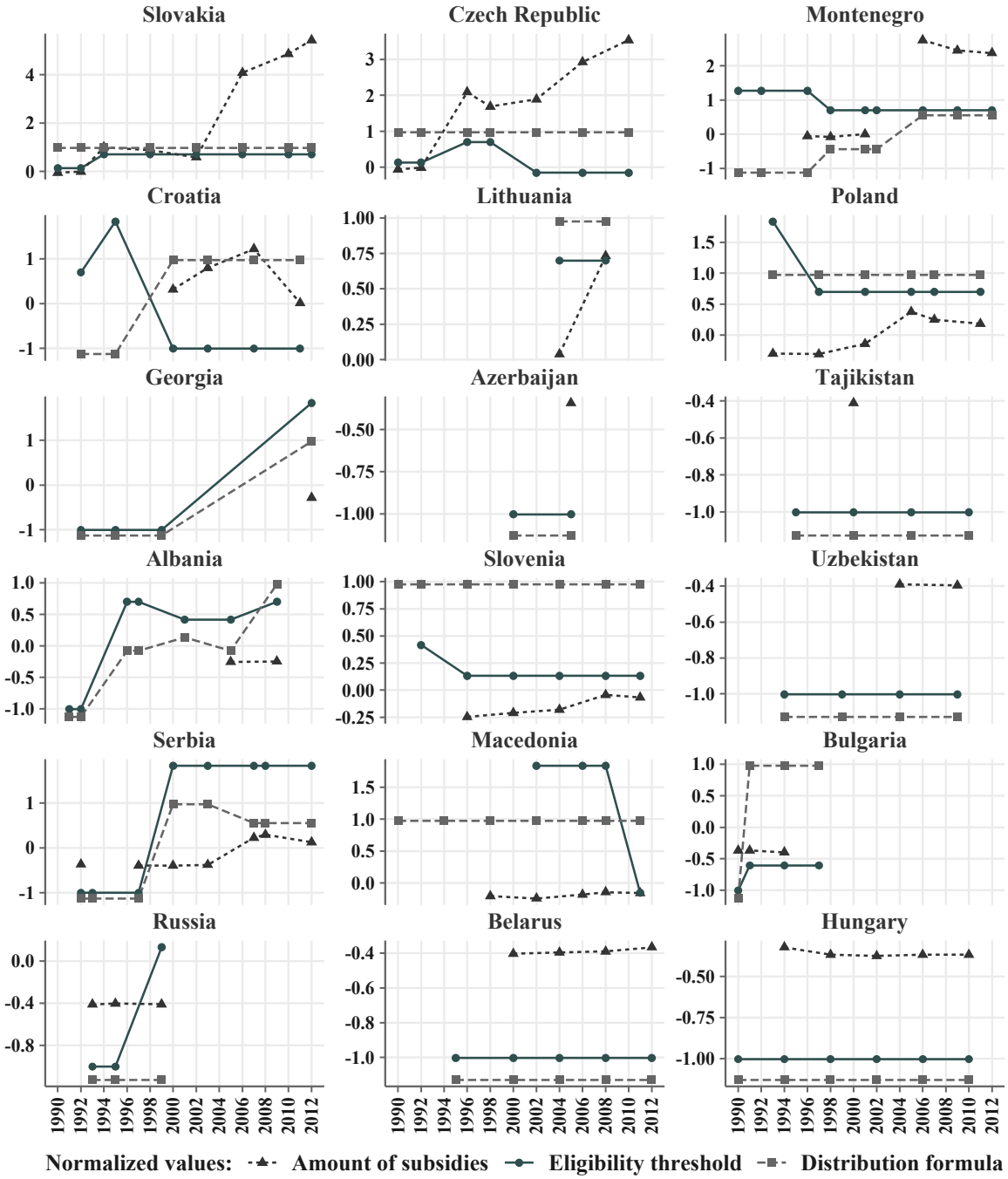
Concerning the second aspect, i.e. the relationship between the level of state support, the eligibility threshold and the method for allocating campaign subventions, I preformed the same normalization procedure as for statutory financing and plotted their interaction over time. The result is presented in figure 4.11 and reveals contrasting developments.[84] The first pattern reflects the status quo of electoral rules pertaining to the DPF and is characteristic for several post-soviet republics including Azerbaijan, Belarus, Lithuania, Tajikistan, and Uzbekistan, accompanied by Hungary. While the amount of subsides may have increased, the eligibility and allocation rules remained stable in all these countries. In most cases, however, at least one indicator was altered. In terms of eligibility rules, the direction of restrictiveness goes in both directions. On the one hand, Croatia, the Czech Republic, Montenegro, Macedonia,[85] Poland and Slovenia shifted toward more inclusive public funding rules by lowering the eligibility threshold, thus increasing access to state subsidies to a larger pool of electoral contestants. On the other hand, Albania, Bulgaria, Georgia, Russia, Serbia and Slovakia shifted in the opposite direction, thus raising the eligibility requirements for campaign subsides and narrowing the pool of the recipients.

Unlike the evolution of eligibility rules, developments in the distribution method turned out to be mostly unidirectional. Leaving aside the stable cases, the allocation method went from a less to a more restrictive allocation of subsidies, which implies a shift from an egalitarian toward a proportional distribution. This also means that a higher share of DPF was allotted not before but after elections and exclusively to those electoral competitors who managed to clear the eligibility threshold. Albania,

[84] Figure 4.11 does not contain data on Romania, Ukraine, and Kyrgyzstan since they provided electoral subventions to electoral competitors only for a single parliamentary contest.
[85] Between 1990 and 1998, Macedonia used a majoritarian electoral system which made the eligibility threshold to public funding conditional on parliamentary representation.

Montenegro and Serbia are the exemplar cases of this regulatory turn, which resulted in a declining aggregate level of subsidies, distributed equally among electoral contestants.

Figure 4.11. Relationship between the amount of public funding, the eligibility threshold and the distribution formula during elections (1990-2012)



Source: Author's elaboration

Irrespective of the considerable cross-national variation in the eligibility threshold, the allocation method and the timing of disbursement, the key aspect still boils down to the level of state support. The provision of DPF to political parties and candidates, although valuable per se as a policy approach, may

have little impact on political/electoral development if the level of state funding is too small and does not alleviate the fundraising endeavours of political parties. No matter what the goals to be achieved through the provision of DPF are, including the consolidation of party organizational structures, levelling the playing field, boosting political participation, enhancing the competitiveness of the electoral process or diminishing the risks of political corruption, these goals are less likely to be accomplished if state funding covers a tiny share of the total party needs. Yet, this does not imply that the availability of generous public funding is a silver bullet remedy to all financing-related problems that will suffice to help political parties perform their democratic functions.

Chapter 5. Restrictiveness of campaign spending

5.1. Operationalization

Spending caps are one of the most widespread regulatory tools that the post-communist regimes have used to manage electoral competition, although their effectiveness has proven dubious, given the weak enforcement mechanisms. Furthermore, due to the poor definition of campaign expenses, often combined with blurry rules on campaign duration, electoral contestants were left with sufficient room to circumvent spending restrictions. Despite these shortcomings, their use as a tool to reduce the demand for money to contain the fundraising *arms race* and to level the playing field gained a relatively broad popularity among post-communist regulators.

In this chapter, I investigate the restrictiveness of campaign spending regulations. However, unlike previous chapters, here I focus exclusively on regulatory developments regarding elections. I leave aside statutory party activity because it is not feasible to estimate the restrictiveness of spending beforehand based on analysis of the regulatory framework.[86] Election spending regulation represents a less ambiguous issue. When electoral legislation prescribes spending limits, they are easily identifiable. Hence, I analyse spending restrictiveness based on quantitative and qualitative limits imposed on electoral competitors. The quantitative restrictions refer to the absence/presence of a spending cap on the election fund of parties and candidates, while the qualitative ones refer to absence/presence of caps on separate spending items such as paid political advertising. When the spending limit is foreseen by law, its *height* is the key indicator that accounts for the variation in restrictiveness among different PFRs stipulating such limits. Here it is crucial to note that if it is set too low, electoral competitors might face problems in conveying their message to voters and are more likely to breach the rules. Conversely, when it is too permissive, there is a greater risk that it will be ineffective in reducing the demand for financing and will more likely undermine the level playing field.[87] Unlike the aggregate spending cap, the qualitative restrictions imply a full or partial ban on certain spending items, such as paid political advertising in different media outlets.[88] While the full ban prohibits parties and candidates from purchasing any airtime beside the amount granted for free by the state, the partial ban limits this amount on a daily basis or aggregate (campaign) basis per electoral contestant.

[86] Even if, in some cases, there are provisions on how much parties can amass from donations, this money comes only from one source of income. Of course, in many cases spending limits are somewhat implicitly present if we account for public funding, but this fact complicates the estimation of aggregate spending even more, given the complexity of eligibility and allocation rules.

[87] Of course, it is extremely hard to objectively discuss what constitutes a low or a high campaign spending threshold and what the appropriate and sufficient threshold for campaign spending should be.

[88] A short digression is still needed to clarify the operationalization of cases foreseeing restrictions on media access since there are two types of access: free and paid. Here I focus exclusively on paid electoral advertising since free and/or subsidized access to state media is a component part of indirect public funding which was analysed in the previous chapter.

The low restrictive type does not require any specific operationalization given the lack of spending restrictions.[89] The medium and high restrictive types require, however, that we identify more precise indicators to distinguish between cases that belong to the same spending regime but still display a certain degree of variation stemming from different restrictions on paid advertising and aggregate expenses. Hence, I define the restrictions on paid political advertising as the total length of commercials each electoral subject can purchase. The more/less paid airtime a given candidate can purchase, the less/more restrictive a spending regime is considered to be. Besides, since in some cases the stringency of advertising rules is influenced by the distribution formula of paid airtime among electoral subjects, it also requires addressing this aspect as well, which is similar to the method of allocating public funding. Usually, this occurs when the total amount of paid airtime represents a lump sum and is allotted to electoral competitors applying certain criteria. Accordingly, when such criteria imply the differentiation of candidates based on their status – e.g. parliamentary vs. non-parliamentary status or previous electoral performance – a spending regime is more restrictive than in cases where the total amount of airtime reserved for electoral commercials is equally distributed among all registered contenders. The problem with this approach is that it is difficult to obtain a very precise estimate due to the variety of allocation methods, i.e. how much airtime each electoral contender can purchase. The difficulty to perform a structured comparison of the restrictiveness of advertisement rules is shown in the table 5.1 which depicts the simplest framework displaying alternative configurations of allocation for electoral advertising by crossing the time unit for allocation with the allocation method. The time unit epitomizes the timeframe based on which the advertisement is allotted whereas the allocation method refers to its distribution among recipients. As table 5.1 shows, there are four potential configurations, which makes comparison between these types extremely difficult.

Table 5.1. Configurations of the allocation rules on paid electoral advertising

	Time unit for the allocation of paid advertising	
Allocation method among recipients	Daily limit	Campaign limit
Individual allocation/each competitor	1	2
Collective allocation/all competitors	3	4

Source: Author's elaboration

The best indicator for a cross-case comparison is the amount of paid airtime allotted to each electoral subject, as represented by the first quadrant, implying that other distribution formulas should be transformed to match the first type.[90] Furthermore if different rules are applied to public and private

[89] The low restrictive type encompasses two subtypes, one of which prescribes qualitative restrictions on individual spending items. However, since there is no a spending cap on total campaign expenses, electoral contestants are still able to redirect their resources towards other spending categories.

[90] If this conversion can be easier performed for the second quadrant since the individual electoral subject represent the reference unit for the apportionment of paid airtime, then it is impossible to perform it regarding the other two quadrants given the fact that the total airtime distributed for electoral commercials is provided on a collective basis. Therefore, the strictness of advertising rules will depend on the number of electoral contestants running for office, which makes it impossible

broadcasters, then the assessment of restrictiveness becomes even more cumbersome. Hence, given the multitude of potential configurations stemming from the various restrictions on paid advertising, I bundle together all cases prescribing a full and a partial ban on paid advertising.

Concerning the limits on aggregate campaign spending, which represents the key feature of the most restrictive regimes, I use the spending limit per *single registered voter* as the indicator accounting for cross-national variation in spending levels. This allows me to overcome several problems resulting from the diversity of methods used to determine the aggregate spending cap in national contests, which are also dependent on the type of electoral system. Overall, post-communist polities experimented with four methods for determine the spending limit: amount per vote, per party list, per party list and candidate, and per candidate.[91] Except for the first method, all of these are linked to different types of electoral systems, namely proportional, mixed and majoritarian. Therefore, to obtain a standardized unit – *spending cap per registered voter* – to make data comparable, I perform several estimation steps as follows:

1. For cases (parliamentary elections) in which the cost per registered voter is used to determine the spending limit, I simply adjust for the exchange rate of the national currency to US $ for every election campaign;
2. For cases in which the spending limit is foreseen exclusively for party lists, registered as electoral competitors, I divide the value of the spending limit by the number of registered voters and adjust for the exchange rate as in the previous case;
3. For cases in which the spending limit is foreseen exclusively for candidates, I multiply the number of electoral constituencies (which is equal to the number of parliamentary seats within the legislature in majoritarian systems) by the value of the spending limit per candidate. Thus, I obtain the aggregate cap for a party that files candidates in all constituencies, which is equivalent to the spending cap applied to a party list.[92] Next, I divide this amount by the number of registered voters and again control for the exchange rate;
4. For cases in which there are spending caps for both party lists and candidates, I proceed firstly by performing separate estimations described under points 2 and 3 above. Then I add up the results obtained for party list and candidates, thus obtaining the spending cap for an electoral contestant who would register a party list and would file candidates in all SMD constituencies. The last step is to divide the value of the aggregate spending cap by the number of registered voters, again controlling for the exchange rate.

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to estimate beforehand how much airtime is allotted to each electoral competitor strictly on regulatory grounds.

[91] In addition to these four methods, there is a more specific way to set the upper level of campaign spending by linking it to the level of public funding received by electoral contestants for electioneering, which in post-communist space has been used in different elections in three cases: Albania, Serbia, and Montenegro.

[92] Another version of this method stipulates a spending limit per electoral constituency instead of candidate. In this case the national spending cap is obtained by multiplying constituency caps to the number of electoral constituencies and then dividing that amount by the number of registered voters.

5.2. Election spending

5.2.1. Low restrictive cases

In low restrictiveness cases there are no legally binding restrictions on campaign spending. In these cases, the only limitation faced by electoral competitors derives exclusively from their financial endowments. Overall, roughly 20 percent of parliamentary contests across 16 polities took place under such permissive rules. In most cases, these elections were organized during the early '90s, when the regulatory framework was in a stage of incipient development. While some countries that did not restrict spending in any way from the very beginning of transition moved relatively quickly toward stricter spending regulations, others followed suit much later. Among them, Azerbaijan, Kazakhstan, Kyrgyzstan, Romania, Russia, Slovakia, and Slovenia established spending restrictions already after the founding elections. Likewise, Albania, Hungary, Macedonia and Ukraine left campaign expenses unregulated for two elections, although in the case of Ukraine the regulatory developments followed a different trajectory.[93] In other cases, the introduction of spending restrictions occurred at later stages. Croatia and Montenegro introduced spending restrictions only in the aftermath of the third parliamentary contest, whereas Latvia and Serbia did so after the fourth and fifth elections, respectively. Estonia is the only country that lacked restrictions on aggregate spending throughout all six parliamentary campaigns held between 1992 and 2011, while the ban on paid advertisements on public broadcasters was offset by the lack of any restrictions on private broadcasters.[94]

5.2.2. Medium restrictive cases

The key feature of the medium restrictive type is the presence of restrictions on broadcast advertising. Although there are other kinds of restrictions on paid advertising, like outdoor or print media, I focus on broadcasting outlets – and particularly on television – due to its importance during elections. Unlike print and outdoor advertising, broadcasting outlets have been the main and the most reliable source of information for most post-communist voters. Furthermore, unlike other communication channels, these media possess an insuperable advantage – they have the broadest reach. Therefore, access to broadcasting outlets has been a crucial element for a successful campaigning and electoral competitors have striven to attain it.

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[93] Ukraine shifted from very restrictive but unenforceable spending caps for the first elections in 1994 towards a permissive spending regime by removing campaign spending limits before the 1998 parliamentary contest. They were reintroduced prior to the 2002 elections but removed again before the 2006 parliamentary contest. Instead of aggregate spending caps, electoral competitors had to comply only with restrictions on paid advertising, which remained in force for the 2006 and 2007 elections. The liberalization of spending rules went further as result of electoral amendments that stipulated no restrictions on campaign spending whatsoever for the 2012 Rada elections (UKR: №. 2766-III, 2001, sec. 36; UKR: №. 2777-IV, 2005; UKR: №. 4061-VI, 2011; UKR: Official Gazette №. 48, 1993, sec. 36).

[94] Despite this liberal regime, a ban on outdoor advertisements for one and a half months prior to elections was introduced in 2005. This ban, however, did not affect in any way the spending of electoral competitors, who switched to print and TV advertising (Sikk & Kangur, 2008). In addition, while paid political advertising is prohibited on public broadcasters, there are no restrictions on paid ads in private media (OSCE/ODIHR, 2003a, 2007a, 2011a).

This was an even more important goal at the very beginning of transition. Due to the lack of alternative sources of information, public broadcasters had a monopoly position in the market and played a significant role in turning the tide of elections. While the common argument invoked to justify the prohibition of electoral commercials was to cut off the demand for spending and, in many cases, it was offset by the generous provision of free airtime by the state, the ban of electoral commercials on public broadcasters might well reflect the incumbent's attempt to reduce the access of challengers to a strategic campaign tool. Given government control over state broadcasting and the positive coverage of the incumbents during electoral campaigns, access to broadcast media represented for the opposition a vital instrument to mount a successful campaign. Hence, beside the provision of free airtime, electoral commercials have represented a powerful tool for the opposition to counterbalance the domination of the media space by incumbents. That is why state broadcasting has represented a strategic resource for electoral competitors to reach large audiences. Despite the emergence and consolidation of private media outlets, state broadcasters' national coverage has meant they have continued to play a significant role during elections – something that private broadcasters have not been able to easily or quickly achieve. Accordingly, beside the regulation of free airtime allocation, restrictions on paid advertising constitute a widespread regulatory tool during elections.

Overall, such restrictions were applied in about 60 percent of all parliamentary contests analysed here. In about 20 percent they were imposed separately – that is, without being accompanied by an aggregate spending cap – while in the remaining 40 percent of cases they were used in combination with limits on aggregate spending. The most controversial issue arises with regard to their effectiveness in those cases in which there was no limit on aggregate spending, since the failure to cap the aggregate spending is less likely to cut down the electoral competitors' demand for financing given their freedom to channel their resources toward other spending categories. Perhaps the most plausible explanation of this unusual situation is that under such circumstances, the ban or other limitations on broadcast advertising was used by incumbents to reduce the media exposure of the opposition candidates. This highlights the electoral significance of media restrictions and reflects the eagerness of incumbents to restrict, even on a paid basis, access to public broadcasters, as one of the most powerful communication channels.

Still, post-communist polities display significant diversity in the regulation of paid broadcasting time, ranging from a full ban on electoral commercials to very permissive provisions that allow electoral contestants to purchase large amounts of paid airtime. The Czech Republic, Slovakia and Bosnia and Herzegovina are representative of the regulatory regimes that have employed extremely tough restrictions on paid broadcasting. The Czech Republic is indeed an extreme case, with its full prohibition on electoral commercials on both public and private broadcasters (Jirak & Soltys, 2006, p. 381). This regulatory framework was preserved throughout the seven parliamentary elections held between 1990 and 2010

(OSCE/ODIHR, 1998b, p. 12, 2002b, p. 12, 2010c, p. 7). In the same vein, electoral commercials were forbidden on Slovak public broadcasting outlets for the parliamentary elections during the early '90s (Casal Bértoa et al., 2012, p. 15). This ban was extended to private broadcasters before the 1998 elections by the Mečiar government, which sought to undermine the electoral odds of the opposition. Not only did the government ban the purchase of airtime, it prohibited any kind of campaigning on private broadcasters (SVK: №. 187, 1998, sec. 23), a provision regarded as severely discriminatory against private media (OSCE/ODIHR, 1998c, p. 7). In both countries, however, the ban on electoral commercials was offset by the generous provision of free airtime on public broadcasters.

In Bosnia and Herzegovina, the underlying rationale to ban political ads was different to that of the Czech Republic and Slovakia. It inherited excessively restrictive media rules from the OSCE administration of elections in the aftermath of the Dayton agreement to prevent and suppress inflammatory and hateful electoral messages (OSCE/ODIHR, 1998d). This approach covered all kinds of electoral messages far beyond political advertising. More precisely, the Code on Media Rules for Elections adopted in 1999 prohibited all political advertising on broadcast media during elections, a prohibition reinforced by electoral legislation (BIH: Official Gazette, №. 23/01, 2001, sec. 16). Consequently, the 1996, 1998, 2000 and 2002 parliamentary contests took place under a complete ban on paid advertising on broadcast media, but for reasons other than limiting the access of newcomers to political arena. The status quo was altered in 2004 when the rules for election coverage were amended, which also affected the status of electoral commercials. Under new regulations, public broadcasters were entitled to air up to 30 minutes of ads weekly, while for private broadcasters this amount was doubled (BIH: Official Gazette №. 20, 2004, secs 16.14-16.15). The pool of overly restrictive cases is enlarged at the expense of several former soviet republics, including Belarus, Uzbekistan and Tajikistan. In these cases, however, the stringency of spending rules sprang from the overall ban on private resources deployed for campaign purposes and was not necessarily related to media regulations. Yet, given the autocratic nature of these political regimes, public broadcasters represented the main target of restricted access. Furthermore, private broadcasters could be forced, alike, to comply with overly constraining rules.

In other cases, such as Albania and Romania, the regulations on advertising have been tailored to favour parliamentary parties exclusively, though the amount, allocation method and the direction of restrictiveness were slightly different. Albanian electoral legislation shifted, from no regulations on media access toward a highly regulated regime combining a full ban on electoral commercials on public broadcasters with caps on ads in private outlets. While at the beginning of the '90s electoral legislation did not provide for specific requirements on media access, by the 1996 elections it had visibly become more regulated. The electoral law prescribed a biased allocation of freely allotted broadcasting airtime, using a method that clearly favoured incumbents, but denied the opposition parties and candidates the possibility to purchase additional slots (IRI, 1996, p. 23). By the 2000 elections, the regulatory regime on

media access had become even more restrictive. The electoral law explicitly prohibited the involvement of public television and radio in preparing and broadcasting electoral advertising and limited them to no more than five minutes daily on private radio and TV channels for each electoral competitor (ALB: №. 8609, 2000, sec. 132).[95] These regulations were further tightened by the new electoral code, which maintained the ban on electoral commercials on the public broadcaster but reduced the amount of airtime of paid ads on private broadcasters to a daily limit of 30 minutes for all electoral subjects (ALB: №. 9087, 2003, secs 136, 140). The most contentious issue, however, was not the total amount of airtime, but its distribution formula, which by far advantaged parliamentary parties, particularly the big ones.[96] The situation did not significantly change under a new electoral framework adopted before the 2009 parliamentary contest, except for an increase in the amount of airtime allotted to electoral subjects, though the structural advantage of big parties was preserved (ALB: №. 10019, 2008, sec. 80).[97]

Romania followed a reverse trajectory, moving from limits on electoral commercials on public broadcasters in the 1992, 1996 and 2000 parliamentary elections (ROU: Official Gazette, №. 164, 1992, sec. 46; ROU: Official Gazette, №. 502, 2000) toward their full ban in both print and broadcasting outlets in the 2004 parliamentary campaign (OSCE/ODIHR, 2005a, pp. 19–20). Like in the Albanian case, Romanian media regulations turned out to be heavily biased toward parliamentary parties, which enjoyed preferential treatment via the allotment of free broadcasting time based on their parliamentary strength, while the extra-parliamentary parties had to pay to ensure their presence on the national TV channel (ROU: Official Gazette, №. 164, 1992, sec. 46). Furthermore, the paid airtime for each electoral competitor could not exceed more than 20 percent of its overall broadcasting exposure, implying that

[95] To a certain extent, the ban of ads on public broadcasters was offset by the possibility of electoral competitors distributing their messages through private channels. For instance, during the 2001 parliamentary elections there were two private TV channels and one private radio company with almost full national coverage and other 37 local TV and 42 radio outlets. This diversity offered the opposition, at least, the opportunity to purchase airtime on private broadcasters so as to counterweight the biased coverage of election campaign by the public broadcaster which, according to an OSCE report, 'constituted a serious shortcoming' (OSCE/ODIHR, 2001b, pp. 11–12).

[96] Under the new formula, parliamentary parties, which at previous elections obtained up to 20 percent of seats, were to receive equal shares of distributed airtime, while those that obtained more than 20 percent were to receive a double amount relative to their less successful counterparts. Non-parliamentary parties and independent candidates would have received only the leftovers. Even though the law foresaw additional airtime devoted to electoral commercials allotted to non-parliamentary parties and independent candidates, it was stipulated not to exceed 10 percent of the total airtime used for paid advertising (Art. 140/4) – that is, a maximum of three minutes daily for all the others. Relative to previous elections, this was a shift to much more restrictive rules.

[97] The same threshold of 20 percent of parliamentary seats was applied. Parliamentary parties below this threshold were allotted 45 minutes of paid ads for the entire campaign on each private broadcaster. The airtime was doubled for parties above the 20 percent threshold (Art. 84/5). Once again, non-parliamentary parties and candidates turned out to be disadvantaged, having been allotted only ten minutes of paid advertising for the entire campaign duration on each private broadcaster (Art. 84/9). There is a clear bias towards bigger parliamentary parties concerning the distribution of airtime slots even for the electoral commercials. Based on the official duration of election campaign of thirty days before elections (Art. 77), I calculated that daily caps on paid ads for parties above the twenty percent threshold constituted three minutes, for parties below the threshold, one and a half minutes, while for non-parliamentary parties and candidates, only twenty seconds. Consequently, non-parliamentary parties were entitled to purchase less airtime by nine and four-and-a-half times than large and small parliamentary parties, respectively, which was a significant disadvantage, especially considering the rules governing access to free airtime.

parliamentary parties could also purchase more commercials than non-parliamentary parties (OSCE/ODIHR, 2001c, pp. 11–12). The partisanship of the allocation formula was very well reflected in the 2004 parliamentary contest (featuring a full ban on electoral ads), in which the proportional allotment of free airtime based on the competitors' parliamentary strength resulted in a highly skewed distribution. Parliamentary parties received about 75 percent of the combined airtime on private broadcasters relative to non-parliamentary contestants (OSCE/ODIHR, 2005a, p. 19).

The preferential treatment of the parliamentary parties, however, represents rather an exception from the rule concerning the allotment of time for electoral commercials. In most cases, the dominant approach was to distribute the slots for campaign advertisements equally. Ukraine, Georgia, Croatia and Poland employed, to a varying degree, more liberal rules on political advertisements. Despite the ban on electoral commercials during the 1995 and 1999 parliamentary elections on the public broadcaster (GEO: №. 790, 1995, sec. 47/8), Georgian parties and candidates were nevertheless allowed to purchase equal amounts of airtime on private broadcasters (OSCE, 1996; OSCE/ODIHR, 2000c, pp. 16–17). In 2001, the unified electoral code lifted the previous ban and replaced it with generous daily caps, allowing TV and radio channels to sell up to 15 percent of their daily broadcasting time as paid advertising, which was distributed equally among electoral competitors (GEO: Official Gazette №. 25, 2001, sec. 73/14). Ukraine adopted even more liberal provisions. During the 1994 and 1998 campaigns, the law on elections of deputies did not specify any requirements related to paid advertising. Nevertheless, it explicitly stipulated that the purchase of paid airtime on private broadcasters be limited only by the size of a candidate's election fund (UKR: №. 1932-IV, 2004, sec. 35/3; UKR: Official Gazette №. 48, 1993, sec. 34/3). The 2001 edition of the law explicitly permitted electoral subjects to purchase an unlimited amount of airtime on any broadcast media regardless of its ownership structure. While such limits were introduced before the 2006 Rada elections, they turned out to be more than generous, permitting public and private broadcasters to sell up to 20 percent of their daily broadcasting time for electoral ads (UKR: №. 2766-III, 2001, sec. 53/5; UKR: №. 2777-IV, 2005, sec. 66/3).[98] A similarly liberal regime was in place in Croatia throughout the first decade of transition. Unlike other cases, electoral ads were not prohibited on state media and political parties could air their spots on Croatian Radio-Television (HRT). Yet, the lack of clear allocation rules allowed HRT officials to set up their own rules, by which they 'reserved the right to edit or reject any political advertisement from being broadcast' (Salay & Duich, 1996, p. 13). The change in access rules came about shortly before the 2000 parliamentary elections. As

[98] Notwithstanding these generous rules, the caps were again removed before the 2012 Rada elections (UKR: №. 4061-VI, 2011). The lack of spending limits on election commercials gave excessive advantage to electoral subjects with large budgets, which prompted the OSCE election observation mission to highlight the need 'to introducing a limit on the amount of paid political advertising parties and candidates can purchase in the media, in line with Council of Europe recommendations on measures concerning media coverage of election campaigns' (OSCE/ODIHR, 2013a, p. 20).

a result of new the regulations, the cap on electoral commercials was set at 30 minutes per competitor for the entire campaign (IRI, 2000, p. 9). These rules were further tightened during the 2003 and 2007 campaigns, allowing each electoral subject to purchase up to ten minutes only on each broadcaster with national coverage. The tightening of media regulations on electoral commercials was, however, partially offset by the allocation of more free airtime and the possibility to purchase more advertising slots on broadcasters with limited territorial coverage (OSCE/ODIHR, 2004b, 2008b, 2011b).

Different from other post-communist polities, Poland followed a distinct regulatory path regarding electoral commercials. It switched from relatively strict limits to banning them completely. Already in the 1991, the Polish law on Sejm elections set a daily limit of two minutes on advertisements for every electoral committee, regardless of the broadcasting airtime allotted for free (Art. 125). The regulations, however, were quite soon amended and the subsequent 1993 and 1997 Sejm elections took place under different rules for paid media access. Every electoral subject was entitled to purchase up to 15 percent of the equivalent of its own amount of free airtime allotted by the state (Walecki, 2007, p. 132). The new legal framework, enacted in 2001, abolished these limits but laid down a cap on aggregate campaign spending (POL: Official Gazette, №. 21/112, 2011, secs 185, 114), thus marking the switch from a medium to a high restrictiveness regime on spending regulations.

5.2.3. High restrictive cases

5.2.3.1. Variation in spending levels

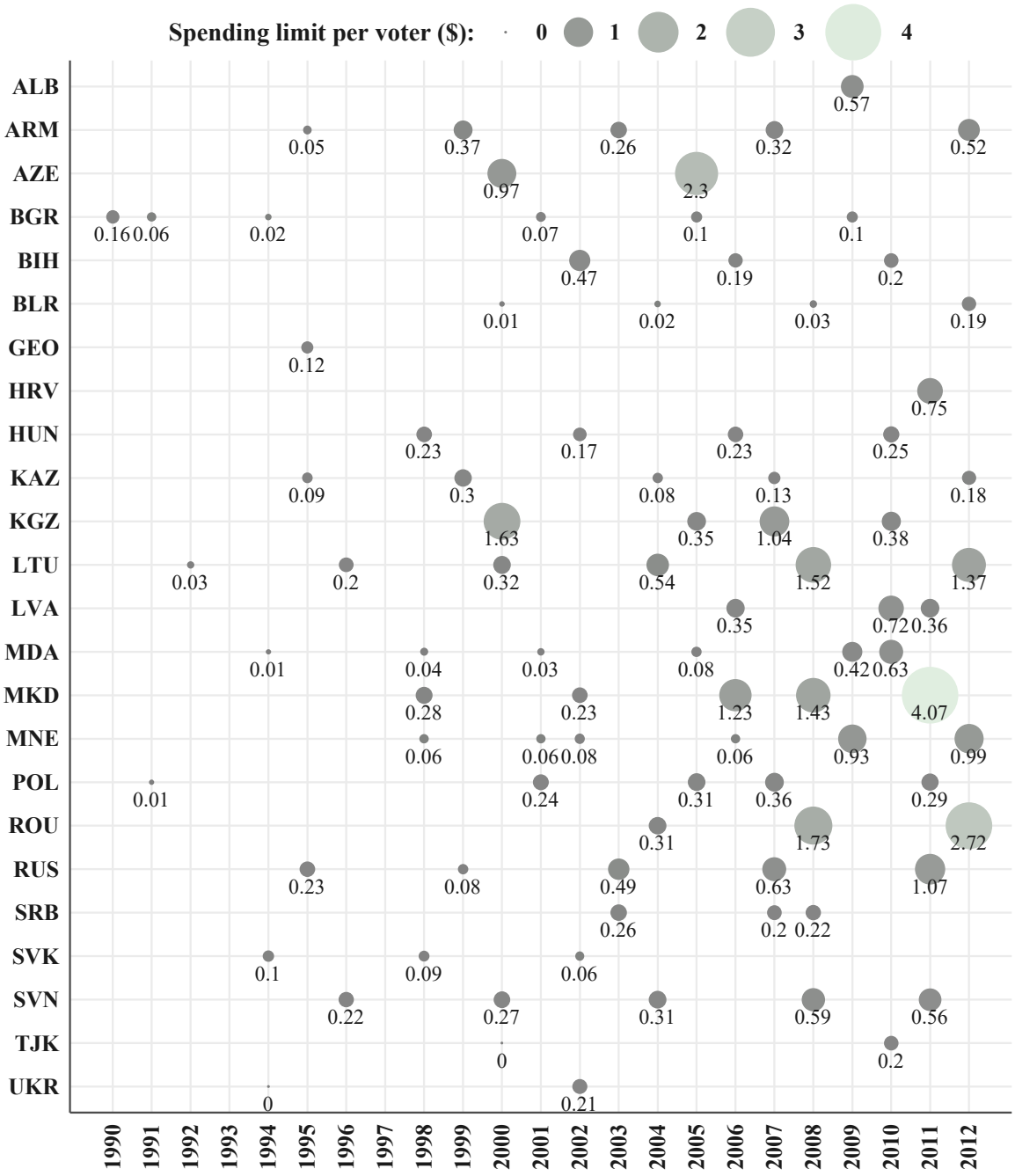
Out of a total of over 170 elections held between 1990 and 2012, campaign spending limits were applied in more than 100 parliamentary contests, accounting for roughly 60 percent of all cases examined here. Nevertheless, there is quite visible cross-national variation in the frequency in which this regulatory tool has been applied. While in some countries it represented a permanent tool to control campaign expenses, in others it has never been used. For instance, the Czech Republic and Estonia have never limited aggregate campaign spending and Croatia introduced spending caps only in 2011, while Albania and Ukraine both applied such restrictions in just two parliamentary contests. On the other hand, several countries, including Armenia, Moldova, Bulgaria, and Lithuania, applied campaign limits from the very beginning of transition and have maintained them during all subsequent parliamentary elections. Others, like Azerbaijan, Kyrgyzstan, Kazakhstan and Russia laid down campaign limits after the first parliamentary elections, while the remaining half of ex-communist polities switched to regulatory regimes envisaging spending caps after the second (Slovenia, Macedonia, Hungary, Slovakia), third (Bosnia and Herzegovina, Montenegro) or even the fourth (Romania, Latvia, Serbia) parliamentary contest. Furthermore, except for Georgia, Slovakia, Serbia and Ukraine – which shifted toward more liberal spending rules (by removing campaign limits) – in all cases spending caps have become a permanent feature of election finance regulation.

While the post-communist polities followed rather divergent paths regarding the impact of party financing on party development and political competition (Bértoa & Biezen, 2018), the increasing cost of electioneering and the heavy reliance on public funding represent the few features they have in common (Roper & Ikstens, 2008; Smilov & Toplak, 2007). These trends are somewhat reflected in the evolution of national regulations, which have mirrored the increasing demand for resources by setting higher caps for campaign spending and by providing larger amounts of public funding. Despite these common developments, we nevertheless observe considerable variation in the level of state support. The same can be said about restrictions on campaign spending. As I will detail below, there is substantial variation in spending caps, though not as great as the variation in donation limits and state subventions. Since the restrictiveness of spending is reflected in the amount of money electoral competitors can legally outlay, the more/fewer resources one is permitted to spend the more/less permissive a spending regime is expected to be. Since parties are directly or indirectly involved in determining the level of campaign spending, it would be reasonable to expect that such limits would reflect either their need for resources to mount effective campaigns, or their strategic choice to obtain a competitive edge over their opponents. If so, the spending limit might be regarded as a substitute for *actual* spending. Nevertheless, assuming parties and candidates are driven by a desire to outspend their electoral opponents, the spending limit is *always under pressure*. Unless electoral subjects are willing to comply with the established caps, spending restrictions are highly likely to be breached and thus to be difficult to enforce. This represents one paradox of PFRs across post-communist space since in many cases they were set very low, thus forcing electoral contestants to find different ways to circumvent them.

Based on the operationalization of spending restrictiveness described at the beginning of this chapter, I performed the conversion of spending caps, as expressed in national units/currency, into a standardized and comparable indicator – spending limit per registered voter – which allows me to assess cross-national variation and within-country variation over time (see also Appendix 1 on spending regulations as expressed in national currency/units). As figure 5.1 illustrates, post-communist regimes display significant variation in the permissiveness of spending caps.[99] Along with substantial cross-national differences, one can also observe some variation over time within the same country, i.e. from one parliamentary contest to another.

[99] I omitted data on spending caps for the 2010 Azerbaijani elections, in which the spending cap per registered voter was set at about $16, which would have skewed the visualization too much. Likewise, there is no data on Albania's spending cap for the 2005 elections, which was set at about $7. Furthermore, data on the spending cap is not shown for the 2000 Tajik parliamentary contest, in which the cap per registered voter was only $0.004.

Figure 5.1. Variation in spending cap per registered voter during election campaigns (1990 – 2012)



Source: Author's elaboration

Despite this variation – which is very notable in a few extreme cases – in 74 campaigns the spending limit remained less than $1, while in eight other elections it ranged between $1 and $2. In only five cases did it surpass the $2 threshold. While most cases are found under $1 threshold we still observe considerable variation which makes their clustering a difficult task. What emerges, however, from figure 5.1 is the presence of many cases with very restrictive spending caps, implying that in all these instances

spending was set at an unrealistically low level and barely reflected the actual needs of electoral contestants to convey their message to the voters.

Such restrictive caps suggest that electoral contestants were more likely to breach the spending regulations. This is one reason why there was a widespread perception that parties and candidates across post-communist regimes have been reticent in declaring their actual election costs. Bulgaria, Slovakia, Moldova (up to the 2005 elections) typify the most restrictive spending regimes by allowing electoral contestants to spend no more than $0.10 per voter. But the pool of cases with relatively constraining spending rules becomes much larger if we incorporate, for instance, all elections in which the spending cap was set at about $0.30. This extends the number to include Armenia, Lithuania, Montenegro, Georgia, Ukraine, Poland, Hungary, Bosnia and Herzegovina, Serbia, Slovenia and Kazakhstan. As the data show, in some cases like the 1994 Ukrainian or the 2000 Tajik parliamentary contests the level of campaign spending was so restrictive that parties and candidates abiding by the spending rules would barely have been able to mount an effective campaign.

At the other extreme, there are several countries featuring quite high spending levels. Azerbaijan is the undisputed leader of this group, progressively increasing the spending level from about $1 per voter in 2000, to $16 per voter in the 2010 parliamentary contest. Likewise, Macedonia and Romania progressively shifted to much more permissive campaign spending thresholds. Prior to the 2006 elections Macedonian parties raised the limit on campaign spending four-fold, which was again lifted after the 2008 elections so that before the 2011 parliamentary contest it reached the equivalent of $4. The permissiveness of Romania's campaign spending appears to be associated with the transition from a proportional to a mixed electoral system. While for the 2004 elections spending cap was set at about $0.30, the electoral reform introduced before the 2008 contest led to a significant increase in spending caps for the 2008 and 2012 parliamentary contests. In the same vein, the frequent change of electoral system affected the dramatic alteration of expenditure limits in Kyrgyzstan.

If one slightly switches the focus from the upper spending levels to their developments over time, one may observe a different dynamic. While in some cases we observe only small adjustments, in other cases the spending cap increased exponentially. Poland, Hungary, Slovakia, Slovenia, Serbia and Bulgaria are representative of the spending regimes that recorded incremental adjustments.[100] At the other extreme, one finds countries whose increase in upper spending levels was the steepest. Azerbaijan, Armenia, Macedonia, Romania and Lithuania are in this group. Between the 2000 and 2010 parliamentary elections Azerbaijan raised campaign limits by 16 times. In a similar fashion, spending caps were raised by 14 times in Macedonia (1998–2011), by ten times in Armenia (1995–2012), by nine times in Romania (2004–2012) and by eight times in Lithuania (1996–2008). This is a significant increase although the initial

[100] In fact, the first three maintained the same caps for longer periods and the variation is driven only by the fluctuations in exchange rates.

spending levels also varied considerably, which must be considered. The rest of the transition regimes including Bosnia and Herzegovina, Kazakhstan, Kyrgyzstan, Russia, Latvia, and Moldova are caught in between, although even in their case the variation in the spending levels and direction still varies considerably.

Among the ex-communist polities Russia is a peculiar case given the size of electoral market and different rules on spending applied to different federal subjects, contingent on the number of registered voters. The shift from a quite restrictive spending regime to a more permissive one occurred before the 2003 Duma elections when the joint spending of parties and their candidates running in SMDs reached $0.50 per voter (RUS: №. 175-ФЗ, 2002, sec. 66).[101] Spending level was lifted again in 2005 when various spending caps were set on the election fund for party national headquarters and regional branches, contingent on the number of registered voters in different federative subjects (USSR: №. 1708-1, 1990, sec. 64).[102] The same regulatory regime was applied in the 2011 parliamentary contest but the spending caps on the party central headquarters election fund and for regional branches were again increased (RUS: №. 384-ФЗ, 2010).[103] As a consequence, the cost per registered voter surpassed the equivalent of $1. These legal arrangements generated spending disparities among federal entities. Political parties could spend much more in less-populated regions.

The full distribution of spending disparity among all federal subjects is depicted in figure 5.2, which plots the cost per registered voter as foreseen by regional campaign limits in each federal entity against the number of registered voters. During the last three electoral cycles, two trends can be observed in the Russian campaign spending regulations. The first refers to the increasing demand for financial resources as reflected by the adjustment of campaign spending limits, which places Russia among the post-communist polities displaying high thresholds on campaign spending. This development is even more intriguing precisely due to the size of the electoral market, which should in theory have a dampening effect on spending given the effect of economies of scale. The second touches upon the disparity in spending thresholds across federal entities, thus allowing parties to spend much more in less-populated regions.

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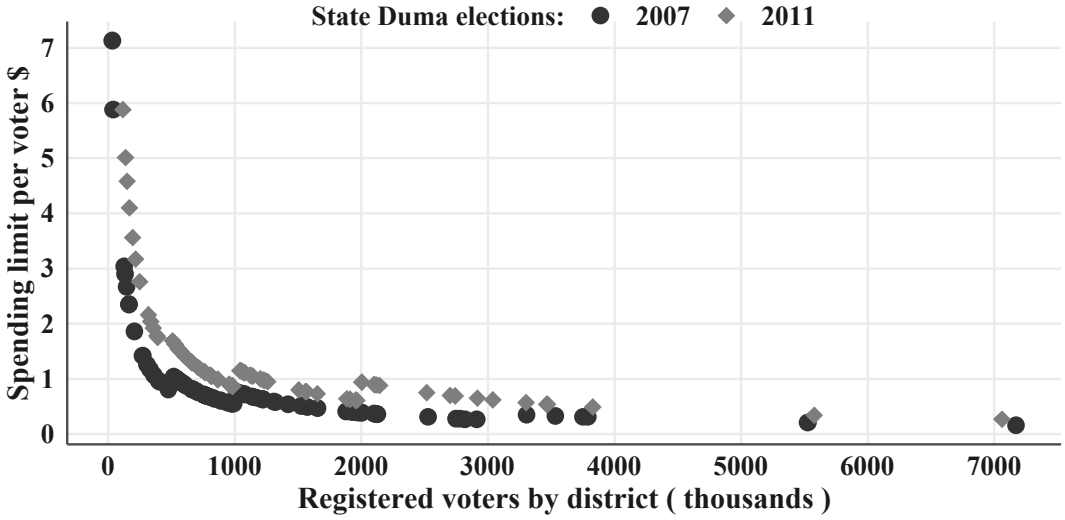
[101] The spending cap was set at RUB 250 million ($8,29 million) for party lists competing on the national level and RUB 6 million ($199,000) for candidates running in SMDs. Therefore, the limit on aggregate spending for a political party which competed on national level and filed candidates in all SMDs was about RUB 1.6 billion ($53 million).

[102] In the 2007 Duma elections the cap on campaign spending for the national party headquarters was set at RUB 400 million ($15,436 million) or the equivalent of 14 cents per registered voter. In addition, however the law set differentiated campaign limits for party regional branches based on the number of registered voters. As a result, 83 federal entities have been split in five categories with spending caps ranging between RUB 6 million ($231,500) and RUB 30 million ($1.158 million). The aggregation of central and regional campaign caps raises the cost per voter to 63 cents.

[103] For the 2011 Duma elections spending limits for the party central headquarters was set at RUB 700 million ($23,988 million) while the limits for party regional branches ranged between RUB 15 million ($514,000) and RUB 55 million ($1,885 million).

Figure 5.2. Variation in spending caps by federal subjects in the 2007 and 2011 State Duma elections



Source: Author's elaboration

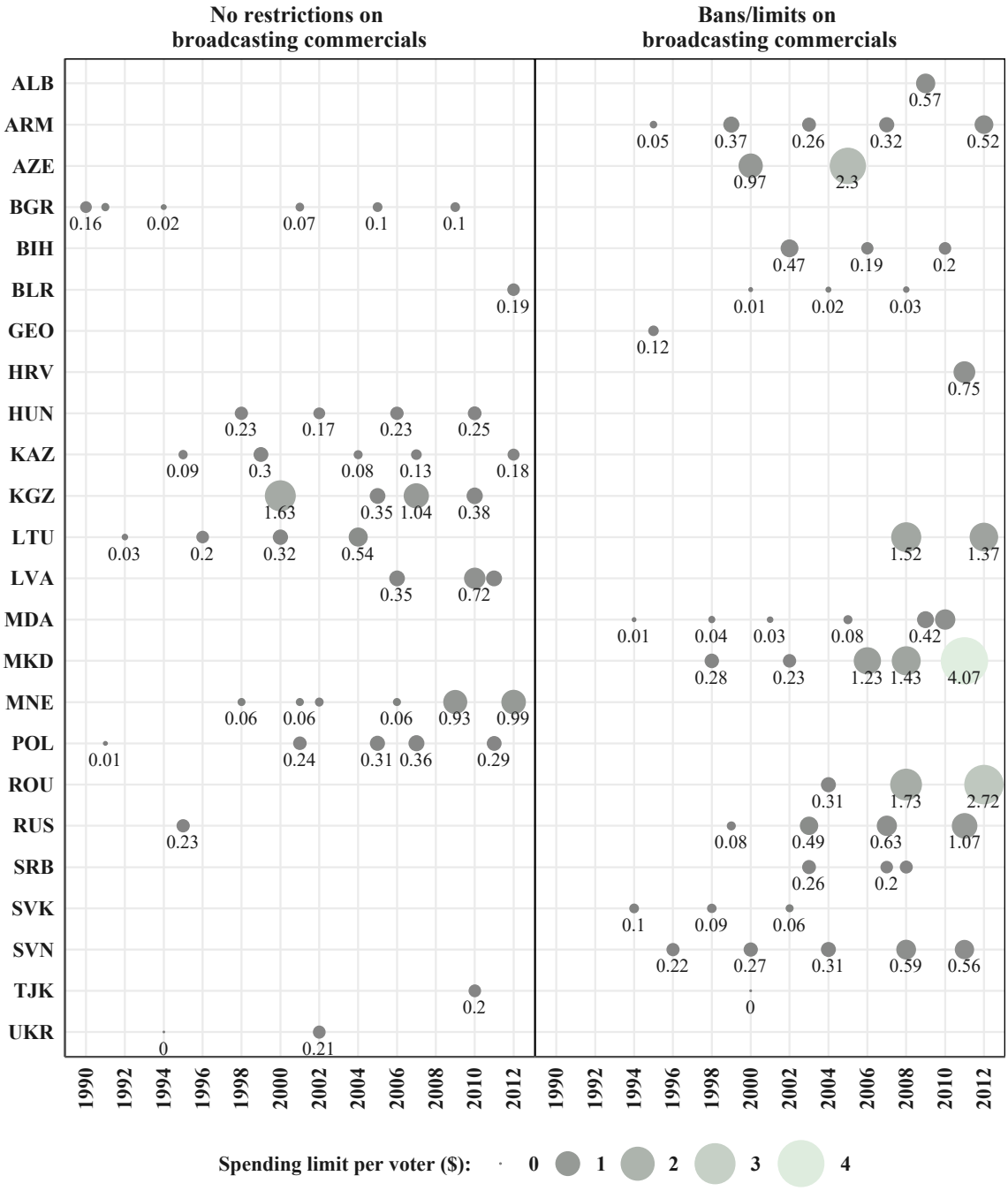
The key issue with the assessment of political/electoral spending lies in the lack of reliable data. Given this major shortcoming, it is nearly impossible to assess what factors drive the overall level of spending and why in some countries political parties and candidates need more resources to communicate with voters. As a result, it is difficult to test empirically the extent to which various factors such as economic and democratic development, institutional design, the decision-making mechanism, the size of the electorate, ideological competition, patterns of party competition and corruption affect the cost of politics (Heidenheimer, 1963; Kulick & Nassmacher, 2012, pp. 21–28; Nassmacher, 2009, pp. 121–154). Another problem stems from the regulatory framework itself, since not all the post-communist regimes capped election spending and even fewer set limits on annual spending. While in some cases such limits are implicitly present due to the cap on the total amount political parties can amass from donations and due to limits on public funds, the question then boils down to why some countries choose to limit spending and others not. In the next section I investigate the relationship between the regulation of paid media access and the overall spending caps.

5.2.3.2. The effect of paid advertising on spending levels

So far, I have looked at spending levels without considering the potential effect of restrictions on advertising, which is another feature of the most restrictive spending regimes. There are two reasons behind the introduction of such restrictions on electoral contestants. The first is to curtail the increasing demand for resources, given the relentless desire to outspend electoral opponents, while the second is to level the playing field by preventing the most resourceful competitors from taking advantage of their financial might. Since paid advertising turns out to account for the largest share of election expenses, many transition polities have restricted the amount of airtime that can be purchased by electoral

contestants. Regardless of which rationale has underpinned the political decisions to reduce the amount of political advertising, such limitations have been applied in many cases, which provides us with the opportunity to investigate the relationship between the level of election expenses and the restrictions on electoral comercials.

Figure 5.3. Estimated spending limit per voter conditional upon the restrictions on broadcasting electoral commercials (1990 – 2012)



Source: Author's elaboration

Hence, if the aim of limiting the amount of airtime allotted to electoral contestants is to reduce campaign expenses, then the cost per registered voter is expected to be larger in cases with no restrictions on broadcast advertising, and vice versa. To check whether this theoretical assumption holds, I compare the cost per voter for elections stipulating such restrictions with those cases that did not impose any. To do so, I split the cases from figure 5.1 by the restrictions on broadcasting electoral commercials. The result presented in figure 5.3 does not provide empirical support for the expected relationship. Conversely, the spending cap per registered voter in cases with restrictions on electoral commercials turned out to be, on average, higher relative to cases lacking such limitations by about 36 percent.[104] These findings seem to be puzzling since they run against the expected direction of the relationship between spending levels and restrictions on broadcasting ads. One possible explanation for this paradox is that the restrictions on broadcast advertising are imposed to curb already the high cost of elections. If this is the case, such restrictions are introduced as a reaction to – and not as a preventive mechanism against – the increasing cost of campaigning. Unfortunately, it is difficult to check this assumption thoroughly, since most ex-communist regimes have tended to stick to the same regulatory approach to media access rules regarding broadcasting commercials.[105]

Lithuania is one of the few cases where we can test this assumption because it alternated between different approaches to broadcasting electoral comercials. It switched from a spending regime lacking such restrictions to a full ban on broadcast advertising in 2008 (LTU: №. X-1595, 2008). However, the ban was offset by raising the aggregate spending level almost three-fold compared to previous elections. Hence, while parties and candidates were forbidden to spend on broadcast advertising, they secured more room to channel their money toward other spending items such as 'renting premises [and] remuneration of the volunteer job' (Matonite, 2012, p. 16). As a result, the legislative efforts to freeze campaign expenses failed since the cumulative spending of electoral contestants in the 2008 parliamentary contest increased by about 50 percent compared to the 2004 campaign (GRECO, 2009a, p. 9). The full ban on paid airtime proved to be an overly stringent measure to regulate election outlays and was substituted by a softer provision two years later through capping the purchase of TV spots up to 50 percent of the election fund (LTU: №. XI-1071, 2010, sec. 19). Yet, this liberalization came at the expense of decreasing the level on aggregate spending by one-third for party lists competing on nationwide basis.[106] Lithuanian

[104] In fact, the difference in the spending cap per registered voter is four times higher in cases foreseeing such restrictions than in cases without them. Yet, this disparity is mainly driven by several outliers (Albania—2005; Azerbaijan—2005, 2010; Macedonia—2011; Romania—2012). Once these outliers are removed, the spending cap per voter nevertheless remains higher.

[105] This by no means implies that there were no amendments or radical changes concerning media operation between electoral contests. On the contrary, the fight over media control, particularly over the control of public broadcasters, resulted in frequent changes of media regulations. But these amendments rather referred to internal restructuring of already existing rules, for instance, by altering the amount of paid airtime and its distribution among electoral contestants. There are fewer cases when a country shifted from a spending regime, envisaging restrictions on paid ads to a new one by removing them altogether or vice versa.

[106] At the same time the 2010 amendments left unchanged the spending limit for SMD candidates.

case is illuminating because it shows that the prohibition of paid airtime to keep under control campaign expenses did not work given the fact that political parties safeguarded themselves by lifting the cap on aggregate spending. This, in turn, allowed them to redirect financial flows toward other spending categories, which resulted in the increase of election expenses. While it may be plausible that without such restrictions some contestants, particularly the wealthiest ones, would have spent more on broadcasting airtime, the Lithuanian case nonetheless demonstrates that when such restrictions are in place electoral competitors find different ways to channel their resources toward other spending items.

Another explanation of why the advertising restrictions are not correlated with lower spending levels is that their chief purpose is not to control spending as such, but rather to level out electoral competition. Therefore, restricting broadcast advertising, as the most expensive spending item, is precisely targeted at diminishing the advantage of wealthy competitors, which can afford spending large amounts on paid airtime unlike their poorer opponents. Yet, there is another tenable but opposite argument, according to which such restrictions are rather employed to disadvantage resourceful challengers that can mobilize and deploy large financial resources against incumbents. This argument may be particularly fit for the post-communist media environment in which public broadcasters have never been fully and truly independent from political pressure. For instance, OSCE election monitoring reports abound in examples showing the failure of public broadcasters to provide impartial coverage of electoral contestants. As a rule, incumbents have been systematically advantaged both qualitatively and quantitatively relative to the opposition forces in election news and other TV programming by public broadcasters. Under such circumstances, private broadcasters turned out to be an alternative for the opposition to offset the negative coverage bias of public broadcasters. Hence, smaller amounts of paid broadcast advertising might be interpreted as an attempt by incumbents to limit the opposition's capacity to spread its electoral message.

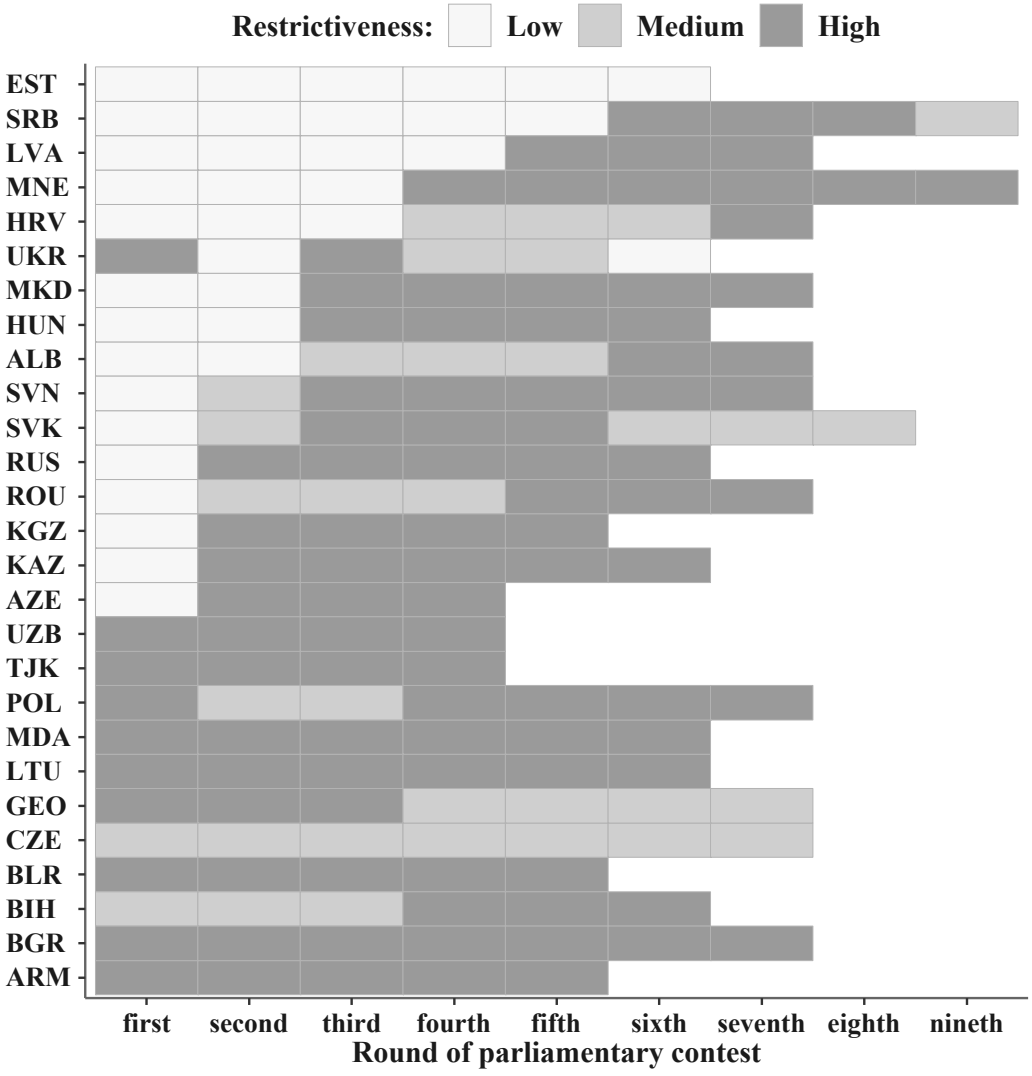
Of course, these contrasting explanations might play out when media regulations are devised but it is not always clear which one prevails at a certain electoral moment. Nevertheless, empirical evidence on the relationship between electoral expenses and restrictions on broadcast advertising suggests that such restrictions are ineffective when spending limits are overly permissive. The same argument is even more relevant for medium restrictive cases in which the legal restrictions on specific items will not be effective since electoral contestants are unconstrained in redirecting their financing toward other spending categories by throwing into electoral battle as much resources as they can afford.

5.2.4. Trends and patterns of restrictiveness on campaign spending

Compared to other dimensions of PFRs, spending turns out to be a rather highly regulated dimension. Various spending restrictions, ranging from caps on aggregate spending to specific restrictions on paid electoral advertising in printed, outdoor and broadcast media, relatively quickly become widespread tools used by political actors to regulate electoral competition more tightly. In many

cases, such restrictions were introduced at the first democratic elections and quickly became a rule across the region. Notwithstanding this global development, post-communist regimes have still diverged in many respects. Figure 5.4 illustrates the evolution in spending restrictiveness over time. Data depicted in the graph allows us to identify three developmental patterns. The first is stability over time. Regardless of the degree of restrictiveness, nine post-communist polities – Armenia, Bulgaria, Belarus, the Czech Republic, Estonia, Lithuania, Moldova, Tajikistan and Uzbekistan – did not change spending regulations: once a country adopted a certain spending regime it remained unaltered over time. This by no means implies that there were no regulatory changes altogether in some cases, however.

Figure 5.4. Restrictiveness of spending rules for election financing by country and type, all post-communist countries (1990 – 2012)



Source: Author's elaboration

For most countries, the legal framework was amended in some way it is just that these amendments did not affect the nature of restrictiveness. They rather reflected a change in regulatory

intensity, as reflected by the alteration of spending levels and media access rules.[107] Among ex-communist regimes that maintained the status quo over time only Estonia and the Czech Republic were not high restrictive regimes, receiving a low and a medium restrictiveness score, respectively. All other cases imposed some spending restrictions already from the beginning of transition. The second pattern denotes a shift from a low to a higher restrictiveness type, although we observe divergent patterns in the pace and timing of reform. In most cases in this group, the preferred the option was simultaneous introduction of a cap on aggregate spending accompanied by various restrictions on paid airtime. Only in a few cases, including Albania, Croatia, Romania and Slovenia, was the transition to a high restrictiveness type gradual. Restrictions on media access was introduced first, followed by caps on total campaign spending. Timing proved to be a key element in this transition. In some cases it was very quick, as in Russia, Kazakhstan, Kyrgyzstan and Azerbaijan where more restrictive spending rules were introduced already after the first free elections, while in other cases, such as Latvia, Romania, Croatia and Albania, this happened relatively late. Hungary, Slovenia, Poland, and Bosnia and Herzegovina are located in the middle passing tighter spending rules after the second and third parliamentary contests. The last pattern is represented by Serbia, Slovakia, Ukraine and Georgia. They alternated between different spending regimes but ultimately shifted from stricter to more liberal rules, although in each individual case we observe a different trajectory.

While these divergent patterns reflect uneven development in terms of timing and magnitude of change from one restrictiveness type to another, the key indicator of regulatory stringency – the level of spending – has varied significantly. In many cases, mostly throughout the first decade of transition, they were set at an unrealistically low level, thus raising many doubts over enforceability. Hence, the demand to spend more was not always accompanied by a similar relaxation of spending caps. In some cases, the caps were frozen over time or became even stricter. Another interesting but rather unexpected development relates to the overall restrictiveness of spending, and touches upon the interplay between media regulations on broadcasting of electoral commercials and the cap on aggregate spending. On average, those PFRs that imposed restrictions on paid airtime turned have also set more permissive limits on aggregate spending. This suggests that restricting political advertising without applying corresponding limits on aggregate spending does not restrain increased campaign outlays, rather weakening the rationale for introducing such restrictions in the first place.

[107] For instance, in the authoritarian regimes of Central Asia and in Belarus the ban on using private resources for election financing automatically implied the presence of spending limits on both aggregate spending and electoral advertising, since the state was the only entity legally allowed to finance election campaigns. While the liberalization of the spending regime by permitting electoral contestants to use income from private sources contributed to creating a healthier environment for election financing, the only change was an increased spending level and more broadcasting time to promote candidates' electoral messages. The only exception to this rule is Turkmenistan, which lacks political pluralism in any case.

Chapter 6. Restrictiveness of transparency obligations

6.1. Operationalization

Transparency is one of the most problematic dimensions within PFRs, given the reluctance of political parties and electoral competitors to open their financial books to outside scrutiny. Operationalization of transparency is also difficult, given the range of possible values a certain financing regime can take on reporting and disclosure. It can be conceived as a continuum, where the least restrictive regime lacks any reporting and disclosure provisions and the most restrictive one binds parties and candidates to report and disclose every single transaction. Consequently, a transparency regime becomes more/less constraining as political/electoral contestants are requested to provide more/less detailed information on funding sources and expenditures. Yet, to reduce the potential variation that arises with different reporting and disclosure requirements, I use only two values for each dimension: low and high. Nevertheless, the decision to assign a low or high value for reporting and disclosure requirements is based on several criteria.

The key indicator refers to the anonymity of income sources. If a certain financing regime does not prohibit income from anonymous sources, either by explicitly banning anonymous donations or by not demanding from political/electoral competitors to record the identity of each contributor, it, by default, receives a low restrictiveness score. The permissibility of anonymous donations, for instance, renders any reporting and disclosure mechanism (if it is foreseen by law) meaningless, because nobody would know how much had been amassed from the unknown sources. The issue becomes even trickier when one witnesses a partial ban on anonymous sources. If political parties are not required to register and disclose donations below a given threshold, it also creates sufficient room to circumvent the transparency rules. The higher/lower the threshold the more permissive/restrictive a given transparency regime becomes since it is much easier for parties to collect large amounts without disclosing the identity of donors. However, even the presence of low thresholds for anonymous donations creates a legal vacuum and sufficient incentives for parties to seek resources from unknown sources, though the requirement to identify all donors entails other risks.[108]

[108] While from a normative perspective a more constraining transparency regime is assumed to ensure political parties are more accountable, the analytical framework proposed here does not imply such a relationship by default. A fully fledged, transparency regime on party finances is not flawless by itself. An eventual downside is that it may represent a burden for political parties to record and disclose all their financial operations. More importantly, full transparency raises an even more fundamental question related to the boundaries between the privacy of donors and the public interest to know their identity to prevent an undue influence on political decisions from private interests at the expense of public good. Hence, drawing a line between those who must be disclosed and those who can keep their identity hidden is an extremely sensitive issue, which depends on many contextual factors. For instance, in some specific contexts full transparency of donors might be even dangerous, since exposure can be used by incumbents to deprive the opposition parties of resources through harassment from tax inspections and other administrative tools.

The second benchmark applied to distinguish between low and high values of transparency requirements is the precision and clarity of legislative provisions, which is problematic when it comes to drawing the precise line between low and high. Legislative ambiguity is a common feature of many PFRs, allowing political parties to fully exploit the loopholes tailored to their own benefit. The highly contentious nature of party funding regulations only contributes to the persistence of legislative vagueness, regardless of whether this is unintentional or deliberate. In this regard, I employ several yardsticks. If a given funding regime does not stipulate a reporting deadline, or what exactly is to be reported, it scores low on reporting. Conversely, a high value is assigned when there is an itemized reporting structure regarding both income sources and spending categories. Likewise, a PFR scores low on disclosure when the law does not specify a clear procedure for how political parties should make their financial reports publicly available. The mere statement or request to publish their financing data without saying anything about what, where, and when it should be published, is an extremely lax requirement. It suffices that if one of the three elements is missing, a hassle with interpretation is generated and, as a consequence, so too with compliance.

Besides, I use the accessibility of financial data as an additional yardstick to assess the restrictiveness of transparency requirements. If disclosure requirements imply additional effort by stakeholders to access party financial reports, then fully-fledged transparency is not yet in place. For instance, if the legal framework endorses that party finances be made public but access to this data is hindered by the requirement to undertake additional steps, such as a written request or other bureaucratic procedures, then it is quite problematic to speak about transparency in its fullest form. Accordingly, those transparency regimes that require political parties to publish their reports on their webpages, the webpages of oversight institutions, the official gazette or in the press receive a high disclosure value. Conversely, when one encounters additional hindrances to access such data, then these PFRs score lower on disclosure. Despite the operationalization criteria described above, this is a rather soft approach in attributing empirical cases to restrictiveness types, particularly during elections, since I leave aside the timing and frequency of reporting and disclosure as additional indicators of restrictiveness.[109] While this is a relevant omission, introducing timing and frequency into the assessment of the restrictiveness would render the analysis even more difficult. Therefore, I consider only whether electoral subjects are compelled to disclose their financial declarations after the electoral campaign or not.

[109] Besides, in many cases the disclosure of political contributions is too narrowly defined thus leaving aside the regulatory scope in-kind donations or other income sources.

6.2. Transparency of statutory party financing

6.2.1. Low restrictive cases

Post-communist polities overall have spent about two-thirds of the time since the end of communism under low restrictive transparency regimes, which says a great deal about the willingness of political parties to disclose the sources and the destination of their finances. The former soviet republics stand out by having never established overly demanding transparency obligations. In the early '90s some of them regulated routine party activity through laws on so-called *social-political organizations*, which did not differentiate much between political parties and other social, economic, and cultural organizations or associations. Russia, Ukraine, Moldova, Armenia, Kyrgyzstan, Kazakhstan, Uzbekistan and Tajikistan embraced this regulatory model. Furthermore, party financial activity was poorly regulated, having been firmly rooted in and heavily influenced by the soviet law 'On public associations'. While the national regulations were adjusted to fit domestic conditions once independence was achieved, the financial aspects of party activity, including transparency, remained poorly defined as it was soviet law which foresaw a single transparency provision – 'political parties annually publish their budgets for general information' (USSR: №. 1708-1, 1990, sec. 18/5). This provision was transplanted, under the same or a slightly different wording, into the national legislation of newly emerging political regimes. While Kazakhstan, Kyrgyzstan and Uzbekistan borrowed the same wording from the soviet law (KAZ: Official Gazette №. 27/360, 1991, sec. 20; KGZ: №. 359-XII, 1991, sec. 17; UZB: №. 223-XII, 1991, sec. 18), others – including Russia, Armenia and Tajikistan – only slightly amended it. Russia, for instance, applied the soviet law until the passage of a new one in 1995 but it was, alike, very scant and too generic on transparency (RUS: №. 82-ФЗ, 1995).[110] Similarly, Armenian law only required that parties 'present to financial bodies a declaration on annual financial activities, which is published in the press' (ARM: №. NC-0266-1, 1991, sec. 6), while the Tajik authorities extended the same publication requirements to party assets and paid taxes (TJK: Official Gazette, №. 24, 1990). Within this group, only Ukraine and Moldova adopted slightly different rules, but even in these cases transparency requirements were not substantively more constraining, given the glaring omissions in the legal framework. Even though the Ukrainian Law on Civic Associations required parties to present a declaration on their income and expenses to financial bodies, including annual publication of the list of donors contributing to party coffers above a certain threshold (UKR: Official Gazette №. 34/504, 1992, sec. 26), the provision remained a dead letter since the same article entitled the legislature to lay down the disclosure threshold and the Ukrainian Rada has never established it (Protsyk & Walecki, 2007, p. 193). Moldova's regulatory framework, while more precise on the deadline for the submission of financial declarations was also silent on how parties should

[110] The only difference from the soviet law consisted in the obligation of social-political organizations 'to publish a report on the use of their assets or provide access to familiarize with the specified report' (Art. 29). Neither deadlines nor specific procedures for accomplishing this obligation have been envisaged.

ensure their public availability (MDA: Official Gazette №. 010, 1993, sec. 24). Little changed when the Moldovan legislature enacted a new party law in 2008 (MDA: Official Gazette, №. 81/667, 1997, sec. 27). While the new regulations required political parties to submit their reports to state bodies, transparency obligations remain blurred, such that financial reports remained overly general and lacked data on individual donors and more precise information on spending categories (GRECO, 2011b, pp. 19–21).[111]

Weak transparency has been a common feature in other ex-soviet republics, despite the enactment of separate party laws, since the initial regulations either lacked reporting and disclosure obligations at all or very closely resembled those in other ex-sister republics. This was the case of Azerbaijan, Belarus and the Baltic states. Despite providing for a summary definition of what constitutes party income and expenses, the 1992 Azeri party law failed to specify any reporting or disclosure obligations (AZE: №. 147, 1992, sec. 21). The same holds true for the Belarus party law, which completely overlooked the financial dimension of party activity (BLR: № 3266-XII, 1994).

Even across the Baltic states, considered as model cases of democratization among ex-soviet republics, transparency obligations were formulated poorly. Besides failing to define both income sources and spending categories, the Lithuanian party law did not specify how party annual declarations should be made publicly accessible (LTU: №. I-606, 1995, sec. 13). Estonia lagged behind even longer; transparency requirements for statutory party activity were introduced only in 1999. While these delayed provisions have in fact turned out to be quite demanding on paper (Sikk & Kangur, 2008), Estonian parties have found different ways to circumvent the rules, thus undermining the reliability and credibility of financial declarations (Čigāne, 2002, p. 7; Sikk, 2003, pp. 11–12).

It should be noted that the regulatory framework in all these cases was designed either during the soviet period or shortly after obtaining independence, in many cases the subsequent amendments did not alter the transparency regime in any meaningful way. Two decades after the collapse of communist rule, transparency obligations were almost completely lacking or vaguely formulated in more than half of the former soviet republics. Out of these eight, seven were rated by Freedom House as consolidated authoritarian regimes, while Ukraine fell within the category of hybrid regimes (Mootz, 2010). Although all these political regimes modernized their regulatory framework on party activity to some extent, transparency requirements have been ambiguously defined and thus very lax.

[111] Somewhat ironically, Art. 27 entitled 'The public character of donations', has foreseen no disclosure/publishing obligation but only the liability to keep a registry on donations, recording the donor's identity and amount. Moreover, membership fees were not covered by this provision altogether. In Moldovan context, this was a critical requirement since political parties did not benefit from state subsidies at all and private contributions represented the main source of income. Therefore, the obligation to disclose donors' identity was expected to be the central pillar of new transparency requirements, a feature which the new party law did not stipulate.

The Central Asia states, plus Belarus, Ukraine and Azerbaijan, fit this description particularly well. For instance, the Kazakh party law of 2002 foresaw the obligation of political parties to present a report on financial activity in accordance with legislation to tax bodies, without any further specifications (KAZ: №. 334, 2002, sec. 15/4). The same applies to Kyrgyz party regulations, which required parties to maintain financial accountancy according to Kyrgyz legislation (KGZ: №. 50, 1999, sec. 20), implying that parties had to submit their annual reports to tax service and other state bodies, although there were no disclosure obligations as such (OECD, 2005, p. 97). Likewise, while Tajik parties were required to publish their annual reports, neither a deadline nor how to accomplish this task were prescribed (TJK: №. 680, 1998, sec. 16). Ultimately, these shortcomings have dramatically affected party compliance with the rules, since even the Tajik authorities acknowledged 'that such reports are not being prepared' (OECD, 2010a, p. 55). The same holds true for Uzbek political parties which, while compelled to report on their finances, were not required to disclose information on donations from legal and physical entities (UZB: №. 337-I, 1996, secs 16–17), thus contributing to the vagueness of transparency rules and the uncertainty regarding the general public's access to party financial reports (OECD, 2010b, pp. 37–38). Between 1994 and 2008, the Belarusian party law underwent seven amendments, none of which touched upon transparency. The same applies to Ukraine, which despite passing new regulations requiring political parties to prepare a monthly financial report on incomes and outlays (UKR: №. 1932-IV, 2004, sec. 17), did not 'envisage any requirements on the terms, content, or procedures for publishing the statement on income and expenses or the property statement' (Kovriženko, 2010, p. 109). Likewise, Azerbaijan's original transparency regime, installed in 1992, remained unaltered for almost 20 years. While parties have been required to draw up financial records, including donor identity and contribution amounts, there has been no requirement either to submit or to publish annual balance sheets (Alieva, 2012, pp. 77–78; GRECO, 2010c, pp. 12, 14).

To a large extent, transparency obligations in the Southeast European/Balkan countries resembled those of the ex-soviet republics. For instance, the first Bulgarian party law stipulated that 'financial activities of political parties shall be open' but did not prescribe any guidelines on how to implement this requirement (BGR: Official Gazette, №. 29, 1990). Nor were parties compelled to keep their finances in accordance with accounting regulations, even though the 1990 law did foresee the obligation to present annual declarations on incomes and outlays (Kanev, 2007, p. 45).[112] Unlike their Bulgarian counterparts which, at least formally, were bound to comply with minimal reporting obligations, Romanian parties found themselves in a much better position, given the lack of any

[112] Kanev claims that Bulgarian parties took this provision as a recommendation and not as a mandatory requirement, thus bearing no legal consequences in case of failure to submit financial reports (Kanev, 2003, p. 75). Reporting and disclosure became mandatory only from 1996. Nonetheless, even the new provisions fell short of more detailed rules of what is to be reported and publicized, aside from the general categories of income and expenses (Official Gazette №. 59, 1996: Art. 21).

constraints whatsoever. From 1989 until 1996, there was a legal vacuum regarding the transparency of statutory party activity (ROU: Official Gazette, №. 9, 1989). While transparency provisions were introduced in 1996, the law has failed to produce any substantial effect given the presence of a disclosure threshold and the possibility of amassing anonymous donations, which created sufficient room for political parties to circumvent their transparency obligations (ROU: Official Gazette №. 493, 2007, secs 34–35).

In the same fashion, the former Yugoslav republics exhibited quite porous transparency rules, albeit with some variation in the nature of regulatory loopholes. In Croatia, the requirement to 'publicly disclose the origin and purpose of any funds received thereby during each calendar year' and to submit party financial accounts to parliament (HRV: №. PA4-61-93, 1993, secs 20, 22) was cancelled out by the failure to establish a reporting deadline or prohibit anonymous donations as well as no clear requirements for the disclosure of income sources (Kregar et al., 2007, p. 55; Petak, 2002, p. 32).[113] The same holds true for the Macedonian party law, which specified neither a reporting deadline, nor any publication requirements to comply with (MKD: Official Gazette, №. 41, 1994, sec. 31). Although the law required that all income sources must be identifiable, the lack of explicit provisions on recording the membership fees and donations resulted in their reporting only as a single aggregate amount (Treneska, 2007, pp. 106, 114). Transparency was even more undermined by the possibility to carry out business activities by political parties, a provision that was cancelled only in 2001 by a ruling of the Constitutional Court (Taleski & Casal Bértoa, 2014, pp. 6–7). Montenegro and Serbia lacked even such general provisions. Montenegrin parties managed to completely avoid the disclosure of their finances until 2004 (Vujović et al., 2005, p. 26; Vujović & Bošković, 2006),[114] while their Serbian counterparts enjoyed a similar freedom until the breakdown of the Milošević regime (Goati, 2007, p. 163; IFES, 1997, p. 22). Yet, a significant improvement did not occur even after the political transformations of 2000. Given the vagueness of regulatory provisions, parties have continued to receive large anonymous donations avoiding reporting and disclosure requirements (Pesic, 2007, pp. 24–25; Stoyanov et al., 2002, p. 91).

Finally, outside the post-soviet area, only Albanian parties were successful in delaying the introduction of transparency obligations for a longer period, which makes it as a showcase of the least restrictive transparency obligations. Over a period of 20 years, there were virtually no requirements for parties to report and disclose their financial sources and expenses concerning statutory financing (ALB:

[113] The requirement to disclose party financial reports was interpreted by Croatian parties not as an obligation but as a procedural rule drafted for the internal use of the parliamentary committee in charge of the supervision of party financial reports (Kregar et al., 2007, p. 59).

[114] The first attempt to introduce transparency obligations for Montenegrin parties was undertaken in 1997 but only with respect to election campaigns (MNE: Official Gazette, №. 44, 1997). Nevertheless, the law did not lay down rules on transparency as such but empowered parliamentary parties to reach an agreement within 15 days after the announcement of elections regarding the control of income and spending limits. The result of this agreement ought to be published in mass-media (Art. 10). Such an agreement, however, was never accomplished between 1997 and 2004, therefore leaving party finances undisclosed.

№. 7502, 1991; ALB: №. 10374, 2011). Despite the constitutional provision stipulating that 'the financial sources of parties as well as their expenses are always made public' (ALB: №. 8417, 1998, sec. 9/3), this principle has not been incorporated in the party law adopted in 2000 (ALB: №. 8580, 1994). Moreover, Albanian parties fought to remove the control of the High Office of State Control (State Audit Office) over party finances from private sources by questioning its supervision powers before the Constitutional Court, which ruled in favour of political parties in 2001. The Court decided that any party funds that do not come from the public purse fall outside the jurisdiction of the High Office of State Control and its powers are limited to investigating only party finances originating from the state budget (Bogdani, 2012). While the Constitutional Court decision settled the conflict between political parties and the supervising institution in favour of parties on grounds related to their legal status as private associations, it did not solve underlying transparency problems. In contrast, it removed the only check on party finances coming from private sources (Krasniqi & Hackaj, 2014, p. 113).[115]

Beside the reluctance of Albanian parties to open their accounts to public scrutiny, there were some even more worrisome transparency-related issues, given that the 2000 party law lacked an explicit ban on anonymous donations (GRECO, 2009b, pp. 8, 20).[116] The attempts to reform the Albanian party finances for daily activities, following the success of electoral legislation passed in 2009, was temporarily stalled as result of a political crisis that broke out in the aftermath of the parliamentary elections of the same year, when the opposition alleged electoral fraud in the form of dubious ballot counting (Freedom House, 2011; OSCE/ODIHR, 2009a). Nevertheless, in 2011 the party law was amended (№. 10374, 10.02.2011) and for the first time reporting and disclosure requirements were introduced for statutory party activity. Even so, Albanian parties were not yet ready to completely surrender and preserved some leeway by instituting a relatively high threshold for disclosing donor identity (ALL 100,000 = $1000), which was widely seen as a way to further elude transparency obligations (Transparency International, 2012, pp. 13–18).

6.2.2. Medium restrictive cases

A common feature of these transparency regimes is the presence of various loopholes despite more elaborate regulations, thus allowing political parties to escape disclosure obligations by concealing the sources of large chunks of their income. While in some cases the negative effects of such omissions were somewhat less severe, given parties' reliance on public funding as the main source of income, in

[115] While the Albanian case is a mixed one of transparency and control, it is instructive precisely because political parties were not even compelled to disclose their finances to the general public. Nevertheless, they bitterly fought against state control over their income from private sources, thus casting doubts over the legality and cleanness of such financial means. The situation, however, remained equally unchanged regarding state subsidies since political parties were not compelled to report and publicize even the use of budgetary funds.

[116] The core recommendations concerning transparency obligations focused on prohibiting anonymous donations and establishing clear requirements for reporting and disclosure of information from party annual accounts (GRECO, 2009b, pp. 20–21; Reed, 2010, pp. 13–15).

other cases, in which public funding was not available, the disclosure of private income sources represented a critical feature of sound transparency rules.[117]

During the early transition, very few ex-communist regimes laid down more demanding transparency obligations, although some Central Eastern European polities plus Latvia, Slovenia and Bosnia and Herzegovina did institute such regulations. While the CEE countries, including Poland, the Czech Republic, Slovakia, and Hungary, embarked on democratization reforms earlier, parties there were likewise unwilling to fully disclose their income sources and expenses. The 1989 Hungarian party law obliged parties to publish their reports in the National Gazette on a yearly basis, listing the categories of income and outlays that should be reported (HUN: №. XXXIII, 1989). Very soon, however, an amendment to the party law passed in 1992, altered the terms of disclosure obligations by compelling parties to publish only the identity of foreign and domestic donors who contributed above HUF 100,000 ($1,090) and HUF 500,000 ($5,400), respectively (HUN: №. XLVI, 2003, sec. 9). The threshold, especially for domestic contributors, was high enough that it effectively allowed them to legally keep the identity of donors undisclosed. Nevertheless, parties managed to bend even these permissive requirements by channelling donations to party coffers through intermediaries (Enyedi, 2007, pp. 99–100). Transparency remained a contentious issue for two decades. Since 'no legal requirements exist to require the identification of the donors…this places a heavy burden on the control bodies' (Burai & Hack, 2012, pp. 137–138). Moreover, despite existing transparency obligations, Hungarian parties have almost always been under suspicion for having shady relations with legally independent party foundations, the latter carrying out raising and spending large sums in extensive party activities outside of reporting and disclosure obligations (GRECO, 2010e, p. 20; Ilonszki & Várnagy, 2014, p. 421). This was particularly the case during the '90s when party foundations were used to garner income from anonymous donors. Although this practice became unattractive, once party foundations started to receive large budgetary subventions (HUN: №. XLVI, 2003), the calls to make the operational costs of political parties public, hinted at the presence of enduring transparency shortcomings (Burai & Hack, 2012, pp. 190, 257).

As Hungary had, Slovenia put in place a slightly more complex transparency regime in the mid '90s, but it has not significantly affected political parties. While the PFR established in 1994 foresaw transparency obligations (SVN: Official Gazette, №. 62/3402, 1994, secs 22, 24), the disclosure threshold of donor identity was set at above three times AMW ($2,200), creating favourable conditions to avoid transparency altogether. This, in turn, cast doubt on the reliability of self-reported data since, according to official records, parties almost never received donations larger than three times AMW (Toplak, 2007, pp. 182, 184). This kind of *patchy transparency* resulted in situations in which the identity of donors covering

[117] Even when public funding is available, transparency obligations are relevant for the spending dimension to held parties accountable for the budgetary subventions.

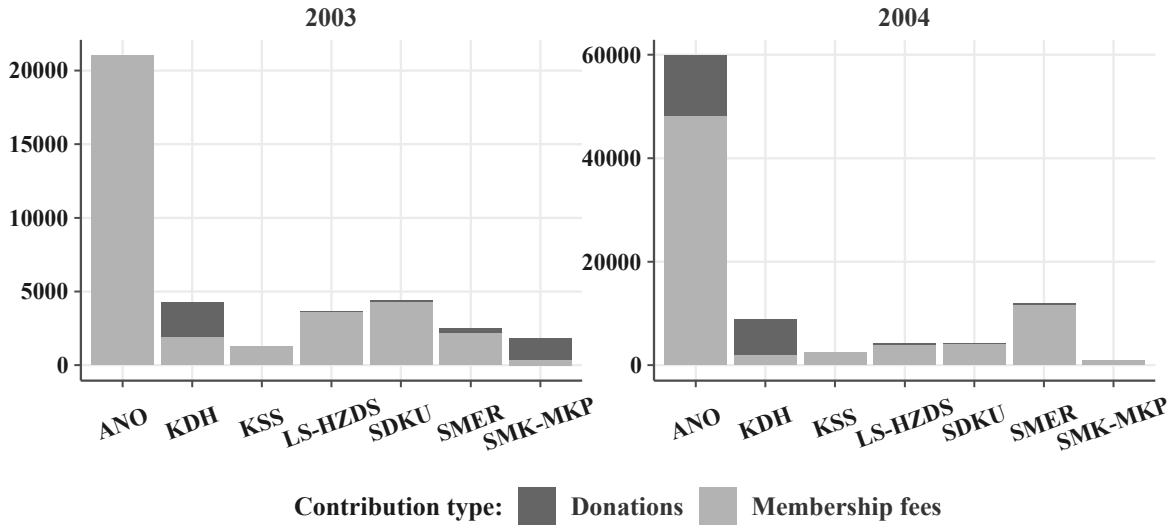
just one tenth of the aggregate amount received from donations was disclosed (Gaube, 2002). Such permissive rules ultimately prompted outrage among the general public against the ruling party (Liberal Democracy of Slovenia), putting an end to its domination in the political arena (1992–2004) because of its involvement in the majority of the financial scandals (Fink-Hafner, 2006, p. 210).

A similar development can be observed in Czechoslovakia's successor states, which shared a transparency regime until 1993. The obligation to submit an annual financial report to the legislature was already introduced in 1991, although the law did not envisage any sanction for non-compliance (Cisar & Tomáš, 2007, p. 83). While the later amendments specified a submission deadline and a more structured way of presenting income and spending categories, these requirements applied exclusively to reporting, thus excluding disclosure (CZE: №. 68, 1993). After the 1993 split, however, Slovakia inherited the old law and only adjusted it to the national context without altering substantively its provisions (Casal Bértoa et al., 2012, p. 5). Still, despite more elaborate transparency requirements, the law contained the same drawback – a relatively high disclosure threshold for annual donations set at CZK/SKK 50,000 ($1,700/$1,620) (Art. 18). Furthermore, membership fees were not covered by this provision, remaining unregulated in both countries for a quite long time, offering another tool to elude transparency.[118]

Hence, transparency regimes in both countries displayed weaknesses, though from the mid '90s they followed different paths. While the Czech parties were bound to make their reports publicly available from 1996 (Cisar & Tomáš, 2007, pp. 83–84), the issue of large anonymous donations and associated scandals dominated the Czech political scene through the second half of the '90s (Grzymala-Busse, 2007, pp. 206–213; Reed, 2002, pp. 280–284). The development of the Slovak transparency regime followed the same trajectory but began later. Despite inheriting the obligation to report on their finances to the parliament, the liability to publicize financial reports, including the identity of donors, was introduced for Slovak parties only in 2000 (Rybář, 2006, pp. 330–331; Simral, 2014, p. 50). Yet this obligation was partially circumvented by Slovak parties, given the lack of regulations on membership fees, a loophole political actors fully exploited by registering political contributions as membership fees between 2000 and 2005. This fundraising behaviour is clearly illustrated by figure 6.1, which exhibits the domination of membership fees over donations in the income structure of parliamentary parties.

[118] For instance, membership dues in the Czech Republic were capped at CZK 50,000 ($1300) annually in 2000, and only from this moment parties were bound to report them (Cisar & Tomáš, 2007, pp. 78–79). Slovakia followed suit even later. Parties were obliged to keep separate records of party members, including their identification data, whose membership fees would exceed SKK 25,000 ($800) annually only from 2005 (SVK: №. 85, 2005, sec. 22/4).

Figure 6.1. Ratio of membership fees to donations in the income structure of Slovak parliamentary parties, 2003–2004 (thousand SKK)



Source: Author's elaboration based on party financial reports

The disclosure threshold was employed by political parties to protect themselves in many other cases, although the level above which donor identity had to be disclosed varied considerably. In Latvia, political parties were compelled to declare only income sources and outlays exceeding LVL 1000 ($1900) (LVA: Official Gazette, №. 114(397), 1995, sec. 8). Besides, transparency was hindered by the impossibility to check the authenticity of donor identity and the inability to look beyond the aggregate figures of spending (Čigāne, 2002, pp. 9–13). Likewise, despite the enactment of a stricter transparency regime, foreseeing clearer accounting, reporting and disclosure obligations as result of the party regulation reform in Russia (Центральная Избирательная Комиссия Российской Федерации, 2005, secs 19, 34–35), political parties still enjoyed sufficient freedom regarding disclosure of income sources and expenses.[119] The disclosure threshold was set relatively high – RUB 20,000 ($700) for individuals and RUB 400,000 ($14,000) for corporations, including similar levels on party expenses. In the same fashion, Romania set the disclosure threshold at ten times MMW in 1996 – while in 1996 this amounted to about $240, by 2011 it had reached an equivalent value of $2,200. Furthermore, since the 1996 party law left also open the possibility to collect anonymous contributions, it undermined overall transparency.[120] Even after the 2006 party financing reform, several transparency-related loopholes continued to weaken entire PFR (ROU: Official Gazette, №. 632, 2006). The most problematic issue was the definition of donations

[119] In fact, the legal enforcement started later since the layout for the party annual report had to be drafted by the tax bodies and it took roughly four years to draft and endorse this layout. Only in September 2005 did the Russian CEC approve it (Центральная Избирательная Комиссия Российской Федерации, 2005).

[120] In 1996, the total amount of anonymous donations was limited to 20 percent of the largest budgetary subvention allotted to a political party. In 2003, it was lowered to 15 percent while in 2006 it was set at 0.006 percent of the budgetary revenue foreseen in the respective year. For instance, if one correlates the last coefficient with the overall amount a political party could amass from private contributions, established at the equivalent of 0,025 percent of budgetary revenue then it results that each political party could amass up to a quarter of its income from private sources as anonymous contributions.

as codified by the Civil Code, used as a guideline to establish methodological norms to implement financing regulations, according to which only gifts exceeding three times MMW would legally qualify as donations (ROU: Official Gazette №. 493, 2007, sec. 6). Consequently, parties could avoid registering gifts below this threshold altogether, since they would fall outside accounting rules (GRECO, 2010f, p. 27).[121]

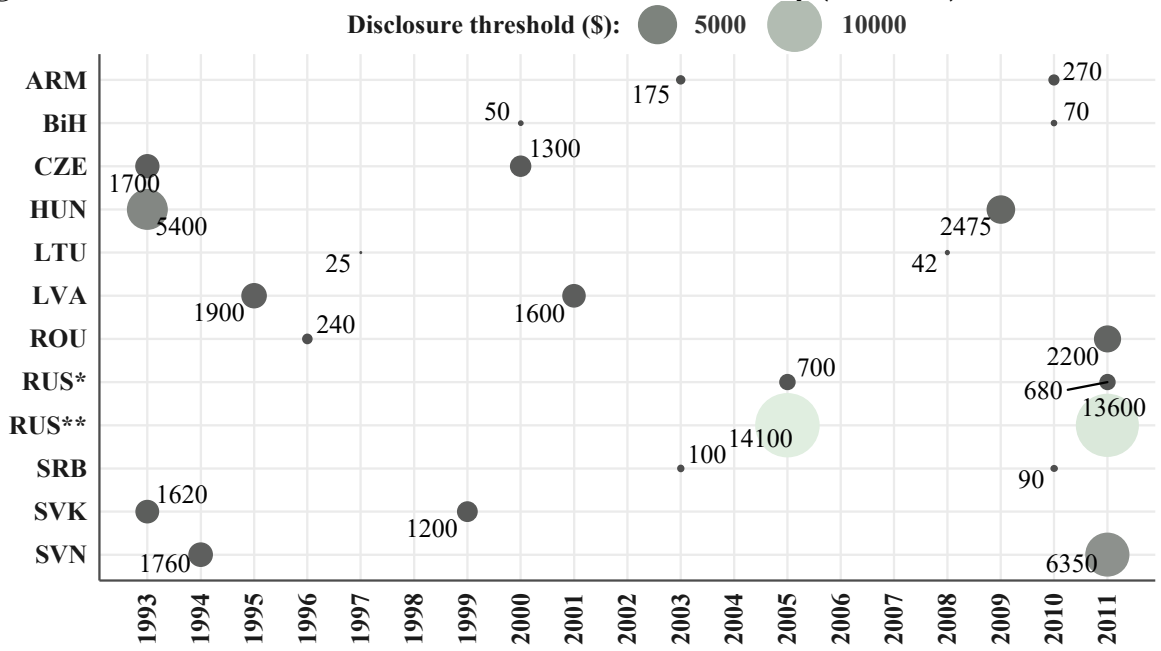
In other cases in which the disclosure requirements were lower, such as Armenia, Serbia and Bosnia and Herzegovina, one finds other transparency shortcomings. The 2002 Armenian party law, while far more restrictive on reporting to state bodies, was less clear on publishing requirements, failing to clarify whether the list of donors contributing above 100 times MMW ($175) should be published in the media along with the consolidated financial report (ARM: №. 3P-410, 2002, sec. 28).[122] The same publication shortcomings almost completely nullified the transparency regime of Bosnia and Herzegovina (BIH: Official Gazette, №. 22, 2000, secs 11, 14). Besides failing to clearly specify what kind of donor data needs to be recorded, the law foresaw only the separate registration of donors who contribute above BAM ($50), which in a cash-driven economy makes control of party financial flows quite problematic. Furthermore, there was no compulsory requirement to even publish the identity of large donors. While the CEC was authorized to draft the form of annual reports, as well as to publish them on its webpage, donor identity was not part of the disclosure obligations and the CEC published only aggregate financial data (GRECO, 2011a, pp. 19–20). The same applies to Serbia, which set the disclosure threshold at DEN 6,000 ($100) in 2004. Furthermore, Serbian regulations establish no reporting deadline for the submission of annual declarations, thus rendering impossible the application of sanctions against political parties who do not comply with the financing rules (GRECO, 2010b, p. 15).

Figure 6.1 depicts the cross-national variation of disclosure thresholds for donor identity, exposing large disparities. Among all the cases, only Armenia, Romania and Slovenia linked it to a flexible indicator as the wage level, which ensured that over time larger amounts of money could remained undisclosed. This is clearly seen in all three cases, albeit with rapid growth in the minimum wage contributing to a faster and steeper increase in the Romanian case. In the remaining cases, it is a fixed nominal value and its real value has fluctuated over time depending on the average exchange rates of the national currency. Yet, most cases can be regarded as quite permissive in terms of transparency obligations.

[121] This was quite a substantial omission given the size of gifts that would not be registered in party balance sheets, since in 2007 the equivalent of 3 MMW was about $480 while in 2010 it amounted to $570.

[122] Though further clarifications regarding the items to be included in financial reports were issued in 2005 through a decision of the Ministry of Justice (№. 39-N, 31.03.2005), neither the law nor the decision clearly specified whether the list of donors is to be disclosed. Additionally, the law does not address the reporting of in-kind donations and goods and services below market value (GRECO, 2010g, p. 16).

Figure 6.2. Evolution of the disclosure threshold for donor identity (1993–2011)



Source: Author's elaboration

Note: * Physical entities: ** Legal entities

The tolerance of anonymous donations and the presence of disclosure thresholds inserted into more complex regulatory frameworks clearly undermines overall transparency. However, even when such thresholds were non-existent, there were other regulatory flaws. In some cases, the complexity of the regulatory thicket offered sufficient possibilities to elude transparency by leaving out of public scrutiny significant chunks of party funding. Poland is a notable case in this respect. Although it shifted from no regulations during the early '90s to a well-developed transparency regime one decade later, there have been some notable omissions. The transparency regime was codified by the 1997 Constitution as a constitutional principle whereby 'the financing of political parties shall be open to public inspection' (POL: Official Gazette, №. 78/483, 1997, sec. 11/2). However, this was not fully incorporated into the party law passed in the same year (POL: Official Gazette, №. 98/604, 1997). While political parties were bound to present annual financial reports on funding sources by a clear deadline, the law was silent about the reporting of expenses and still allowed public collections.[123] Likewise, although the disclosure requirements were strengthened in 2001 in the Public Information Access Law compelling parties to make their financial data public (Szyszka, 2014, p. 87), these amendments limited this obligation only to budgetary subventions (POL: Official Gazette, №. 79/857, 2001, sec. 34). Accordingly, the law was silent on the transparency of private funding, which remains outside the disclosure obligations so that donor

[123] Moreover, the law did not establish any publicity requirements for political parties. This responsibility was assigned to CEC which had to establish the procedure on their accessibility. It similarly did not envisage any binding rules for parties to aggregate data on local structures, as well as to account for in-kind donations or indirect state support (Walecki, 2007, p. 140).

identity could still be concealed (Sawicki, 2012, p. 13; Zbieranek, 2010, pp. 82, 84).[124] Furthermore, these substantive shortcomings were backed up by rather complex bureaucratic procedures that further hinder transparency without ensuring 'easy access to party financing information' (GRECO, 2008b, p. 25). Poland is a case of evolutionary development based on the incremental model of regulatory adjustment. However, it also shows how, notwithstanding the increasing sophistication of the transparency regime, political parties could limit access to critical data such as donor identity.

Unlike the incremental model observed in Poland, Estonia shifted from the complete lack of transparency obligations to an elaborated model that from the outset laid down relatively thorough reporting and disclosure requirements. The 1999 law compelled political parties to submit quarterly reports, to publish the register of donors and to ensure access to party financial records to any interested citizen (EST: Official Gazette, №. 27/393, 1999, sec. 12[4]). Publication requirements were further enhanced in 2003 by the obligation of parties to disclose their financial declarations on the party's webpage (EST: Official Gazette, №. 90/601, 2003). Beside these detailed publication requirements, however, the law failed to specify a publication deadline and did not apply the same disclosure rules for membership fees, thus leaving open a potential loophole to circumvent transparency obligations on donations (GRECO, 2008a, pp. 15–16). The lack of donation caps and the lack of effective control over the donor register made this a pertinent issue since party members could act as intermediaries to channel even corporate donations to party coffers (Sikk & Kangur, 2008). This loophole appears to have been exploited by Estonian parties, although the biggest scandal related to the channelling of money from unknown sources into party coffers through party members broke out ten years after the introduction of stricter transparency obligations (ERR, 2016; Transparency International Estonia, 2012; Voxeurop, 2012).

Similar instances can be found in other contexts where transparency obligations could be skirted by parties exploiting existing loopholes. Until 2008, Montenegrin parties enjoyed a comfortable position due to very liberal transparency provisions (Reed, 2006; Vujović & Bošković, 2006). The passage of new regulations in 2008 contained, however, several shortcomings like shortcomings like the fact that only parliamentary parties were required to submit financial statements and only the submitters of electoral lists were obliged to disclose donor identity (MNE: Official Gazette, №. 49, 2008, secs 25–26). Nevertheless, the key transparency-related problem was the lack of accountability around budgetary subventions.[125] Additionally, there were no regulations on reporting in-kind donations, or goods and

[124] Several aspects, like the form and precise content of the financial report, were left to be decided by the Ministry of Finance, advised by the CEC. Only starting from 2003 were Polish parties obliged to keep their financial records in compliance with accounting regulations because of Ministry of Finance decrees (Official Gazette, №.11/118, 23.01.2003), including the obligation to report all income sources (Official Gazette, №. 33/269, 26.02.2003), budgetary subventions, as well as all expenses incurred from the state subvention (Official Gazette, №. 33/268, 26.02.2003).

[125] For instance, the audit report of parties' annual accounts performed by the State Audit Office found that 90 percent of the parties' total income in 2011 came from the state budget. Nevertheless, there were several transparency-related issues, such

services provided below market value (GRECO, 2010a, p. 15). Hence, regardless of the precise weaknesses found in different national contexts, medium restrictive cases have still offered ample opportunities to exploit regulatory loopholes and circumvent transparency obligations.

6.2.3. High restrictive cases

Transparency regimes belonging to this type are the most restrictive in relative, rather than absolute, terms. Despite sharing some common weaknesses, they can still be distinguished by tougher requirements, such as recording and publishing the identity of all donors, expenses as well as ensuring easier access to party financial records. Therefore, high restrictive cases are by no means absent shortcomings associated with transparency obligations altogether. Few polities were so stringent that there were no transparency shortcomings whatsoever even two decades after the collapse of communism. Furthermore, even the adoption of more demanding rules has not automatically resulted in party compliance. The Czech Republic, Latvia, and Lithuania were the first to set stricter transparency obligations. The Czech transparency regime was amended in 2000 by imposing more demanding reporting and disclosure obligations. The previous disclosure threshold was abolished, and parties were required to register all gifts and donations, regardless of their value, including donor identity (CZE: №. 340, 2000, sec. 18). While the same requirement did not apply to membership fees, parties still had to disclose the identity of members whose contribution exceeded the CZK 50,000 ($1,300) threshold, thus narrowing the possibility of channelling money from hidden sources to party pockets.[126] Yet, despite strengthened reporting and disclosure obligations, the accessibility of financial reports proved to be limited since the only copy made available to the public was stored in the parliamentary library (GRECO, 2011c, p. 11; Simral, 2014, p. 12). As in the Czech case, the practice of concealing donor identity in Slovakia, by channelling the money via membership fees, was curtailed in 2005 compelling political parties to keep separate records of members with their identity data if the annual membership fees exceeded SKK 25,000 ($800). The law also set a detailed and itemized structure of income sources and expenses, including the list of all donors with their identity data, as well as written agreement on donations above SKK 5000 ($160) (SVK: №. 85, 2005, secs 22–23, 30).

Likewise, Latvia's shift toward more transparency started in 2002 when the disclosure threshold was removed and the obligation to publish donor identity on the webpage of the Bureau for Prevention and Combating of Corruption (KNAB) was instituted (Čigāne & Kalniņš, 2003, p. 51). In 2004, the transparency provisions were further enhanced by the requirement to prepare annual reports in

as the lack of standardized rules on accounting records, the lack of internal party control mechanisms, the use of several bank accounts for financial operations, the use of extensive cash payments without valid supporting financial documents, the use of state subsidies for crediting natural persons, and the use of funds for regular party activity to finance election campaigns (SAI, 2012, pp. 242–244).

[126] The law however was not clear on how to assess the monetary value of in-kind donations and bank loans (GRECO, 2011c, p. 17).

compliance with accounting regulations and to publish them in the Official Gazette and on the KNAB's webpage (LVA: Official Gazette №. 95 (2670), 2002, secs 8–9). Lastly, the same disclosure obligations as for donations were applied to membership fees (LVA: Official Gazette №. 116 (3900), 2008). From a purely legal perspective, the Latvian transparency regime has proved to be one of the most robust across post-communist space (GRECO, 2008c, pp. 18–19).

Lithuania followed a similar path in tightening transparency obligations. Already in 1999, an amendment to party financing law foresaw the accessibility of party financial reports by every citizen but it did not require the publication of reports by parties themselves (LTU: №. VIII-1020, 1999, sec. 19). The 2004 party funding law enhanced the transparency obligations by requiring the CEC to publish annual financial declarations, including donor identity whose contribution exceeded LTL 100 ($40) on its webpage (LTU: №. IX-2428, 2004, secs 10, 22). Nevertheless, like in other cases, the regulatory framework was less precise on declaration of on in-kind donations and incorporation into party annual accounts of financial information of entities (e.g., foundations) affiliated with political parties (GRECO, 2009a, p. 24).

Other countries, including Croatia, Serbia, Macedonia, Georgia and Armenia, followed suit much later. Croatia switched from the almost complete lack of transparency to thorough reporting and disclosure obligations only in 2007, including full data on donors and the publication of financial reports on party (GRECO, 2009c; HRV: Official Gazette №. 1, 2007, secs 18–19). Macedonia and Serbia, instead, followed a gradual shift toward more comprehensive transparency obligations (GRECO, 2010d, pp. 16–18, 2012a, pp. 6–8). The same holds true for Georgia and Armenia, which adopted more encompassing reporting and disclosure obligations only in 2012 (GRECO, 2012b, pp. 7–11, 2013a, pp. 8–11).

While on paper, reporting and disclosure obligations appear to be through and encompassing, in practice, their enforcement and parties' compliance have proved insufficient. In Croatia for instance, while the scope and depth of reporting and disclosure requirements has improved tremendously as result of party funding reform, the reliability of financial data, as reflected in party annual and campaign financial declarations, still represented a problem. Party funding related corruption scandals that broke out during 2010–2011, backed up by the numerous media reports on dubious income sources, has only fed the public perception that Croatian party finances are very murky (Mataković & Petrović, 2011, pp. 19–20, 2013, pp. 18–19). Despite similar disclosure obligations, Serbian parties have managed to provide limited or questionable information on their donors since many corporate contributors either could not be found in the Serbian Registry Agency or they handed out almost entirely their annual income to a political party (Bajovic & Manojlovic, 2013, p. 22). Likewise, the compliance rate of Macedonian parties regarding the submission on financial reports to oversight bodies remained very low (Andreeva et al., 2011, p. 31). Nor have political parties complied by the publication of donor identity, failing particularly to disclose the

identity of large donors, thus contributing to a widespread perception that the disclosure of donors is avoided given the existence of quid pro quo exchanges and widespread governmental favouritism (Taseva, 2011, pp. 40–41, 2013, pp. 42–45). In the same vein, the enforcement of transparency obligations turned out to be an issue in Georgia, where many shortcomings could be observed. The limited compliance with the law results in the untimely publication of financial data, poor detailing of expenses in the financial declarations, as well as the impossibility of identifying donors and the source of large parts of income (Transparency International Georgia, 2012a, pp. 18–20; Urushadze et al., 2013, pp. 25–27). Furthermore, the selective approach of the oversight body in enforcing the rules has undermined the overall robustness of transparency regime (GRECO, 2013a; OSCE/ODIHR, 2012b). These examples are just the tip of the iceberg concerning the range of practices employed by political actors, even in the most demanding transparency environments, highlighting the need for independent enforcement and a corresponding set of sanctions to ensure that parties abide by the law.

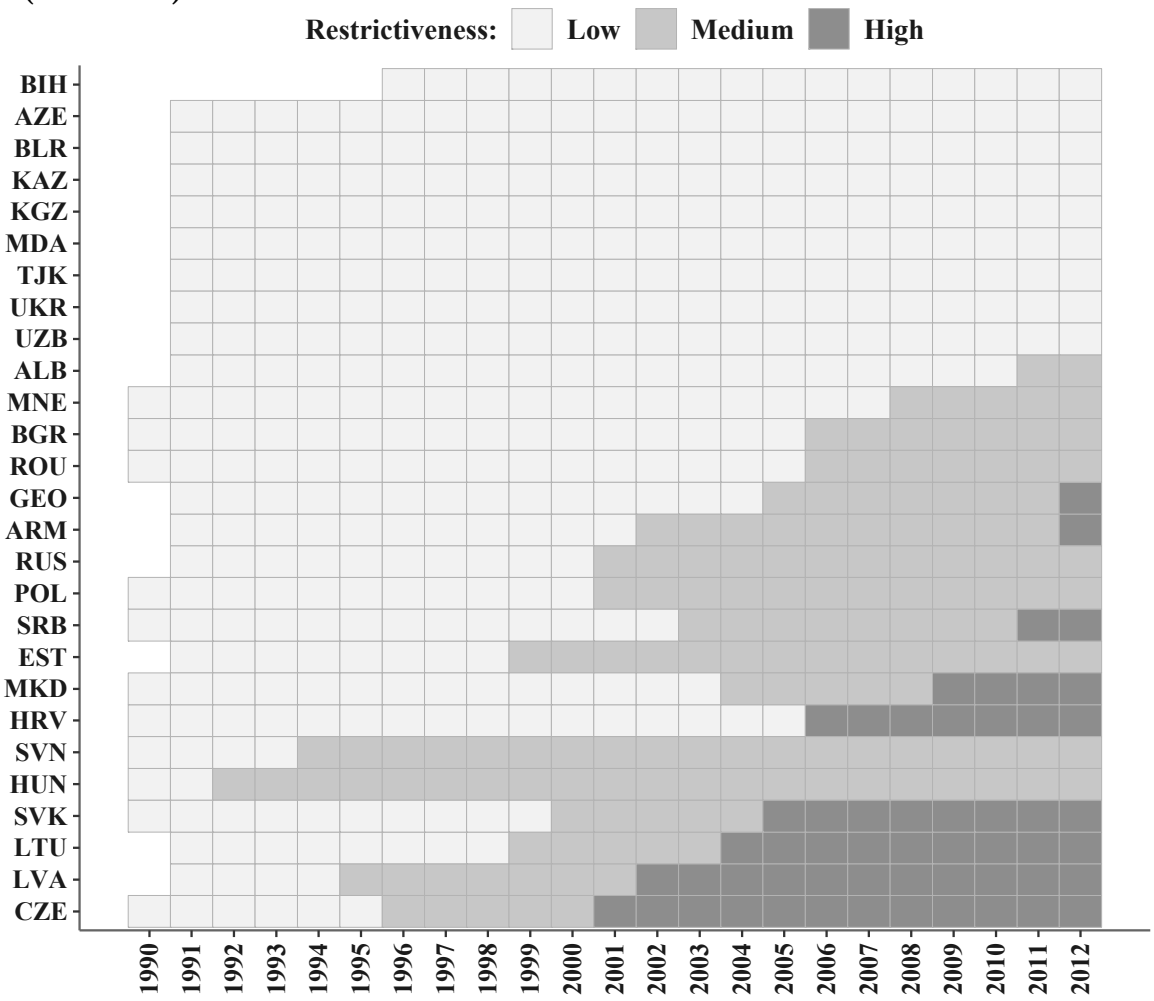
6.2.4. Trends and patterns of restrictiveness on transparency for statutory financing

At the beginning of transition, transparency turned out to be one of the forgotten aspects of party financing and it remained so for a long time. Even when various legislative packages on PFR have been enacted, reporting and disclosure have often been overlooked or tackled in a very superficial way. Transparency provisions have been drafted in a rather blurry and overly generic way, rendering them highly prone to being eluded by political parties, which have taken advantage of this situation by trying to conceal the origin and the destination of financial resources. Consequently, the reluctance of political parties to open their financial records constitutes a common feature across post-communist space, regardless of the pace and scope of transition from authoritarian rule in any given case. During the first ten years, none of them introduced rigorous transparency obligations. The porous nature of the regulatory framework left open a myriad of loopholes, ranging from tolerance of anonymous donations to more subtle ways to avoid disclosure of income and expenses. Beside regulatory shortcomings, overly bureaucratic procedures for the operationalization of transparency have further undermined the transparency regime. Even when political parties have been pushed to enact transparency rules aimed at establishing tighter control over party financial activity, the emphasis has fallen on reporting obligations and less on disclosure, thus making party finances virtually inaccessible to the general public. Partial disclosure requirements, let alone full ones, became a common feature of transparency much later. Furthermore, even when the pressure from civil society and the international community forced parties to open and publish their financial records, in many cases the actual implementation of transparency obligations in line with legal obligations still made it possible to sidestep rules. This holds true for both groups of transition regimes – that is, forerunners and laggards of democratization. Figure 6.3 shows these developments over time, clearly highlighting the prevalence of low restrictive transparency regimes.

The domination of the low restrictive cases is illustrated by the aggregate time spent by post-communist polities under conditions with limited binding transparency requirements, which account for almost two-thirds of the period between 1990 and 2012. For another quarter of this time, transparency requirements were of medium-level restrictiveness and in only less than 15 percent of the total time span were there more demanding reporting and disclosure obligations set. In most cases, political actors opted in favour of a *non-decision* model of action in dealing with transparency obligations (Bachrach & Baratz, 1962). The unwillingness to regulate party finances simply resulted in an enduring status quo with long delays in the drafting and/or passage of appropriate legislation. When, however, political parties had to pass and comply with stricter reporting and disclosure requirements, the regulatory framework was usually replete with obvious shortcomings that severely undermined the leverage of the newly passed regulations to shed more light on party finances. Contingent on the national context, political parties have managed to avoid the burden of stricter transparency obligations by balancing on the edge of legality. The lack of regulations on membership fees and the establishment of disclosure thresholds has proved to be the standard and most visible way to sabotage the disclosure of income sources even in the most thoroughly designed transparency regimes. The first method has allowed political contributions to be converted into membership fees, while the second has seen the larger donations split into smaller ones with the same purpose – to conceal the real identity of the parties' financial backers.

The cross-national variation displayed in figure 6.3 is quite telling concerning the clustering of transparency regimes based on their restrictiveness scores. While the CEE and Baltic states have turned out to be faster in establishing more complex reporting and disclosure rules, their transparency regimes were still marked by significant shortcomings (Cisar & Tomáš, 2007; Enyedi, 2007; Fink-Hafner & Krašovec, 2013; Gherghina & Chiru, 2013; Ikstens, 2008; Ilonszki & Várnagy, 2014; Linek & Outly, 2008; Popescu & Soare, 2014; Sikk & Kangur, 2008; Szyszka, 2014; Toplak, 2007; Unikaité, 2008; Walecki, 2007; Zbieranek, 2010). Conversely, the bulk of the former soviet republics and Balkan countries, for a long time either lacked even minimal transparency obligations or the regulations were formulated in a blurry way that barely constrained political parties (Gel'man, 1998, 2008a; Gleisner, 2007; Goati, 2007; Kanev, 2007; Kregar et al., 2007; Protsyk & Osoian, 2008; Protsyk & Walecki, 2007; Roper, 2002; Rybář, 2006; Smilov, 2014; Treneska, 2007; A. Wilson & Brich, 2007; K. Wilson, 2007). The situation did not substantively improve even when many of them passed through a second wave of regulatory changes in the 2000s meant to replace the loosely binding regulations enacted at the beginning of the '90s. Nevertheless, the drafting and passage of new regulations has not automatically brought about much stricter reporting and disclosure requirements.

Figure 6.3. Restrictiveness of transparency rules for statutory party financing by country and type (1990 – 2012)



Source: Author's elaboration

Figure 6.3 also exhibits the uneven development regarding the timing and pace of change. Hence, beside the status quo cases, incrementalism represents the dominant regulatory approach (Lindblom, 1959, 1979). Most post-communist regimes followed an incremental model of amending the regulatory framework by building upon and/or extending/replacing older provisions, adding more detail, clarifications and precision, thus removing the ambiguity of the initial regulations. Even in those polities characterized by a status quo approach, political parties altered the legal framework albeit with changes that were insufficient to produce a qualitative rupture from the previous transparency regime. Moldova is a case in point here. In other cases, like Slovenia and Hungary, the choice made in favour of a certain transparency regime at the outset of transition was preserved over time, despite the patchy nature of transparency requirements contained therein. Furthermore, the sensitive and contentious nature of PFR reform made any radical shift from very lax to very stringent transparency obligations rather unlikely, even as such a fundamental shift was seen in some cases – notably Estonia and Croatia.

Ultimately, despite proceeding slowly a move toward stricter transparency obligations is a clear trend across post-communist polities, although relatively few countries enacted truly highly restrictive transparency obligations. Notwithstanding the reluctance of political parties to confine themselves by opening their financial books to the general public, figure 6.3 depicts steady shrinkage in the number of low restrictiveness cases over time. Yet, given the complex and multifaceted nature of transparency, political parties have been able to avoid compliance even as more sophisticated and complex regulations have been introduced, ensuring they could continue to hide the sources of big chunks of their revenues and expenses. GRECO country reports are particularly revealing in this respect, showing how transparency obligations have been dodged in subtler ways. Even though political parties might not always exploit these loopholes, they were able to use them selectively to conceal those income sources they were particularly reluctant to disclose.

6.3. Transparency of election financing

The assessment of transparency requirements for elections needs to include some additional criteria relative to statutory party activity. The first is related to the identity of electoral contenders who are subject to transparency rules since, beside political parties, individual candidates or electoral coalitions might (not) be subject to similar reporting and disclosure requirements. The second touches upon the definition of campaign expenses, which may affect the way how electoral subjects record and publicize their electoral outlays. In the absence of a definition of election expenses – or where such a delineation is blurry – large parts of electoral outlays can remain outside regulatory coverage, despite being clearly used for electioneering purposes. Lastly, the delimitation of the electoral period may create additional difficulties in assessing the restrictiveness of transparency obligations. If it is not delimited in time, it becomes impossible to check whether electoral competitors fully comply with transparency obligations even if they are foreseen by law. Likewise, if the electoral period is too short, this will also negatively affect transparency, since political parties will not be compelled to report all income and expenses used for electoral purposes outside the officially delimited campaign period. Furthermore, the disclosure of campaign income and expenses in due time represents another relevant issue and matters precisely because these resources are deployed to affect voter decision-making. If political parties and candidates are not compelled to report and disclose their income sources and expenses in due time, this will lower the value of transparency. However, including all these additional indicators complicates the assignment of cases to a certain restrictiveness type. Therefore, to avoid these problems, I employ the same operationalization criteria as for statutory funding, leaving aside the frequency of reporting during elections. Thus, I only consider whether electoral competitors are obliged to report and disclose their financial sources and outlays at the end of the election campaign.

6.3.1. Low restrictive cases

Broadly speaking, while reporting and disclosure obligations during elections proved to be slightly more elaborated than for statutory financing, the development of transparency regulations varied significantly across post-communist regimes. None of them imposed constraining transparency obligations for the founding elections and few of them introduced such requirements for subsequent contests. Furthermore, after two decades of transition, some of them still lacked a set of minimal transparency rules. Yet, there has been some variation in the ease with which electoral competitors have been able to escape transparency obligations, ranging from a complete lack of reporting and publication obligations to the requirement to make publicly available only the aggregate figures of income and outlays – hardly a burdensome or demanding requirement. Overall, these regulations have suffered from two severe drawbacks: an overly generic formulation of what is to be reported and disclosed and/or the lack of disclosure rules altogether. While generic formulation allows electoral competitors to define in their own terms what constitutes campaign income and expenses subject to transparency rules, the lack of disclosure provisions keeps campaign financing hidden from public scrutiny even when electoral competitors are compelled to report them to an oversight body.

Within the group of low restrictive cases, the Czech Republic is the extreme case, since there were no reporting and disclosure obligations foreseen by the electoral law on campaign financing for more than two decades (GRECO, 2011c, p. 10; OSCE/ODIHR, 2010c, p. 7).[127] Likewise, Albanian electoral legislation did not foresee any reporting and disclosure requirements for parties and candidates until the 2005 parliamentary contest (ALB: №. 9341, 2005, sec. 145/1), which was in line with the general approach of non-transparent electoral management (OSCE/ODIHR, 1996, 1997a, 2001b). The lack of transparency and the systematic abuse of state resources by incumbents reached a point that made it difficult to draw a line between the official and campaign activities of the incumbent candidates (IRI, 1996, pp. 6, 23; NRI, 1991, pp. 9, 14). The same holds true for Macedonian elections, in which the abuse of state resources was a widespread practice given the lack of transparency obligations. As a result, campaign funding represented one of the murkiest areas of the electoral process (IRI, 1994, p. 23, 1998a, p. 9).

In the same vein, transparency rules turned out to be either non-existent or poorly defined in Serbia and Montenegro, at least for five consecutive parliamentary elections (MNE: Official Gazette, №. 49, 1992; SRB: Official Gazette, №. 79, 1992). In Serbia, the non-disclosure of private contributions was the key impediment in exposing campaign finances to closer public scrutiny (Goati, 2007, p. 163; IFES,

[127] In the absence of binding provisions, the isolated attempts undertaken by the biggest electoral contenders to enter into a kind of gentlemen's agreement to limit the use of campaign billboards and expenditures proved to be ineffective and short-lived due to the fact that some parties opted to stay out and others simply defected (OSCE/ODIHR, 1998b, pp. 9–10, 2002b, p. 11).

1997, pp. 22, 35–36; OSCE/ODIHR, 2001d, p. 17). Even if the passage of more rigorous transparency obligations has required political parties to disclose the identity of donors (SRB: Official Gazette, №. 43, 2011), weak enforcement has 'paved the way for the undisciplined behaviour of the parties' (Pesic, 2007, p. 25). Montenegro has followed an identical trajectory. The attempt to introduce more constraining rules was somewhat undertaken in 1997 but the wording of regulatory provisions failed to alter the status quo (IFES, 1998a, pp. 16–17; Vujović et al., 2005, pp. 21, 26).[128] In Croatia, the complete lack of reporting rules on campaign spending during early '90 was substituted with overly weak rules in 1999 (IFES, 1996, p. 70; IRI, 2000, p. 18; OSCE/ODIHR, 2012c, pp. 6–7). Accordingly, if the 1992 law on parliamentary elections lacked any reporting obligations, the 1999 law obliged parties to declare only the *approximate* amount and its sources intended to be spent without requiring the declaration of the actual campaign expenses after elections (HRV: №. 01-081-99-1769/2, 1999, sec. 33; HRV: №. PA4-23/1-92, 1992). This provision, which survived until 2011(Official Gazette №. 24/495, 23.02.2011), was considered an unenforceable *'moral obligation'* (GRECO, 2009c, p. 12). The obligation to publish party financial declarations was introduced in Latvia only before the 2002 parliamentary contest (Čigāne, 2003, p. 52; Ikstens, 2013, p. 13; Sikk, 2004, p. 7). Although election financing had to be incorporated into the annual financial reports, the lack of disclosure obligations during elections remained a critical shortcoming of the transparency regime (Čigāne, 2002, pp. 8–12).

Similar loopholes proved to be the hallmark of the Bulgarian, Romanian, Slovak and Slovenian transparency regimes, albeit with different degrees of sophistication in rules across the cases. Bulgarian election law was completely silent on reporting and disclosure obligations. The only provision binding electoral subjects to report on their finances to the State Audit Office (SAO) was foreseen by the party law. Yet, the SAO has publicized neither donor identity nor the value of private contributions (Ikstens, Smilov, et al., 2002, p. 27; Kanev, 2007, p. 47; OSCE/ODIHR, 1997b, pp. 7, 15). Likewise, transparency has been weak and hard to enforce in the Slovak case (Ikstens, Smilov, et al., 2002, p. 59). While the campaign spending law has compelled electoral competitors to report on their election outlays to the parliament one month after elections, it remains silent on the reporting of income sources and the disclosure of electoral reports to the public (SVK: №. 239, 1994). The introduction of disclosure requirements was considered as the key tool to control campaign spending and to curb the abuse of state resources for electoral purposes (IRI, 1998b, p. 20), an objective accomplished only in 2000 by requiring political parties to publicize donor identity (Rybář, 2006, p. 331).

The patchy transparency requirements in the Slovenian and Romanian electoral legislation similarly rendered the entire mechanism inefficient. The 1989 Slovenian election law contained only a

[128] The 1997 party financing law only required that parliamentary parties should come to an agreement on setting restrictions on campaign expenditures, but it established no transparency provisions in the body of the law itself, nor any compliance mechanism (Vujović et al., 2005, p. 26).

very short provision on reporting but not on disclosure of campaign financing (SVN: Official Gazette, №. 42, 1989, sec. 115). The 1994 campaign law was also very laconic in this respect although it harmonized campaign and statutory transparency rules on donations (SVN: Official Gazette, №. 62/3399, 1994). While the 1994 party law stipulated the disclosure of donors' identity, the permissive disclosure threshold exempted parties from disclosing the identity of donors since, according to official data, the bulk of donations were made below this threshold and were reported only as aggregate figures (Fink-Hafner & Krašovec, 2013, p. 10; GRECO, 2007, p. 25; Toplak, 2007, pp. 182, 184). Likewise, transparency rules on campaign financing are almost missing from Romanian electoral legislation (OSCE/ODIHR, 2001c, p. 13).[129] The only provision requires that all contributions from physical and legal entities be publicly declared before their use (ROU: Official Gazette, №. 164, 1992, sec. 45/2). Yet, even though the 1996 party law introduced some disclosure obligations, there remained several ways to avoid transparency, including the legal possibility to receive anonymous donations, particularly for parties not benefiting from state subsides (ROU: Official Gazette, №. 087, 1996, sec. 35).[130] Furthermore, the obligation to disclose the identity of donors was mandated on an annual, not a campaign, basis. But even under such circumstances the compliance has proved 'inconsistent, elusive and incomplete', given the unwillingness of political parties to publish the list of donors on an annual basis (Asociaţia Pro Democraţia, 2001, p. 9; Pîrvulescu, 2000, pp. 6–7). This weak transparency has resulted in huge disparities between the officially reported and actual campaign expenses.[131] In the absence of campaign spending limits, such disparities suggested that parties have collected large amounts from unaccountable and illegal sources which could not be justified (Gherghina & Chiru, 2013, p. 119; Popescu & Soare, 2014, p. 395).[132]

Finally, the early electoral legislation in most post-soviet republics was also overly liberal on transparency requirements.[133] While in some cases, including Armenia, Kazakhstan and Russia, the lack of transparency has been reflected only in the obligation to submit financial reports to the electoral commission without any disclosure obligations (ARM: №. LA-132, 1995, sec. 5; KAZ: №. 2464, 1995,

[129] The OSCE election monitoring report stated that: 'Notably absent from the law are guidelines related to public disclosure of campaign contributions and expenditures' (OSCE/ODIHR, 2001c, p. 13).

[130] According to the regulations, political parties that received public funding were authorized to collect anonymous donations up to twenty percent of the highest subvention allotted to a parliamentary party. This implies that this regulatory provision did not cover those parties that were not recipients of state funding (Asociaţia Pro Democraţia, 2001, p. 9).

[131] The most conclusive proof of poor transparency rules was the huge gap between the officially reported data on contributions for the 2000 electoral year and parallel estimations of campaign expenses performed by a civil society organization which, using market prices for various types of electoral advertising, found that the biggest Romanian parties spent up to ten times more than officially declared (Asociaţia Pro Democraţia, 2001, p. 27; Pîrvulescu, 2003).

[132] The porous nature of transparency rules was publicly acknowledged by the acting Minister of Justice right before the 2000 elections who 'stated at the time that eighty percent of parties' funds were black money, in the sense that these funds either did not comply with the existing legal provisions, or from a moral point view, their use is arbitrary' (Moraru & Iorga, 2005, p. 117)

[133] Transparency rules in the authoritarian regimes of Central Asia and Belarus for certain elections are not relevant, since the ban on using private resources did not require parties and candidates to report and disclose their revenue and expenses because the state entirely bore the cost of campaigning. Yet, when the rules were liberalized and the influx of private money into electoral process was allowed in some of these polities, transparency rules turned out to be flawed in the same way as in more democratic political regimes.

sec. 34; RUS: №. 1557, 1993, secs 32–33), in other cases like Azerbaijan, Georgia, Kyrgyzstan, Lithuania, Moldova and Ukraine a minimum level of transparency was supposed to come from publishing campaign means and expenses in the press (AZE: №. 1082, 1995, sec. 49; GEO: №. 790, 1995, sec. 30; KGZ: №. 39, 1999, sec. 51; LTU: №. I-2721, 1992, sec. 45; MDA: Official Gazette №. 010, 1993, sec. 68; UKR: Official Gazette №. 48, 1993, sec. 36). Yet, in none of these cases has the regulatory framework provided for additional details on how this requirement should be implemented. This overview shows that even among the low restrictive transparency regimes there was variation in transparency obligations between those that have foreseen minimal requirements and those that have lacked them altogether. Nevertheless, the rules according to which electoral competitors were bound to present only aggregate figures on their campaign revenues and outlays or were able to exploit regulatory shortcomings cannot be deemed much more substantively constraining in practice.

6.3.2. Medium restrictive cases

Despite the availability of more sophisticated and detailed legislative provisions, the peculiarity of medium restrictive cases is the presence of various omissions, thus permitting electoral competitors to keep large portions of their income and expenses undisclosed. Yet, unlike transparency obligations for statutory party activity, the corresponding rules for elections have provided for more opportunities to conceal campaign funding, given the blurry definition of campaign income and expenses and the limited electoral time frame. On the income side, this is mainly related to the possibility of electoral competitors avoiding transparency through the use of in-kind donations, ranging from the provision of free services to the application of high discounts on paid advertisements. Concerning campaign spending, transparency has been avoided by the non-reporting of some types of campaign expenses.[134]

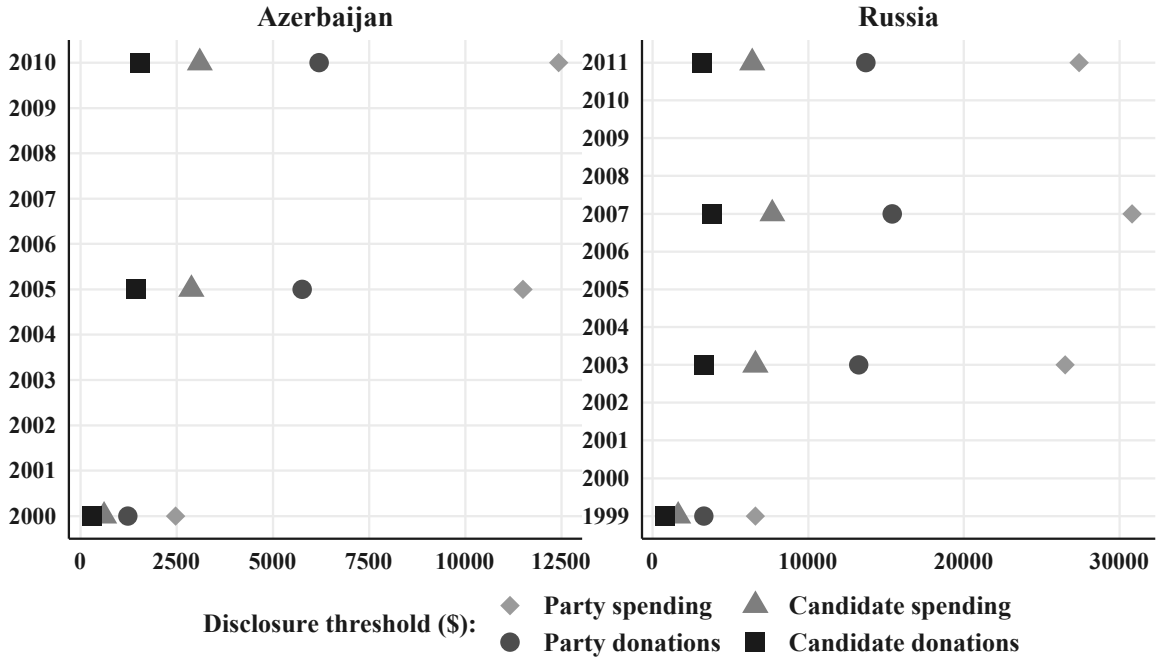
The regulatory framework of many post-communist polities, including Albania, Azerbaijan, Bosnia and Herzegovina, Estonia, Hungary, Latvia, Poland, Romania, Russia, Serbia, and Slovenia, has contained this kind of regulatory loophole. Russia and Azerbaijan are perhaps the most representative cases, with relatively complex reporting and disclosure rules that, at the same time, set out a relatively high publication requirement for certain income and expenditure items.[135] Since the 1999 Duma elections, Russian political parties and candidates have been subject to quite demanding reporting requirements but relatively permissive disclosure rules (RUS: №. 121-ФЗ, 1999, sec. 66). Although the post-1999 provisions were much more restrictive than for the previous two Duma contests, both parties and SMD candidates still enjoyed sufficient room to escape disclosure of their finances to the general public. Only party and candidate expenses above 2000 MMW ($6,600) and 500 MMW ($1,650),

[134] While the reporting and disclosure of in-kind donations and of all spending items is pertinent for the transparency of statutory party activity, during elections they are of a higher concern given their potential impact on electoral outcomes.
[135] It should be noticed that the 2000 Azerbaijani election law was almost identical to the 1999 Russian Duma elections law concerning publication requirements of campaign revenues and expenses setting out just different publication thresholds for disclosing donors' identity and expenditures.

respectively, needed to be published. Likewise, only the identity of legal entities that contributed to the election fund of parties and candidates surpassing the 1000 MMW (3,300) and 250 MMW ($825) thresholds, respectively, needed be disclosed. For the 2003 Duma elections these regulatory provisions were amended resulting, in a four-fold increase in the publication threshold on all indicators (RUS: №. 175-ФЗ, 2002, sec. 70).[136]

Likewise, the Azeri parliamentary election law set up identical disclosure thresholds on the same income and spending items, although the actual value was more than two times lower than in the Russian case (AZE: №. 900-IQ, 2000, sec. 63). Hence, only spending operations above $2,470 for parties and $615 for candidates were to be published in the media. The same publication requirements were to be applied to the identity of corporate donors contributing amounts larger than $1,230 and $300 to the party and candidate election funds, respectively. Moreover, in both cases transparency was hindered by the fact that the law did not impose the obligation to disclose the identity of physical persons, but only the total number of citizens that contribute to the election fund with amounts above the threshold. Figure 6.4 shows in comparative perspective the disclosure threshold on campaign expenses and contributions for party lists and SMD candidates in Russia and Azerbaijan. As these examples illustrate, the complexity of transparency regulations does not necessarily entails stricter disclosure obligations. Behind apparently clearly stipulated provisions, electoral competitors were left with relatively broad manoeuvring room to conceal from the public their income sources and expenses.

Figure 6.4. Publication requirements on election expenses and campaign contributions in Azerbaijan (2000 – 2010) and Russia (1999 – 2011)



[136] The same provisions were applied in the 2007 and 2011 parliamentary elections.

Source: Author's elaboration

The GRECO report on Russia is straightforward in this respect, calling for the disclosure threshold on campaign contributions to be lowered to a more appropriate level (GRECO, 2012c, p. 32). In most cases, however, the disclosure requirements apply only to income sources leaving aside campaign expenses. Furthermore, there are few cases like Azerbaijan and Russia, which have applied differentiated publication obligations to parties and candidates separately. In other cases, including Armenia, Hungary, Lithuania, Romania, Slovenia, Serbia Slovakia, Bosnia and Herzegovina, the disclosure rules on campaign contributions have been the same for parties and candidates.[137]

Besides the partial disclosure thresholds, medium restrictive cases feature other regulatory shortcomings, as epitomized by Estonia, Slovakia, Moldova, Montenegro, Poland and Georgia. Despite amending its electoral legislation to compel electoral contestants to provide more detailed financial reports (EST: Official Gazette, №. 57/355, 2002, secs 65–67), transparency rules on campaign financing in Estonia have failed to address the issue of third-party spending, to solve the issue of concealed donations through their registration as membership fees and to require more precise and detailed financial reports (GRECO, 2008a, pp. 15–16; OSCE/ODIHR, 2007a, p. 23, 2011a, pp. 17–18).

The same holds true for the Slovak transparency regime introduced in 2005. While more robust than previously, it contained two substantial loopholes on election financing. First, the legal framework covered only political parties, leaving outside individual candidates who were not compelled to report on their campaign financing. Second, political parties did not need to report election expenses in full due to third-party spending on parties' behalf, which remained unregulated (GRECO, 2008d, pp. 19–20; OSCE/ODIHR, 2012d, p. 8). Likewise, only from the 2009 parliamentary contest have Moldovan parties and candidates been required to compile relatively detailed financial reports on income sources by recording the identity of donors as well as providing an itemized structure on campaign expenses.[138] Very soon, however, political parties realized that too much light on their finances is detrimental for their reputation, given the issue of bogus donors. Investigative journalists have highlighted that party registers of campaign donations have been full of unemployed persons, pensioners and state employees, whose lavish donations extend far beyond their contribution capacity (Cozonac, 2010; Europa Libera, 2010; Jurnal de Chişinău, 2010; Ziarul de Gardă, 2010). Hence, in response to media scandals, Moldovan parties drastically reduced the possibility of external stakeholders to check the reliability and authenticity of donations by removing any identity data that would permit the verification of the donors' payment capability.[139] Furthermore, because until 2012 campaign expenditures were not defined, electoral

[137] Given the fact that disclosure threshold in these polities was identical for statutory and electoral activity, I do not discuss them here. For a full overview on the disclosure level of private contributions see figure 6.1 and table 6.1 in section 6.2.2.
[138] While this obligation was introduced in electoral legislation in 2002, it was not enforced for the 2005 elections (MDA: Official Gazette, №. 20/84, 2002).
[139] The loophole found by political parties stemmed from the fact that the personal code and the residence were falling under

competitors failed to declare their campaign costs for a wide range of spending items except political advertising (Ciurea, 2010, 2011; Lipcean, 2009, 2010a). In the case of Montenegrin elections, transparency has been affected by the fact that the total amount of private contributions has been conditional on the amount of DPF received by each party list (MNE: Official Gazette, №. 21, 2004; MNE: Official Gazette, №. 33, 2005; MNE: Official Gazette, №. 49, 2008). Since electoral subjects did not know in advance the exact sum they will receive from the state, they have been unable to keep an accurate mechanism on the reporting of private contributions. Therefore, the non-compliance with disclosure requirements was 'the most common form' of legal breach in Montenegro (Trivunovic et al., 2007, p. 22). Additionally, the publishing of financial declarations on the CEC website or in the Official Gazette could not be thoroughly implemented during the 2006 and 2009 parliamentary contests since the electoral body was short of resources and technical capacity to fulfil its duties (GRECO, 2010a, pp. 16–17).

In Poland, the disclosure regulations on campaign funding have suffered from the same drawbacks as for statutory activity, covering mainly budgetary subventions, thus leaving out private income sources. While the electoral legislation adopted in 2001 enhanced transparency requirements (POL: Official Gazette, №. 21/112, 2011, secs 120–121), the disclosure of donors' identity in the financial reports of electoral subjects was not effected (GRECO, 2008b, pp. 25–26; Sawicki, 2012, p. 13). The new electoral law passed in 2011 has only partially solved the problem of contribution disclosure (POL: Official Gazette, №. 21/112, 2011). Albeit electoral committees created by organizations and groups of voters had to publish the register of campaign donations, the same obligation did not extend to the electoral committees created by political parties, thus leaving the major electoral competitors outside the scope of disclosure requirements (GRECO, 2012d, pp. 8–9; OSCE/ODIHR, 2012c, pp. 13–14; Szyszka, 2014, pp. 92–93).

In the same vein, Georgian parties have protected themselves in a different way from the intrusion into their financial affairs. Despite the strengthening of reporting obligations in 2001, foreseeing the openness, publicity and accessibility of data on campaign contributions, the law did not explicitly require the CEC to publish campaign funding declarations (GEO: Official Gazette №. 25, 2001, sec. 48/11). It only required that the CEC grant access to candidates' financial data by specific request, without publishing them on its webpage (Gobronidze, 2008, p. 23). Only since 2006 has the CEC been

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the Law on Protection of Personal Data. Their use by the media together with the workplace, which also was mandatory to be indicated, to check out the payment capacity of donors was quickly noticed by parties, who tried to weaken transparency rules by claiming privacy for their sponsors. The legal dispute over conflicting provisions embedded in different laws ended up with the victory of political parties. As a consequence, all data identifying party sponsors, except the name and the amount of donations, were erased from the parties' financial reports, which were published on the CEC webpage for parliamentary campaigns held in April and July 2009. While the new coalition that replaced the communist government after the July 2009 elections reintroduced the full disclosure of the donors' identity data for the next snap elections held in November 2010 including the personal code, residence and workplace, ultimately even these financial reports were removed from the CEC webpage.

compelled to publish the identity of donors on its webpage, which was further enhanced by prescribing a clear deadline for disclosure right before the 2008 parliamentary contest (GEO: Official Gazette №. 22, 2007; GEO: Official Gazette №. 26, 2006). Yet, these transparency rules have been undermined by another amendment, passed in 2007, which removed the cap on private contributions transferred by a political party to its own election fund which were not subject to the same disclosure rules (GEO: Official Gazette №. 22, 2007, sec. 47). As a consequence, a large share of private funds remained undisclosed. This was a particular issue for the 2008–2010 elections (presidential, parliamentary, local) since several political parties contributed considerable amounts to their own election funds (GRECO, 2011d, p. 20; Transparency International, 2011a, p. 57). The transfer of parties' and candidates' own resources into election funds constitutes a tool to elude transparency obligations not only in Georgia but also in several other post-soviet republics, including Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Russia and Tajikistan. However, in the Central Asian republics the overall transparency regime has been much weaker even without considering this shortcoming.

6.3.3. High restrictive cases

The introduction of more demanding transparency rules on campaign income and outlays has been relatively rare across post-communist regimes. While from a strictly legal perspective, the regulation of campaign funding has been more developed relative to statutory party activity, no country imposed thorough disclosure obligations during the early transition, and only a few have done so since. In just a handful of cases have transparency obligations become more encompassing but their enforcement has been flawed, thus resulting in limited compliance.[140]

Latvia was the first country to employ an encompassing approach to the transparency of election financing. In 2002, it extended the election timeframe (270 days) within which parties were obliged to report all income and expenses. Furthermore, the identity of donors had to be published within 10 days after a contribution was received (LVA: Official Gazette №. 95 (2670), 2002, secs 8^1, 9). Although this timeframe was reduced to 120 days in 2008 (LVA: Official Gazette №. 116 (3900), 2008, sec. 8^2), it was much longer than one month (or even shorter) than in most other cases to incorporate the major share of campaign spending. Yet, despite an overall robust transparency regime and its practical implementation, third-party spending and hidden advertising still represented a challenge for the full disclosure of campaign expenses (Kalniņš & Ķirse, 2011, pp. 145–146; OSCE/ODIHR, 2007b, pp. 7–8). Even after the definition and the capping of third-party spending to LVL 2,700 ($5000), some electoral

[140] It should be noticed however that, as in the case of statutory party activity, these transparency regimes are more restrictive in relative not in absolute terms. In some cases, it is difficult to distinguish between borderline cases since even in the most restrictive regimes there are some loopholes particularly related to third-party spending, which were not properly regulated. Therefore, political competitors could take advantage of these unregulated areas to circumvent their reporting and disclosure obligations. Nevertheless, in these cases there are fewer regulatory loopholes, which are expected to have a lower negative impact on compliance with transparency obligations.

competitors still tried to avoid transparency obligations through the third-party advertisements (OSCE/ODIHR, 2010d, pp. 10–12, 2011c, pp. 9–10). Third-party spending and hidden advertising represented a similar problem in Lithuanian elections up to the 2008 parliamentary contest when the full ban on broadcast advertising was applied (Matonite, 2012, pp. 11–17; Unikaité, 2008, pp. 40–41). And while the 2004 party financing law addressed the definition and use of political advertisements, the considerable strengthening of transparency rules occurred only prior to the 2008 parliamentary campaign. The new regime required electoral competitors to submit financial declarations on income sources, including a separate list of donors and amount, and a structured report on campaign expenses, which had to be disclosed on the CEC website and published in the Official Gazette (GRECO, 2009a, pp. 11–12; LTU: №. X-1595, 2008). Nevertheless, the proper evaluation and the reporting of in-kind donations was still perceived as a problem, negatively affecting the overall transparency of election financing (OSCE/ODIHR, 2013b, p. 12).

Even though Latvia and Lithuania are rather successful cases of compliance with stricter transparency requirements, in other cases, such as Macedonia, Serbia, Montenegro and Georgia, compliance has proven much weaker, while the enforcement has been undermined by the selective application of rules. While, Macedonian parties and candidates were constrained by more demanding transparency requirements (MKD: Official Gazette, №. 44, 2011), having them comply with such obligations has proven a difficult task (GRECO, 2010d, pp. 17–18; OSCE/ODIHR, 2002c, p. 21, 2006b, pp. 5–6, 26–27, 2008c, pp. 11, 25). The funding practices of Macedonian parties have been too much rooted in 'a deep culture of secrecy' for parties to desist and comply with more specific reporting and disclosure obligations, even though a better assessment on campaign funding transparency overall was accorded to the 2011 parliamentary elections (OSCE/ODIHR, 2011d, pp. 11–12). The deficit of compliance has resulted in the failure to submit timely financial reports, inconsistencies concerning donations, non-disclosure of the identity of large donors and the lack of a more detailed and itemized structure of campaign spending (Transparency International, 2011b, pp. 31–32, 2011c, pp. 39–40, 2013a, pp. 44–45).

In the same fashion, despite the strengthening of the legal framework on transparency and enforcement (GRECO, 2012a; Ohman, 2011; SRB: Official Gazette, №. 36, 2011), Serbian parties and candidates experienced hard times in adjusting to the more demanding transparency regulations. The first test, which occurred in the 2012 general elections, revealed that compliance with transparency rules was rather limited. The Anti-Corruption Agency, mandated to audit campaign financial declarations, listed a series of substantial violations including the non-submission of financial reports, non-registering of preferential loans as donations, loans taken from state-owned banks (some eventually granted under political pressure), transactions from the election account made after submitting the final financial declarations, failure to indicate the structure of campaign expenses as well as failure to record all campaign

costs. Besides these compliance failures, there were significant discrepancies between the list of donors presented by electoral competitors and the bank account statements containing contributors' identity and contribution amounts (ACAS, 2012, pp. 17–18). Poor compliance is illustrated by the fact that, during the 2012 parliamentary contest, for half of the reported expenses it was impossible to trace the origin of the money (Transparency Serbia, 2014, p. 2).

A revised transparency regime was adopted before the 2012 Montenegrin snap elections (MNE: Official Gazette, №. 42, 2011). Yet, despite an overall positive evaluation due to the removal of previously identified regulatory loopholes (GRECO, 2012e, pp. 7–10), the implementation of reporting and disclosure obligations lagged behind, and the corruption risks stemming from the misuse of public funding for electoral purposes by incumbents was not fully addressed (OSCE/ODIHR, 2012e, p. 12; Shukla, 2014). The implementation of party and campaign funding regulations has thus remained rather inconsistent, with little progress in adjusting to the new disclosure requirements. Instead, incumbents have made extensive use of patronage and favouritism in the allocation of social benefits and the creation of temporary jobs in the public sector before elections, including the use of illicit practices to collect political contributions in exchange for governmental favours (Balcan Insight, 2013; MANS, 2013a, 2013b). Finally, while amendments to Georgia's transparency regime in 2011-2012 also received an overall positive assessment (GRECO, 2013a, pp. 10–12), its actual enforcement turned out to be deficient, displaying similar weaknesses as for statutory financing (Bolkvadze, 2013; OSCE/ODIHR, 2012b, pp. 15–17; Transparency International Georgia, 2012a, pp. 19–20).

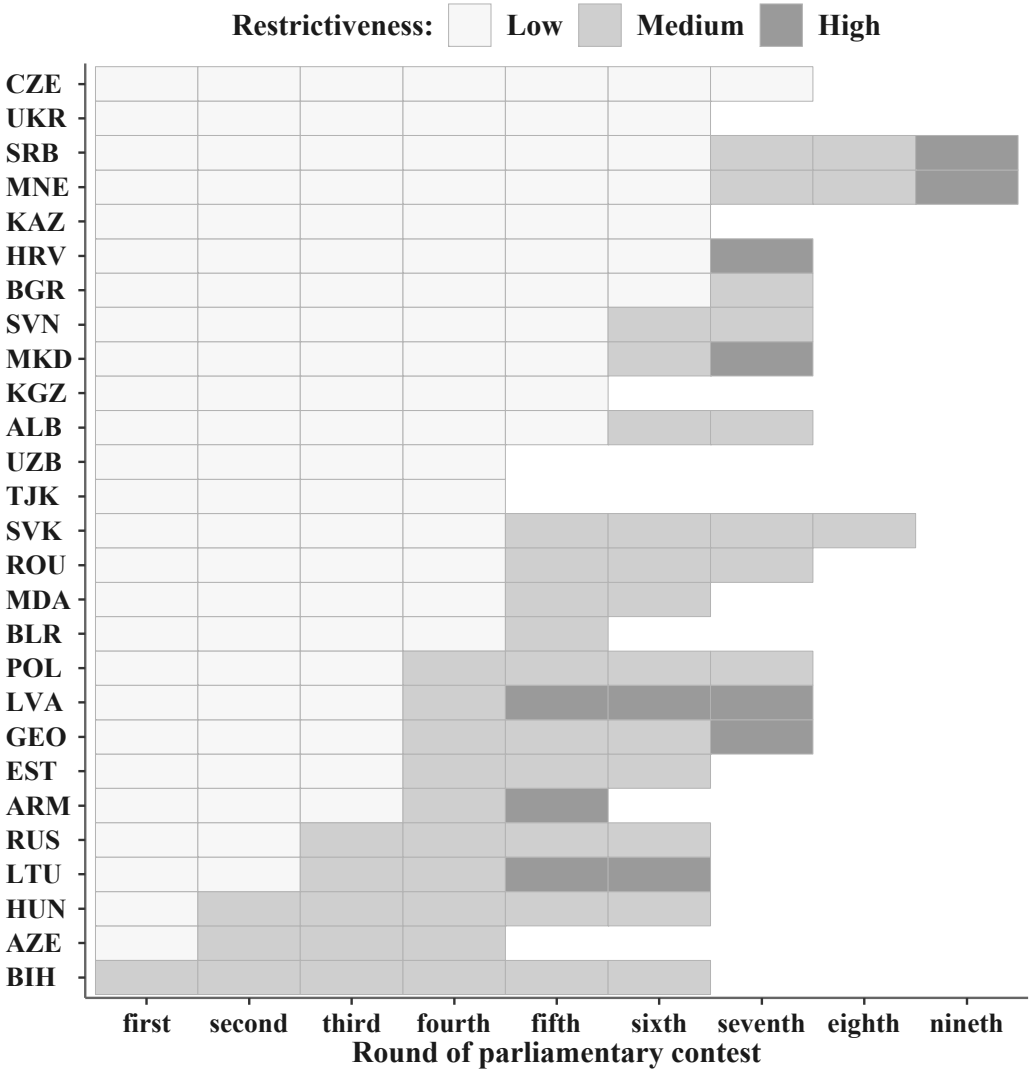
These implementation shortcomings clearly illustrate that a relatively robust transparency regime may be compromised in various ways. Furthermore, breaches during election campaigns are relatively easy, since, in many cases, the disclosure of campaign funding must occur only after the announcement of the election results. The delayed publication of financial declarations has little practical value. This is particularly relevant when we consider that transparency ought to be a tool to induce voters to make more informed choices and to make electoral competition cleaner and fairer.

6.3.4. Trends and patterns of restrictiveness on transparency for election financing

The developments regarding the transparency of campaign financing is pretty much in line with the same trends observed for statutory party financing. Hence, despite the earlier introduction of transparency obligations, in most post-communist cases these requirements have turned out to be simply unenforceable. Besides the vagueness of regulatory regimes, the reporting and disclosure obligations during elections have suffered from additional weaknesses. Among the most widespread omissions, which have permitted electoral contestants to elude transparency, include but are not limited to: (1) the disclosure of income sources and expenses only after elections, which significantly lowers the value of transparency regulations; (2) the possibility of political parties transferring large amounts of their own funds to party/candidate election funds, which are not subject to the same disclosure rules; (3) a lack of

definitions for campaign expenses (or blurry ones), which create additional opportunities to spend on hidden advertising and avoid altogether the reporting of these spending categories and; (4) failure to extend transparency obligations to cover all types of electoral competitors, which allowed political parties to avoid disclosure of income and expenses employed by individual candidates.

Figure 6.5. Restrictiveness of transparency rules for election financing by country and type (1990 – 2012)



Source: Author's elaboration

Furthermore, the transparency of election financing has been precluded by a focus on reporting and much less on disclosure obligations, therefore rendering campaign funding reports inaccessible to the public. Figure 6.5 depicts developments over time in the restrictiveness of transparency regimes during elections, clearly emphasizing the prevalence of low restrictive cases. In almost two-thirds of elections held between 1990 and 2012, electoral competitors did not face binding reporting and disclosure obligations. In these cases, they were not compelled (or, at most, were required in overly general terms) to report and publish data on their campaign revenue and expenses. Therefore, we may conclude that

the financing of democratic elections represented one of the most obscure domains of the electoral process.

Next, while in almost 30 percent of elections parties and candidates encountered more thorough transparency obligations, the regulatory regime was fraught with many shortcomings, thus allowing electoral subjects to avoid the disclosure of sizeable parts of their campaign income and expenses. Finally, only in a handful of cases have transparency requirements proved to be relatively robust and almost fully encompassing, though even in those cases a few loopholes still remained. It should be noted, however, that the stringency of transparency requirements has not produced automatic compliance among electoral contestants. Indeed, even under the most demanding transparency obligations, their actual implementation has been undermined by the unwillingness of political parties and candidates to comply with the rules, primarily as result of weak enforcement mechanisms. Furthermore, the transparency of campaign funding has, in many cases, been pulled down by the misuse and abuse of state resources by incumbents, who have disproportionately benefitted from bending the rules to their own advantage.

The cross-national variation depicted in figure 6.5 still exhibits two different developments regarding the timing of switching (if any) toward stricter transparency requirements. The first reflects the status quo while the second mirrors a shift toward stricter rules, albeit at different time points. The status quo, illustrating the least binding transparency rules, is mainly represented by the Central Asian republics plus Ukraine and the Czech Republic, while the remaining cases record at least one change in the restrictiveness of transparency rules. The fact that we do not observe many changes in restrictiveness does not imply the lack of any legislative amendments whatsoever. In fact, the contentious nature of the electoral process often resulted in numerous amendments to campaign funding rules. However, there were fewer substantive and radical amendments regarding transparency obligations, precluding a real qualitative shift in terms of restrictiveness from the previous regulations. While other dimensions of party funding, like donations, spending or the provision of state subsidies, have been highly disputed, transparency has remained either a relatively marginal subject in political debate, or the relevant political actors have been unable to agree upon stricter transparency obligations. Either way, the outcome has been a patchy mechanism of reporting and disclosure frozen in time, ensuring that parties and candidates were left with sufficient leeway to avoid the declaration of all income sources and campaign expenses. Accordingly, the regulatory framework on the transparency of campaign funding perhaps reflects to a larger extent the incremental model of regulatory adjustment. The few cases that epitomize transition to a genuinely more demanding transparency regime are no exception to this rule, although only in the case of Latvia was this transition fast. Notwithstanding the reluctance of parties and candidates to provide access to campaign funding reports, one can still observe a slow but steady shift to a more consistent and encompassing set of transparency obligations, though this has not always been accompanied by exemplary compliance by electoral competitors.

Chapter 7. Restrictiveness of the enforcement mechanism

7.1. Operationalization

In this chapter, I scrutinize the restrictiveness of enforcement mechanisms for statutory and electoral party financing. An effective enforcement mechanism can be rightfully deemed as the cornerstone of a sound PFR, representing a safeguard that political actors will comply with financial restrictions when such constrains are in place (Abel van Es, 2016; IFES, 2005; Nassmacher, 2003b). Like transparency, enforcement consists of two ingredients: supervision and sanctions. Overall restrictiveness flows from the interaction of these two elements, which are both indispensable for a complete enforcement regime. Moreover, neither, taken separately, is sufficient to bring about a robust compliance mechanism. For instance, the presence of a specialized body entrusted with monitoring and control of party and campaign finances is of little use if the related financial penalties are weak or lacking altogether. Conversely, the availability of stringent sanctions will have little (if any) effect, if the oversight body is weak or if the supervisory powers are split. Between these two extremes, there are many potential combinations, which may render the enforcement mechanism more or less restrictive. Hence, if one element is missing the entire control mechanism is severely compromised, thus having a limited dissuasive effect on political actors. Only through the interaction of oversight and sanctions may one obtain a full sense of the degree of enforcement robustness.

Yet, oversight and sanctions represent distinct analytical categories and cannot be operationalized in the same way. Given this distinction, I perform the operationalization of restrictiveness for each dimension separately. I then combine both dimensions into a unified framework, employed to analyse the empirical cases by focusing on one or another regulatory dimension contingent on their propensity to weaken the entire control mechanism. Hence, when monitoring/oversight represents the weakest link of the enforcement mechanism, the emphasis falls on this aspect. In contrast, when sanctions are toothless, the spotlight falls on them in assessing the overall restrictiveness of enforcement. Yet, when neither oversight nor sanctions, taken separately, provide a clear picture on the strength of the control mechanism, I pool them in order to ascertain the aggregate restrictiveness score.

7.1.1. Operationalization of supervision

The restrictiveness of the oversight mechanism can be conceived in polar terms, where the least restrictive regime lacks any kind of monitoring and control mechanism, i.e. there is no authority entrusted to supervise party finances, and the most restrictive regime envisages a fully independent body with extensive powers to investigate party finances for potential breaches. Therefore, a supervision mechanism becomes more restrictive along when more autonomy and powers are granted to carry out this task. Concerning institutional autonomy, I reduce the number of potential configurations by assigning only two scores: low and high. Any institution entitled to control party finances, which is part of or under the

direct control of the executive (ministry, department, and agency) receives a low autonomy score. Conversely, any institution that is not under the direct control of the executive and is somewhat protected by fixed terms in office, more complex and difficult dismissal procedures, or requires collective decision-making, receives a high autonomy score.[141]

Likewise, I split the institutional powers into two categories: narrow and broad. A narrow legal mandate implies that the oversight body enjoys limited investigative powers and cannot impose sanctions itself, being unable to check the financial records beyond the information submitted by political parties themselves. It must rely on other institutions in fulfilling its duties. Conversely, an encompassing mandate provides for extensive powers to investigate and punish *ex officio* potential breaches without relying on the expertise and resources of other administrative bodies. Yet, since the operationalization scheme detailed above implicitly assumes the existences of a *single* body entrusted with monitoring/supervision, it oversimplifies the reality on the ground. In most cases, supervision is indeed split among several institutions, sometimes with blurry or overlapping powers, and often with different degrees of political autonomy. Therefore, when such institutional arrangements are in place, I downgrade the restrictiveness of the entire oversight mechanism.[142]

7.1.2. Operationalization of sanctions

The restrictiveness of sanctioning mechanism is analysed relying on two indicators – namely, the gamut and the stringency of available sanctions for financing-related breaches. Concerning the gamut or scope, I divide sanctioning regimes in two categories: a narrow and a broad range of sanctions. In terms of stringency, I split them into sanctioning regimes providing for weak and severe penalties. A narrow range is recorded when a certain legal framework fails to stipulate or foresees only a few sanctions. For instance, when the only penalties foreseen for breaching financing rules consists of a warning (notice, reprimand) and/or forfeiture of financial means acquired from prohibited sources, this represents a limited arsenal of punishments. Conversely, when a sanctioning mechanism envisages a wider range of penalties like various fines, the suspension or the loss of public funding, the deregistration of electoral competitors, the loss of electoral rights (to compete in future elections) or the dissolution of the political party, then the sanctioning mechanism incorporates a broad range of sanctions.

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[141] Still, even in these cases there might be visible differences regarding composition, appointment and dismissal procedures. The State Audit Office (Court of Accounts), Central Election Committee or any other agency created to control party and campaign finances exemplifies the kind of control body that enjoys greater independence from direct political interference.

[142] As a rule, the greater the number of bodies involved in supervising party and campaign financing, the lower the restrictiveness of the oversight mechanism. Besides problems of bureaucratic coordination, steaming from overlapping or blurred powers, the sensitive area of party and campaign financing is more likely to be avoided by controlling bodies when several of them are involved in performing the same task. Each of them is more likely to adopt a non-decision style of action waiting for others to do the job. Even in cases where the jurisdiction of each supervising body is well defined and circumscribed, the fragmentation of supervision is still expected to negatively impinge on the effectiveness of the entire enforcement mechanism. Furthermore, oversight would become even more problematic and inefficient when the entrusted bodies have different levels of political autonomy.

In the same vein, a given financing regime scores low on stringency if available sanctions entail little cost for parties and candidates. Warning and forfeiture epitomize, again, very mild penalties. Conversely, a sanctioning mechanism is strict when it prescribes the loss of public funding, deregistration of candidates or the dissolution of the political party as a consequence of legal breaches. Yet, I use this operationalization to analyse only the palette of sanctions applied to political actors as *collective bodies* – that is, as bearers of rights and liabilities as legal entities. While a complete sanctioning mechanism would require assessing the range and stringency of sanctions applied to every subject involved in financial breaches, the emphasis here falls upon political parties and electoral competitors.[143]

7.2. Enforcement of statutory party financing

7.2.1. Low restrictive cases

In most cases, during the early transition the weakness of the enforcement mechanism stemmed from a politicized oversight body lacking clearly defined powers. With very few exceptions, most supervisory bodies were under direct political control. Moreover, in many cases these powers were split among several bodies, which further undermined the effectiveness of financial control. Table 7.1 displays the range of supervisory institutions entrusted with the control of party finances throughout the early years of transition in each country, with the former soviet republics as the group with the weakest oversight.

Table 7.1. Oversight institutions during the early transition period

№.	Country	Year	Supervisory bodies
1	**Albania**	1991	State Audit Office
2	**Armenia**	1991	Ministry of Justice; Financial Control Body
3	**Azerbaijan**	1992	Ministry of Justice; Tax Authorities
4	**Belarus**	1994	Ministry of Justice; General Prosecutor Office
5	**Bulgaria**	1990	Parliament
6	**Croatia**	1993	Parliament; State Audit Office
7	**Czech Republic**	1990	Parliament
8	**Estonia**	1994	No supervision
9	**Georgia**	1991	Ministry of Justice; Tax Authorities
10	**Hungary**	1989	State Audit Office
11	**Kazakhstan**	1991	Ministry of Justice; Tax Authorities
12	**Kyrgyzstan**	1991	Financial Authorities

[143] My focus is on political parties as collective bodies, carrying collective responsibility and therefore being punished as collective entities. When electoral rules are candidate oriented the focus switches to sanctions imposed on candidates in their capacity as electoral subjects. While a proper assessment of sanctioning mechanism would require considering the full range of sanctions imposed on physical and legal entities, besides parties and candidates, they are much less relevant and may precisely serve as a tool to divert responsibility from political actors towards third parties. For instance, if the regulatory framework envisages sanctions for legal or physical entities that are prohibited to contribute to party coffers but foresees no penalties for parties accepting money from the banned sources, then sanctioning mechanism can hardly be regarded as restrictive for political parties themselves. Similarly, if only the financial officer, as a natural person, is punished for the late submission or non-submission of financial reports or for their forgery, then there are few constraints for a party as a collective entity. While the punishment of the responsible person may act a strong deterrent at the individual level, it is less likely to produce a similar effect at the organizational level. Hence, I rule out any sanctions which do not apply to political parties and candidates in their capacity as collective entities and electoral subjects, respectively.

13	**Latvia**	1995	Ministry of Justice; State Revenue Service
14	**Lithuania**	1990	Ministry of Justice; Financial Authorities
15	**Macedonia**	1990	Financial Authorities
16	**Moldova**	1991	Tax Authorities
17	**Montenegro**	1995	Financial Authorities
18	**Poland**	1990	No supervision
19	**Romania**	1990	No supervision
20	**Russia**	1991	Financial Authorities
21	**Serbia**	1992	Service for Payment Operations and Financial Surveillance
22	**Slovakia**	1991	Parliament
23	**Slovenia**	1994	Parliament; State Audit Office; Ministry of Administration
24	**Tajikistan**	1990	Financial Authorities
25	**Ukraine**	1992	Tax Authorities
26	**Uzbekistan**	1992	Financial Authorities

Source: Author's elaboration based on national regulations

Ten out of fifteen ex-soviet republics are emblematic here, with blurry and poorly defined oversight rules, a legacy inherited from the soviet law on public associations. While the financial authorities were entrusted with 'the control of incomes sources, amounts and tax liabilities according to tax legislation', no sanctions related to financial offences were foreseen by the law (USSR: №. 1708-1, 1990, secs 20–21). The newly emerging political regimes merely transplanted the old provisions into the national legal framework without substantive changes. All Central Asian republics embraced this regulatory model, resulting in weak enforcement, which survived for more than two decades, regardless of national variation and subsequent amendments. Their common feature was the delegation of party financial control to tax bodies, without a clear mandate and usually limited exclusively to the control of the parties' compliance with tax obligations (KAZ: №. 334, 2002, sec. 12; KAZ: Official Gazette №. 27/360, 1991, sec. 20; KGZ: №. 50, 1999, sec. 22; KGZ: №. 359-XII, 1991, sec. 21; TJK: №. 680, 1998, sec. 16; TJK: Official Gazette, №. 24, 1990; UZB: №. 223-XII, 1991, sec. 20; UZB: №. 337-I, 1996, sec. 17; UZB: №. 617-II, 2004, sec. 18). Given the poor definition of transparency and oversight regulations in the legisltation, control over party finances was almost completely lacking in all four countries (OECD, 2010a, pp. 56–57, 2010b, p. 38, 2011, pp. 97–98, 2012, p. 66; OSCE/ODIHR, 2010e, pp. 12–13).[144] Likewise, only tax authorities were entitled to control party financial reports in Russia between 1991 and 2005. Yet, the control was meaningless until 2001, since the financial dimension of party statutory activities remained almost unregulated (Gel'man, 1998; Gleisner, 2007; K. Wilson, 2007). The adoption of the party law in 2001 did not change the situation dramatically since only in 2005 was the oversight

[144] The only exception is Uzbekistan, which introduced a more robust control in 2004. However, the new mechanism had its own flaws due to the fragmented nature of supervision, which was split between the Court of Accounts, the Ministry of Justice and the CEC, requiring each of them to prepare an opinion on the legality of reported income (UZB: №. 617-II, 2004, sec. 18). Furthermore, the fragmentation was further enhanced by the involvement of the legislature selected as repository of party annual reports The poor delimitation of powers between various institutions ultimately generated confusion about who actually was in charge with monitoring of party income and outlays (OECD, 2010b, p. 38).

mechanism altered by splitting the supervision between the CEC and the tax bodies (RUS: №. 93-ФЗ, 2005; RUS: №. 95-ФЗ, 2001).

The political nature of the oversight and the fragmentation of supervisory powers in Armenia, Azerbaijan, Moldova, Georgia and Ukraine produced a similar result. Unlike the Armenian law on social-political organizations, which empowered the state financial control body to check party finances, the 2002 party law failed to nominate a single controlling body (ARM: №. NC-0266-1, 1991, sec. 6; ARM: №. ЗР-410, 2002).[145] In contrast, the 1992 Azeri party law has never been amended regarding the oversight of party funding, which from the outset was not properly defined (AZE: №. 147, 1992, sec. 18). As it turned out, political parties did not submit their financial reports to any institution, and no state body was entitled to check party compliance with regulatory provisions (GRECO, 2010c, p. 26). Likewise, Moldova's oversight mechanism remained frozen in time, regardless of the subsequent amendments, which rather contributed to its fragmentation, yet without affecting its substantive properties (MDA: №. 718, 1991, sec. 27; MDA: Official Gazette, №. 42-44/119, 2008, secs 30–31).[146] While slightly more restrictive, the oversight rules in Georgia proved to be largely disrespected since the 1997 party law only stipulated that 'administrative-financial control of a party is conducted in accordance with the existing legislation' (GEO: №. 1028-IS, 1997, sec. 33). Although the Ministry of Justice was entitled to receive party financial reports, no control was carried out at all. This is reflected in the extremely low compliance rate pertaining to the reporting obligations. For instance, in 2003 only 6 out of 172 registered parties submitted financial reports, while in 2004 only 4 out of 174 parties fulfilled their reporting obligations. Even though in 2005 the compliance rate increased to 22 parties out of 178 registered entities, it still remained very low (Gobronidze, 2008, pp. 7–9).

Unlike other polities, which at least formally tried to impose stricter control, Ukraine moved in the opposite direction. The initial arrangements, whereby tax authorities would control party finances, were repealed in 1997 through an amendment aimed at improving financial control, by entitling the legislature to decide on the future supervisory design (UKR: Official Gazette №. 34/504, 1992). However, since the Verkhovna Rada has never settled this issue, no improvements in the supervision mechanism have occurred. The party law enacted in 2001 was even more ambiguous pertaining to transparency and oversight (Protsyk & Walecki, 2007, p. 199).[147]

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[145] The Ministry of Justice was entrusted with receiving annual party reports but it possessed neither investigative powers, nor the authority to impose administrative sanctions. In the case of legal breaches, the investigation was delegated to the State Revenue Committee.

[146] Between 1991 and 2008 only tax authorities were entitled to control party finances but as in other cases for their tax liabilities only. The new party law passed in 2008 altered the supervisory mechanism in terms of institutional settings but no substantive changes were introduced so the Tax Inspectorate retained its control powers as under previous arrangements.

[147] Fragmented oversight and blurry rules however generated quite bizarre situations in which local branches of the state tax inspectorate filed lawsuits against the local branches of different political parties demanding their cancelation as legal entities for the non-submission of financial reports. Court rulings, once again, proved the absence of clear regulations concerning the enforcement of party financing as result of conflicting and divergent decisions on identical cases. While some courts accepted plaintiffs' claims, thus cancelling the registration of the local party branches, others dismissed them on procedural grounds, justifying their decision by the fact that tax inspectorates are not authorized to lodge lawsuits against political parties since the latter are non-profit organizations. Furthermore, some court rulings denied the right of tax inspectorates to sue political parties since according to party law they are not among the bodies entitled with this right (Kovriženko, 2010, pp. 127, 131–134).

Therefore, in all these cases the poor delimitation of the supervisory powers, their fragmentation and the subordination of the controlling body to the executive, has ultimately resulted in weak financial control (GRECO, 2010g, p. 18, 2011b, pp. 22–23, 2011e, p. 15, 2011d, p. 23).

Among the Baltic States, only Latvia moved quickly to enact more robust supervision but it also experienced a period of weak oversight. During the early '90s, it followed the common trajectory, by entrusting the State Revenue Service to check the annual party declarations (LVA: Official Gazette, №. 114(397), 1995, sec. 11). Yet, the political subordination of the controlling body resulted in formal and inconsistent control, which quickly entailed accusations of partisanship and superficiality (Ikstens, 2008, p. 55). In Lithuania, the replacement of the initial oversight regulations, whereby financial bodies were to check party finances, with a new mechanism introduced in 1999, has not fundamentally affected the nature of supervision (LTU: №. I-606, 1990, sec. 13; LTU: №. VIII-1020, 1999, sec. 18). Since the supervision was split between the Ministry of Finance and the CEC without delimiting their powers, the outcome was the same – lax control. Estonia lacked altogether a supervisory mechanism for statutory party financing until 1999, when parties were required, for the first time, to submit quarterly and annual reports (Sikk & Kangur, 2008, p. 67). Still, the introduction of transparency obligations were not accompanied by an oversight mechanism (GRECO, 2008a, p. 17).

Outside former soviet space, the enforcement mechanism has only slightly varied in terms of institutional arrangements. Poland and Romania lacked any supervision of party finances during the early '90s. The first Polish party law did not nominate any specialized body to control party routine finances (POL: Official Gazette, №. 54/312, 1990). Despite the 1997 amendments, the focus of the new oversight design fell on elections instead of statutory funding (POL: Official Gazette, №. 98/604, 1997). Likewise, Romania lacked completely any supervision until 1996. Yet, the nomination of the Court of Accounts (CoA) as the controlling body did not entail any change since it was not clear how it would undertake financial control (ROU: Official Gazette, №. 087, 1996, sec. 44). This legal uncertainty resulted in a complete lack of enforcement. Between 1996 and 2001 the CoA never checked the parties' compliance with financial regulations, although it should have done it *ex officio*, at least for the beneficiaries of state subsidies (Asociaţia Pro Democraţia, 2001, p. 12).[148] The only time the CoA performed the control of party finances in 2001-2002 revealed that it was a rather formal and superficial one. While unveiling a wide range of party funding infringements, it uncovered only a tiny amount of undeclared financial resources (Curtea de Conturi, 2003, pp. 183–185). This contrasts strikingly with the findings of civil

[148] The Court's chairman justified the absence of any control by the fear to be accused of political partisanship. Given the lack of personnel to carry out simultaneous controls on all parties, the Court refrained from executing it altogether (Popescu & Soare, 2014, p. 398). The new chairman elected in 2002 similarly complained about the ambiguity of the party law regarding the control powers of the supreme audit body (Ziua, 2002). Answering a journalist's question about the ineffectiveness of the CoA's controls over party finances its chairman replied: 'Because the law is extremely slender. It is incomplete, inconsistent…in the shadow of which everyone does what he wants. Control was not significant because of its permissiveness. …If we are going to carry out controls on political parties under the same lame law the results won't be spectacular'.

society actors, which estimated that the real expenses of political parties in 2000 (an election year) were up to ten times higher than officially reported (Asociația Pro Democrația, 2001, p. 27).

Montenegrin parties enjoyed such freedom even longer. Due to the failure to nominate a specialized body endowed with powers to control party finances, the oversight mechanism proved to be the weakest link of the funding regime there (Reed, 2006, pp. 100–101; Trivunovic et al., 2007, p. 21; Vujović et al., 2005, p. 42). Even when such a mechanism was instituted in 2008 it turned out to be ineffective as result of high fragmentation and split powers between different bodies in charge of supervision (GRECO, 2010a, pp. 17–18). The same holds true for the Albanian enforcement regime. The first party law did not nominate any oversight body to control the party financing (ALB: №. 7502, 1991). In 2001, the new party regulation assigned the control powers to the High Office of State Control (SAO) but this was confined to budgetary allocations, thus leaving income from private sources outside any control (Bogdani, 2012, p. 15; GRECO, 2009b, p. 13; Krasniqi & Hackaj, 2014, p. 113). Furthermore, the lack of sanctions related to financial violations has rendered enforcement non-existent (GRECO, 2009b, p. 22). Macedonia established an oversight mechanism like that of the ex-soviet republics, thus placing the control of party finances in the hands of a governmental body (Bureau for Internal Revenue/Ministry of Finance), but without stipulating the scope of its supervisory powers (MKD: Official Gazette, №. 41, 1994). Given political subordination and the lack of a clear mandate, its activity has proved ineffective. Despite many scandals involving the governmental parties, nobody has actually been punished (Treneska, 2007, p. 116). In 2004, supervisory arrangements were upgraded but without much success (MKD: Official Gazette, №. 76, 2004). Under the new rules, the weakness stemmed from the involvement of many institutions authorized to check various aspects of party financing including the SAO, the State Commission for Preventing Corruption, Ministry of Justice, Ministry of Finance, the Parliament, the Broadcasting Council, and CEC, with blurry delimitation of their monitoring/oversight powers (GRECO, 2010d, pp. 18–19; Transparency International, 2011c, pp. 48–50, 2011b, pp. 12–13).

Finally, there is another group of countries in which the supervision was put in the hands of the legislature, meaning that parties were to control and punish themselves for breaches of the law. This type of supervision has been used for different periods in the Czech Republic, Slovakia, Croatia, Bulgaria and Serbia. The overall liberal nature of Czech party finance control has been reinforced by weak oversight, which was seen as the fundamental problem since 'the controlling body consists of the same entities that are controlled' (Linek & Outly, 2008, p. 88). A tentative effort to introduce tighter control over party finances in the mid '90s, by empowering the SAO to scrutinize party financial reports alongside the parliament, was struck down by the Constitutional Court, thus leaving a monopoly on oversight to the latter (Cisar & Tomáš, 2007, pp. 83–84). The superficiality and formality of control, due to the political affiliation of the oversight body, is indicative of the lack of strong penalties associated with financial misdemeanours, since no parliamentary party has ever lost its share of public funding (GRECO, 2011c,

pp. 20–21). Given their common legacy, the Slovak supervisory design mirrored the Czech one, by empowering the National Council to oversee party finances. Accordingly, parliamentary oversight rendered control inefficient even after the introduction of stricter transparency obligations and sanctions in the 2000s (SVK: №. 85, 2005; SVK: №. 404/2000, 2000). Not only was the purely political nature of the oversight an issue per se, but the parliamentary committee in charge with party financing had no powers to investigate the authenticity of party financial declarations (GRECO, 2008d, p. 21; Rybář, 2006, p. 331; Simral, 2014, p. 52).

Although the Croatian party law foresaw verification of party financial reports by the SAO, the location of the oversight powers within the parliament rendered unenforceable even these general provisions (HRV: №. PA4-61-93, 1993, sec. 22). As a result, until 2001 political parties failed to submit their financial reports even to the parliamentary committee entrusted with oversight, thus leaving party finances outside any control (Kregar et al., 2007, p. 60; Petak, 2002, pp. 30–31). An identical mechanism was employed in Slovenia, requiring its CoA to scrutinize parties' financial reports before their submission to the National Assembly (SVN: Official Gazette, №. 62/3402, 1994, sec. 24). No institution, however, was authorized to check the veracity of self-reported income and expenses. The CoA was only authorized to the check parties' compliance with formal regulations without any power to impose sanctions (Fink-Hafner, 2006, p. 8; Fink-Hafner & Krašovec, 2013, pp. 2, 10). In the same vein, the first Bulgarian party law entrusted the parliament with control over the veracity of income sources and assets (BGR: Official Gazette, №. 29, 1990, sec. 10). These arrangements survived for more than a decade and were deemed the weakest link of the regulatory regime, together with the lack of credible penalties (Kanev, 2007, p. 47; G. Nikolov, 2003, p. 80). Finally, in the aftermath of the Milošević regime, Serbia switched from an oversight located under executive control to a parliamentary supervision model (Goati, 2007, p. 163). Yet, the reshuffling of the supervisory bodies did not alter the substance of oversight either in terms of its political autonomy or institutional powers (SRB: Official Gazette, №. 43, 2011). The composition of the control body by the same entities as the controlled ones nullified 'the control of the parties by the law' (Pesic, 2007, p. 25).

Regardless of the variation in the institutional design, ranging from complete lack of supervision to more complex institutional arrangements, the weak character of the supervision is common to all the countries studied. The existing variation in the scope of supervisory powers and differences regarding institutional remoteness from direct political control is less relevant than this unifying property. Weak enforcement is even more amplified by the softness of penalties. Although I did not consider sanctions here, the low restrictive cases display a lack of penalties (or the presence of very soft ones, such as warning or the forfeiture of unlawful financial sources). These sanctions cannot be regarded as proportional and dissuasive for political actors, particularly given the political benefits obtained from breaching the law.

7.2.2. Medium restrictive cases

The presence of an independent oversight body, accompanied by a more palpable system of sanctions, epitomizes the first configuration (of two) of a medium restrictive enforcement regime. This configuration represents a sort of hybrid control mechanism. While formally more restrictive, it in practice creates the appearance of tight control without a substantive shift to more encompassing financial control. While the qualitative difference between weak and strong oversight springs from the higher autonomy of the oversight institution, the critical flaw of this mechanism derives from the limited powers of the oversight body to scrutinize party finances. Hungary is arguably the best example of this type of enforcement. Already at the beginning of transition, its SAO was empowered with a monopoly over the control of party financial management (HUN: №. XXXIII, 1989, sec. 10). Yet its initial powers were indirectly curtailed in 1992 through the downgrading of the transparency obligations for political parties, given the requirement to publish financial reports only once every two years. Furthermore, the SAO possessed no investigative powers to check the identity of donors, nor could it use alternative information sources to crosscheck the reliability of financial reports (Enyedi, 2007, pp. 99–100; Transparency International Hungary, 2012, p. 193).[149] Finally, the range and stringency of sanctions for financial misdemeanours was quite limited. The same 1992 amendment repealed the punishment of a political party if the share of DPF exceeded 50 percent of the party's annual income (Ilonszki & Várnagy, 2014, p. 415). Hence, until 2003 the forfeiture of illegally collected funds and the reduction of state subsidies by the amount received from banned sources constituted the full gamut of sanctions (Art. 4). There were neither sanctions for the failure to comply with reporting and disclosure requirements, nor for the counterfeiting of financial data (Burai & Hack, 2012, pp. 198–199).

A similar mechanism was introduced in Bulgaria in 2001, without however yielding a substantive change since, as in Hungary, the Bulgarian SAO could neither crosscheck the veracity of reported data, nor access the official documents supporting party financial reports (Kanev, 2003, pp. 75–76; G. Nikolov, 2003, p. 82). Furthermore, besides limited supervision, there were few sanctions available to it. Although the 2001 party law introduced the loss of public subsidies for the non-submission of an annual report, it had a limited application since only the beneficiaries of public funds were subject to this punishment (BGR: Official Gazette, №. 30, 2001, sec. 28). The introduction of new fines, ranging between BGN 200 and 2000 ($130 – $1,300), did not produce any change, since they touched upon individual, not party, liability for the mismanagement of party finances. Furthermore, the highest sanction applied for the use of illegally acquired means or for exceeding the donation caps was rather soft – forfeiture of illicit funds

[149] The mechanism was further weakened by the fact that the SAO did not have at its disposal any effective tool to constrain political parties. In case of discovering irregularities, it could only warn the respective political entity asking to restore the legality of financial management. In the worst instances of noncompliance or grave violations, the ultimate available tool was to file a lawsuit against the perpetrator (Art. 10).

(BGR: Official Gazette, №. 28, 2005, sec. 43). The weakness of the enforcement mechanism is well reflected by the low compliance rate even with the basic transparency requirements as epitomized by the non-submission of annual reports by more than half of the registered parties (GRECO, 2010h, pp. 25–26; Krasteva-Kaleva, 2003, p. 85).

The incomplete nature of enforcement is also observed in Romania, where the CoA was entitled to monitor financial reports from 2003, though the new regulatory framework primarily focused on campaign and less on statutory funding (ROU: Official Gazette, №. 54, 2003, secs 24, 26). Despite expanding and strengthening the palette of pecuniary fines, ranging from $900 to $9000, they were rather soft, particularly in the context of funding restrictions concerning the contribution limits.[150] Yet, the critical drawback of the enforcement mechanism flowed from the CoA's incapacity to apply any sanctions where it did detect financial irregularities (Moraru & Iorga, 2005, p. 174). The toothless nature of enforcement is also reflected in the CoA's performance in detecting financial breaches. Based on the discovered infringements in 2004 and 2005 it prepared only 26 and 8 violation records, respectively (Curtea de Conturi, 2005, p. 171, 2006, p. 113), which suggests a rather poor performance.

Although the enforcement arrangements were amended again in 2006, by conferring new powers on the supervisory body, the new supervisory regime fragmented oversight, splitting it between the Permanent Electoral Authority (PEA), entrusted to check the parties' annual reports, and the CoA, which retained control over state subsidies (ROU: Official Gazette, №. 632, 2006, sec. 53). The diffusion of supervision authority contributed to a situation in which 'none of the bodies has an overall overview of the actual activity, and overall income and expenditure of political parties, and none of them is thus in a position to exert a meaningful and effective supervision' (GRECO, 2010f, p. 29). Diffusion of authority over party financing control, illustrating different levels of involvement of each oversight body and various degrees of political autonomy, represented a regulatory shortcoming in other cases, including Montenegro, Lithuania, Slovakia and Slovenia. However, irrespective of national differences, the outcome of the authority's diffusion was everywhere almost identical – relatively weak and faulty enforcement (GRECO, 2007, pp. 27–29, 2008d, p. 21, 2009a, pp. 27–28, 2010a, pp. 17–18).

Beside the limited powers of the monitoring bodies, the system of sanctions also displayed many weaknesses. Despite relatively high cross-national variation, especially in the level of pecuniary fines, in most cases they did not really threaten political parties. Overall, the low and medium restrictive enforcement regimes feature an asymmetric relationship between the type of financial violations and the stringency of sanctions, meaning the lack of sanctions for some types of financial infringements or the application of the same sanctions for different violations. Yet, since the definition of party financing

[150] For instance, in the 2004 electoral year the donation cap on physical and legal entities were around $16,900 and $42,150, respectively.

infringements and their punishment has greatly varied across polities, I cluster the relevant sanctions in several categories by matching them to the type of financial breaches as shown in figure 7.1

Figure 7.1. The range and stringency of penalties for different types of party funding violations*

	Private sources:low	Private sources:high	Donation limits:low	Donation limits:high	Accounting: low	Accounting: high	Transparency: low	Transparency: high
ARM-2002	RD	F	absent	absent	87	870	87	870
AZE-1992	W	CP	W	CP	W	CP	W	CP
BGR-2001	absent	absent	absent	absent	absent	absent	absent	LPF
BGR-2005	F	F	F	F	130	1300	660	LPF
BGR-2009	F	CP	F	F	3500	7000	3500	LPF
BIH-2000	FTAPC	FTAPC	FTAPC	FTAPC	absent	absent	absent	absent
BLR-1994	W	CP	W	CP	W	CP	W	CP
CZE-1996	absent	absent	absent	absent	absent	absent	SPF	SPF
CZE-2000	RD	FDAPC	absent	absent	absent	absent	SPF	CP
EST-2003	1230	3420	absent	absent	1230	3420	1230	3420
GEO-1997	F	LPF	F	LPF	absent	absent	absent	LPF
HRV-1993	F	LPF	absent	absent	LPF	LPF	F	LPF
HRV-1999	F	LPF	absent	absent	LPF	LPF	F	LPF
HRV-2006	F	FTAPC	F	FTAPC	7000	70000	7000	70000
HUN-1992	F	RPFAPC	absent	absent	W	W	W	W
HUN-2003	F	CP	absent	absent	W	W	W	CP
KAZ-2005	F	CP	absent	absent	absent	absent	absent	absent
LTU-1999	RD	F	absent	absent	absent	absent	W	SPF
LTU-2004	LPF	CP	LPF	CP	LPF	CP	LPF	CP
LVA-1995	absent	absent	absent	absent	absent	absent	W	SP
LVA-2002	875	17500	875	17500	440	8750	W	SP
LVA-2004	875	17500	875	17500	440	8750	W	CP
MKD-2004	F	F	absent	absent	2025	6075	2025	6075
MKD-2009	F	PC	RD	PC	6975	13950	6975	13950
MNE-2004	6840	13680	absent	absent	6840	13680	6840	13680
MNE-2010	7290	14580	7290	14580	7290	14580	7290	14580
POL-1997	F	LPF	absent	absent	absent	absent	W	CP
POL-2001	RD	24450	F	24450	absent	absent	W	CP
ROU-2003	F	9000	F	9000	900	9000	900	9000
ROU-2006	F	8900	F	SPF	W	SPF	W	SPF
RUS-2001	RD	F	RD	F	W	CP	W	CP
SRB-2004	3475	LPF	3475	LPF	3475	LPF	3475	LPF
SVK-2001	FDAPC	FDAPC	absent	absent	absent	absent	W	SPF
SVN-1994	7760	7760	7760	7760	absent	absent	7760	7760
SVN-2000	4500	22450	4500	22450	absent	absent	4500	SPF
TJK-1998	W	CP	absent	absent	absent	absent	absent	absent
UZB-2004	RD	F	RD	F	SPF	LPF	SPF	LPF

Source: Author's elaboration based on countries' legal frameworks
Note: Pecuniary fines are expressed in $; W – Warning; RD – Return to donor; F – Forfeiture; RPFAPC – Reduction of public subsidies by the amount of prohibited contribution; FTAPC – Fine, triple the amount of prohibited contribution;

FDAPC – Fine, double the amount of prohibited contribution; SPF – Suspension of public funding.; LPF – loss of public funding; SP – suspension of party; CP – cancellation of party

Given the discretion left by the regulatory framework to apply a more/less severe penalty for the same violation, I also provide the lowest and highest sanction for each type of infringement, although in reality the sanctioning mechanism has often stipulated several penalties for the same infringement, without clarifying which one should be applied in any given case (see Appendix 2 for the full range of sanctions that are not included in figure 7.1).[151] As the data reveal, the variation in the range and stringency of sanctions for different violations is very high. Yet, despite the adoption of stricter sanctions, political parties protected themselves by putting in place some preventive measures. Even across the authoritarian regimes of the former soviet republics – which have prescribed a very narrow and asymmetric range of penalties, from warnings to party dissolution – political parties would be notified first about financial irregularities and given time to restore the legality of their financial operations. Similar protective measures and asymmetries have been common in other PFR that have either lacked sanctions for some financing infringements or have foreseen overly soft penalties for grave violations. For instance, during the early transition, the Czech political parties were threatened only by the suspension of DPF for the non-submission of financial reports. Although the sanctioning regime was upgraded in 2000, the most stringent penalty – party dissolution – could be applied only for the *repeated* failure to comply with reporting obligations (Cisar & Tomáš, 2007, pp. 74, 84). For illegal financing, instead, the most stringent punishment was a fine twice the amount of the prohibited income. However, it could only be applied if the party failed to return the illegally acquired means to the donor or, if that was not possible, transfer them to the state budget (CZE: №. 340, 2000, sec. 19a).

The same holds for the Lithuanian, Slovenian and Slovak parties, for which the only real punishment consisted in the suspension of public funds (LTU: №. VIII-1020, 1999, secs 7, 20; SVK: №. 404/2000, 2000, sec. 18; SVN: Official Gazette, №. 70/8659, 2000). Furthermore, the existing system of fines was not sufficiently dissuasive to prevent parties from becoming involved in financial wrongdoings, if correlated with the size of party budgets and donation restrictions (GRECO, 2007, pp. 29–30, 2008d, p. 22). In other cases, including Estonia, Macedonia and Montenegro, the sanctioning regime has provided only for pecuniary sanctions but these have not been sufficiently high to discourage political parties from seeking funds from illicit sources. A common observation made by GRECO in this respect is that political parties might prefer to pay the fine but keep the illegally acquired means, indicating that

[151] I do not provide a separate range of sanctions for each restrictiveness type since aggregate enforcement considers the joint effect of supervision and sanctions. Therefore, the availability of stringent sanctions in some cases, while worth noting, does not imply their actual use given the weakness of the oversight mechanism. Furthermore, given their asymmetrical nature and threatening potential, which, in turn, is contingent on the restrictiveness of other regulatory areas, it is even more difficult to analyse them separately from supervision.

in many cases the monetary value of fines were insufficient to discourage parties from engaging in dubious fundraising transactions (GRECO, 2010a, p. 19).

Bosnia and Herzegovina is perhaps the best illustration of this kind of strategic behaviour by political parties. Despite the CEC's extensive powers to investigate party finances, the relatively weak system of sanctions – from a fine three times the amount of prohibited contributions and the loss of electoral rights for the failure to fulfil the reporting obligations – has undermined its enforcement performance.[152] Given the lack of a precise fine, the electoral body has taken a rather soft approach toward political parties. Notwithstanding multiple violations matching virtually almost all party financing restrictions, most of them have remained either unpunished or have been punished quite mildly (Korajlić et al., 2011, pp. 71–73). Furthermore, as in other cases, before applying a certain penalty for the non-submission of financial reports, the CEC has made use of preventive measures like warnings and reminders (Korajlić et al., 2011, p. 37). Only if a party failed to comply with these preventive measures, has the CEC proceeded with stricter sanctions. Yet the mild nature of sanctions, as mirrored by table 7.2, which presents a few statistical indicators on the number of punished parties and the range of applied fines, compellingly illustrates that the low level of pecuniary fines proved insufficient in dissuading Bosnian parties from breaching funding regulations quite often.

Table 7.2. Dynamics and stringency of monetary fines imposed on political parties in Bosnia and Herzegovina

	Number of registered parties	Number of sanctioned parties	Lowest fine $	Highest fine $
2004	70	49	500	20,000
2005	72	8	1,000	5,000
2006	80	30	500	16,600
2007	79	28	200	11,700
2008	114	38	500	10,000
2009	108	35	200	11,700

Source: Author's elaboration based on data from (CIK BiH, 2010, pp. 86–88; GRECO, 2011e, pp. 14–16).

Moreover, given the discretion of the CEC in setting the level of fines, the non-submission of financial reports has rarely been punished with the most severe sanction – barring a party or candidate to stand for elections. In most cases, only relatively low monetary fines have been applied. For instance, out of 49 sanctioned parties in 2004, 40 were punished for the failure to accomplish their reporting obligations with fines ranging between BAM 1000 – 3000 ($630 – $1900) (GRECO, 2011a, pp. 14–15).[153] Beside a

[152] The law however did not explicitly spell out this sanction for the non-submission of financial report. The loss of electoral rights was foreseen only in the case if a political party bars access to party premises for the Audit Department of the CEC to check the authenticity of submitted documents (Art. 14/7).

[153] The second sanction—the denial to stand for elections—was questioned as being too excessive and disproportionate (Venice Commission, 2008). While the CEC applied it during electoral year, the forfeiture of electoral rights was applied not for the failure to submit the annual financial report but for the failure 'to file with CEC BiH the pre-election financial report for the period beginning three months prior to the date of submission of the application for certification to participate in the election' (Korajlić et al., 2011, p. 73). Consequently, even for breaching reporting obligations related to statutory party activity the probability of incurring high costs was considerably diminished.

mild sanctioning regime, the effectiveness of the enforcement mechanism has been undermined by the heavy workload of the CEC's audit department which, given the shortage of staff and the sheer number of audited entities, has not been able to thoroughly scrutinize party accounts. The slowness of controlling activity is reflected in the delayed application of fines after two, three or even four years (CIK BiH, 2010, pp. 86–87).

In some cases, even the threat of stricter penalties – such as the loss of public funding – has not provided a sufficient deterrent due to other shortcomings of the regulatory framework. Though between 1993 and 2006 Croatian parties could be disciplined only by the loss of state funding for the unlawful acquisition of funds and the failure to comply with accounting and reporting liabilities, the controversial nature of some provisions, including the failure to ban anonymous donations, and the poor supervisory mechanism rendered this penalty unenforceable (Kregar et al., 2007, p. 60; Petak, 2002, pp. 30–31). Likewise, the loss of public funds turned out to be insufficient to deter the Georgian parties from engaging in murky deals, given the tiny amount of subsidies and the lack of effective supervision (GEO: №. 1028-IS, 1997, secs 28, 34). In Uzbekistan, the main shortcoming of the sanctioning regime has sprung from the narrow coverage of party funding violations. While the loss of public funding could be applied against a party for the breach of transparency obligations or the use of public funds for other purposes not foreseen by law (UZB: №. 617-II, 2004, sec. 11), other offences such as the financing from prohibited sources or exceeding the donation caps have not been punished at all.

This overview reveals several fundamental shortcomings of the enforcement of party funding rules. First, the availability of more autonomous oversight institutions was not a guarantee of stronger enforcement given their limited powers and the inability to investigate potential violations, as shown by the experience of Bulgaria, Romania and Hungary. Even the possession of a broad mandate and political autonomy, as in Bosnia and Herzegovina, turned out to fall short in preventing political parties from engaging in unlawful funding activities because of the toothless nature of sanctions. Second, the disparities between the range of defined violations and the gamut of envisaged sanctions is the concluding theme in most cases. Because not all party-related funding offences have been matched by corresponding penalties, or different infringements have been covered by the same penalty, enforcement has proven even more problematic. Paradoxically, but while this asymmetry has rendered the sanctioning mechanism quite rigid and apparently hostile toward political parties, in reality it has proved less harmful due to the cushioning effect of milder sanctions applied as preventive measures. Hence, the probability that the most stringent sanction would apply was diminished, thus offering political parties a useful tool to test the robustness and effectiveness of the supervisory mechanism. Of course, the legal possibility to use the most stringent penalty remained but the preventive measures considerably undermined the use of this option.

7.2.3. High restrictive cases

Robust enforcement implies the simultaneous presence of strong oversight and a broad and flexible palette of sanctions. This is hard to achieve since in practice it is hard to assume that the supervisory body is fully independent and holds the necessary powers to carry out its tasks without being exposed to political pressure. Likewise, it is hard to match any infringement to a proportional and deterrent punishment. Notwithstanding this, when these requirements are met to a certain degree, the enforcement mechanism can accomplish the task of inducing higher discipline and compliance among political parties by the financing rules. One of the key problems that compromised the entire enforcement mechanism across post-communist regimes, boils down to mismatch between supervision and sanctions. Hence, the confluence of a relatively robust enforcement with an encompassing system of proportional and stringent sanctions was rather an exception.

Yet, as Latvia's example illustrates, under certain circumstances, the control of party financing represents a feasible (though by no means easy) task. The shift from a politically affiliated supervisory mechanism, paralleled by a very limited range of sanctions, toward robust enforcement took place in Latvia within a broader anti-corruption policy approach aimed at addressing high-ranking political corruption, perceived as the main threat to joining NATO and the EU (Kuris, 2012, p. 2). Due to the concentration of economic power in a few hands, the collusion between politicians and businessmen quickly became a countrywide concern. Accepting bribes or political contributions 'in exchange for influence over policies' was regarded by Latvians as the most harmful corrupt practice damaging the country (Anderson, 1998, pp. 21, 27). Furthermore, the close connections between political parties and business were reflected by the magnitude of state capture, which was one among the highest among the post-communist regimes. Although Latvia ranked fourth on the aggregate score of state capture, behind Azerbaijan, Moldova, Russia and Ukraine, it held the second position on both indicators directly related to party financing (Hellman et al., 2000, p. 11).[154] To a certain, extent this should not appear as a surprise. Unlike other post-communist polities, in which political corruption linked to party funding was a common issue, in Latvia and other countries scoring high on state capture including Azerbaijan, Moldova and Russia it had a special twist – none of them provided public funding to political parties to mitigate the need for private contributions. Since parties had to rely exclusively on donations, this increased the risk of engaging in quid pro quo exchanges to secure resources for their organizational survival.

Against this background, a new enforcement mechanism was put in place in 2002. It created a new agency – the Corruption Prevention and Combating Bureau (KNAB), which became fully

[154] The two indicators related to party financing are legislative and party activity. Concerning legislative activity, 40 percent of Latvian firms claimed that their business is directly affected by the sale of legislative votes to shape the content of regulations in favour of private interests, which was only 1 percent less than Azerbaijan. Regarding party financing, 35 percent of firms stated that their business is affected by illegal contributions to political parties. On this indicator Latvia was behind Moldova but on par with Azerbaijan.

operational in February 2003. Among other tasks related to fight high-ranking political corruption, it was also entrusted with the control of political financing. The agency was provided with broad powers laid down in a separate law that granted the right to conduct criminal investigations, to impose sanctions, and to access all kinds of documents and information from the relevant institutions regardless of the ownership type and the secrecy regime (LVA: Official Gazette №. 65 (2640), 2002, secs 9–10). Whereas these powers proved crucial in quickly producing a high level of general trust in the institution as really committed to fight high-ranking corruption, the key vulnerability boiled down to its political autonomy, since it was dependent on the executive. The government could propose and dismiss the KNAB director, which was ultimately decided by the parliament. Yet, despite this partial political subordination, the government could neither interfere with the agency's criminal investigations, nor overturn agency decisions regarding political financing or applied sanctions (GRECO, 2008c, p. 21).

However, the government attempts to control the bureau have been reflected in struggles over the appointment and dismissal of the KNAB director. Between 2002 and 2011, the bureau was headed by five different directors, two of whom served on an interim basis due to the difficulties in agreeing on a candidate that could achieve a majority vote in the parliament (Kuris, 2012, p. 7). No candidate served a full term of five years as stipulated by law. Notwithstanding these struggles, the operational autonomy of the bureau allowed it to be quite efficient in tackling the problem of grand corruption by winning several important battles against its political supervisors. The 2007 attempt to remove the bureau director by the prime minister resulted in a public outcry, which ultimately led to the fall of the government (Kalacinska, 2010, pp. 22–23; Rusu, 2010, pp. 11–12). Through its investigations, the bureau also triggered the early dissolution of the parliament, when it refused to lift the immunity of a party leader and Latvian oligarch so that the bureau could investigate his assets. As a result, the Latvian president used his constitutional powers to call for a referendum, held in July 2011, in which 94 percent of Latvians voted non-confidence in the legislature (Kalniņš & Ķirse, 2011, pp. 20–21; A. Wilson, 2011).

In the field of party finances, the agency initiated a thorough check of party finances already from the beginning of its activity. The 2002 and 2004 amendments to the party financing law expanded the range of sanctions from relatively low pecuniary fines up to dissolution of a party for financial misdemeanours (LVA: Official Gazette №. 32 (2980), 2004). Parliamentary elections held in 2002 proved to be the first test of the agency regarding the control of party financial flows. The investigations revealed that the aggregate amount of illegal donations collected by parties reached LVL 278,000 ($446,000) (KNAB, 2012, p. 16). Early doubts concerning the bureau's independence were swept away in 2004 when the Union of Greens and Farmers (ZZS) – the party of the acting prime minister – was punished with an unprecedented fine of LVL 100,000 ($185,000) (Kuris, 2013). The 2006 parliamentary contest further proved the agency's commitment to fight against financing violations by punishing legal breaches much more forcefully. While the aggregate amount of fines issued by the KNAB against six parties reached the

staggering figure of LVL 1,585 million ($2,8 million), the burden of fines fell on two parties – Latvia's First Party/Latvian Way (LPP/LC) and the People's Party (TP), which were given fines of LVL 528,800 ($935,800) and LVL 1,027 million ($1,817 million), respectively (KNAB, 2012, p. 16).

As it turned out, these decisions had a critical impact on the political fate of both parties, contributing to their ultimate dissolution.[155] This radical approach contributed to a sharp decrease in the frequency and stringency of funding related offences. Beside administrative fines, the agency did not shy away from applying much stricter sanctions for failure to comply with funding restrictions. Between 2003 and 2007, the bureau filed 30 lawsuits demanding the suspension or the dissolution of political parties with the courts, an effort that resulted in 16 cases of party suspension and 8 cases of party dissolution (GRECO, 2008c, p. 16). Yet, this success could hardly have been achieved without massive public support and confidence, the backing of the presidency and the non-interference of the general prosecutor's office in the most sensitive moments of the agency's clashes with the executive and the legislative. While in a few other cases a similar enforcement model was adopted, it was enacted too late to draw even some preliminary conclusions about its effectiveness.

7.2.4. Trends and patterns of restrictiveness on enforcement for statutory financing

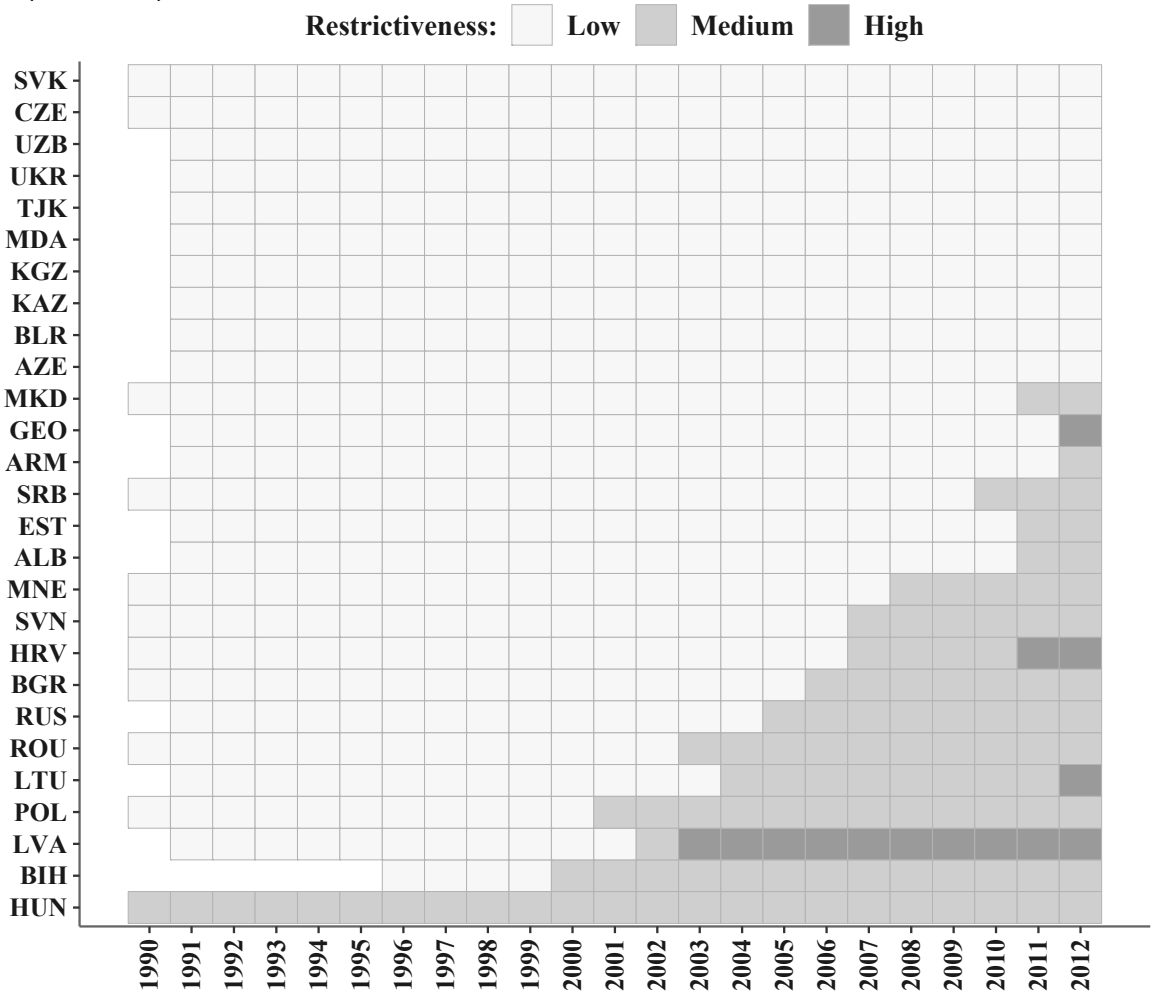
As this overview has shown, the weakness of enforcement mechanisms across post-communist space has sprung from different configurations of the interplay between oversight and sanctions. Besides the absence of (or weak) regulations on both aspects, which have naturally yielded a lack of enforcement, their mismatch has produced an almost identical outcome. The weakness of supervision has stemmed from three factors: political control, limited powers and fragmentation. Either alone or in combination with the other two factors, these have contributed to the establishment and preservation of flawed oversight. A supervisory body composed of members of the legislature cannot be deemed credible and non-partisan in monitoring political financing. In the same fashion, where the oversight body has limited powers, strong enforcement is impossible, irrespective of its political autonomy. Finally, the fragmentation of supervision has proved to weaken enforcement in similar ways, since diffusion of authority among the oversight institutions dilutes individual capabilities.

The weakness of the enforcement mechanism has also been underpinned by toothless sanctions regime, which in turn reflects the mismatch and asymmetry between the gravity of infringements and the gamut and stringency of sanctions. The ineffectiveness of sanctions is directly related to the failure to codify party funding violations as administrative or criminal acts. Hence, some of the party funding

[155] Both parties were known as being associated with and representing the interests of local oligarchs, particularly given the fact that both parties were led by the two most powerful Latvian businesspersons. Nevertheless, KNAB decisions played a significant role in excluding them from the political stage. After many court battles, the People's Party was defeated and obliged in September 2011 to pay the fine. To avoid this penalty the party disbanded itself in July 2011 and was declared insolvent in December 2011. The Latvia's First Party/Latvian Way ultimately had the same fate although it stood for office in early parliamentary elections (September 2011) triggered by the July referendum. Yet, the party failed to pass the electoral threshold and to avoid paying the fine it followed suit by disbanding itself in December 2011.

infringements were simply not backed up by corresponding punishments. Furthermore, in most cases, the stringency of sanctions has either been too low to prevent political parties from engaging in unlawful financing operations, or too stringent to be of practical use in disciplining them. Figure 7.2 displays the cross-national variation in the restrictiveness of enforcement and its development over time on statutory party activity.

Figure 7.2. Restrictiveness of enforcement rules for statutory party financing by country and type (1990–2012)



Source: Author's elaboration

When the shortcomings of oversight and sanctions are pooled together, it becomes self-evident why the enforcement of party financing rules has been so ineffective. Beside the reluctance of post-communist parties to set up an operational enforcement that would confine their fundraising opportunities and strategies, its complexity appears to have played a significant role in the failure to bring together several elements that would be necessary to ensure functional enforcement. As the Latvian case has shown, only through synergy in the interplay of strong oversight and an extensive and balanced

system of sanctions, can robust enforcement be achieved. But since this condition was rarely satisfied, it was not so difficult for political parties to avoid complying with financing regulations.

As the data illustrate, the low restrictive cases dominate the field. Irrespective of the precise configuration of the interplay between supervision and sanctions, political parties have not faced serious threats in terms of financial control. In those cases where supervisory body has been relatively remote from direct political control, its capacity to thoroughly check party finances has been undermined by the lack of powers to scrutinize party records beyond self-reported data. Furthermore, in most cases, such bodies were stripped of the power to apply sanctions. Only in a very few cases, has oversight been backed up by a relatively balanced and dissuasive system of sanctions aimed at preventing the involvement of political parties in unlawful financing deals. Besides the regulatory shortcomings and practical implementation problems stemming from the detachment of oversight and sanctions, the weak enforcement mechanism has entailed two additional problems. First, it has rendered other restrictions on party funding meaningless, thus creating additional incentives for parties to breach the rules with little or no cost. Second, and more importantly, the regulatory ambiguity has left enough space available for the partisan manipulation of the supervisory bodies. When party financing infringements are not clearly defined and/or the powers of the supervisory body are not precisely spelled out, the risk of selective and uneven application of sanctions has been higher, resulting in disproportional punishment of opposition parties relative to incumbents.

While the individual country trajectories reveal a status quo or a moderate pace in amending the substance of the enforcement mechanism, behind these general trends some attempts to alter the institutional arrangements can be identified. In most cases, however, despite the passage of new regulations, the qualitative shift toward a more robust oversight and stricter sanctions did not take place. Instead, while the most obvious regulatory shortcomings were cancelled, they were replaced with new but more subtle and ambiguous provisions, which did not contribute to the strengthening of enforcement. In many cases, once the initial enforcement setup was adopted, it proved to be resilient and difficult to amend. In addition, the shift toward stricter enforcement rules occurred relatively late. During the early transition, very few ex-communist regimes nominated an independent supervisory body to monitor party finances, although even in such cases it could not actually check their truthfulness. Unlike oversight, the sanctioning mechanism underwent faster and more substantial transformations, with many polities envisaging in their regulatory framework severe penalties even during the '90s. Notwithstanding this regulatory shift, such arrangements proved to be unenforceable due to the limited gamut of sanctions and the limited probability of applying the most stringent penalty – party dissolution. It should be noted, however, that the weakness of enforcement represented a somewhat natural outcome given the overly permissive nature of financing regulations in many countries. Enforcement does not really matter if other aspects of party funding are vaguely regulated. If the regulatory framework does not envisage restrictions

on party funding or does not require compliance with transparency obligations, there is no need for strong supervision and severe sanctions. Enforcement becomes meaningful only if and when such restrictions/requirements are introduced.

7.3. Enforcement of election financing

7.3.1. Low restrictive cases

Beside the common weaknesses of the enforcement mechanism, the control of campaign financing was exposed to the same vulnerabilities as the regulation of transparency, thus being affected by the limited timeframe to perform quick and unbiased oversight and by the incoherence of enforcement regulations between statutory and campaign funding. Overall, regardless of the regulatory configuration that contributed to the establishment and the preservation of a flawed control mechanism, electoral competitors have not been exposed to a high risk of punishment for financial wrongdoings. Nevertheless, even among these cases there is perceptible variation in the strength of supervision and the stringency of sanctions, ranging from a complete lack of control to more complex but still lax enforcement rules.

The Czech Republic and Hungary are representative of the first scenario. In both countries, electoral competitors have not even been compelled to submit financial reports on campaign income and expenses to a monitoring body. Even though the law obliged parties to disclose their campaign funding in annual declarations, the political control of the supervisory body in the Czech Republic and its limited powers in Hungary, accompanied by weak sanctions, have rendered the overall enforcement ineffective (Enyedi, 2007, p. 100; GRECO, 2010e, pp. 23–24, 2011c, pp. 20–21; OSCE/ODIHR, 2010f, p. 15, 2010c, p. 7; Simral, 2014, pp. 44–46). Similar arrangements, although for a shorter time span, survived in Latvia up to the 2006 parliamentary contest, although the electoral contestants were bound to submit financial declarations to a supervisory body also in the 2002 parliamentary contest (Ikstens, 2013, p. 13; Sikk, 2004, p. 6). However, beside the fact that the provisional supervisory body (the State Revenue Service) lacked political autonomy, there were no available sanctions to punish political parties for the failure to submit financial reports or for their forgery (Čigāne, 2003, p. 58; OSCE/ODIHR, 2002d, pp. 12–13). Croatian electoral legislation was also silent on campaign funding oversight due to the permissive regulations and the lack of thorough transparency obligations (IRI, 2000, pp. 8, 18; Kregar et al., 2007, p. 60; OSCE/ODIHR, 2000d, pp. 6–7, 28, 2004b, p. 12; Petak, 2002, pp. 30–31). Even the overhaul of the entire financing regime in 2007 has not entailed any change regarding oversight (HRV: Official Gazette №. 1, 2007). While the GRECO assessment highlighted that 'in the case of parliamentary elections…no reports are submitted to any public agency', the OSCE monitoring report on the 2007 parliamentary contest called for the establishment of a non-partisan body able to take enforceable decisions (GRECO, 2009c, p. 20; OSCE/ODIHR, 2008b, p. 24).

In a similar vein, enforcement has been almost completely non-existent in Romania, Albania, Montenegro and Serbia, due to the lack of regulations on donations, spending, transparency and control. While Romanian electoral legislation envisaged few minor penalties for campaign funding breaches already during the 1992 parliamentary contest (ROU: Official Gazette, №. 164, 1992, secs 72–73), the law required neither the submission of campaign funding reports, nor assigned the control task to any specialized body (IRI, 1993, pp. 24, 41; OSCE/ODIHR, 1997c, p. 9, 2001c, pp. 12–13). It was not clear how could electoral competitors be punished for breaches of the law in the absence of control over campaign financing (Asociația Pro Democrația, 2001, p. 14). Until the 2005 amendments to the Albanian electoral law, there were no restrictions on campaign income and expenses, except a ban on foreign funds and the use of administrative resources, but there were no sanctions associated with such infringements. As a result, the abuse of administrative resources was a common practice during elections (IRI, 1996, p. 22; NRI, 1991, pp. 13–15; OSCE/ODIHR, 1996, p. 8, 2005b, p. 13). The situation has not been so much different in Serbia and Montenegro where parties and candidates managed to avoid any supervision for quite a long time. In Serbia, the lack of an oversight body explicitly entrusted with the monitoring and control of campaign funding lasted until the 2007 parliamentary elections (IFES, 1997, p. 22; OSCE/ODIHR, 2001d, p. 17, 2004c, p. 8). Likewise, Montenegro lacked any controls on campaign funding until the 2006 contest. All attempts to nominate a monitoring body able to punish financial breaches were unsuccessful given the failure of political actors to reach an agreement over its powers and legal status, as well as over the scope of related sanctions (IFES, 1998a, p. 5, 1998b, pp. 40–41; Vujović et al., 2005, pp. 26, 42; Vujović & Bošković, 2006, pp. 100, 106).

In other cases, the weakness of enforcement has reflected the complete absence of sanctions at all. Until the 2007 parliamentary contest, no sanctions were foreseen for campaign funding violations for Estonian electoral competitors (Sikk & Kangur, 2008, p. 68).[156] Even their introduction did not significantly contribute to the strengthening of enforcement since supervision was put into the hands of a parliamentary committee consisting of party representatives. Furthermore, the committee had the mandate to check only the electoral competitors' compliance with formal regulations without any powers to verify the truthfulness of the reported income and expenses (GRECO, 2008a, pp. 11, 43–44; OSCE/ODIHR, 2007a, pp. 22–23). The lack of an effective control resulted, ultimately, in a party funding scandal that broke out in 2012, concerning the alleged use of party members as bogus donors to channel the money from unknown sources to the pockets of the governing Reform Party (Sikk, 2013, pp. 61–63; Transparency International Estonia, 2012, pp. 9–10). Nevertheless, the ensuing investigation came to a dead end, without producing any significant charges and the case was dropped 'due to lack of evidence' (ERR, 2016).

[156] The amendments to the political party law were adopted at the end of 2003 and entered into force in 2004, therefore the new sanctions were not applied to the 2003 parliamentary contest.

Political dependency of the supervisory body has been a hallmark of the Slovak and Slovenian oversight as well. In the Slovak case, the supervision was assigned to the Ministry of Finance but the lack of independence, the formalistic approach toward checking campaign funding reports, and the soft penalties, has severely undermined the enforcement of campaign financing (GRECO, 2008d, pp. 14, 21; OSCE/ODIHR, 2012d, p. 8; Rybář, 2006, pp. 330–331). For instance, out of the 182 fines imposed on political parties since 2001, only ten were paid by the time of the 2010 parliamentary elections (OSCE/ODIHR, 2010b, p. 10). Furthermore, no penalties were imposed for violations of campaign funding rules, except for the failure to submit a financial declaration (GRECO, 2007, p. 22). Likewise, until the 2008 elections, Slovenian parties submitted their campaign funding declarations to the National Assembly, which, besides its partisanship, also lacked the mandate to perform this task (SVN: Official Gazette, №. 62/3399, 1994, sec. 19). As a consequence, there has been no an authorized body to verify the accuracy and truthfulness of financial reports. While the amount of regulations has increased over time, the sanctions have remained relatively weak and difficult to apply due to a flawed institutional design (Fink-Hafner, 2006, p. 8; Fink-Hafner & Krašovec, 2013, pp. 2, 10).

Despite their differences, in most cases the weakness of enforcement has been generated by a regulatory vacuum pertaining to oversight and sanctions plus the political subordination of the supervisory body. Another configuration that has yielded weak campaign funding regulation enforcement emerged from the interplay between a politicized electoral body, endowed with limited powers to scrutinize electoral subjects' compliance, and a very narrow and asymmetric range of sanctions. While this regulatory design is somewhat more elaborate, the outcome has been identical – virtually no capacity to monitor and punish campaign funding violations. Except for a few cases, the politicization of the electoral body through the appointment procedure has been the key factor in ensuring that breaches of campaign funding rules have gone unpunished. Furthermore, in some cases, the impartiality of the electoral body has been a questionable matter since, along with political parties, the executive has kept its own nomination quota and has been able to influence the decision-making process. When this kind of supervisory mechanism has only had notification or deregistration from the electoral race as a sanction, the probability that the most stringent punishment against political parties would be applied has remained very low. Finally, in most cases the electoral body has not even possessed an encompassing mandate to investigate campaign financing beyond the electoral competitors' self-reported income and expenses. At best, it has been able to request the support of other bodies to check financial declarations. However, the request for support recalls the question of political autonomy and non-partisanship since the required support would normally be sought from politically affiliated bodies such as the tax office and/or the police.

This institutional setup has been typical in several post-soviet republics but has not been limited to them. In the Armenian case, for instance, the lack of CEC independence was grounded in the

procedure for nomination and dismissal of its members. Both the government and political parties represented in the legislature have retained the right to nominate and recall appointees (ARM: №. 3P-284, 1999, secs 35, 38), thus removing any incentive for the electoral body to operate in a professional and accountable manner (OSCE/ODIHR, 1999, pp. 11, 29, 2003b, p. 4). In the same vein, the fragility of the enforcement mechanism in Bulgaria has been driven by the political affiliation of the CEC members, who have been appointed by the president in consultation with parliamentary parties (BGR: №. 28, 1990; BGR: Official Gazette №. 69, 1991, sec. 27). In addition, the CEC has possessed limited powers to control campaign funding and, most importantly, there have been no sanctions to punish the violation of financing rules (Kanev, 2003, pp. 75–76, 2007, p. 48). The nomination of the SAO to check campaign funding reports, has not brought the expected change because the lack of sanctions, specifically those foreseen for campaign funding violations, has rendered enforcement almost non-existent (Ikstens, Smilov, et al., 2002, pp. 27–28; OSCE/ODIHR, 2005c, pp. 6, 10, 2009b, pp. 13, 24).

In Moldova and Ukraine, enforcement has been jeopardized by similar factors. The politicization of the CEC in Moldova took place via the replacement of the judiciary nominated members by the representatives of political parties. By the 2005 parliamentary contest, the appointment of electoral body had become fully political (MDA: Official Gazette №. 010, 1993, sec. 10; MDA: Official Gazette, №. 81/667, 1997, sec. 16; MDA: Official Gazette, №. 263-269/1588, 2012). Yet, even leaving aside the nomination procedure, the CEC has possessed neither legal powers to investigate campaign funding violations, nor the mandate to apply sanctions (Lipcean, 2009, 2010b). Between 1994 and 2008, the only sanctions it could apply consisted in the forfeiture of unlawful funds and deregistration of electoral competitors for unreported expenses. Yet, since the election law did not provide for clear transparency requirements until the 2009 elections and did not define what constitutes campaign expenditure until 2012, the deregistration of electoral contenders for unreported expenses was a rather decorative and unenforceable provision (MDA: Official Gazette, №. 263-269/1588, 2012; OSCE/ODIHR, 2005d, p. 6, 2011e, pp. 12–13). Accordingly, warnings and other minor administrative fines for the violation of reporting obligations could not induce electoral subjects' compliance with campaign funding rules (GRECO, 2011b, pp. 24–25).

An almost identical situation can be found in Ukraine, where the politicization of the CEC members was an outcome of the bargain between president and legislature (Kovriženko, 2010, p. 116; UKR: №. 1932-IV, 2004, sec. 6; UKR: Official Gazette №. 48, 1993, sec. 14). The involvement of the tax authorities in controlling election funding even further undermined the credibility of oversight, leading, at times, to the selective application of regulatory provisions by harassing the donors of the opposition parties and candidates (Protsyk & Walecki, 2007, pp. 199–200). Still, before the 2002 Rada elections this was not so much of a problem, given the lack of sanctions, though it could affect the donors' propensity to contribute to the opposition's campaign as well as their willingness to comply with

transparency. While the 2001 Rada election law stipulated the deregistration of electoral subjects for the use of unlawful funds and for exceeding spending caps (UKR: №. 2766-III, 2001, sec. 49), these provisions were nearly impossible to enforce, if unbiasedly applied, given the lack of any regulations on the definition of campaign expenses, in-kind donations, and third-party spending (OSCE/ODIHR, 2002e, p. 14).[157] For the subsequent parliamentary contests, enforcement has been even more problematic given the removal of spending caps, the possibility to transfer unlimited amounts from the party budget to its own election fund and the lack of disclosure obligations (OSCE/ODIHR, 2007c, pp. 13–14, 2013a, p. 18; UKR: №. 2777-IV, 2005, sec. 53). Furthermore, the application of the most stringent penalty – deregistration – has been virtually cancelled out by the obligation to firstly notify the electoral contenders regarding their financial infringements. Ultimately, all these shortcomings have rendered the enforcement mechanism almost non-existent (GRECO, 2011e, p. 28; Meleshevych, 2016, p. 3).

Yet, the toothless nature of enforcement does not automatically and completely rule out the possibility of punishing electoral competitors on campaign funding related grounds. A politicized supervisory body can still be deployed against political opponents, aiming at stifling electoral competition via the exclusion of opposition candidates from the electoral race. Nevertheless, such a risk remains rather low.

7.3.2. Medium restrictive cases

These enforcement regimes display stronger politicization of the oversight bodies, as result of a more partisan composition, and a limited palette of sanctions, some of which are quite severe. The partisanship of the electoral body has been primarily affected by the higher share of electoral officials appointed from the ranks of state bodies at different administrative levels. Consequently, the domination of electoral bodies by the state officials at various tiers of the electoral administration brought about different consequences for the electoral contestants. This has been especially relevant in majoritarian and mixed electoral systems, in which, besides the CEC, which checks campaign funding of the party lists, the lower tiers of the electoral committees have been in charge with the supervision of SMD candidates. Russia, Azerbaijan, Kazakhstan, Kyrgyzstan and Tajikistan are representative of this kind of institutional arrangement.

Russia is perhaps the best illustration of such an enforcement mechanism during elections, which at least on paper, was stronger than the control of party statutory funding in the beginning. Nevertheless, for the first Duma contests the regulatory framework on financing control was still poorly defined (Gel'man, 1998; Gleisner, 2007; Treisman, 1998; K. Wilson, 2007). If the 1993 and 1995 Duma election laws were relatively weak in terms of oversight and sanctions (RUS: №. 90-ФЗ, 1995; RUS: №. 1557,

[157] The main issue with the supervision of campaign financing during the 2002 Rada elections consisted in several questionable provisions of the law, which gave the CEC and tax authorities discretionary power to apply random checks on campaign accounts without specifying the selection criteria for such selective inspections (OSCE/ODIHR, 2001e).

1993), the legal framework for the 1999 elections envisaged a quite elaborate mechanism of control. It established an audit and control service at the disposal of the electoral body with extensive powers to check the financial flows of parties and candidates (RUS: №. 121-ФЗ, 1999, sec. 69). While this mechanism was regarded as complying with international standards and resembled similar institutional arrangements in other established democracies, the main concern was related to the potential for its arbitrary use against certain candidates (OSCE/ODIHR, 2000e, pp. 3, 7). As it turned out, this concern was not groundless. Not only was the composition of the electoral bodies (especially at the lower tiers of the electoral administration) skewed in favour of local legislative and executive bodies, but the nomination of the audit service membership was totally under political control since it included tax and law enforcement officials. Given the appointment procedure and the subordination of the electoral bodies to the local administration, the decisions of District Electoral Committees (DEC) have tended to favour pro-governmental parties and candidates (Popova, 2006; Гельман, 2010). Moreover, the patchy nature of electoral legislation has offered electoral bodies considerable discretionary power in deciding what constitutes a substantial violation for the deregistration of an electoral competitor (Gel'man, 2004; Макфол et al., 1999, p. 9). For instance, in the 1999 Duma campaign, the establishment but not the enforcement of extremely restrictive spending limits contributed to the preferential treatment of pro-Kremlin candidates and parties, while maintaining the threat of punishment for opposition candidates in case of financial infringements (Golosov, 2016, p. 125; IFES, 2000, pp. 5–12). The electoral bodies' lack of independence and the ambiguity of legal rules, distinguishing between minor and serious violations, has proved to be a constant feature of the enforcement mechanism (Gel'man, 2008a, pp. 24–25; OSCE/ODIHR, 2004d, p. 5, 2012f, pp. 5–6; Гельман, 2013). Whereas the opposition candidates have been under a constant threat of deregistration, the incumbents enjoyed the freedom to employ the full palette of institutional, media and financial administrative resources to skew the electoral results in their favour (Oates, 2006; OSCE/ODIHR, 2012f; Panov & Ross, 2013; White et al., 2005; Панфилова & Рид, 2004). Even though the range and definition of campaign funding violations, including the use of administrative resources, for which electoral competitors were threatened with deregistration have expanded and become more precise over time, their selective application against the opposition candidates has rendered the enforcement heavily biased toward the party of power. Furthermore, while the partisanship of electoral bodies made the use of the highest penalty against the incumbent candidates improbable, the low value of administrative fines applied for financial infringements has not been sufficient to deter improper behaviour (GRECO, 2012c, pp. 34–36).

An almost identical model has been employed by Azerbaijan both in terms of oversight and sanctions. Although the appointment of the CEC members was designed to represent all parliamentary forces (AZE: №. 890-IQ, 2000, sec. 2; AZE: №. 900-IQ, 2000, secs 19–20), in practice it has been dominated by a pro-regime parliamentary majority (OSCE/ODIHR, 2001f, p. 5, 2006a, p. 7, 2011f, pp.

6–7). Moreover, as in the Russian case, the audit service, created within the CEC and entitled to check campaign financing, was meant to include state officials from various institutions. Finally, the DECs, in charge of supervising SMD candidates, have been even more disproportionally dominated by representatives of the ruling party, most of whom have been state employees (Alizade, 2007; Guliev, 2006). The partisanship of the electoral bodies is well illustrated by the fact that out of more than 500 complaints filed by opposition candidates in the 2005 elections, half were not even examined, while the other half were rejected by the CEC (Alieva, 2006, p. 34).

CEC partisanship has been even more prominent in other cases. In Kazakhstan, the appointment and dismissal of CEC members was an exclusive prerogative of the president until. Even though the 2007 amendments gave the parliament the right to nominate four out of seven members (KAZ: №. 254, 2007; KAZ: №. 2464, 1995, sec. 11), the dominance of pro-regime parties kept the partisanship of the CEC unaffected. Likewise, the membership of Tajik CEC was decided by the president and only approved by the legislature (TJK: Official Gazette, №. 12/296, 1999, sec. 11). Following a constitutional referendum in 1996, the Kyrgyz president obtained the right to nominate the head and one-third of CEC members, with the other two-thirds nominated by the legislature. The CEC's partisanship was solidified in 2003 by increasing the president's share to half the members (KGZ: Official Gazette №. 1, 1996, sec. 46; KGZ: Official Gazette №. 12, 2003, sec. 46). This situation lasted until 2010 when, as result of political turmoil, the appointment of CEC members became more inclusive and democratic, albeit still politicized, by entitling the president, parliamentary majority and parliamentary opposition to each nominate a third of the CEC members (KGZ: Official Gazette №. 61, 2010, sec. 74). As in Russia and Azerbaijan, the right of the lower tier electoral committees to supervise campaign funding of the SMD candidates has reinforced the arbitrary nature of oversight. In Kazakhstan, their composition depended on the central government representatives at the local level (1999 elections) and later on the local authorities (maslikhats), which could deny the appointment of party representatives. As a result, the opposition parties have been heavily underrepresented relative to the pro-regime parties (OSCE/ODIHR, 2000f, pp. 6–7, 2004e, p. 6, 2007d, pp. 9–10). A similar phenomenon has been common in Kyrgyz parliamentary contests, in which state employees have either clearly dominated or exceeded the legal quota assigned by law at the expense of political party nominees and the civil society representatives (OSCE/ODIHR, 2000g, pp. 3–4, 8–10, 2005e, pp. 6–7, 2008d, p. 8). Finally, in the Tajik case, the independence of DECs, empowered to supervise the campaigning of SMD candidates, has been compromised by the appointment of senior regional or local administration officials as DEC members or even as chairpersons (OSCE/ODIHR, 2000a, pp. 8–9, 2005f, pp. 5–6, 2010g, p. 9).

Not only the lack of political autonomy, but also the lack of a clearly defined mandate to monitor campaign financing, accompanied by a limited gamut of sanctions, has rendered enforcement a rather discretionary exercise in these cases. In all three countries, the range of sanctions was extremely limited

and excessively rigid concerning the match between the gravity of campaign funding breaches and the severity of applicable sanctions. As a rule, electoral laws envisaged only deregistration of electoral contenders, in some cases even without a warning, and the subsequent forfeiture of illegally acquired funds (KAZ: №. 2464, 1995, sec. 34; KGZ: №. 39, 1999, sec. 56; TJK: Official Gazette, №. 12/296, 1999, sec. 9). While the supervisory mechanism has proved to be biased and, in some instances, even ineffective due to the limited institutional capacity to check the financial reports of electoral contenders (OECD, 2010a, p. 56; OSCE/ODIHR, 2000g, p. 6, 2008d, p. 13), its actual deployment during elections has varied from case to case. Paradoxically, deregistration of opposition candidates for alleged financial misdemeanours has been used sparingly, although such decisions have usually been taken behind the closed doors and, sometimes, even without the notification of the excluded candidates, or after controversial court decisions (OSCE/ODIHR, 2004e, p. 10, 2010g, p. 23). Exclusion from the electoral race on grounds related to campaign funding violations has been employed rather as a subsidiary tool to bar inconvenient candidates from running for office even in these non-competitive political regimes. There were other tools aimed at restricting political competition by weeding out undesirable candidates at the registration stage through laying down relatively high electoral deposits, signature requirements or through party registration process, thus preparing the electoral arena before the electoral race itself. Nevertheless, given the partisanship of the oversight bodies and the arbitrary application of sanctions, the enforcement of campaign financing played the role of the Damocles' sword, which could at any moment fall, especially on the reckless opposition candidates.

7.3.3. High restrictive cases

The most robust enforcement, while displaying some weaknesses, is more likely to provide non-partisan oversight and apply sanctions that are more proportional to the stringency of offences. Nevertheless, the actual control of campaign funding has proven quite different from the legal prescriptions for various reasons. Besides the Latvian case discussed previously, Poland is another case of a more robust enforcement of campaign funding. The Polish system, set up in 2001, clearly fulfils the requirements of the supervisory body independence and makes available a relatively broad and diversified range of sanctions for campaign funding breaches. While a higher degree of independence has been ensured through the exclusively judicial nature of the CEC's composition, the gamut of sanctions ranges from various administrative fines ($310 – $31,000) up to the cancellation of political party, including the partial or complete loss of public funding (GRECO, 2008b, pp. 16–17, 27–28; Szyszka, 2014, pp. 98–99; Walecki, 2007, pp. 135–136).

Yet, in the Polish case, the supervisory body only partially satisfied the condition of an extensive mandate to scrutinize campaign funding violations. The key weakness in the activity of the oversight body consisted in its reliance on the auditors' assessment of the campaign funding reports and the impossibility to scrutinize financial data by itself (OSCE/ODIHR, 2008e, p. 12; Sawicki, 2012, p. 13;

Zbieranek, 2010, p. 84). Given these limitations, the CEC has generally delegated investigation of criminal and administrative violations to other state bodies that do not clearly fulfil the requirement of political independence (Chmaj et al., 2005, p. 76). Despite these regulatory shortcomings, already after the 2001 parliamentary contest, the CEC made extensive use of its new powers by rejecting one-fifth of the financial reports submitted by the electoral committees. As a result, three political parties with parliamentary representation found to have violated financing rules lost a substantial share of public funds they were otherwise entitled to (Chmaj et al., 2005, p. 71). Moreover, since the passage of new enforcement rules, between 2001 and 2011, the CEC turned down more than 140 annual reports and 128 electoral declarations, and filed over 150 requests to strike a party from the register (Casal Bértoa & Walecki, 2014, p. 338; Szyszka, 2014, pp. 104–105). The fact that these requests were supported by solid evidence of campaign funding breaches is confirmed by the Supreme Court's decisions which, in most cases, upheld the CEC's resolutions in response to appeals lodged by the concerned parties (GRECO, 2008b, p. 21; Szyszka, 2014, p. 101).[158] Unlike other cases, such as Hungary, the Czech Republic or Slovakia, in which neither oversight, nor sanctions were actually working, the Polish case evinces a well-developed and operational enforcement.

In other cases, including Serbia, Croatia Lithuania or Georgia, the transition from flawed to sound enforcement occurred roughly two decades after the collapse of communism and overlaps with the upper temporal limit of this study. Therefore, despite adopting a legal framework envisaging independent oversight and a more diversified range of sanctions, the impact of new regulations might require more time to be properly assessed. What is clear, however, is that even after the adoption of stricter rules, electoral contestants were not ready to accept and comply with the new and much more demanding transparency obligations, nor were the oversight bodies well prepared to fully and unbiasedly use their enhanced powers. For instance, in 2011 Croatia set up an oversight mechanism that, overall, fulfilled the conditions of political independence and of an extensive mandate to investigate financial violations (GRECO, 2011f, pp. 8–9). Additionally, there was foreseen a broad range of heavy pecuniary fines ranging from $9,300 to $93,000, including the suspension and the partial/complete loss of the reimbursement of campaign expenses (HRV: Official Gazette №. 24/495, 2011, secs 40–46). Yet, the 2011 parliamentary contest revealed that many political parties and independent candidates either submitted their campaign funding declarations after the stipulated deadline or failed to submit them altogether (OSCE/ODIHR, 2011b, p. 11).[159] Despite the substantial number of breaches stemming only

[158] While the political independence of the monitoring body ensured an non-partisan enforcement, its limited mandate and reliance on other state bodies to fulfil its oversight duties remained a weak point and was emphasized by the GRECO's assessments even after the adoption of a new electoral legislation in 2011, according to which the CEC still lacked the legal mandate to investigate campaign funding violations (GRECO, 2010i, pp. 9–10, 2012d, pp. 10–11).

[159] According to the OSCE monitoring report of the 2011 parliamentary contest, 9 electoral contestants submitted their financial declarations after the prescribed deadline, while 30 contestants, including 11 political parties, 2 independent lists and 17 national minority candidates failed to submit their campaign funding reports altogether (OSCE/ODIHR, 2011b, p. 11).

from the failure to comply with reporting obligations, by 2013 the CEC had reported only four infringements on the financing of the 2011 elections (Transparency International Croatia, 2013, p. 21). The poor performance of the CEC was related neither to its independence, nor to its mandate but rather its capacity and resources (Transparency International, 2013b, p. 34; Transparency International Croatia, 2013, p. 22).

Likewise, in Serbia, the absence of an independent supervisory body proved to be the reason why no sanctions were imposed on political parties there before the establishment of a new supervisory mechanism in 2010 (GRECO, 2010b, pp. 18–21; Pesic, 2007, p. 25). Enforcement was upgraded in 2011, by entitling the Anti-Corruption Agency to supervise campaign funding and by extending and strengthening the gamut of sanctions (SRB: Official Gazette, №. 43, 2011, secs 38–43). Nevertheless, while on paper the new institutional arrangements fulfilled the necessary requirements for non-partisan and comprehensive supervision (GRECO, 2012a; Ohman, 2011), the high number of violations identified during the 2012 and 2014 parliamentary campaigns showed just how reluctant electoral competitors are to abide by campaign funding rules, though the amount of reported resources was larger compared to previous elections (Transparency Serbia, 2012, 2013). As in the Croatian case, the controlling body has been affected by limited institutional capacity (a lack of resources and personnel), thus reducing its ability to fully capitalize on its legal mandate (McDevitt, 2013, p. 37; Transparency Serbia, 2013, p. 41). This limited institutional capacity is reflected by the fact that 339 out of 340 misdemeanour suits filed by the agency after the 2012 parliamentary elections were launched in response to the failure of electoral competitors to submit their campaign funding reports (ACAS, 2012, p. 44), which indicates that the agency responded only to the most obvious and visible breaches of campaign funding – non-compliance with transparency obligations.

In the Georgian and Lithuanian cases, enforcement has been affected by other issues. One of the key weaknesses of enforcement in Lithuania has been the low level of administrative sanctions and confusion regarding their application (GRECO, 2009a, pp. 29–31; Unikaité, 2008, p. 39). Even though the loss of public funding was extended from six months up to two years for a broad range of gross violations in 2011 (LTU: №. XI-1777, 2011, sec. 28), the level of administrative fines was not sufficiently adjusted to deter electoral competitors from violating campaign funding rules (GRECO, 2011g, p. 19, 2013b, p. 11). In stark contrast with Lithuania, pecuniary fines in Georgia were set much higher. Besides the withdrawal of public funding and deregistration of electoral competitors for serious breaches of financing regulations, the use of illegal funding could be punished with fines from five to ten times the amount of unlawfully acquired funds (OSCE/ODIHR, 2012b, p. 14). The problem was that the law did not define what represents a serious breach and the decision to qualify it lay with the SAO – the new supervisory body. Despite the SAO's independence, its extensive powers turn out to be selectively and disproportionally used against the oppositions' donors regarding the source of private contributions

(Bolkvadze, 2013, pp. 24–25; Transparency International Georgia, 2012b, pp. 18–19, 2013, pp. 20–21). Furthermore, the SAO did not punish parties themselves for the use of illegal funds. Instead it punished individuals and businesses providing such contributions but with a clear bias against the opposition's financial backers (OSCE/ODIHR, 2012b, pp. 15–17).

The case of the Georgia's Dream opposition leader, Bidzina Ivanishvili, is quite telling in this respect. He was fined a record amount – GEL 148.65 million ($90.9 million) – for campaign funding violations in 2012. While the fine was ultimately halved on appeal, the way the investigation and the court's rulings were conducted raises doubts about the SAO's independence and the proportionality of applied sanctions (GRECO, 2013a, p. 17; Transparency International Georgia, 2012c). As these examples demonstrate, the success of enforcement requires the provision of a robust and coherent regulatory framework. Moreover, institutional design as well as the availability of resources prove to be critical to ensure its smooth running.

7.3.4. Trends and patterns of restrictiveness on enforcement for election financing

Given the peculiarity of election campaigning, ensuring independent and unbiased control over the funding of electoral competitors is a more difficult task than the enforcement of statutory funding. As the above analysis has shown, the enforcement of election financing entails additional challenges, since it is affected by several built-in weaknesses stemming from the limited timeframe and the capacity of oversight bodies to act quickly and effectively. This is not so much of a problem when the supervision of statutory and campaign financing is performed by a single entity but when oversight is split – the norm in post-communist polities – it clearly weakens the control of campaign funding.

Another regulatory shortcoming in post-communist space springs from the composition of the supervisory institution (CEC) and its decision-making capacity. As a rule, composition has been based on political representation of the largest political parties. While this ensures greater independence in performing its duties relative to other supervisory entities operating under direct executive control, it is still a form of political affiliation. Therefore, the political partisanship of CEC members, although from different parties, turned out to be a factor that weakened, rather than strengthened, supervision of campaign financing, as one would expect. Beside political affiliation, decision-making process was another element that undermined the capacity of the supervisory body to perform its functions. The collective nature of decision-making and the requirement to adopt decisions by, at least, a simple majority acted as a double-edged sword. On the one hand, this mechanism sought to prevent deployment of the electoral body against the opposition as a repressive tool, which obviously aided fairness in the electoral competition. On the other hand, however, it could be a potential source of decision-making deadlock as result of political disagreements over many electoral issues – campaign financing has clearly been one of the most sensitive aspects in this regard. Hence, the interaction between political partisanship and

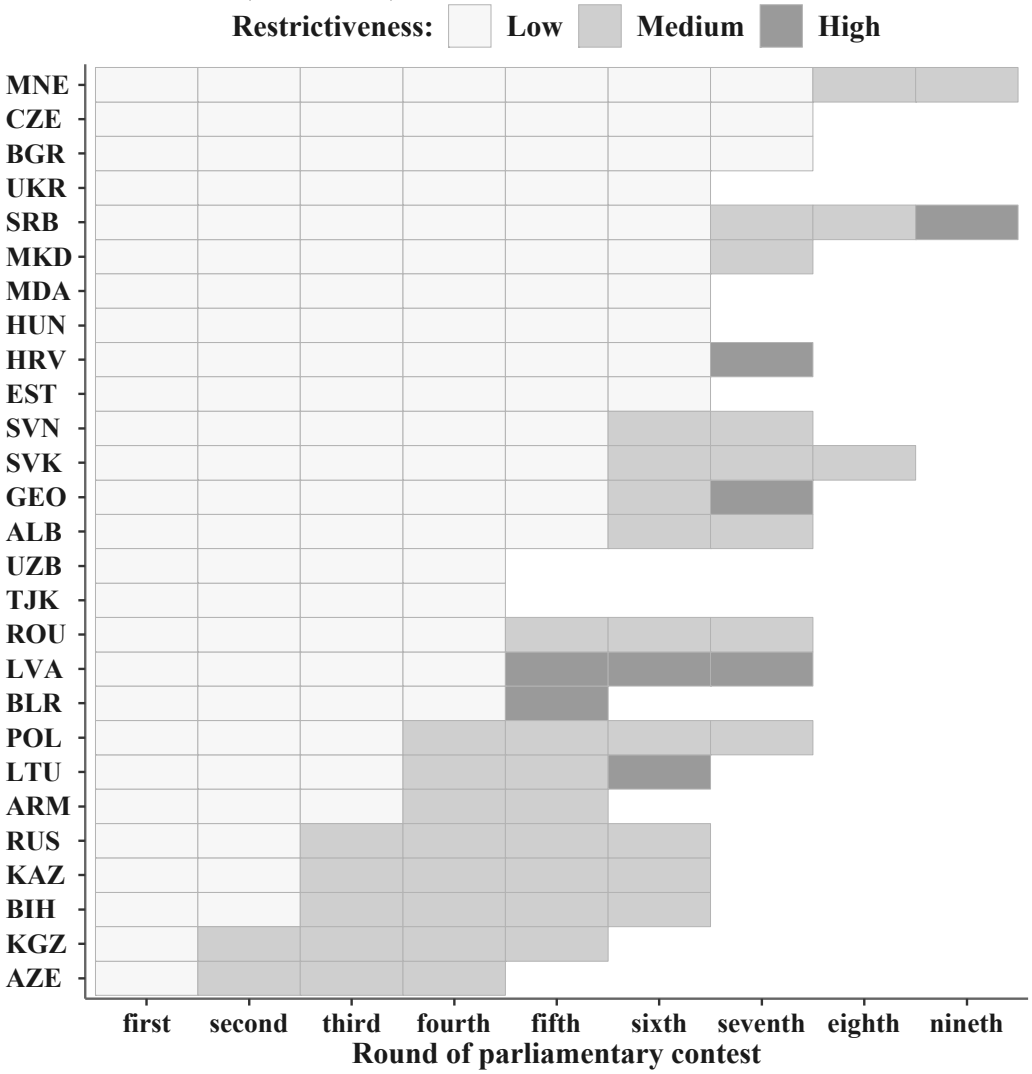
decision-making rules, as applied specifically to the supervision of campaign funding, has generated rather lax supervision.

Furthermore, the leeway of the oversight body to apply sanctions was linked to the range of available penalties that could be deployed against offenders. The lack of a diverse and proportional range of sanctions clearly diminished an institution's capacity to impose such penalties without tarring different kinds of campaign funding infringements with the same brush. When the entire arsenal of sanctions consisted only of the mildest (warning) and the most stringent (deregistration) penalties, this was obviously an incomplete and relatively weak sanctioning mechanism. While the application of the former had little impact on the electoral competitors' behaviour in complying with campaign funding regulations, except probably reputational costs, the latter has proven too stringent to be applied altogether, given its potential impact on the electoral race, though this possibility could not be fully ruled out.

In many cases, however, weak enforcement has simply been a by-product of a lax regulatory regime. When a certain legal framework does not foresee donation and spending caps or does not require parties and candidates to report and disclose their income sources and expenses, there is no need for robust oversight and severe sanctions to ensure compliance. In the same fashion, the strength of campaign funding enforcement was not an issue in several authoritarian regimes, including Uzbekistan, Tajikistan and Belarus, since there was nothing to enforce as electoral competitors were not permitted to deploy income from private sources for their campaigning. While the CEC performed campaign oversight in these case, there were neither regulations on campaign funding breaches, nor penalties associated with such violations. Under such institutional arrangements, incumbents are rather interested to have weak supervision of the financial management of elections that would allow a discretionary use of public resources to their own advantage. Accordingly, while different configurations resulting from the interplay between oversight and sanctions of campaign funding have generated different enforcement arrangements, the ultimate outcome has nevertheless been a weak control of campaign financing.

The result is depicted in figure 7.3, which illustrates the cross-national variation of enforcement restrictiveness and its evolution over time for each country. As the data reveal, a weak enforcement mechanism is the dominant feature of campaign financing. This outcome has been even more influenced by the complexity of campaign financing rules concerning oversight and sanctions, which were further undermined by the temporal dimension and decision-making rules of the supervisory body. When these two factors are added to the institutional setup, by limiting the scope of institutional powers exclusively to duration of elections only and by undermining its capacity to act through the procedural intricacies of decision-making, the enforcement of campaign funding rules has been severely undercut. Therefore, the weakness of the election funding control has stemmed from the unenforceability of regulatory provisions even to a greater extent than for routine party financing. The weakness was even more reinforced by additional obstacles, such as a lack of resources or qualified personnel.

Figure 7.3. Restrictiveness of enforcement rules for election financing by country and type in post-communist countries (1990 – 2012)



Source: Author's elaboration

Chapter 8. Developments, interactions and implications of restrictiveness

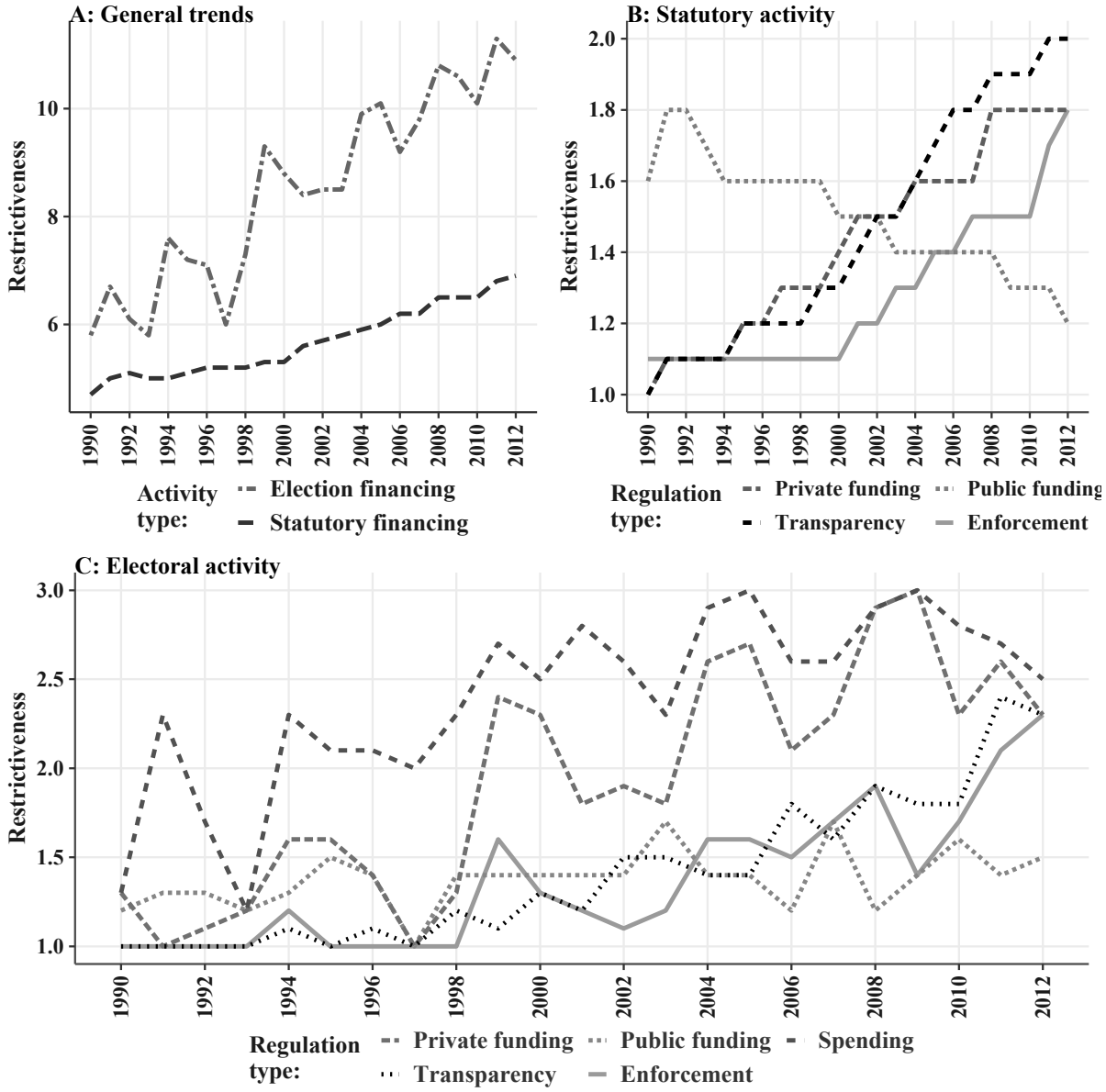
Empirical analysis of individual regulatory dimensions has shown how complex PFRs are and that restrictiveness arises not from the mere presence of certain legal provisions but rather from how they interact. It has also revealed that besides the variation stemming from different restrictiveness types, there is another type of variation – that is, within-type variation. This variation springs from the *intensity* of regulations. In other words, from different levels of contribution and spending limits or public funding. In this chapter, I condense all these differences to identify the macro trends and patterns in the cross-national and diachronic development of PFRs in post-communist space. I will also explore the internal dynamics of PFRs and how they interact with other macro features of the political system.

To achieve this goal, I firstly summarize developments in composite restrictiveness and the restrictiveness of each regulatory dimension for statutory and electoral financing, by aggregating data on restrictiveness across all dimensions of the PFR. Next, I briefly analyse the relationship between the restrictiveness of public funding and other regulatory dimensions with the aim of seeing whether the level of DPF affects the restrictiveness of rules on private income, transparency and enforcement. Finally, I probe into the relationship between public funding and several external factors that might affect or be affected by the level of subsidies, such as corruption, economic and democratic development, and the design of the electoral system. In this respect, my task is confined to identifying potential patterns (if any) of positive or negative association that emerge from the interplay between the level of DPF and the above-mentioned factors.

8.1. Trends in the aggregate restrictiveness of PFRs

Empirical evidence from the third to the seventh chapters clearly highlights an interesting trend in the evolution of PFRs in post-communist space. While they became more similar over time, in terms of envisaging more thorough rules, they have nevertheless remained quite diverse if one delves deeper into the regulatory thicket. As these chapters have revealed, if one steps behind the mere availability of regulations, a diversity and richness of PFRs emerges in the combination of various donation and spending caps, different levels of state funding, transparency and oversight requirements and sanction mechanisms. This makes the PFR an extremely complex phenomenon. Notwithstanding the differences across cases, at the macro level, party and campaign funding shifted from lax to dense and complex rules over time. Figure 8.1 captures this evolution in three domain spaces.

Figure 8.1. Evolution of PRF restrictiveness over time by financing type and regulatory dimensions (1990 – 2012)*



Source: Author's elaboration

Note: *Panel A: To obtain the overall restrictiveness score for the financing of statutory party activity, I assigned ordinal values to different restrictiveness types (Low=1, Medium=2, High=3) for all regulatory dimensions and countries and divided the aggregate score by the number of years. I performed exactly the same operation for the composite restrictiveness score of campaign funding but divided the score by the number of parliamentary contests, thus obtaining a similar standardized indicator. Panels B and C: I followed the same aggregation method as for panel A but separately for each regulatory dimension and activity type.

Panel A shows the evolution of the composite restrictiveness for all PFR dimensions and countries separately for party statutory and election funding. Panels B and C depict the evolution of restrictiveness for individual regulatory dimensions by activity type, i.e. statutory and election financing. The upward trends depicted in panel A convincingly reveal the transition from less to more restrictive

PFRs across post-communist space for both party statutory and election financing. It also shows that campaign financing turned out to be more regulated than party statutory funding already from the outset of transition.

The greater variation in the composite score of restrictiveness pertaining to campaign funding is due to differences in the countries' restrictiveness scores for elections held in a given year. Regardless of this variation, however, campaign financing turned out to be approximately twice as regulated as regular party activity. Overall, this is not surprising given the stakes and consequences of electoral competition on the political process. When, however, we disaggregate the data by individual regulatory dimensions, as reflected in panels B and C, one notices a more nuanced picture. The pace of the regulatory shift in restrictiveness scores across different regulatory dimensions varies considerably, which is particularly evident in the case of campaign financing. Nevertheless, even in the case of statutory funding there are interesting developments. While transparency is the regulatory dimension that recorded the highest increase in restrictiveness, enforcement evinced the lowest pace of change toward more restrictive rules. This gap however steadily shrank after 2009, meaning that more countries put in place better oversight mechanisms and envisaged stricter sanctions for financial violations. Likewise, more countries enacted tighter rules on income from private sources, thus setting limits on donations from individuals and legal entities to political parties. This might be partially related to the GRECO assessments of PFRs, though it is difficult to analyse the impact of its recommendations on political finance reform in such a short time span. Although analysing compliance reports unveil that many countries followed the GRECO recommendations, compliance rate significantly varied both across countries and regulatory dimensions (Ohman, 2016; Smirnova, 2018). It should be stressed however, that the downward trend in the restrictiveness of public funding in the panel B of figure 8.1 reflects only the fact that, over time, more countries introduced budgetary subventions to political parties for their routine activities. Hence, this contributed to the lowering of the aggregate restrictiveness score since many of them switched from the medium type, characterized only by the availability of indirect state support (impossible to estimate), to the low restrictiveness type, featuring both kinds of public funding – direct and indirect.

Yet some of the post-soviet republics, including Moldova, Ukraine, Kyrgyzstan and Tajikistan still lagged behind in this regard by providing only indirect public support to parties and candidates. Except the provision of DPF, the actual implementation of regulations was in many cases ineffective due to resource and personnel shortages, thus undermining the capacity of enforcement bodies to carry out their legally assigned duties. Furthermore, despite the tightening of PFRs, if one looks on the average score for statutory funding the average maximum value for transparency is two (maximum is three), while other regulatory dimensions registered an even lower restrictiveness score. This implies the presence of many cases that did not cap donations and did not sufficiently strengthen their enforcement.

A visibly different situation emerges regarding campaign financing. Unlike statutory funding, two regulatory dimensions stand out. Campaign donations and spending became thoroughly regulated already in the late '90, though even in their case the variation in spending limits and donation caps were relatively high, as substantiated by the third and the fifth chapters. Nonetheless, these two dimensions have drawn a much more attention, suggesting that they were perceived as critical for electoral competition. In contrast, the restrictiveness of transparency and enforcement proved to be much lower for almost the entire period. As in the case of statutory funding, the spotlight on transparency and enforcement came about in the middle of GRECO assessments. Concerning the provision of DPF for electioneering purposes, we do not observe a similar development as in the case of routine party financing. As shown in the fourth chapter, the provision of budgetary subventions to support electoral competitors was, in a few cases, withdrawn at a later stage after its initial introduction. Overall, the previous chapters on each PFR dimension as well as the aggregate trends reflected by figure 8.1 clearly illustrate uneven developments in the restrictiveness across regulatory dimensions. This, in turn, affected the internal dynamics of PFR.

8.2. Cross-national variation in restrictiveness

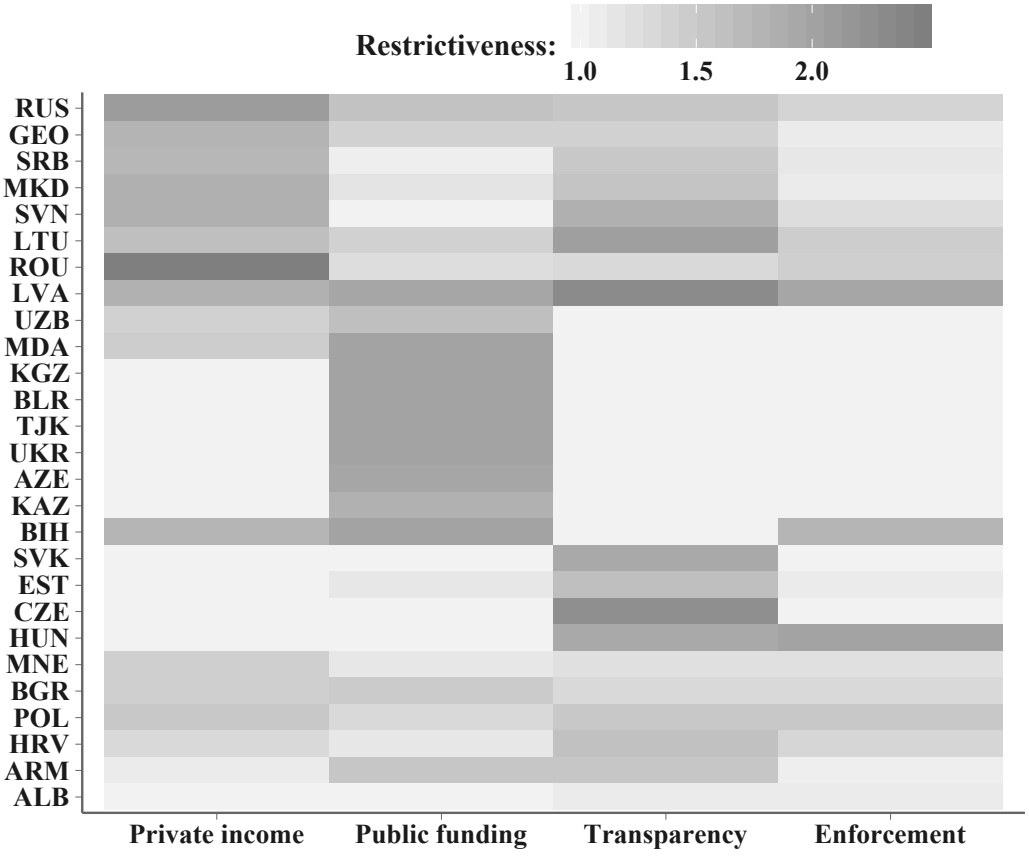
8.2.1. Statutory financing

While data from the previous section shows an overall increase in restrictiveness, it still conceals significant cross-national differences, as is clearly noticeable from each chapter dealing with a single regulatory dimension. However, we could not see how all regulatory dimensions relate to each other. In this paragraph, I address this issue by showing how the restrictiveness of private income, public funding, transparency, enforcement and spending (only for elections) are intertwined due to disparities in their evolution at national level. To accomplish this goal, I apply the same aggregation method as above but compress the time dimension.[160] In this way, I obtain the average restrictiveness score for each regulatory dimension in each country (Appendix 3 provides the complete picture showing the evolution of restrictiveness scores over time across all regulatory dimensions separately for each country on statutory financing). Then I use the *complete linkage* as clustering method to group them based on their similarities/dissimilarities (Everitt et al., 2011; Kaufman & Rousseeuw, 2005). The result is depicted in figure 8.2, which displays considerable cross-national variation in the restrictiveness levels across different regulatory dimensions. The figure paints a motley picture, making it difficult to identify any well-defined clusters of similarities/dissimilarities in countries' restrictiveness scores across all regulatory dimensions. Nevertheless, some loose patterns may be still detected. Several post-soviet republics, including Azerbaijan, Armenia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan and Ukraine plus

[160] I assigned ordinal values to different restrictiveness types (Low=1, Medium=2, High=3) for each regulatory area. Then I added up all values and divided by the number of years/elections for party routine/electoral financing, thus obtaining the average restrictiveness score at country level for each dimension.

Albania, have mostly unregulated PFRs. Among them, only Moldova and Uzbekistan introduced quantitative restrictions on private contributions, but they were still overly permissive to mitigate the influence of big money on the political process.

Figure 8.2. Cross-national variation in restrictiveness for party statutory funding (1990–2012)



Source: Author's elaboration

Another common feature across countries is that only Albania, Armenia and Uzbekistan provided DPF to political parties for their routine activities, though in the last two cases public funding was introduced relatively late. Except for this group, in all other cases restrictiveness varies considerably across different dimensions of PFR. For instance, the Czech Republic, Estonia, and Slovakia have had no donation caps and weak enforcement but generous public funding and relatively demanding transparency obligations. Hungary also shares features with this group, the only difference being a more independent enforcement mechanism but still with limited powers and shakier transparency rules. Another group, including Romania, Russia, Lithuania, Georgia, Macedonia and Serbia, has had tighter rules on private income accompanied with the provision of DPF, patchy transparency obligations and rather weak enforcement, although the donation caps and the level of state support considerably varied even among them. A more balanced PFR is found in Croatia, Poland, Bulgaria and Montenegro since their restrictiveness scores across different dimensions are more uniform, though to a certain extent these

similarities hide variation over time in terms of switching from less to more restrictive PFRs. If Poland and Bulgaria adopted stricter regulations earlier, Croatia and Montenegro followed suit much later. Finally, there are a few cases that are hard to assign to a certain group. Latvia, for instance, stands out as the country with the most stringent transparency and enforcement regulations. However paradoxically, it did not provide public subventions to political parties for roughly two decades. Likewise, Bosnia and Herzegovina has had relatively tough rules on private funding and enforcement but weak transparency rules and a lack of public funding at federal level.

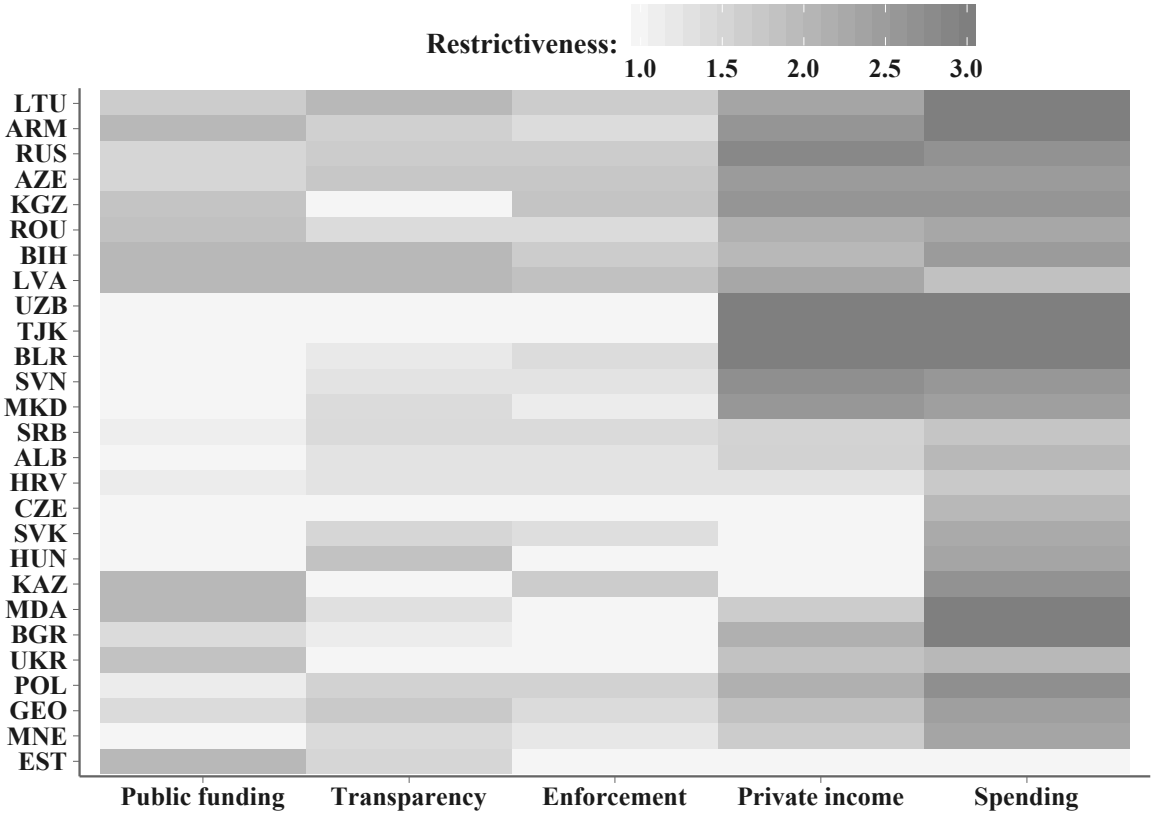
This uneven development across different dimensions of PFRs reflects the macro features of restrictiveness – that is, it accounts only for variation between different restrictiveness types, without accounting for the within-type variation in donation caps or the level of state subsidies. Yet, as is clearly noticeable, in some cases the limits on private contributions were so permissive that it would be more justified to include them among those PFRs with no caps. Russia and Moldova fit best this description. The same can be said about the high variation in the level of state support, since in many cases the amount of DPF was so meagre that it could barely ensure the financial autonomy of political parties and their protection from the undue influence of moneyed interests. Unlike private income and DPF, the variation in transparency and enforcement restrictiveness is harder to analyse relying on hard indicators such as donation caps and subsidies per voter. Nevertheless, even in this case visible cross-national differences in the disclosure thresholds of the identity of donors are clearly noticeable, which has allowed political parties to use this legal tool to circumvent the disclosure of their income sources. Likewise, due to the interplay between oversight and sanctions, it is more difficult to assess variation in the strength of enforcement, although even in this case within-type variation is driven to a large extent by the range and stringency of fines related to financial infringements.

8.2.2. Election financing

Concerning election financing, I applied the same operationalization and clustering approach as for the statutory financing. The result is depicted in figure 8.3, which also displays significant cross-national variation in the restrictiveness of election financing (Appendix 4 provides the complete picture showing the evolution of restrictiveness scores over time across all regulatory dimensions separately for each country on each parliamentary contest). It also reveals quite substantial disparities across different regulatory dimensions. On the one hand, campaign spending epitomizes the most regulated dimension, followed by private income. On the other hand, transparency and enforcement are the least restrictive, while the regulation of public funding for campaign expenses is somewhat similar with statutory funding. As in the case of routine party financing, the variation in restrictiveness across regulatory dimensions at country level renders problematic their grouping in well-defined clusters. As the data illustrate, the top eight post-communist regimes, including Armenia, Azerbaijan, Bosnia and Herzegovina, Latvia, Lithuania, Kyrgyzstan, Romania and Russia are the most similar, featuring higher restrictiveness levels

on spending, private income, transparency and enforcement. They also share a higher restrictiveness score on public funding, meaning that these countries have provided no direct subsidies for campaign expenses or have provided them only occasionally.

Figure 8.3. Cross-national variation in restrictiveness for election financing (1990–2012)



Source: Author's elaboration

The second, although weaker, cluster located at the bottom of the graph encapsulates a more diverse pool of PFRs, including those of Bulgaria, Georgia, Estonia, Kazakhstan, Moldova, Montenegro and Poland. On average, these polities feature stricter regulations on spending and private income but weaker transparency and control rules relative to the previous group. They are also more diverse regarding public funding with Poland and Montenegro particularly standing out given a higher frequency in providing budgetary subventions for electioneering. There are other disparities in the restrictiveness scores across regulatory dimensions within this cluster. Ukraine and Bulgaria, for instance, display extremely weak transparency and enforcement regulations. Kazakhstan records a low restrictiveness on private income since it did not set any donation caps, while Estonia had lax regulations on spending, private income and enforcement.

In the middle, between the top and bottom clusters, there is a group of post-communist regimes that can be split in two based on private income regulations since they are more or less similar, though one can still notice some variation in other dimensions as well. Within this larger group, Belarus,

Macedonia, Slovenia, Tajikistan and Uzbekistan score high on restrictiveness of private income. Furthermore, Belarus, Uzbekistan and occasionally Tajikistan stand out for their full ban of private contributions to electoral competitors. At the other extreme, the Czech Republic, Slovakia and Hungary have never capped donations from individuals and corporations. Furthermore, the Czech Republic has had the most laissez-faire PFR, basically lacking almost any financing restrictions during election campaigns, except a ban on broadcasting advertisements, though it still lacked limits on total spending. Despite these inconsistencies, however, the provision of public funding for campaign expenses represents the key unifying property of cases belonging to this cluster, although in some of them (Belarus, Uzbekistan), it was the only available income source for electoral contestants. Within this group, DPF has been provided for virtually every electoral campaign since the outset of transition, although the variation in the level of subsidies has remained extremely large notwithstanding. Finally, transparency and enforcement do not vary noticeably across nations. Both cross-national cross-dimensional variation of restrictiveness raise an interesting question about the internal dynamics of PFRs. More precisely, it boils down to the extent to which the availability and level of DPF affects the restrictiveness of other regulatory dimensions, which I address in the next section.

8.3. The impact of public funding on restrictiveness

The normative assumption holds that the provision of public funding should entail stricter rules on other dimensions. This view resonates with the *carrot and stick* approach, according to which public funding acts as the carrot, while the stick is more restrictive donation caps, more demanding reporting and disclosure requirements, stronger oversight and tougher sanctions (Bértoa, Molenaar, et al., 2014, p. 368; Bértoa, Rodríguez-Teruel, et al., 2014; Koss, 2010, p. 2; Nassmacher, 2003a, p. 17, 2009, p. 291; Scarrow, 2006b, 2007, p. 203; Zovatto, 2003, p. 111). Yet, despite the normative and practical implications of this approach, there is little comparative research on whether the provision of public funding indeed serves as a rationale to impose stricter restrictions on other regulatory dimensions. Where such comparative analyses are conducted, the research is exclusively based on a dichotomous indicator – that is, the lack/availability of subsidies as an explanatory variable and not the level of state funding as such (Scarrow, 2011). In this respect, it is reasonable to assume that a low level of public funding, which covers only a tiny share of the party needs, can barely serve as an incentive to accept tougher rules on donations, transparency or supervision. This assumption is particularly relevant given the rule-maker and rule-taker status of political parties, which play a decisive role in the drafting process and, therefore, influence the restrictiveness level of regulations affecting their own behaviour. In contrast, if the amount of budgetary funds is more consistent, one would expect that parties to be more willing to accept a higher degree of intervention into their internal affairs (Biezen, 2004).

Based on these considerations, I investigate the relationship between the level of public funding to political parties, measured as the amount of subsidies per voter, and the restrictiveness of other regulatory dimensions. I do not conduct a thorough analysis but rather establish a departure point for further analysis by scratching the surface of an extremely complex relationship by focusing on the visual presentation of the bivariate correlation between the level of state support and the restrictiveness of donations, transparency and enforcement. I perform this correlation for both statutory and election financing, since in most cases the amount of public funds for each type turned out to vary considerably. Likewise, as the previous chapters have revealed, the legal framework pertaining to other regulatory dimensions turned out to be different for statutory and campaign funding. For instance, while in some cases there have been no donation caps for statutory funding, they were nevertheless foreseen for election financing, though under such regulatory arrangements their enforcement has been difficult, if not impossible. In the same vein, transparency, oversight and sanctioning rules turn out to be different for routine and election financing, which require a separate analysis for each type of financing.

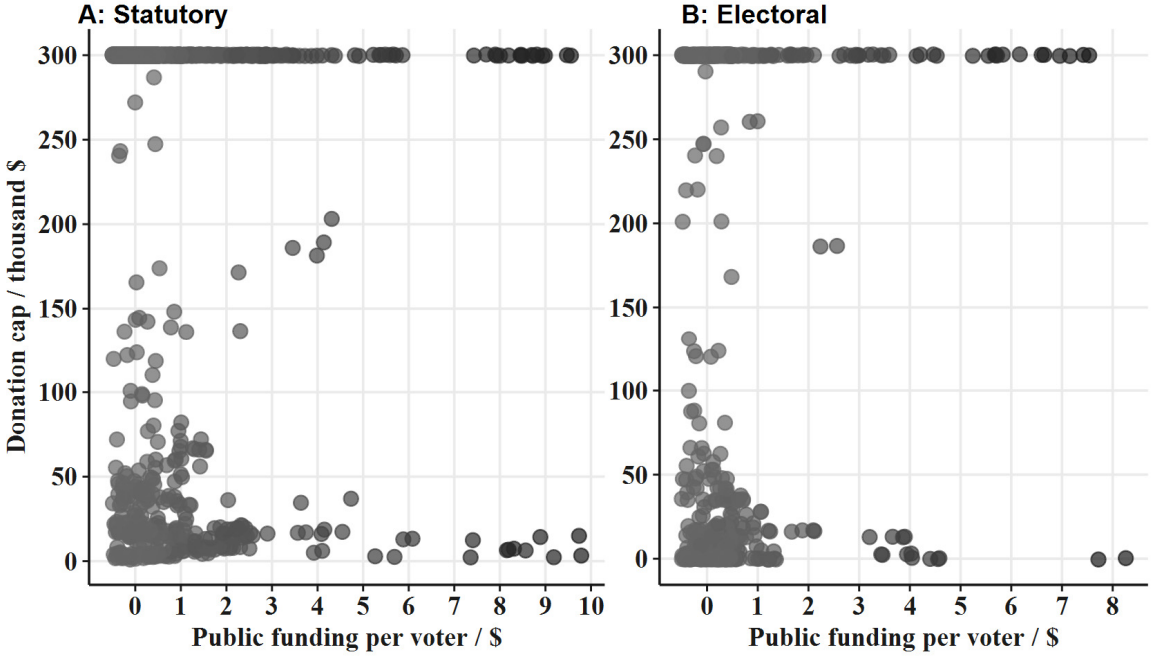
To accomplish this, I took country – year data on DPF per voter from chapter four and correlated it with country – year data on donation caps and the restrictiveness of transparency and enforcement. Concerning election financing, I perform the same bivariate analysis except that I take each election campaign as a case in which the amount of DPF per voter provided to electoral competitors is crossed by the restrictiveness scores of other regulatory dimensions. The restrictiveness scores for donation caps, transparency and enforcement are taken from the relevant empirical chapters.

8.3.1. Public funding vs. private income

In this section, I look at the relationship between the level of state support and donation caps. Unlike, transparency and enforcement, for which I code the restrictiveness types on an ordinal scale, the restrictiveness of private income sources also stems from donation caps, which is a continuous variable. Therefore, the best solution to explore the relationship between public funding and private income is to plot the amount of DPF per voter against donation caps, regardless of whether these are caps on physical or legal entities. I also do not account for the distinction between medium and high restrictive cases since the latter also foresee a limit on total income amassed from private contributions, thus pooling together all cases that foresee donation caps. Given the fact, however, that in low restrictive cases the lack of donation caps imply the capacity of any donor to contribute an infinite amount of money, it is impossible to include them in the analysis. Yet, given the relevance of these cases to assess the impact of public funding one still needs to incorporate them into the equation. Therefore, in order to see how these cases correlate with the level of state support together with other cases, I assign to them an arbitrary value ($300,000), which for visualization purposes should not be a problem. The result of the data manipulation is displayed in figure 8.4, which basically indicates the lack of any relationship. If the provision of public

funding is supposed to bring about stricter restrictions on donations, this does not appear to be the case of post-communist polities.

Figure 8.4. Relationship between the amount of public funding per voter and donation caps*



Source: Author's elaboration
Note: * I exclude all observations in which the donation cap exceeds $300,000, which applies to Russia's contribution limits on legal entities 2001–2012.

On balance, one would expect a negative relationship between the amount of public funding and donation caps. The larger the state support for parties and candidates the lower the value of political contributions. However, such an expected pattern does not emerge from the graph. Post-communist regimes display rather divergent paths in this respect. In some cases, the generous support of the state to parties and candidates has gone hand in hand with a lack of donation caps. Several polities, including Slovakia, Estonia, Hungary and the Czech Republic – which have provided the most lavish subsidies to political parties and/or electoral competitors – have never set any quantitative restrictions on private contributions for the entire period under analysis. The same partially holds for Albania, Croatia, Montenegro and Serbia, which introduced quantitative restrictions on donations much later, while state subsidies to political parties were made available virtually from the outset of transition. Yet even in these cases, the presence of regulatory loopholes or the permissiveness of donation rules has heavily undermined the potentially disciplinary effects of public funding.

In Albania, the quantitative restrictions on donations were introduced only prior to the sixth parliamentary contest in 2005 and only for the electoral period, while the level of state support remained at the same level for election financing but slightly decreased for statutory funding. Until 2007, the

regulatory framework in Croatia lacked donation caps, while the level of DPF provided to political parties increased by roughly 15 times since the early '90s. Whereas the introduction of donation caps in 2007 was accompanied by an almost doubling of state subsidies for party routine financing, the tightening of regulations on private income reflected a rather global political development linked to the country's need to adjust its regulatory framework as result of the EU accession process. Likewise, state support to Serbian and Montenegrin parties was not accompanied by quantitative restrictions on political contributions until 2004 and 2008, respectively. This is particularly relevant for Montenegro, which had one of the most lavish public funding schemes for both statutory and election financing among transition regimes. Even in the Serbian case, the increase in public funding by about 25 percent in 2012 relative to 2011 was accompanied by an increase (doubling) in donation caps, thus marking a shift toward more permissive, not more restrictive, contribution limits, as one would expect.

The generosity of public funding does not seem to be always negatively associated with donation caps even in cases where public funding has been accompanied by quantitative restrictions on donations, like Slovenia, Russia, Georgia and Uzbekistan. The initial increase and the later stabilization of public subsidies in Slovenia, was paralleled by constant increases in contribution limits. Likewise, the increase in the level of state support in Russia from RUB 5 to RUB 20 in 2008 was accompanied by a more than four-fold lift in donation caps, implying a move to more permissive rules on private income. In the same vein, the substantial increase of public funding to Georgian parties in 2006 did not affect donation caps, which stayed at the same level. Finally, the five-fold jump in the level of state subventions to Uzbek parties between 2005 and 2012 went hand in hand with an equivalent increase in contribution limits.

Despite such regulatory developments, which contradict the assumption of the constraining effects of public funding, there have been several cases in which the level of state support was somewhat closer linked to the stringency of private contributions, as epitomized by Romania, Poland, Bulgaria, Macedonia and Lithuania. The provision and the subsequent increase in the level of public funding in Bulgaria and Poland, was accompanied by the full ban of corporate donations and the establishment of quite restrictive contribution limits on individuals. Likewise, the substantial increase of public funding in Lithuania was followed by the lowering of donation caps by roughly 40 percent in 2004. A slightly different situation occurred in Romania and Macedonia. In Romania, the meagre state support for political parties was offset by more permissive donation caps, while in Macedonia the link is not as clear since the decrease in donation caps occurred only in 2009, while the level of state funding remained relatively stable over time, even before this regulatory change.

The absence of a clear link between the level of state funding and the restrictiveness of private contributions is also highlighted by several post-soviet cases, particularly during election campaigns. Overall, scant state support for electoral competitors has coexisted with very restrictive rules on private contributions – including a full ban on income from private sources (Uzbekistan, Tajikistan, Belarus) –

more permissive donation caps (Azerbaijan, Russia). In other cases, the lack of public funding has been compensated by relatively permissive contribution limits or the lack of thereof (Moldova, Ukraine, Latvia, Kazakhstan), although this has not always been the case and the absence of direct subsidies has been, in some instances, accompanied by very restrictive donation caps (Armenia, Kyrgyzstan). However, in post-soviet space, the volatility of regulatory framework on elections and the presence of many loopholes allowing electoral competitors to circumvent donation restrictions through the parties' and candidates' own contributions to the election fund, renders the relationship between the level of state support and donations more difficult to assess.

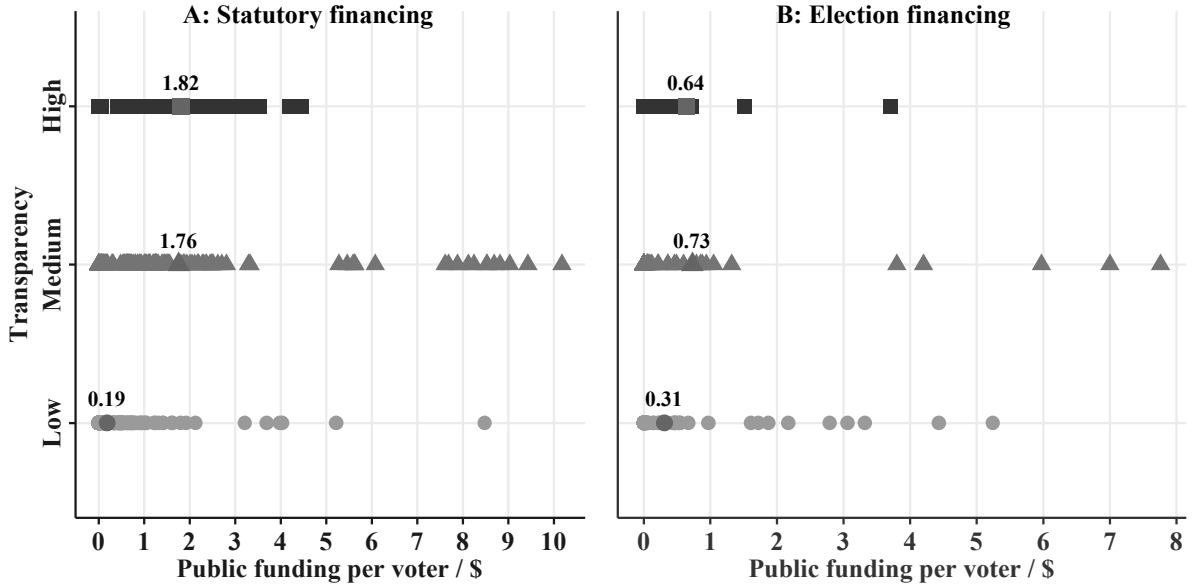
Notwithstanding these inconsistencies, both subgraphs reflecting the relationship between public funding and donations for party routine and election financing from figure 8.4 are suggestive in showing that no such relationship exists. At least for the first two decades of transition, the provision of direct state subsidies to political parties and the subsequent increase in the level of state support did not act as a constraining force regarding private contributions. While the provision of public funding might have restricted the range of income sources, thus contributing to the prohibition of donations from anonymous sources, state bodies and enterprises with public ownership, public contractors and other entities perceived as more dangerous for the democratic process, it did not affect in the same way the limits on private contributions. Overall, the data clearly indicates that the generosity of public funding is not associated with more restrictive donation caps. This suggests that political parties have been reluctant in capping the amounts they could legally extract from the potential donors, despite the availability of lavish state support.

8.3.2. Public funding vs. transparency

The provision of DPF to political parties is regarded as a relatively strong argument to impose more demanding reporting and disclosure obligations. In turn, transparency is regarded as the best tool to prevent the misuse of the taxpayers' money and to promote the integrity of public life. However, the struggle for more transparency is a thorny and slow process. That said, the provision of DPF to political parties is expected to bring about tighter transparency requirements. The more generous the budgetary subventions, the stricter their reporting and disclosure obligations. To assess this relationship, I use data on transparency restrictiveness for the statutory and election financing from chapter six and data on public funding per registered voter by applying the same method as in the previous section. Hence, I take country – year observations on transparency restrictiveness and plot them against country – year observations on state subsidies for party statutory funding, while for election financing I use the same approach but apply it to elections. Besides, due to a high dispersion of cases regarding the amount of public funding, I also calculate the average state subsidy for each restrictiveness type, which allows me to illustrate better the linkage between the level of state support and transparency. The result is presented

in figure 8.5, which overall depicts a positive relationship between the level of public funding and transparency obligations.

Figure 8.5. Relationship between the amount of public funding and transparency restrictiveness



Source: Author's elaboration

As the data reveal, this relationship is much stronger for statutory party activity relative to election financing. Accordingly, the switch from a weak to a more demanding transparency regime is associated, on average, with a roughly nine-fold increase in the level of public funding to political parties. This increase cannot be simply attributed to a mere inertial effect of adopting tougher regulations over time, since almost 63 percent of the country-year observations are covered by weak reporting and disclosure obligations, while only 27 and 10 percent of these observations are for transparency regimes imposing medium and highly demanding obligations, respectively. Furthermore, almost the same proportion of parliamentary contests are split in the same way between different transparency regimes, though the disparities in the level of state funding are by far lower compared to routine party financing.

Yet, we also see that the difference fades away when comparing medium and high restrictive cases. Apparently, there is a threshold effect above which public funding ceases to act as a driver for more transparency. A possible explanation for this is that the initial regulatory shift from a weak to a medium level of transparency has left some loopholes, thus allowing political parties and candidates to avoid fully-fledged reporting and disclosure of their income and expenditures. Hence, they could somewhat justify their increased reliance on the state by accepting more demanding transparency obligations, the further improvements of regulatory framework proceed at a slower pace, a fact confirmed by the limited number of cases envisaging the most demanding transparency rules. As a consequence, some subtler regulatory shortcomings survived along with the growth in state funding over time, which

might partially explain why there are no significant differences between medium and highly demanding transparency regimes. The small difference in the level of subsidies by the restrictiveness type during elections might be explained by the fact that, unlike party statutory funding, election campaigns have been, on average, more regulated irrespective of the availability of campaign subsidies. Furthermore, except for a few outliers, the level of budgetary support for electoral competitors has been considerably lower than for statutory financing.

Of course, it may well be that other potential factors affected the enactment of stricter transparency obligations such as fight against corruption, pressure from civil society or external conditionality. Nevertheless, if one looks at the regulatory changes concerning routine party financing, one notices that in many cases the tightening of transparency obligations goes hand in hand with the enhancing of the state support for political parties. This is observed in the case of the Czech Republic in 1996 and 2001, Bulgaria in 2006, Estonia in 2000, Georgia in 2006 and 2012, Croatia in 2007, Lithuania in 2004, Montenegro in 2008, Poland in 2001, Russia in 2004 and Serbia in 2004 and 2012. Yet in other cases, the introduction or the increasing of DPF to political parties has not been accompanied by a qualitative shift in the restrictiveness of transparency, even though such amendments were enacted. This is particularly relevant for Bulgaria in 2009 when the level of state funding more than quadrupled compared to the 2006 level but transparency rules remained relatively shaky. Likewise, the almost five-fold increase in public funding for Estonian parties in 2004 relative to the 2000 level was not followed by much more demanding transparency obligations, although they did improve slightly. The same holds for the Montenegrin regulatory framework, which lacked transparency provisions altogether until 2004, while political parties benefitted from generous subsidies. Finally, the provision of public funding to Uzbek parties in 2005 was, alike, not accompanied by thorough transparency requirements.

If one switches the focus from statutory to election financing, the same pattern emerges, although the difference is smaller. Two factors contribute to this situation. First, in several post-soviet authoritarian regimes including Belarus, Uzbekistan, and Tajikistan the lack of transparency for election financing is due to the full ban of private income. Therefore, there were no requirements for electoral competitors to report and disclose such resources since only the government provided support to the registered candidates for electioneering. Second, as the data show, there are several PFRs displaying weak transparency rules but nevertheless providing generous subsidies for election financing. These outliers are epitomized by the elections in the Czech Republic and Croatia, which both lacked transparency obligations, since electoral competitors were released from submitting financial reports during and after campaigns. Likewise, Montenegro and especially Slovakia pull up the average of state funding for medium restrictive cases, while the number of high restrictive cases is too small to draw definitive conclusions about the potential effect of state subsidies.

Perhaps it is not surprising that the introduction of stricter transparency obligations for election financing was in some cases delayed and public funding was made available to electoral competitors well before the strengthening of transparency rules. Given the sensitivity of election financing and the dire need for resources, political parties turned out to be more reluctant to disclose their revenue sources in due time, or even engineer circumstances in which the disclosure of campaign financial declarations would come only after elections when the disclosed information has limited value for the general public. Beside the already mentioned cases, in which lavish support by the state was accompanied by no or patchy transparency regulations, Albania, Macedonia and Slovenia also match this scenario, though the level of state funding has been lower. In other cases, however, the strengthening of reporting and disclosure requirements has occurred without the provision of direct state support to electoral competitors. Several post-soviet republics, including Latvia, Moldova, Armenia and Russia are representative of this trajectory. While parties and candidates have been required to report more in detail on campaign financing, the state has not offered direct subsidies for electioneering. The same applies to Romania and Bosnia and Herzegovina. Despite these divergent trajectories and the patchy regulatory framework, data still indicates a pretty clear relationship between the level of state support and transparency. Although, by rephrasing the carrot and stick metaphor, one may contend that the carrot (DPF) has been disproportionally larger than the stick (the amount of light shed on party finances). Yet, it nevertheless appears that a higher level of DPF comes with more strings attached, such as more demanding transparency obligations.

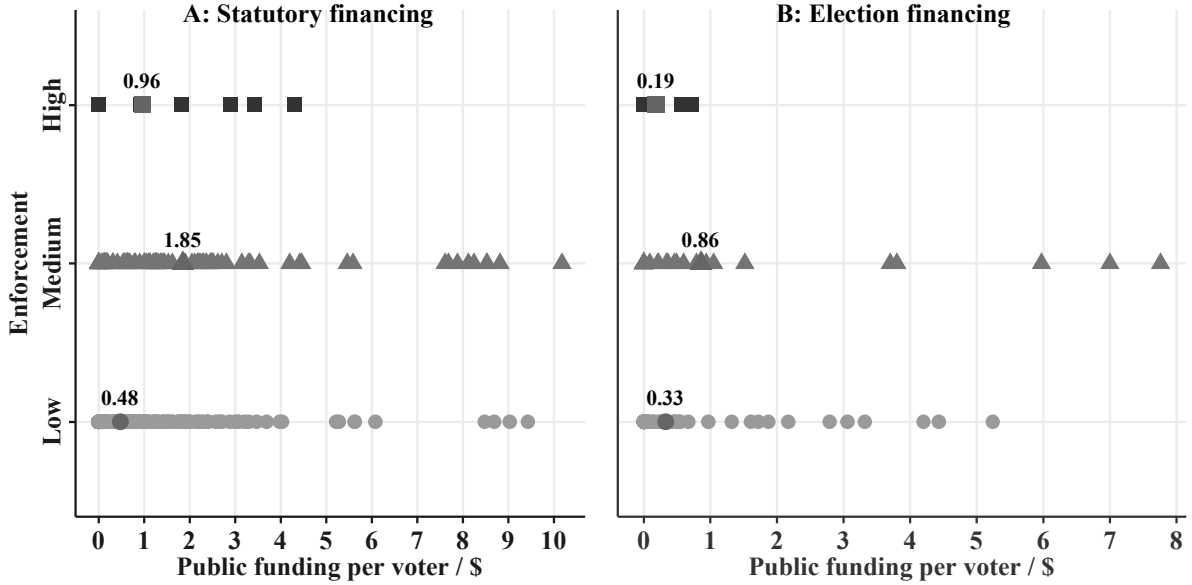
8.3.3. Public funding vs. enforcement

The availability of DPF to political parties is also supposed to bring about tighter control of political funding, including stronger oversight and stricter sanctions. Yet, as is clearly noticeable, the complex nature of the enforcement mechanism has rendered the control of political financing an extremely challenging task. Therefore, enforcement has proved to be an even more problematic dimension than transparency, entailing a higher risk of distorting political and electoral competition either due to the passivity of the supervisory bodies or due to the selective application of rules. This has been an especially challenging task during elections, given the need to speed up the decision process. Yet, the collective nature of decision-making rendered the accomplishment of this task highly problematic since the electoral bodies have usually consisted of representatives of political parties who were less prone to punish those appointing them.

Notwithstanding, I investigate here whether the generosity of public funding affects the robustness of the enforcement mechanism, thus expecting a positive relationship, i.e. more generous public funding to be associated with tighter enforcement. Here, I follow the same aggregation technique as for transparency by taking data on the enforcement restrictiveness separately for the party routine and election financing (chapter seven) and the amount of the state subsidy per voter. Likewise, given the high

distribution of cases regarding the amount of subsidies, I estimate the mean of public funds for each type of enforcement. The result is depicted in figure 8.6, which mirrors a similar pattern as in the case of transparency, though the difference in the level of DPF by restrictiveness type is smaller.

Figure 8.6. Relationship between the amount of public funding and enforcement restrictiveness



Source: Author's elaboration

Overall, the switch from powerless to more robust (medium restrictive) enforcement is associated with an almost four-fold increase in the amount of DPF per voter for statutory funding and 2.6 times for election financing. While compared to transparency this relationship is weaker, the link between the amount of subsidies and the robustness of control mechanism can still be observed. The fact that this association disappears when looking at cases displaying strong enforcement, defined as the mix of robust oversight and a versatile system of penalties is because of an outlier (Latvia), which has a significant impact on the relationship's strength. Furthermore, it should be noted that only roughly five percent of cases both for statutory and election funding are covered by strong enforcement, which explains why such an outlier, featuring the lack of public funding but robust enforcement, can skew the results. Hence, it seems that a similar logic to that of transparency helps to explain the potential impact of state funding on enforcement restrictiveness. Given the complexity of enforcement, it is perhaps even easier for political actors to set in place a flawed regulatory and institutional mechanism to control their finances.

Nevertheless, the data quite clearly show that, on average, public funding yields stronger enforcement overall, no matter the shortcomings stemming from the mismatch of the supervision and sanctions, the political affiliation of the oversight body, its insufficient powers, or the limited range of sanctions. While these deficiencies might have undermined the effectiveness of the control mechanism, due to the difficulties of assembling all the necessary elements into a coherent enforcement machinery,

the provision of DPF was one way or another accompanied by the introduction of stronger oversight and stricter sanctions, even though it has not always worked as it was expected. The increasing reliance on direct subventions from the state budget over time and its cohabitation with a control mechanism that was functioning at a limited speed raises, of course, many doubts about its optimal design. While these doubts are partially illustrated by figure 8.6, through the presence of cases combining weak enforcement and lavish state support, public funding has been instrumental in setting up, at least formally, a more robust mechanism aimed at disciplining political parties.

The weaker connection between the level of DPF and enforcement, compared to a much stronger association in the case of transparency, is explained by a slower shift toward a more robust control mechanism, particularly in those post-communist polities that provided the most generous subsidies to political parties. For various reasons, control over political funding has been almost absent or extremely weak in several cases. Montenegro, for instance lacked it completely until 2008, while in the Czech Republic, Estonia, Slovakia, Slovenia or Croatia, it has been deeply politicized due to parliamentary control over party financing. The same holds true for other polities providing fewer subsidies such as Albania, Georgia, Macedonia or Serbia, in which the provision and/or increase in public funding occurred much earlier than the establishment of a functional control mechanism. Furthermore, enforcement remained fraught with many shortcomings even in those cases where the provision and growing of DPF has been coupled with stronger oversight and sanctions, such as in Bulgaria, Hungary, Lithuania, Poland, Romania and Russia.

The linkage between the level of DPF and enforcement becomes slightly weaker if one brings in election financing. As panel B of figure 8.6 shows, there are sufficient cases featuring weak enforcement coupled with lavish state support to electoral competitors. These cases are epitomized by the elections held in Croatia, the Czech Republic, Slovakia and Montenegro. Likewise, for the medium enforcement cases, the average level of public funding has been substantially influenced by the amount of subsides provided to electoral competitors in Montenegro and Slovakia since the 2006 parliamentary contests. If these outliers are removed, the differences in the restrictiveness of enforcement by the level of state support become even smaller.

To a certain extent, the prevalence of incomplete enforcement should not be surprising, despite the increase in public funding over time. Due to institutional arrangements that result in the politicized composition of the electoral management body, the oversight mechanism could not be fully empowered to act independently given the political affiliation of its members and the collective nature of its decision-making. Therefore, the limits of public funding to affect the robustness of the enforcement mechanism are partially explained by the nature of the institutional design of supervision, not to mention the limited powers of the supervisory body to check campaign funding declarations as well as the range and stringency of sanctions, which represent other elements affecting the overall restrictiveness of

enforcement. As a result, the control mechanism has been exposed to several potentially destructive influences. These limits are also highlighted by the fact that, in some cases, the establishment of robust oversight and dissuasive sanctions was possible even without the provision of DPF, as the Latvian case demonstrates. Hence, despite the presence of a positive association between public funding and enforcement, if one applies the carrot and stick metaphor to enforcement, it appears that the carrot was much larger than the stick. The ambiguous effect of public funding on the restrictiveness of other PFR dimensions raises another challenging question – namely, how public funding relates to other variables that are external to the regulatory regime.

8.4. Public funding vs. institutional and structural features of the political system

Having investigated the overall trends in restrictiveness both over time and cross-nationally as well as the internal dynamics of PFRs – particularly the effect of public funding on the restrictiveness of other regulatory dimensions – I turn now to explore the relationship between the level of DPF and several structural and institutional features of the political system. More specifically, I investigate whether there is an association between the level of budgetary support for political parties and factors such as corruption, economic and democratic development, and the type of electoral system.

Within the existing scholarship, the common approach to investigate the relationship between public funding and other variables is to use a dichotomous variable, i.e. presence/availability of DPF or the share of subsidies in total party income (Ben-Bassat & Dahan, 2015; Bértoa, Molenaar, et al., 2014; Biezen, 2010; Biezen & Kopecký, 2014; Kostadinova, 2012; Lopez et al., 2017; Ohman, 2012b; Potter & Tavits, 2015; Scarrow, 2010). Yet, neither indicator is appropriate to reflect the level of state support and actual reliance of political parties on the state budget from a comparative perspective. As I have shown in the fourth chapter, the variation in the level of state support turns out to be very high both for routine and election financing. Therefore, the dichotomous coding of DPF in terms of its absence or availability cannot reliably capture this variation. The second indicator – the share of state subsidies in total party income – while much better has its own drawbacks, because if it is applied at the systemic level it hides inter-party differences in reliance on subsidies. This is a significant shortcoming given the fact that the amount of public funding received from the state budget by a certain party might affect its fundraising behaviour and willingness to seek financial resources elsewhere. Hence, one can expect that the lower the amount of subsidies obtained by a political party, the more likely it will strive to look for resources from alternative sources, such as private contributions.[161] Furthermore, it also tells us nothing about how

[161] The paradox, however, is that political parties that receive the largest share of public funding are usually the same to attract the most political contributions as well. Given their parliamentary status and participation in government, they are better placed/endowed to return favours, which generates another puzzle regarding the relationship between public funding and donations.

much funding parties actually receive from the state. For instance, two political parties from two different countries might display the same share of public funds in their income structure but the level of state support might be totally different. Accordingly, the use of these two indicators to assess the relationship between the levels of DPF with other factors might yield misleading results.

To overcome this problem, I use the amount of subsidies per voter since this is the best available tool to conduct such an analysis. Yet, unlike in previous sections I use a different operationalization technique. I pool together all subsidies, regardless of whether they were provided for statutory or electoral funding. This is a justified choice since, for instance, in seeking to dissuade political parties from engaging in corrupt transactions it does not matter whether they receive funding for statutory or election activities. What really matters is how much they receive to cover their financial needs, which is what most likely affects their motivation to engage in dodgy deals. By using the total amount of public funding per elector, I investigate how this interacts with corruption, economic development, democracy level and the type of electoral system.[162] Except for the electoral system type, which is a categorical variable, other variables are continuous.

In order to assess the strength of the relationship between DPF and other variables of interest and to see what kind of patterns emerge (if any), I use two complementary approaches. First, I take the average of subsidies for the entire period and correlate it with the average score on corruption, democratic and economic development for each post-communist regime. Second, I perform the same correlation using all country-year observations. Concerning electoral system design, I cross-tabulate the DPF per voter against the electoral system type. Even though I remove the time dimension from the analysis, this operationalization allows me to obtain two snapshots displaying the interplay between DPF and other variables. The first is more parsimonious, since it compresses variation over time in one value for each country, while the second is significantly richer by displaying the full data. Furthermore, while I do not conduct any thorough quantitative analysis – implying a causal explanation of what affects or, alternatively, is affected by – the level of state support for political parties, I still assume a certain kind of relationship between corruption, economic development, democracy and the type of electoral system, on the one hand, and public funding, on the other hand.

[162] Data on corruption, democracy, economic development and electoral systems come from the Quality of Government dataset (Teorell et al., 2017). However, the primary source on corruption comes from the World Bank dataset on Worldwide Governance Indicators (WGI) (www.govindicators.org), which starts in 1996. It ranges from -2.5 to 2.5 with higher values indicating better corruption control—that is, lower corruption. To make the index more intuitive I reverse it thus obtaining higher values indicating higher corruption. The original data on economic development, measured in GDP per capita, comes from the World Bank dataset on the World development indicators (2016). The democracy data comes from the Varieties of Democracy project with a democracy score ranging from 0 to 1 with higher values indicating a better democratic performance (Coppedge et al., 2018). Finally the data on electoral system design for parliamentary elections comes from several sources: Electoral System Design Database (Institute for Democracy and Electoral Assistance, http://idea.int); Democratic Electoral Systems Around the World, 1946–2011 (Bormann & Golder, 2013). For the missing values on some parliamentary elections, I used the countries' electoral legislation and the OSCE/ODIHR monitoring reports to complete the data on the electoral system design.

Hence, I expect the level of DPF to be:

1. Negatively associated with corruption, i.e. a higher level of public funding is expected to correlate with a lower corruption level;
2. Positively associated with economic development, i.e. richer countries are expected to provide more DPF per voter than poorer countries;
3. Positively associated with democracy, i.e. more democratic regimes are expected to offer more budgetary subventions that less democratic polities;
4. Positively associated with the proportionality of electoral system, i.e. electoral systems with proportional representation are expected to provide more subsidies relative to mixed and plurality/majoritarian systems.

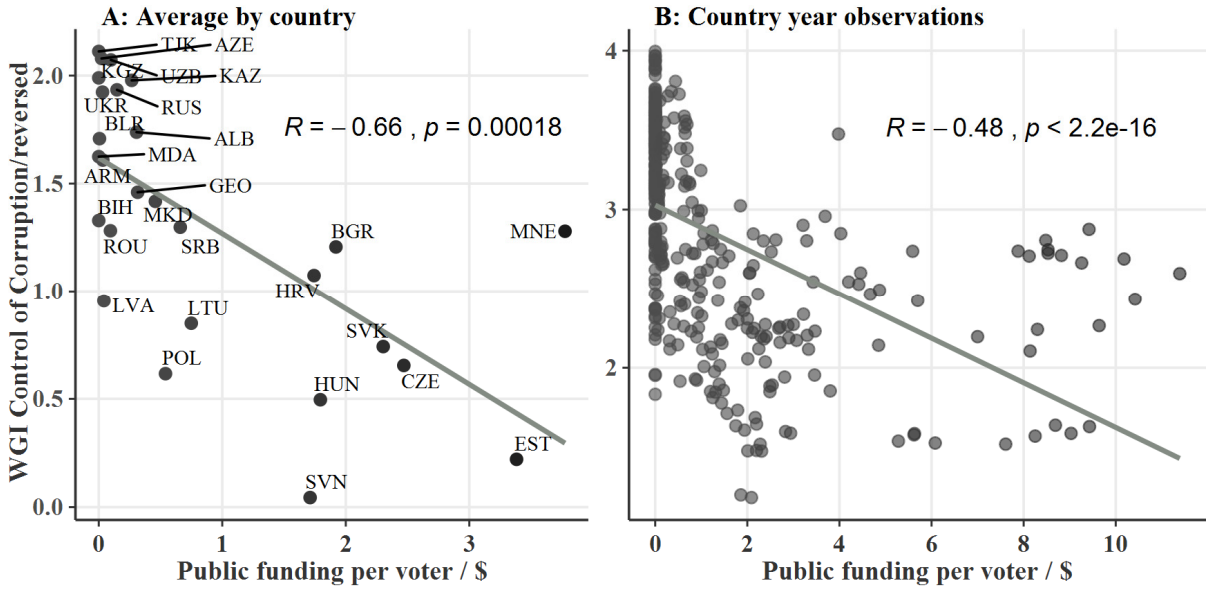
While I clearly spell out the direction of the relationship, I do not assume what the explained and explanatory variables are. Analytically speaking, economic development and electoral system design are more likely to stand as explanatory variables – that is, they are more likely to be tackled as potential determinants of the level of state support. In contrast, the level of corruption and democracy are suited to be analysed as both potential outcomes as well as explanatory factors of public funding depending on the research question. Consequently, reverse causality remains a troublesome issue since, for instance, it might be extremely difficult to isolate the effects of public funding on democratization. Despite these methodological hurdles, my goal is a rather modest one, being confined to seeing whether the interplay between DPF and other variables yields a correlation pattern supporting the hypothesized direction of the relationship, without assigning a clear status to the variables of interest as explanatory or explained.

8.4.1. Public funding vs. corruption

One of the key normative arguments in favour of public funding for political parties is to dissuade their involvement in illicit transactions by reducing the need for private contributions (Alexander, 1989; Alexander & Shiratori, 1994; Biezen, 2003a, 2004; Biezen & Kopecký, 2007; Burnell, 1998; Koss, 2010; Nassmacher, 2003a, 2009; Pinto-Duschinsky, 2002). This normative argument has not, however, been empirically tested in post-communist countries in the same way as for established democracies (Nassmacher, 2009, pp. 141–146). Yet, the potential effects of public funding on curbing political corruption by reducing the incentives of political parties to seek illicit funds is more relevant in post-communist settings because parties have needed to build up their organizations from scratch in a resource-scarce environment. Therefore, the provision of DPF may well have mitigated their propensity to exploit the state given the opportunities that emerged as result of transition from planned to market economy (Biezen & Kopecký, 2007, 2014; Grzymala-Busse, 2007, 2008; Kopecký & Spirova, 2011; Meyer-Sahling, 2006; O'Dwyer, 2006; Reed, 2002; Roper, 2006; Rybář, 2006; Smilov, 2002; Smilov & Toplak, 2007; Szczerbiak, 2006).

Surprisingly, there is little comparative empirical research on the relationship between DPF and corruption. Existing accounts, as already mentioned, employ as indicators either a composite index, a dummy variable (absence vs. availability of subsidies) or the share of DPF in total party income which has produced rather inconsistent and contradictory results (Ben-Bassat & Dahan, 2015; Bértoa, Molenaar, et al., 2014; Biezen, 2010; Fazekas & Cingolani, 2017; Hummel et al., 2018; Kostadinova, 2012; Lopez et al., 2017; Scarrow, 2006b). Some scholars have even claimed that public funding does not deter corruption and that, in the newly emerging democracies, corruption reinforces increasing reliance of political parties on the state, rather than weakening it (Biezen & Kopecký, 2001; Casas-Zamora, 2005a, p. 29). Against this background I use the level of state support per voter to explore the relationship with corruption as measured by the World Bank (World Governance Indicators). The result of the bivariate correlation, following the operationalization described in the previous section, is depicted in figure 8.7.

Figure 8.7. Relationship between public funding per voter and corruption



Source: Author's elaboration

Data from both panels illustrate a clear negative relationship between the level of public funding and corruption, with Montenegro – which has one of the highest levels of state support and relatively high corruption – standing as a deviant case. If Montenegro is removed, the negative association is further strengthened (r = -77: panel A).[163] In this context, it is crucial to note that public funding may be used as a policy measure to reduce corruption, both as prevention but also as a reaction to corruption that has come to light.

This aspect is crucial for post-communist polities, given the different timing of introducing public funding and the various levels of state support, which have often been underpinned by different policy

[163] I also conducted the same bivariate analysis using the index of political corruption from the Varieties of Democracy project, obtaining an almost identical result (Coppedge et al., 2018).

rationales. While its introduction at the outset of transition had probably little to do with corruption concerns, being primarily driven by other rationales, such as the desire to level the playing field and democracy-building, its early introduction might have, nevertheless, helped political parties to reduce their excessive dependence on private contributions. Early introduction did not entirely mitigate the risk of illicit party funding practices but it might have nevertheless contributed to more accountable party behaviour and could have hampered the emergence of extreme forms of corruption, such as state capture (Aslund, 2005; Grzymala-Busse, 2008; Hellman et al., 2000; Sonin, 2009; A. Yakovlev, 2006; E. Yakovlev & Zhuravskaya, 2006). In contrast, its introduction at later stages had more likely to do with containing already rampant corruption, thus being designed as a reactive policy measure. The tardy introduction of public funding might be explained by the fact that in a highly corrupt environment politicians do not need public subsides as much as they do in less corrupt settings, given their ability to extract resources from the state through alternative and less accountable means. The same holds true for the limited support for political parties from the state budget. If political parties and electoral competitors are not able to cover a substantial part of their needs from subsidies, public funding is of little help to cut down the incentives of getting involved in shady deals, particularly due to the very low probability of being punished for such wrongdoings. Indeed, both the preventive and reactive nature of PFR may be related to corruption containment but it is not clear whether the introduction of stricter regulations is a response to endemic corruption or a tool to prevent it (Ohman, 2012b, pp. 4–5).

Whichever mechanism is at work, the data rather suggests that across post-communist regimes, higher levels of state support are associated with lower corruption and vice versa. Furthermore, both the timing of introduction and the level of public funding seem to be relevant factors. The Czech Republic, Hungary, Estonia, Slovakia and Slovenia – that is, countries that provided public funding either from the beginning of transition or shortly after and have been among the most generous subsidizers of political parties – record the lowest corruption levels. Conversely, almost all post-soviet republics have either not provided direct subsidies to political parties, introduced public funding much later or provided, sometimes, only scant support to electoral competitors during elections. There are several cases in the middle, which tilt toward one group or another. For instance, Romania introduced public funding already in 1996 but the limited amount of subsidies – accompanied by weak control – generated many opportunities for political parties to engage in different forms of corrupt exchanges and abuse governmental resources (Gherghina & Chiru, 2013; Moraru & Iorga, 2005; Roper, 2006, 2007). Likewise, the provision of public funding to Albanian parties at the very beginning of democratic transition had an insignificant effect on reducing corruption. The efforts deployed by political parties to circumvent the powers of the auditing body only to the control of budgetary subventions is a telling example of shadow financing practices regarding the income from private sources (Bogdani, 2012; Krasniqi & Hackaj, 2014, p. 113). In a similar vein, the introduction and later increase of public funding in Bulgaria, Serbia and

Croatia might partially explain why public funding cohabitated with a relatively high level of corruption in those cases (Kanev, 2007; Kostadinova, 2008; Kregar et al., 2007; Mataković & Petrović, 2011; Pesic, 2007).

If one follows the logic that the old habits die hard, it is possible that illicit funding schemes from private sources simply survived after the introduction of public funding. If this is the case, it resonates well with the argument that public funding rather reinforces than deters political corruption (Biezen & Kopecký, 2001; Casas-Zamora, 2005a). Yet, this kind of development is not the rule, as the cases of Poland and Lithuania demonstrate. While direct state funding was introduced in Lithuania in 1999, its level was very low and a more consistent support from the state budget came only in 2005. Likewise, even though Poland experimented with state funding already in the middle of the '90s, only in 2001 did public funding become a permanent feature of the regulatory regime and only from 2006 was the level of subsidies augmented. Furthermore, while in both cases the level of party subventions was far lower compared to the most lavish state funding schemes, political corruption remained at a similar level. Overall, however, despite the presence of several outliers, the data presented in figure 8.7 supports the idea that the level of public funding for political parties has been somewhat instrumental in preventing the deep entrenchment of political corruption at the institutional level. Still, the incidence of party and campaign funding scandals suggests that even in cleaner political environments, parties have not been immune to the corrosive influence of black money.

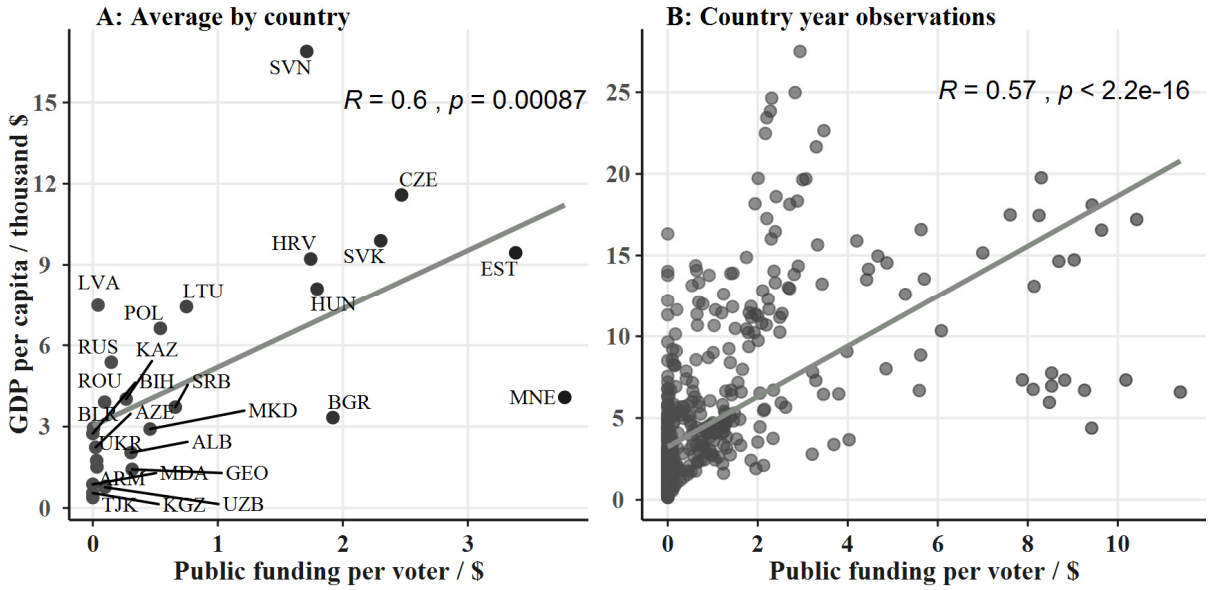
8.4.2. Public funding vs. economic development

The assessment of the relationship between the level of state support and economic development across the post-communist polities is a cumbersome issue. A part of the problem lies with the fact that DPF is only a part of the story in the aggregate support provided by the state to political parties but it is the only indicator that can be estimated more precisely from a comparative perspective. Due to the difficulties in collecting and standardizing data on various IPF items, ranging from free/subsidized media to tax cuts on private contributions, it is nearly impossible to estimate the aggregate level of state support. Hence, I explore here exclusively the relationship between the level of DPF per voter and economic development, measured in GDP per capita. Figure 8.8 depicts this relationship at the country level as well as in a disaggregated form.

The figure shows a relatively strong correlation between the amount of DPF per voter and economic development, suggesting that, on average, wealthier countries have provided more generous support for political parties and candidates relative to their poorer counterparts. Montenegro stands out again as an outlier, which significantly weakens the strength of the relationship. When it is removed the association between the level of economic development and DPF is significantly strengthened ($r = 74$: panel A). A similar influence, but in the opposite direction, is exerted by Slovenia. Although the time dimension is absent from this relationship, it should be recalled that the scarcity of budgetary funds

immediately after the breakdown of the planned economy was common among the transition regimes, all countries being hit by economic hardship. However, despite the common shortages in the availability of budgetary resources, post-socialist economies still considerably varied in their level of economic development at the end of the ’80s and the beginning of the ‘90s. This might have affected political decisions on the introduction and the level of state support to parties. Perhaps it is not surprising why the most developed economies, including Czechoslovakia, Slovenia and Hungary are among those that introduced public funding almost from the outset or the earlier stage of democratic transition.

Figure 8.8. Relationship between public funding and GDP per capita



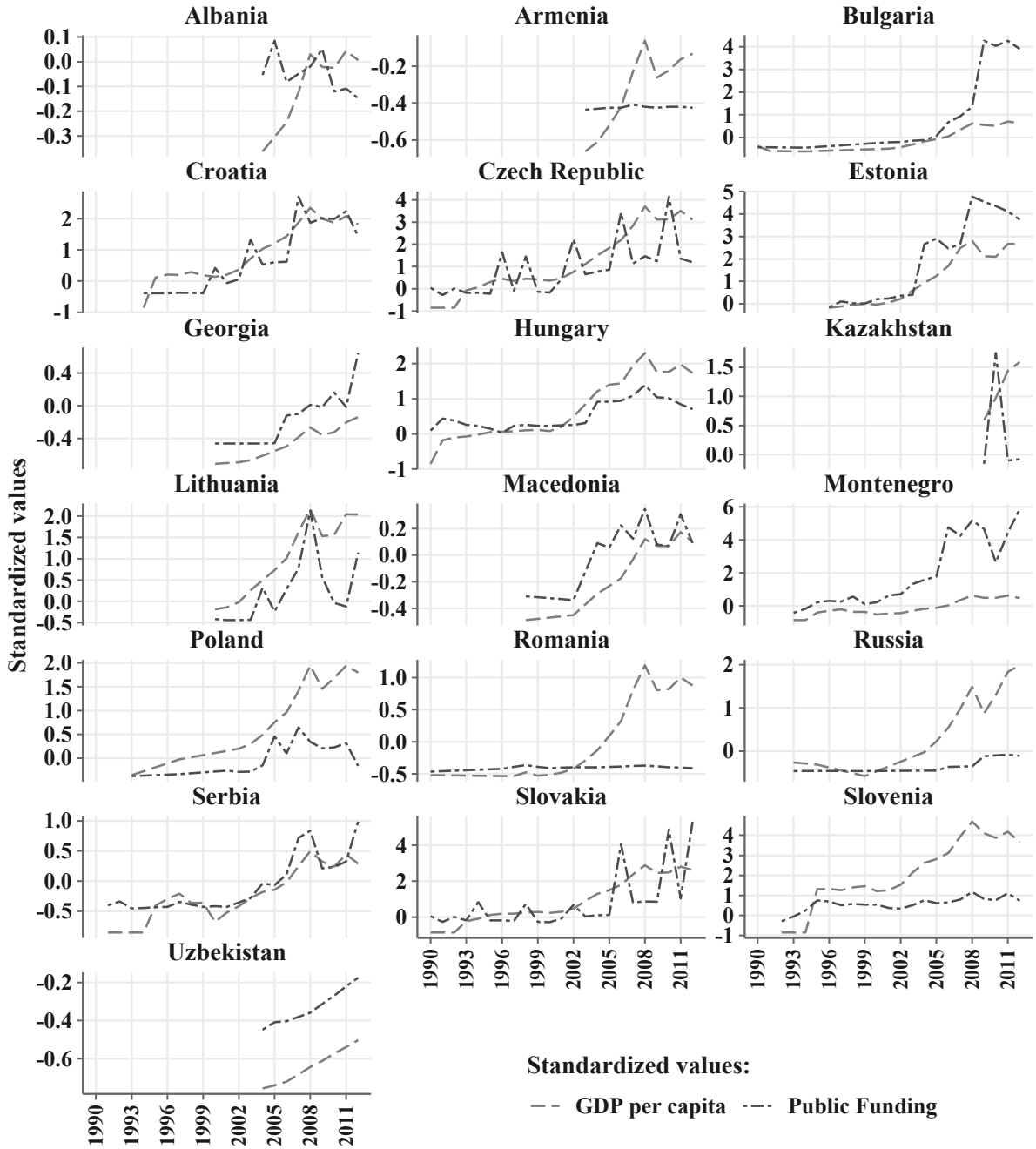
Source: Author’s elaboration

In contrast, the least developed post-soviet republics, including Armenia, Azerbaijan, Tajikistan, Kyrgyzstan, Moldova and Georgia have not provided direct funding at all, or have provided very little. Yet, in most other cases, this relationship is not so straightforward. For instance, while Russia, Ukraine, Lithuania, Estonia and Latvia have become more economically developed, only Estonia introduced public funding earlier. Likewise, Poland and Croatia were similar in terms of economic development in the early ’90s but only Croatia provided state subventions almost from the outset of transition, while Poland followed suit later. In other cases, such as Albania and Montenegro, relatively low economic development did not prevent the introduction of DPF earlier.

Beside the level of DPF when it was introduced, there is another aspect worth looking at – namely the increase in DPF over time relative to macroeconomic development. This relationship is intriguing, given the divergent paths the transition regimes have followed regarding the party reliance on state subsidies. While in some cases the support from the state budget has gone hand in hand with economic development, in other cases parties either increased their reliance on subsidies much faster than economic growth or vice versa, that is, the increase of DPF has occurred at a slower rate relative to economic

development. To look at the dynamics of this relationship over time, I standardize both the amount of subsidies and the GDP per capita for each country and plot them against each other. The result is presented in figure 8.9, which illustrates different patterns of interaction.[164]

Figure 8.9. Relationship between the growth rate of GDP per capita and the growth rate of DPF (1990 – 2012)



[164] I remove several countries from the analysis, including Moldova, Ukraine, Tajikistan, Uzbekistan, Kyrgyzstan, Azerbaijan, Latvia and Bosnia and Herzegovina. They either did not provide public funding for statutory party activity, introduced it very late (Latvia, 2012) or only occasionally provided some subsidies for elections (Azerbaijan, Tajikistan, Ukraine). Furthermore, I could not find data on the total amount of public funding before 2004 for Albania and Montenegro.

Source: Author's elaboration

Here I am not concerned with actual level of DPF or actual GDP growth, rather how they interact over time. Overall, the interplay between DPF and GDP per capita has generated three interaction patterns. The first pattern is epitomized by Montenegro, Bulgaria, and Estonia, where the reliance of political parties on DPF increased at a faster pace than economic development. The second is exemplified by Slovenia, Poland, Lithuania, Romania and Russia, in which the level of state support increased at a slower rate than the country's economic development. This is particularly interesting with regard to Slovenia and Romania since both countries had an allocation formula tied to macroeconomic indicators such as GDP and budgetary revenue. Nevertheless, despite economic growth, neither Slovenian nor Romanian parties fully exploited this opportunity. In the cases of the Czech Republic and Slovakia one observes great fluctuation in the levels of DPF, which is explained by additional state funding in election years. In both countries political parties benefitted enormously from the reimbursement of campaign expenses. Finally, the remaining cases display smaller disparities though in a few cases such as Georgia and Uzbekistan the increase in the level of subsidies turned out to be slightly higher than economic growth, while in others, including Croatia, Hungary and Armenia, it matched the rates of economic growth. Therefore, despite the general trend showing that economic development is associated with increases in the level of state support, we still observe significant cross-national variation in the fluctuations of subsidies relative to aggregate economic development.

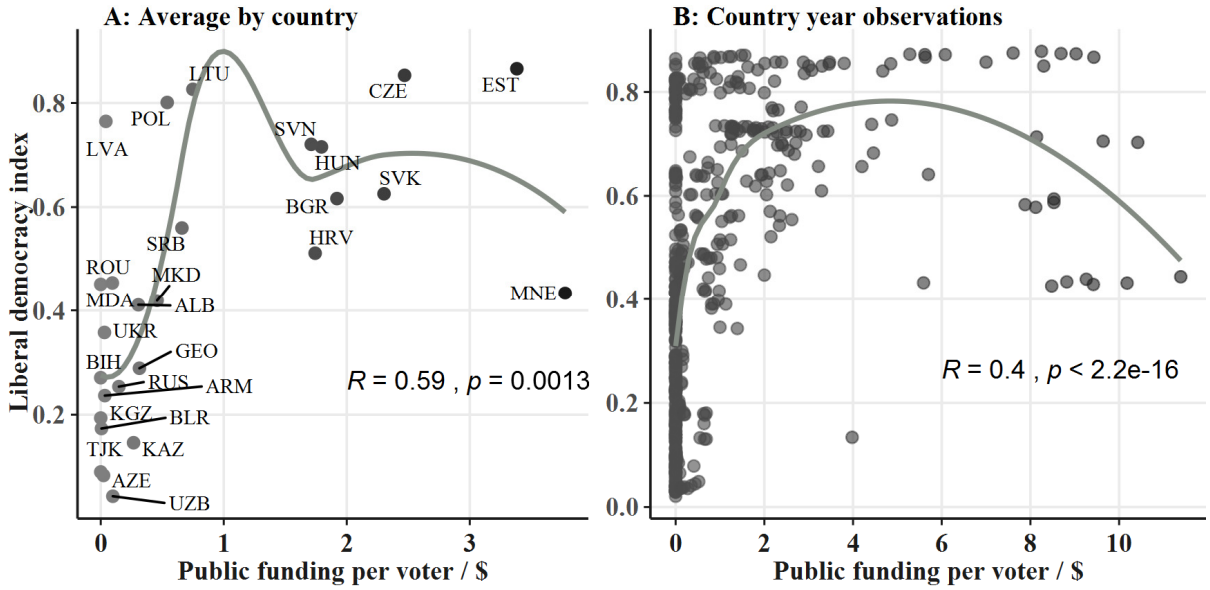
8.4.3. Public funding vs. democratic development

The relationship between the scope of party regulation and democracy is complex and somewhat paradoxical, since both less and more democratic regimes tend to use party regulations for different purposes ranging from preventing backsliding toward authoritarianism to restricting political competition (Avnon, 1995; Karvonen, 2007). While some studies hint at the fact that more democratic countries tend to regulate political parties to a larger extent than their less democratic counterparts (Ohman, 2012b), the findings are less conclusive concerning the regulations of public funding. For instance, while Karvonen's analysis of party regulations points to some crucial differences regarding legal restrictions on party registration and activity contingent on the level of democratic development, these differences are rather minor concerning party finances and the provision of public funding (Karvonen, 2007, p. 447). Likewise, other studies have found no significant differences between old and new democracies concerning the provision of direct and indirect funding or the share of subsidies in total party income (Biezen, 2010, pp. 69–70; Biezen & Kopecký, 2007, p. 245, 2014, pp. 172–173; Scarrow, 2006b, pp. 12–13). Finally, if one follows the logic according to which the robustness of political competition pushes political parties to replace informal methods of state exploitation with formal ones, which implies the provision of DPF to parties (Grzymala-Busse, 2007, 2008), one would expect a higher democratization score to be positively associated with a more consistent support from the state. Accordingly, authoritarian or less democratic

regimes are more likely to suppress competition and rely more heavily on informal extraction channels, thus providing scantier budgetary support to parties.

Against this background, data from figure 8.10 however shows that, for post-communist regimes, the relationship between the level of DPF and democratization is not necessarily linear. It also hints at the fact that an overly simplistic approach in assessing the relevance of public funding either as independent or dependent variable, based only on the absence/availability of DPF, might not be the best approach for drawing definitive conclusions. Instead, we should focus on the level of state support – that is, how much funding is directly provided from the state budget to political parties. If one focuses on this indicator, the relationship between the level of democratic development and public funding becomes more obvious, though it still raises some challenges for a more thorough analysis given the non-linearity of the relationship.

Figure 8.10. Relationship between public funding and democratic development



Source: Author's elaboration

Yet, despite the presence of several outliers, more democratic regimes have provided, on average, higher financial support to political parties, though as the disaggregated data from panel B illustrates, that the level of subsidies ceases to be positively correlated with democracy above a certain threshold. Once again, Montenegro pulls the strength of the relationship down considerably. Its removal increases *r* from 0.43 to 0.66 (panel B). Whereas this correlation does not imply the presence of a causal relationship, since the causal arrows might run in both directions and reinforce each other, the transition context matters precisely because the provision of public funding from the outset of transition might have contributed to party-building and democratization.

Besides Montenegro, several other polities, including Latvia, Lithuania and Poland, deviate from the general trend but in the opposite direction, displaying a high level of democracy with more limited

funding. Latvia is, perhaps, the most striking example in this regard since the public funding for political parties was introduced effectively only in 2012. While the lack of public funding does not seem to have affected the country's path toward democracy, it has nevertheless affected party development and contributed to the emergence of oligarchy in Latvian politics through the '90s, which displayed strong signs of state capture (Bergmane, 2017; Dombrovsky, 2008, 2011; Ikstens, 2008, 2013; Kalniņš, 2013; Kuris, 2013).[165] Likewise, initial democratization and party development in Lithuania took place without direct financial support from the state and more consistent subsidies have been provided only since 2004 (Ramonaitė, 2018, pp. 225–226; Unikaitė, 2008, pp. 34–36). Finally, despite the provision of subsidies for campaign reimbursement in Poland already in 1993 and their extension to statutory activity in 1997, the state contribution to party coffers remained lower than other polities with similar or even lower democracy scores.[166] Only in 2006 did the level of state support per registered voter for statutory financing reach the equivalent of $1, which was well below the level of subsidies in Estonia, Slovakia, Slovenia, Croatia, Bulgaria or the Czech Republic.

If one adds the time dimension, the relationship between democracy and the level of state funding becomes even more complex with different trends displayed by individual countries. For instance, the provision and the subsequent increase of public funding in Bulgaria has gone hand in hand with the worsening of the democratic environment, which has mainly occurred since the country's accession to the European Union in 2004 (G. Ganev et al., 2013; V. Ganev, 2013; N. Nikolov et al., 2013). In the same vein, according to some accounts, the democratic environment in Macedonia constantly worsened between 2004 and 2012 (Teorell et al., 2017), while the level of public funding remained rather stable. While alternative assessments of democratization turn out to be less negative regarding the country's overall development, transparency and control of party and campaign funding has nonetheless been deemed among the most vulnerable areas of the electoral process (Grozdanovska-Dimishkovska, 2012, p. 362; Taseva, 2013, pp. 44–45, 52–54). In other cases, such as Croatia and Serbia, in contrast, the substantial increase in subsidies occurred only when the countries embarked on a democratization process in 2000, although in Serbia the increase of DPF was delayed until 2004.

Finally, several paradoxical developments may be observed across the post-soviet republics. Russia is perhaps one of the most interesting cases since the introduction of public funding in 2001 and its effective provision after the 2003 Duma elections occurred when the country turned in an anti-democratic direction, in which party finance regulation became an effective tool to manage political

[165] The heavy dependence of Latvian parties on big private interests during the first decade of transition is well reflected by the state capture index constructed by the EBRD and the World Bank, according to which Latvia was among the post-communist countries with the highest degree of state capture (Hellman et al., 2000, p. 9).

[166] The reluctance to provide direct subsidies from the outset of transition, in the Polish case, might be related to contextual factors such as the discovery by the Solidarity government that only the communist party and their associates received subventions form the budget in 1989, which triggered broad public discontent (Walecki, 2007, pp. 128–129).

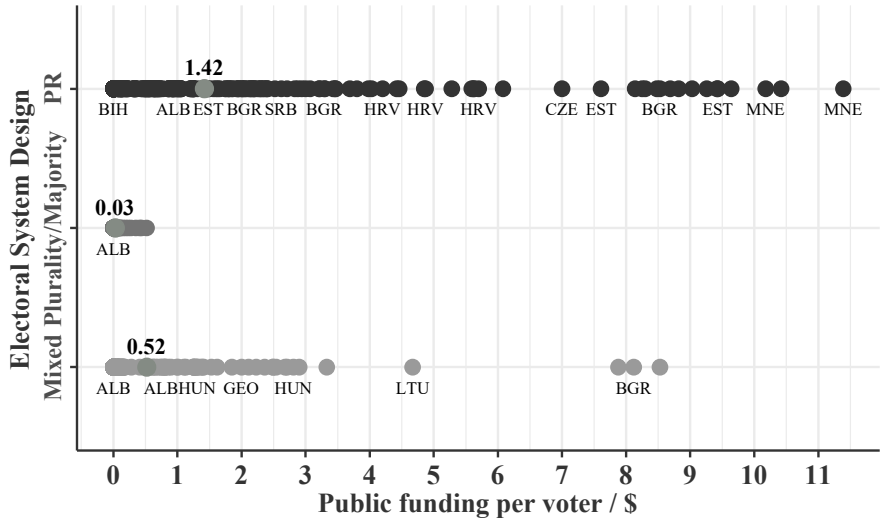
competition (Gel'man, 2008a, 2008b; Golosov, 2016; Oversloot & Verheul, 2006). Even though the provision of public funding was justified on similar grounds as in a more democratic context – that is, to reduce the parties' dependence from the vested interests and large donors (K. Wilson, 2007, pp. 1090–1091) – the result was the narrowing of political competition and cartelization (Hutcheson, 2012, 2013). Another paradox is epitomized by Uzbekistan, which introduced direct state subsidies to political parties in 2004 and by 2012 had increased the level of state support by roughly five times. For one of the most ruthless authoritarian regimes in the region, this was a rather unusual turn. Yet, this regulatory shift ought to be placed within the broader context of the PFR there, which has nothing to do with levelling playing field or democratization. Due to the ban on the use of private contributions in elections, the regime ensured that public funding for routine party activity lands in the coffers of pro-regime parties. Since control over public resources for campaigning has remained in the hands of the executive, these financial and administrative resources have been used to back up only loyal parties and candidates. Those electoral competitors critical of the Uzbek authorities were simply denied registration (OSCE/ODIHR, 2005g, pp. 7–8). Hence, through the exclusion of inconvenient competitors, the regime has almost fully ruled out the risk that the budgetary support provided to parties will land in the wrong hands. An almost identical situation can be found in Kazakhstan, where the provision of public funding has been primarily designed to strengthen the party of power and other pro-regime allies under limited transparency rules (Smilov, 2014; Исабаева, 2012; Тогузбаев, 2013). While the overall pattern depicted by the data suggest that democracy matters for the level of state support for political parties, such contrasting developments nevertheless show that the relationship between democracy and public funding is more complex and that authoritarian regimes have managed to use a democratic tool, aimed at supporting political pluralism, to consolidate their own power by stifling political competition.

8.4.4. Public funding vs. electoral system

To a certain extent, the linkage between the level of state funding and the electoral system is the least problematic one, a fact fully confirmed by the data from the figure 8.11. Proportionality is clearly associated with the largest levels of state support for political parties. On average, the amount of public funding in proportional systems is twice as high compared to mixed electoral systems and incomparable to the majoritarian ones. Even so, the data is somewhat distorted given the presence of Bulgaria in the pool of mixed electoral systems, though the majoritarian element accounted for only 13 percent of parliamentary seats there.[167] Hence, except Bulgaria, the most generous public funding regimes have been those applying a proportional representation formula.

[167] This bias is explained by the fact that just shortly before the 2009 elections Bulgaria changed its electoral system, introducing a majoritarian element. In the same year, it also increased by roughly two and a half times the amount of public funding per voter from $3.30 to $8.50. Nevertheless, only 31 out of 240 MPs were elected in SMDs, thus the proportional element remained dominant. When I include Bulgaria in the pool of proportional systems, however, the gap between the amount of state subsidies and the type of electoral system widens considerably.

Figure 8.11. Relationship between public funding and the type of electoral system



Source: Author's elaboration

Only Hungary, with a mixed electoral formula, can be attributed to this group but it has still lagged behind Montenegro, Estonia, the Czech Republic, Croatia, Slovakia and Slovenia. Another example of a mixed electoral design, which has provided, on average, relatively high support for political parties is Lithuania. Nonetheless, in this case, the level of public funds was more than two times lower than in Hungary over the period studied. In all other cases, the amount of budgetary funds provided to political parties has turned out to be incommensurably lower relative to proportional systems. I must underline, however, that many post-communist polities, mostly the former soviet republics and Balkan countries, have employed several representation formulas over time. Among them, Albania, Kazakhstan, Kyrgyzstan, Macedonia, Russia and Ukraine experimented with all of them at different stages of their political development. As a rule, in most cases the dominant evolutionary pattern represented a shift from a majoritarian to a more proportional representation formula. Not in all cases, however, was this shift accompanied by the provision/increasing of DPF to political parties.

Despite the considerable gap in the level of state support between the proportional and mixed electoral systems, these differences pale compared to the level of DPF provided by polities using a majoritarian formula. Yet, it is necessary to highlight that this formula has survived for a longer time span mainly among the post-soviet authoritarian regimes. While at the beginning of transition, most countries switched from a majoritarian toward a mixed or proportional representation during the first free elections, several countries, including Belarus, Tajikistan, Kazakhstan, Kyrgyzstan, Azerbaijan and Ukraine, employed a plurality/majoritarian representation formula for longer periods. The first two used this type of electoral representation for the entire period under study, while others for shorter time spans. Some polities, such as Azerbaijan, switched back from a mixed to a majoritarian representation system in 2005, which coincidentally or not resulted in the withdrawal of public funding before the 2010

parliamentary contest. Likewise, the shift from the mixed to majoritarian formula in Kyrgyzstan for the 2005 parliamentary contest, resulted in massive electoral fraud, which ultimately brought about the 'Tulip Revolution' there (Cummings & Ryabkov, 2008; Pop-Eleches & Robertson, 2014; Radnitz, 2006). Even when a mixed electoral system has been used for parliamentary contests, the proportional element of the representation formula has been much weaker than the majoritarian one, while the level of state funding has been extremely limited. Outside post-soviet space, only Macedonia and Serbia used a majoritarian system for a longer period but direct subsidies were nevertheless available to political parties and electoral competitors even under this type of electoral representation.

Nonetheless, as the chapter on public funding has illustrated, there are two fundamental problems associated with the use of a majoritarian electoral system and public funding. The first concerns the eligibility threshold to access public funds for statutory party activity, which is excessively high since only parliamentary parties qualify for them. Therefore, this funding has been much more likely to land in the coffers of big parties, which benefit disproportionally compared to the small ones given the advantage conferred by the majoritarian formula. Secondly, the effect of public funding, provided specifically for campaign expenses, is expected to be limited in terms of levelling the playing field since, as a rule, these subsidies were split among all registered candidates and have thus been highly dispersed. Hence, while the provision of subsidies on an egalitarian basis are expected to boost political participation and the competitiveness of the electoral process, it has actually contributed little to this purpose since the potential recipients have to be firstly registered and allowed to participate. Yet, the registration process of all electoral competitors turned out to be a fundamental problem among the post-soviet authoritarian regimes, thus undermining the openness and fairness of the electoral process.

Despite these divergent paths, the relationship between the level of state support and the type of electoral system seems, at least, partially linked to democratization. With few exceptions, those post-communist regimes that have democratized faster have proved to be the same ones that have embraced a proportional representation formula and provided more state support for political parties. Furthermore, even leaving aside this regional peculiarity, post-communist polities still appear to fit the general pattern, according to which majoritarian systems are less likely to be associated with direct funding to political parties (Pinto-Duschinsky, 2002). The fact that the majoritarian representation formula is closely linked to authoritarian regimes render the provision/increasing of public funding to political parties a less likely regulatory option, despite some notable exceptions to the rule.

Concluding remarks

Contribution to the field

This thesis provides an alternative approach to tackling political finance regulations in comparative perspective for post-communist regimes. It applies the concept of regulatory *restrictiveness* as the chief yardstick to explore the similarities and differences of PFRs in post-communist space over two decades after the outset of transition. To accomplish this task, I have used a configurational approach to construct a typology of restrictiveness, which is then put to work to analyse and trace PFR development over time. This methodological approach has allowed me to partially fill the gap between the two (and rather) disconnected traditions of political finance research – the case study approach and cross-case studies. In this way, I have sought to capitalize on the advantages of each method and to mitigate, at least partially, their weaknesses. More importantly, it has allowed me to show that restrictiveness does not merely represent an outcome of a composite regulatory index, which primarily reflects the regulatory scope of a PFR, but rather emerges from the interplay between regulatory scope and intensity.

The configurational approach also opens the way to explore restrictiveness at two levels – that is, between- and within-type variation. While the former reflects the variation flowing from different configurations as result of the interplay between the macro-properties of the regulatory regimes, the latter captures the variation springing from regulatory intensity. This variance is typified by different donation and spending caps, different levels of DPF, sanctions or other quantitative restrictions such as free or paid airtime. Hence, the use of this approach has allowed me to investigate the restrictiveness of PFRs across post-communist polities with a variable-oriented research design applied to many cases across time for each regulatory dimension. As shown in the empirical chapters, this approach depicts a layered structure of restrictiveness, in which the upper layer is epitomized by the meta-properties of a given regulatory dimension, while the second layer mirrors the variation inside each restrictiveness type. While this analytical framework is not free of problems and paradoxes, it is a useful departure point to investigate the nature of regulatory regimes and their development over time.

Furthermore, while this dissertation does not apply a clearly defined theoretical model to address restrictiveness either as dependent or independent variable, it nevertheless conveys a bold and clear message – the comparative analysis of funding regimes either as an explanatory or explained variable requires more than building composite regulatory indexes. Any composite index that fails to account for the variation stemming from regulatory intensity, e.g., from donation limits, spending caps, levels of direct or indirect subsidization or level of fines associated to political funding violations, are more likely to go in the wrong direction and to provide misleading insights concerning the direction and substance of regulatory reform. Even leaving aside the analytical framework on which I have constructed the typology of restrictiveness, the focus on the above-mentioned indicators is by far a more promising

research avenue compared to the mere aggregation of various regulatory dimensions into a composite regulatory index. This is especially relevant given the fact that most solutions designed to deal with the problems and challenges of political financing are underpinned by conflicting ideological and normative assumptions about the role of money in the democratic process. And the findings from empirical chapters to which I turn now clearly demonstrate this.

Findings

Private financing

In the first empirical chapter, I focused on the regulation of private contributions – with a specific focus on donation limits to political parties and/or electoral competitors, leaving aside regulatory scope, defined as the full range of income sources entitled to (or prohibited from) contributing to party pockets. While the post-communist regimes have deployed more effort to narrowing down the range of income sources, they have turned out to be much slower in capping the amount of money a single donor could legally pour into party coffers. After two decades of transition, almost half of them still lacked any sort of quantitative restrictions on private contributions for routine party financing and even fewer have capped the total amount a political party could collect from donations annually. Unlike the regulation of statutory financing, campaign contributions have been much more heavily regulated. While they have varied significantly regarding the timing of efforts to strengthen the regulatory framework, they have nevertheless moved toward tighter control over the inflows of campaign funds. The dominant regulatory model has been to cap both individual donations and total income amassed from these contributions in election fund. Nevertheless, despite tougher rules, their enforcement during elections has proved a daunting task, at best. The lack of annual donation limits coupled with the lack of regulations on financial flows between regular and electoral party accounts has made it nearly impossible to enforce these regulations.

Yet despite the general trend, as reflected by the adoption of quantitative restrictions by more countries over time, which implicitly indicates a shift toward regulatory convergence, one of the most intriguing aspects pertains to the variation in donation caps. This variation has turned out to be so high that it would be misleading to throw all cases into the same pot since it is a qualitative as much as a quantitative difference when a single donor can give $1000 compared to $100,000. In reality, these disparities have been much larger, which may well have affected political and electoral competition in different ways, including the fundraising strategies and behaviour of political parties. Therefore, depending how much a donor could contribute, might have directly shaped the incentive structure of fundraising either by inducing political parties/electoral competitors to rely on a handful of large donors or by pushing them to expand and maintain a larger network of grassroots fundraising. This is another paradoxical development. While it is obvious that in those PFRs that have not limited donations the

incentive structure of fundraising has clearly contributed to party reliance on large contributors, in other cases where regulations have foreseen both types of limits – donation caps and limits on total income – restrictiveness has been contingent on the interplay between these two legal provisions. The outcome of this interplay, as expressed by the minimum number of donors required to reach the limit on total income, has however revealed that even in the most restrictive cases the regulatory framework has generated an environment conducive to resort to large contributions.

Public funding

The provision of DPF to parties and candidates across post-communist polities is undoubtedly the key feature of party-building and party-system development during transition. Still, while we observe a global shift toward higher reliance on direct state subsidies, ex-communist regimes have greatly varied regarding the timing of introduction, the level of state support, eligibility and distribution rules. The most striking aspect pertains, however, to the cross-national variation in the level of subsidies given the huge gap between the scantiest and the most lavish public funding schemes. Interestingly, these disparities have not decreased over time. Along with the introduction of DPF by more countries, the disparities in the level of DPF has widened significantly. Leaving aside those PFRs that have not provided any direct subventions to political parties, in 2012, for instance, the gap between the highest amount of subsidies per voter and the lowest one (party statutory funding) was about 100 times. Even excluding outliers at both extremes, the difference still remains considerable. An almost identical situation emerges vis-à-vis the provision of direct subsidies for electioneering. In this case, the gap between the most lavish public funding scheme and the scantiest one is even larger if the outliers at both extremes are accounted for. Under such circumstances, it becomes obvious that it is not the mere provision of DPF that is the key to understanding the impact of state funding on political and electoral competition but rather how much money is provided to political parties and candidates and who mostly benefits from it through the manipulation of eligibility and allocation rules.

Analysing eligibility and distribution rules of state subsidies is relevant particularly within the framework of the cartel party thesis. From this perspective, the assessment of regulatory provisions shows that post-communist regimes embarked on divergent paths taking one of three routes: maintaining the status quo, shifting toward more restrictive provisions, or shifting toward less restrictive ones. Yet, there are some differences in the evolution of restrictiveness regarding the eligibility threshold and allocation formula. In terms of eligibility rules, I did not find any developmental pattern in the direction of restrictiveness. Post-communist regimes have turned out to be more or less evenly split between the three scenarios mentioned above for both statutory and election financing. While some of them maintained the access requirements intact over time, others have become either more inclusive, by lowering eligibility requirements, or more exclusive by raising them, thus narrowing the pool of recipients.

Different to eligibility rules is the situation that emerges concerning the distribution of budgetary subventions. While the allocation method has been less exposed to regulatory changes, the dominant pattern is a clear shift toward more restrictive rules, meaning the replacement of a more egalitarian distribution formula, according to which higher shares of subsidies were equally distributed among parties and candidates, with a more concentrated one, whereby larger shares of state funds were proportionally distributed among the recipients of subsidies. This shift has occurred with respect to both types of financing. Furthermore, for election financing it also implies a change in the timing of payments – that is, in more cases the reimbursement of campaign expenses occurred not prior to but after elections, therefore contributing to a more unequal distribution of subsidies. Hence, while at the global level the amount of state funding increased over time, its distribution became more unequal.

Campaign spending

Unlike other regulatory dimensions, the regulation of campaign spending has been a priority for post-communist legislators. Already by the second parliamentary contest, most of them had imposed a wide array of spending restrictions ranging from bans and limits on specific spending items such as paid electoral commercials in printed, outdoor and broadcast media to caps on aggregate campaign spending. Yet, despite this rapid shift toward the tightening of spending rules, they still varied in terms of aggregate spending levels or how much an electoral competitor could spend on paid commercials. Indeed, as the data has shown, the highly restrictive nature of spending caps transformed them, in many cases, into a rather decorative feature of the regulatory regime with extremely limited effectiveness in levelling the playing field. Given the unrealistically low caps on competitors' election fund, spending has also become a highly problematic aspect in terms of enforcement. This, in turn, has drastically compromised the integrity of the entire electoral process even in the cleanest political settings. While in some cases campaign spending limits were significantly raised, thus matching the increasing needs of electoral contestants, they still proved to be inefficient in taking out of the dark large chunks of financial resources deployed in elections. In other cases, spending caps remained frozen over time, thus contributing further to the worsening of the general perception that declared amounts of electoral outlays do not correspond with the actual spending figures. These diverging patterns also reveal that, while the disparities in spending caps have not been so large compared to similar differences in donation caps or the level of subsidies, they have still remained quite sizeable and visible cross-nationally.

The most striking result concerning spending restrictiveness, however, touches upon the interplay between the caps on aggregate spending and restrictions on paid broadcast advertising. Contrary to expectations, the spending cap per registered voter has turned out to be higher in those PFRs that envisaged various bans or quantitative restrictions on electoral commercials in broadcasting outlets, usually credited as the most costly category in the structure of election expenses. This fact raises a question about the utility of such restrictions if campaign limits on aggregate spending are not adjusted

to reduce the need for massive numbers of TV commercials. Moreover, the effectiveness of such bans is further undermined in campaign environments lacking caps on the election fund of parties and candidates since they cannot contain overall spending.

Transparency

Analysing reporting and disclosure provisions as constitutive elements of transparency has revealed that it was an overlooked dimension. Generally speaking, it is not surprising that post-communist politicians have been so resistant to more demanding transparency rules on their finances. Throughout the initial years of transition the interpenetration of political parties with the state and their involvement in the privatization process and colonization of state institutions opened many opportunities to capitalize on parties' privileged access to the state. Therefore, it is no wonder that party finances were kept far from public scrutiny for such a long time. Even when reporting and disclosure were addressed, the blurry wording of transparency provisions and the half measures embodied in legislation – as well as the presence of other regulatory shortcomings – rendered transparency at the beginning of transition almost non-existent. The tolerance of anonymous donations and donations from public enterprises, the lack of explicit provisions on disclosure donor identity and the relatively high disclosure thresholds are just the tip of the iceberg – the most visible strategies of political parties to keep as many loopholes as possible to protect their finances from public scrutiny. These strategies were combined with less orthodox tools to circumvent transparency obligations (or were precisely devised to be used for this purpose) such as the registration of donations as membership fees, subject to less restrictive disclosure obligations (if any), or the slicing of large donations into smaller pieces below the disclosure threshold, thus allowing them to conceal the real identity of financial backers.

Another weakness of transparency regimes has stemmed from asymmetry between reporting and disclosure requirements. While parties and candidates have been compelled to report on their finances to oversight bodies, this has not always entailed the mandatory obligation to publish their financial declarations. In some cases, publication requirements referred only to the aggregate figures of income and expenses or different requirements for their disclosure. More often, these requirements were more elaborate and precise regarding the disclosure of private contributions than campaign expenditures. This has been a particularly troublesome issue during elections since the poor definition of campaign expenses, often coupled with unclear rules on the campaign time frame, has opened up a backdoor for parties and candidates to collect and spend more on electoral purposes. Besides, unlike the transparency of statutory funding, campaign transparency was affected by additional issues such as the publication of financial reports only after the elections have passed, the failure of the regulatory framework to stipulate transparency obligations for all types of electoral competitors and the possibility of parties and candidates to transfer large amounts of their own resources to electoral funds without disclosing the identity of the

primary sources. As a result of these shortcomings, electoral competitors have been able to avoid reporting and disclosure of sizeable chunks of their income and expenses.

Despite the patchy nature of transparency obligations, a common feature of many cases, post-communist regimes have still varied in terms of shifting from the lack of (or very weak) rules to more demanding transparency requirements. On balance, the CEE and Baltics countries have switched faster to more demanding transparency obligations compared to the former soviet-republics and the Balkan countries. The faster democratization of the first group turns out to have had a positive effect on pushing political parties and candidates to open up their financial books to society. Although these reports were often clearly incomplete and doctored, they still provided interested stakeholders, especially investigative journalists, a good opportunity to dig and to look for inconsistencies in party financial flows. At times, these efforts have paid off enormously resulting in quite high political costs borne by the political parties involved in obscure and illicit deals. Yet, the more complex and encompassing transparency rules have become, the more sophisticated the party strategies have evolved to circumvent them.

Enforcement

Given the complexity of the enforcement mechanism, it is probably the most puzzling but also the weakest element of PFRs. Its weakness does not necessarily spring from the lack of rules but rather how these rules interact. Therefore, the key argument rests on the assumption that the effectiveness of an enforcement mechanism to control party and campaign funding can be ensured only by the simultaneous presence of an independent oversight body and a broad and diversified range of sanctions matching the gravity of offences. If one of these conditions is missing the entire mechanism is likely to be considerably undermined in accomplishing its oversight function. Hence, as one can observe, the toothless nature of enforcement across post-communist regimes has been precisely affected by the simultaneous absence of these necessary conditions. Although in a few cases enforcement has been non-existent because of the complete lack of a regulatory and institutional framework, in most cases its fragility has been the outcome of a mismatch between oversight and sanctions. Neither strong oversight, accompanied by thin sanctions, nor a gamut of severe/dissuasive penalties, accompanied by a powerless supervision, was sufficient to bring about robust enforcement – both must be present at once.

Breaking down enforcement into its constitutive elements – that is, supervision and sanctions – we can see that each of them has its own drawbacks. The key vulnerabilities of supervision in post-communist space lay in political affiliation, restrained powers and institutional fragmentation. The embodiment of any of these elements, individually or in conjunction, in the structure of the institutional design, acted as a powerful subverting force of the entire control mechanism. Empirical patterns observed across the region epitomize the outcome of different configurations that have emerged out of their interplay. At one pole, control of political finances was put in the hands of the legislature, i.e. political parties empowered themselves to control their own finances, which could hardly be thought of as an

institution able to ensure robust oversight in terms of impartiality and effectiveness. At the other pole, the supervision of party finances was delegated to more independent institutions such as the audit office. Yet, in most cases these bodies were simply robbed of the power to investigate more thoroughly party finances, which again has rendered control relatively feeble. Between these extremes there has been a third configuration featuring a politically subordinated oversight body with poorly defined control powers. While the first two configurations have been prevalent in CEE and some Balkan countries, the third one has been the dominant oversight model across ex-soviet republics. Furthermore, the robustness of supervision has been affected by fragmentation of the oversight process between the election and non-election periods. While during campaigns, the standard solution has been to delegate oversight powers to electoral committees, this has proved to be a rather inefficient solution in most cases due to the political partisanship of the CEC members and the cumbersome decision-making procedure of the electoral management body, wich could not substantially enhance the control mechanism of campaign funding.

Beside the shortcomings of the oversight mechanism, enforcement has been undermined by similar deficiencies in the sanctioning system. The key weakness of sanctions has consisted in the mismatch between the gravity of offences and the stringency of sanctions. In this respect, a common problem has been to legally define financial violations and to link these to a specific punishment. Even when such violations have been codified, there has not always been a corresponding penalty stipulated. The detachment of financial offences and penalties is well reflected by the fact that many cases shared similar drawbacks, usually reflected by the limited range of applicable penalties and their disproportional nature. In other cases, the low value of pecuniary fines has proven insufficient to dissuade political parties from breaching the rules. Of course, almost all post-communist regimes have expanded and strengthened their punishment toolbox over time, thus adjusting it, at least partially, to the graveness of financial violations. Notwithstanding these developments, given the fact that the regulatory and institutional evolutions regarding supervision have lagged behind, the actual use of the enhanced set of sanctions has remained quite limited in scope.

Patterns and interactions

In the last chapter I explored several aspects including analysing general trends in restrictiveness over time, cross-national patterns, internal dynamics of PFRs with a focus on the effects of DPF on the restrictiveness of other dimensions as well as the interplay between the level of DPF and several macro features of the political system. Regarding the first aspect, there is a clear upward shift in the overall restrictiveness degree for both statutory and election financing. Yet, the timing and pace of shifting to more constraining rules has varied across different dimensions. This is especially clear with regard to campaign funding, which has revealed that post-communist regimes addressed more thoroughly the regulation of private income and spending by setting donation and spending caps much earlier.

Conversely, the adoption of stricter transparency and enforcement rules has lagged behind. In parallel with these developments, the pool of post-communist regimes providing direct state funding to political parties has grown – although this trend is mainly observed in routine party financing. A different situation emerges with variation in cross-national patterns of restrictiveness. These patterns are more difficult to assess given the disparities in the pace and magnitude of the regulatory shift at the national level across different regulatory dimensions.

Analysing the relationship between the level of state support and the restrictiveness of other PFR dimensions, through the lens of the *carrot and stick* approach, has yielded mixed results. On the one hand, the generosity of public funding has turned out to be detached from the restrictiveness of private contributions. While I expected a negative relationship – that is, a higher level of DPF to be associated with more restrictive donation caps – the data clearly reveal the absence of such a linkage. In contrast, in most cases in which political parties received the largest amounts of budgetary resources, they did not face any quantitative restrictions on donations. Even in cases where the legal framework has stipulated both donation caps and subsidies, the increasing level of DPF has more often been associated with the relaxing, not the tightening, of donation limits. On the other hand, I find some compelling evidence suggesting that, on average, the level of state support is positively associated with more demanding transparency obligations and stronger enforcement regulations. This is also confirmed by the timing of the transparency reforms. In most cases, the augmentation of DPF came indeed with more strings attached, as typified by more burdensome reporting and disclosure obligations. An almost identical evolutionary pattern can be observed with regard to enforcement, though the difference in the level of DPF by restrictiveness type is lower compared to transparency, meaning a more reluctant attitude of political parties to tighten the oversight and institute tougher sanctions.

Beside the impact of public funding on other regulatory dimensions, I have also explored its relationship with a few macro features of the political system. Unlike previous research, I have used the amount of DPF per voter as an indicator to explore how the level of subsidies is related to corruption, economic development, democratization and the design of the electoral system. While I conducted only a bivariate analysis, I found a relatively strong correlation between the level of DPF and other variables in the expected direction. Overall, a higher level of state support for political parties was, on average, associated with lower levels of political corruption. While this relationship is not necessary linear, as highlighted by the presence of several outliers, the relatively well-defined pattern suggests that the provision of DPF to political parties deserves closer scrutiny, though it needs to be placed within a broader framework of policy measures aimed at tackling high-ranking political corruption. In the same vein, economic development turned out to be, on balance, positively correlated with the amount of budgetary subventions per voter. Those post-communist regimes have performed better economically have also provided more consistent budgetary support for political parties. Yet, while in some cases there

has been synchrony between economic growth and the increasing reliance of parties on state subsidies, in other cases political parties have extracted public funding either at a higher or lower rate relative to economic development.

Unlike the relationship with corruption and the economy, the linkage between the level of democratic development and the level of DPF appears most puzzling. This is highlighted by a much stronger non-linear relationship, meaning that above a certain level, democracy ceases to be positively associated with public funding and that less democratic regimes have also provided a relatively high level of subsides to political parties. Finally, the empirical analysis of the relationship between electoral system design and the level of budgetary support demonstrates that proportional electoral systems are much more associated with a higher level of DPF for political parties than mixed and majoritarian systems.

Avenues for future research

Several years ago Michel Pinto-Duschinsky (2012, xii-xiii) mentioned at least a dozen potential research questions that should be addressed by scholars of political financing from a comparative perspective. Some of these questions, such as the comparison of political expenditures using a standardized indicator, date back to the early '60s and draw on the work of Arnold Heidenheimer (1963). Others touch upon the relationship between campaign spending and electoral success, a topic widely debated in the American context and in other candidate-oriented electoral systems but much less investigated in parliamentary regimes based on party-list representation. Likewise, professor Pinto-Duschinsky called for a more thorough investigation of the impact of public funding on political competition, especially pertaining to its alleged cartelization effects. Finally, some questions related to the need to investigate the extent to which moneyed interests have a disproportionate say on policy-making in the context of state capture.

All of these questions remain absolutely topical today since, despite the recent advancement of political finance research, 'the evolution of political finance rules in particular countries remain the predominant approach in the literature' (Norris & Abel van Es, 2016, p. 5). Therefore, the comparative research of political financing still needs to catch up and provide more compelling answers both on the effects of political finance regulations on political/electoral competition as well as on the forces that shape the nature of regulatory provisions. Most of the questions raised above are hard to answer mostly due to problems springing from the accuracy of political finance data. This is particularly true for the post-communist countries, where the transparency of party and campaign funding has always been a thorny issue, since the official reporting of political parties and candidates raises many doubts on the actual amounts collected and spent on electioneering. Yet, even if one leaves aside the study of actual financing practices to focus on regulations, there is still a large field to be explored. As this research has revealed, in order to analyse the variation in PFRs and to explore their determinants and outcomes, we

need, at least, to move beyond *regulatory scope* to incorporate *regulatory intensity* into the analysis. As is clearly noticeable, post-communist regimes display extremely high variation in donation and spending caps as well as in the level of public funds provided to political parties. The same holds for the study of less quantifiable aspects, such as transparency and enforcement. Yet even here the availability of different disclosure thresholds, and of different levels of pecuniary sanctions, represent some research areas worth looking at.

From a comparative perspective, I see at least two alternative approaches to investigate political finance regulations, depending on whether one tackles them as dependent or independent variable. If one addresses the study of PFR as a dependent variable, one still needs to inquire into what forces shape the nature of regulations and affect their restrictiveness. The considerable variation in donation and spending caps as well as the level of public funding raises an interesting question – why do some countries adopt very restrictive regulations on the party financial inflows and outflows while others do not? What factors account for this variation? Likewise, it is puzzling why some post-communist regimes vary so much in the level of state support for political parties and electoral competition. Although it would be impossible, given the inaccuracy of financial data, to investigate in the same fashion the actual levels of political spending as professor Nassmacher (2009) has done for a pool of established democracies it is still worth investigating what forces account for the restrictiveness of spending regimes. The same holds for institutional arrangements regarding transparency and enforcement. While it is easy to understand why political parties are reluctant to accept more demanding transparency obligations and tighter control over their finances, the variety of institutional arrangements for oversight and sanctions nevertheless suggests that in some environments political parties are pushed to accept tighter control and tougher sanctions. Therefore, it is worth inquiring why, when, and under what conditions they are induced to open their financial books to the general public and to accept a higher degree of intrusion and control over their financial operations. Neither cartelization, nor competition – the two dominant approaches used to explain the development of PFR across post-communist regimes – offer a compelling answer regarding this variation. While the cartelization thesis is particularly vulnerable to the high variation in the level of state subsidies, the competition thesis fails to explain the permissiveness of PFRs in political contexts characterized by robust political competition.

If one reverses the perspective, thus tackling PFRs as independent variables, the key issues touches upon assessing the impact of public funding on political corruption and competition. The question of whether the provision of public funding to parties reduces political corruption is perhaps one of the most salient topics to be further investigated. Despite identifying a relatively strong negative correlation between public funding and corruption, a warning is still in place as there is a risk that it might be a spurious relationship. While the assumption that the level of budgetary support for political parties could have played a non-trivial role in diminishing political corruption is a theoretically sound one, it

remains exposed to potential criticisms. For instance, corruption levels across post-communist regimes might have been affected by broader political and economic developments, such as the pace and scope of democratization, economic development and other institutional factors. Hence, the level of DPF might represent a by-product of the interplay between these forces, which impacted, alike, on the magnitude of corruption. The fact that the more democratic and more developed political regimes have turned out to provide, on average, greater budgetary support for political parties suggests that one needs to apply a multivariate analysis aimed at disentangling the effects of public funding from other variables, also accounting for the regulation of private income and transparency.

Concerning the impact of PFRs on the openness, fairness and competitiveness of the political/electoral process, we need to use more precise indicators. Beside the level of DPF distributed to electoral competitors and the timing of its disbursement, one also must account for other financing-related restrictions directly or indirectly affecting the capacity of parties and candidates to run for public office. Among these, the deposit and/or signature requirements are the most pertinent ones since they may directly impinge on the propensity to compete. If they are too high, some qualified but financially worse off potential contestants are more likely to be discouraged even before the start of the electoral race. Last but not least, another, still largely underexplored – and arguably the most challenging – aspect regarding the relationship between money and political competition is the assessment of the effects of various regulations, including spending, media restrictions and public funding, on electoral performance. The above issues represent just a few aspects that merit and require further exploration in order to shed more light on the money – politics nexus and its implications for the political process.

Appendix 1. Campaign spending limits in post-communist space (1990–2012)

Country	1st elections	2nd elections	3rd elections	4th elections	5th elections	6th elections	7th elections	8th elections
Albania*	No limits	No limits	No limits	No limits	No limits	10 times the highest amount an electoral subject has received from public funds	10 times the highest amount an electoral subject has received from public funds	
Albania**	No limits	No limits	No limits	No limits	No limits	not foreseen	50 % of the highest amount an electoral subject has received from public funds	
Armenia*	500 MMW	60,000 MMW	60,000 MMW	60,000 MMW	60,000 MMW			
Armenia**	500 MMW	5,000 MMW	5,000 MMW	5,000 MMW	5,000 MMW			
Azerbaijan*	No limits	200,000 MMW	15,000 MMW multiplied by the number of registered candidates	AZN 500,000 multiplied by the number of registered candidates				
Azerbaijan**	No limits	30,000 MMW	15,000 MMW	AZN 500,000				
Belarus*	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	1000 MMW multiplied by the number of registered candidates			
Belarus**	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	Implicit limits– exclusively state financed	1000 MMW			

Bosnia and Herzegovina	No limits	No limits	No limits	BAM 1 per registered voter	0.30 BAM per registered voter	0.30 BAM per registered voter		
Bulgaria*	BGL 20000 multiplied by the number of registered candidates	BGL 30,000 multiplied by the number of registered candidates	BGL 30,000 multiplied by the number of registered candidates	BGL 30,000 multiplied by the number of registered candidates	BGN 1,000,000 for parties BGN 2,000,000 for coalitions	BGN 1,000,000– parties BGN 2,000,000– coalitions	BGN 1,000,000– parties BGN 2,000,000– coalitions	
Bulgaria**	BGL 20000	BGL 30,000	BGL 30,000	BGL 30,000	BGN 200,000	BGN 200,000	BGN 200,000	
Georgia*	*Limits in force but could not find data on spending cap*	GEL 2,000 multiplied by the number of registered candidates	*Limits in force but could not find data on spending cap*	No limits	No limits	No limits	No limits	
Georgia**	*Limits in force but could not find data on spending cap*	GEL 2,000	*Limits in force but could not find data on spending cap*	No limits	No limits	No limits	No limits	
Hungary*	No limits	No limits	HUF 1,000,000 multiplied by the number of registered candidates	HUF 1,000,000 multiplied by the number of registered candidates	HUF 1,000,000 multiplied by the number of registered candidates	HUF 1,000,000 multiplied by the number of registered candidates		
Hungary**	No limits	No limits	HUF 1,000,000	HUF 1,000,000	HUF 1,000,000	HUF 1,000,000		
Kazakhstan*	1,700 MMW multiplied by the number of registered candidates	15,000 MMW	15,000 MMW	15,000 MMW	15,000 MMW			

Kazakhstan**	1700 MMW	1700 MMW	1700 MMW	Only party lists	Only party lists			
Kyrgyzstan*	No limits	100,000 MMW	5,000 MMW multiplied by the number of registered candidates	500,000 MMW	1,000,000 MMW			
Kyrgyzstan**	No limits	20,000 MMW	5,000 MMW	Only party lists	Only party lists			
Latvia	No limits	No limits	No limits	No limits	LVL 0.20 per voter who voted in the last elections	1 Gross monthly wage multiplied by 0.0008 multiplied by number of voters who participated in previous elections	1 Gross monthly wage multiplied by 0.0008 multiplied by number of voters who participated in previous elections	
Lithuania*	200 AMW	1000 AMW in MMD	1000 AMW in MMD	1000 AMW in MMD	LTL 1.5–LTL 2 multiplied by the number of registered voters	LTL 1–LTL 2 multiplied by the number of registered voters		
Lithuania**	20 AMW	50 AMW in SMD	50 AMW in SMD	50 AMW in SMD	LTL 1.5–LTL 2 multiplied by the number of registered voters	LTL 1–LTL 2 multiplied by the number of registered voters		

Macedonia	No limits	No limits	MKD 15 per registered voter	MKD 15 per registered voter	MKD 60 per registered voter	MKD 60 per registered voter	MKD 180 per registered voter	
Moldova*	MDL 100,000	MDL 500,000	MDL 1,000,000	MDL 2,500,000	MDL 12,000,000	MDL 7,500,000	€ 0.50 per registered voter	
Moldova**	MDL 2,500	MDL 30,000	MDL 50000	MDL 100,000	MDL 500,000	MDL 500,000	€ 0.05 per registered voter	
Montenegro*	No limits	No limits	No limits	250 AMW	250 AMW	250 AMW	Public funding + private funding amounting up to 40 percent of state subsidies	Twenty-fold the amount resulting from the equal distribution of 20 % of state subsidies for campaign expenses
Poland	60 AMW	No limits	No limits	PLN 1 per registered voter	PLN 1 per registered voter	PLN 1 per registered voter	PLN 0.82 per registered voter	
Romania*	No limits	No limits	No limits	No limits	150 MMW multiplied by the number of candidates	350 MMW multiplied by the number of candidates	400/550 MMW multiplied by the number of candidates	
Romania**	No limits	No limits	No limits	No limits	150 MMW	350 MMW	400 MMW – lower chamber 550 MMW – upper chamber	

Russia*	No limits	250,000 MMW	250,000 MMW	RUB 250,000,000	RUB 400,000,000	RUB 700,000,000		
Russia**	No limits	10,000 MMW	10,000 MMW	RUB 6,000,000	Not allowed	RUB 15,000,000 – 55,000,000 for party regional branches		
Serbia	No limits	No limits	No limits	No limits	No limits	No limits	Public funding + private contributions amounting up to 20 percent of state subsidies	Public funding + private contributions amounting up to 20 percent of state subsidies
Slovakia*	No limits	No limits	SKK 12,000,000	SKK 12,000,000	SKK 12,000,000	No limits	No limits	
Slovenia	No limits	No limits	SIT 30 per registered voter	SIT 60 per registered voter	SIT 60 per registered voter	€ 0.40 per registered voter	€ 0.40 per registered voter	
Tajikistan*	Implicit limits – exclusively state financed	TJR 4000000	Implicit limits – exclusively state financed	30,000 MMW				
Tajikistan**	Implicit limits – exclusively state financed	TJR 500,000	Implicit limits – exclusively state financed	1,500 MMW				
Ukraine*	100 MMW multiplied by the number of candidates	No limits	150,000 untaxed minimum incomes	No limits	No limits	No limits		
Ukraine**	100 MMW	No limits	10,000 untaxed	No limits	No limits	No limits		

			minimum incomes					

Source: Author's elaboration:
Note: * – campaign limits applied to political parties; ** – campaign limits applied to candidates.
Note: MMW – Minimum monthly wages; AMW – Average monthly wages.

Appendix 2. The range and stringency of penalties for different types of party funding violations ($)

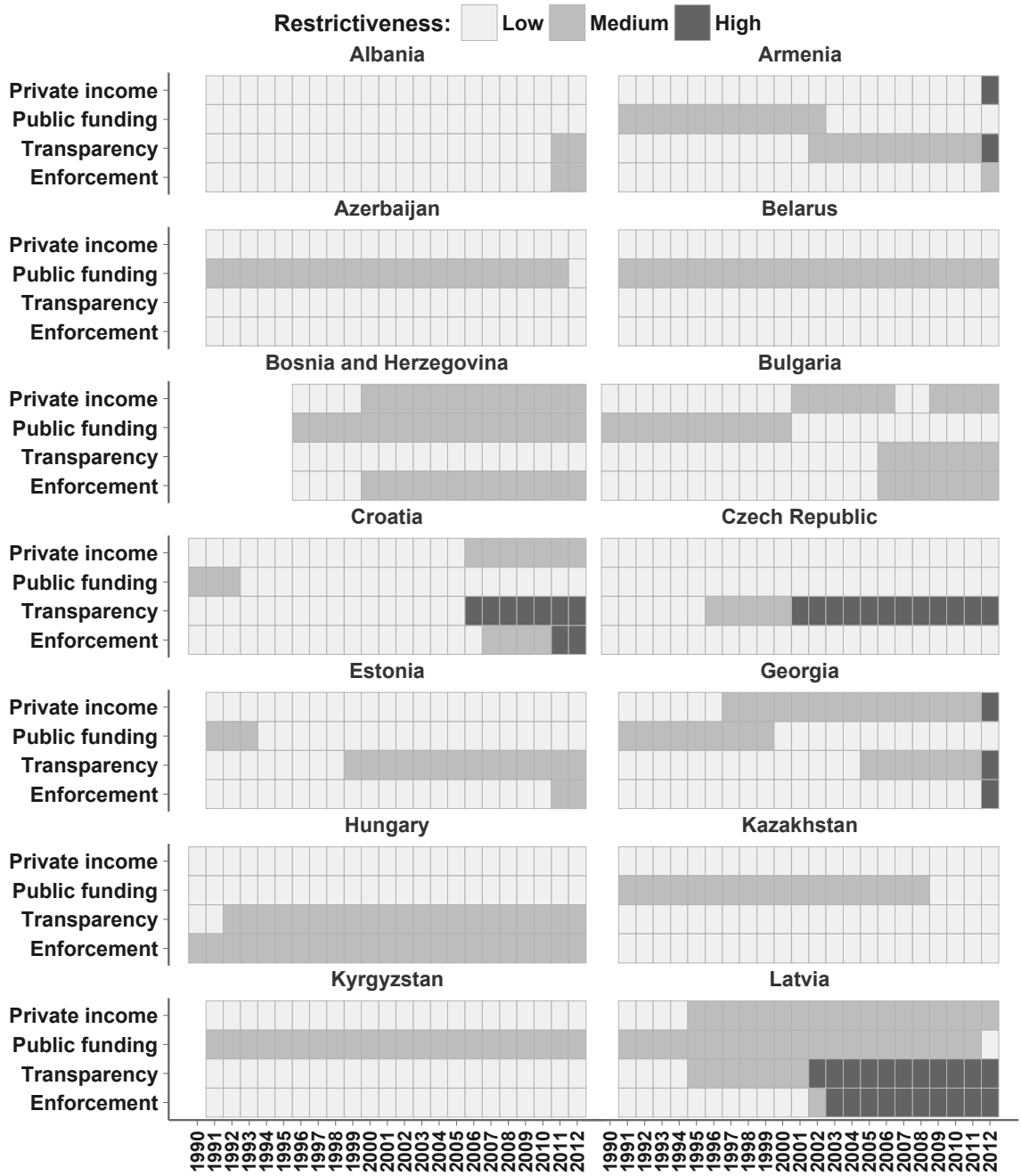
Country	Year	Prohibited sources		Donation limits		Accounting obligations		Transparency obligations		Prohibited activities	
		Lowest penalty	Highest penalty	Lowest penalty	Highest penalty	Lowest penalty	Highest penalty	Lowest penalty	Highest penalty	Lowest penalty	Highest penalty
ARM	2002	RD[b]	F[c]	-	-	87	870	87	870	-	-
AZE	1992	W[a]	CP[k]	W	CP	W	CP	W	CP	-	-
BGR	2001	-	-	-	-	-	-	-	LPF[fh]	-	-
BGR	2005	-	F	-	F	130	1,300	660	1,300; LPF until next elections	-	F
BGR	2009	F	CP	F	F	3500	7000	3500	7000; LPF until next elections	F	CP
BIH	2000	FTAPC[e]	FTAPC	FTAPC	FTAPC	-	-	-	-	FTAPC	FTAPC
BLR	1994	W; F	SP[i]; CP	W; F	SP; CP	W; F	SP; CP	W; F	SP; CP	-	-
CZE	1996	-	-	-	-	-	-	SPF	SPF	-	-
CZE	2000	RD; F	FDAPC[f]	-	-	-	-	SPF[g]	SP; CP	-	-
EST	2003	1,230	3420	-	-	1230	3,420	1,230	3,420	1,230	3,420
GEO	1997	F	LPF–12; 24; 48 months	F	LPF - 12; 24; 48 months	-	-	-	LPF	-	-
HRV	1993	F; 40	155; LPF	-	-	-	LPF	F; 40	155; LPF	-	-
HRV	1999	F; 30	70; LPF	-	-	-	LPF	F; 30	70; LPF	-	-
HRV	2006	F	FTAPC[e]	F	FTAPC	7000	70000	7000	70000	7000	70000
HUN	1992	F	RPFAPC[d]	-	-	-	-	W[a]	W	F	RPFAPC
HUN	2003	F	RPFAPC; CP	-	-	-	W	W	SP; CP	F; W	RPFAPC; CP
KAZ	2005	F	CP	-	-	-	-	-	-	-	-
LTU	1999	RD	F	-	-	-	-	W	SPF	-	-
LTU	1999	RD	F	-	-	-	-	W	SPF	-	-
LTU	2004	LPF – 6 months	SP; CP	LPF–6 months	SP; CP	LPF–6 months	SP; CP	LPF–6 months	SP; CP	LPF–6 months	SP; CP

LVA	1995	-	-	-	-	-	-	W	SP	-	-
LVA	2002	875	17,500	875	17,500	440	8,750	W; 440	8,750; SP	875	17,500
LVA	2004	875	17,500	875	17,500	440	8,750	W; 440	8,750; SP; CP	875	17,500
MKD	2004	F	-	-	-	2025	6,075	2025	6075	-	-
MKD	2009	F	Fine 10–20 times; LPF; PC	RD	Fine 5-10 times; PC	6,975	13,950	6,975	13950	-	-
MNE	2004	6,840	13680	-	-	6840	13,680	6,840	13,680	6,840	13,680
MNE	2010	7,290	14,580	7,290	14,580	7,290	14,580	7,290	14,580	7,290	14,580
POL	1997	F	LPF	-	-	-	-	W	LPF; CP	-	-
POL	2001	RD; 245	F; 24,450	F; 245	24450	-	-	W	LPF–12; 36 months; CP	F; 245	24,450
ROU	2003	F; 900	9000	F; 900	9000	900	9000	900	9000	F; 900	9000
ROU	2006	F; 1,780	8,900	F; 1,780	8,900; SPF	W; 1,780	8,900; SPF[g]	W; 1,780	8,900; SPF	W; F; 1,780	8,900; SPF
RUS	2001	RD	F	RD	F	W; SP	SPF; CP	W; SP	SPF; CP	-	F
SRB	2004	3,475	17,370; LPF	3,475	17,370; LPF	3,475	17,370; LPF	3,475	17,370; LPF	3,475	17,370; LPF
SVK	2001	-	FDAPC[f]	-	-	-	-	W	2,070; SPF	-	-
SVN	1994	-	7760	-	7760	-	-	-	7760	-	7760
SVN	2000	4500	22450	4500	22450	-	-	4500	22450; SPF	4500	22450
SVN	2007	5690	28575	5690	28575	5690	28575	5690	28575; SPF	5690	28575
TJK	1998	W	SP - 6 months; CP	-	-	-	-	-	-	-	-
UZB	2004	RD	F	RD	F	SPF	LFP	SPF	LPF	-	LPF

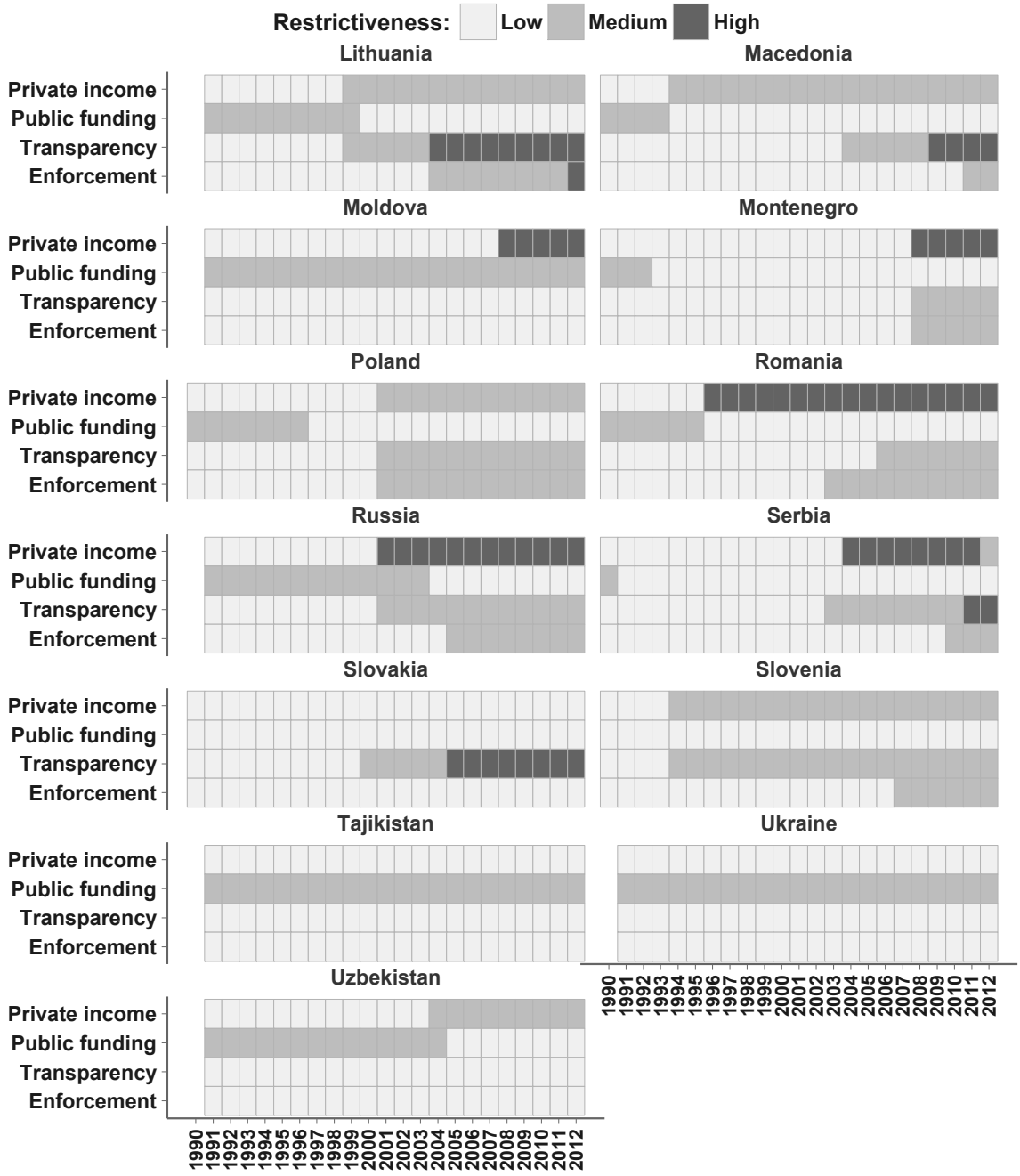
Source: Author's elaboration based on countries legal framework

Note: *RT–Restrictiveness type; [a]W – Warning; [b]RD – Return to donor; [c]F – Forfeiture; [d]RPFAPC – Reduction of public subsidies by the amount of prohibited contribution; [e]FTAPC – Fine, triple the amount of prohibited contribution; [f]FDAPC – Fine, double the amount of prohibited contribution; [g]SPF – Suspension of public funding.; [h]LPF – loss of public funding (one year if not otherwise indicated); [i]SP– suspension of party; [k]CP – cancelation of party

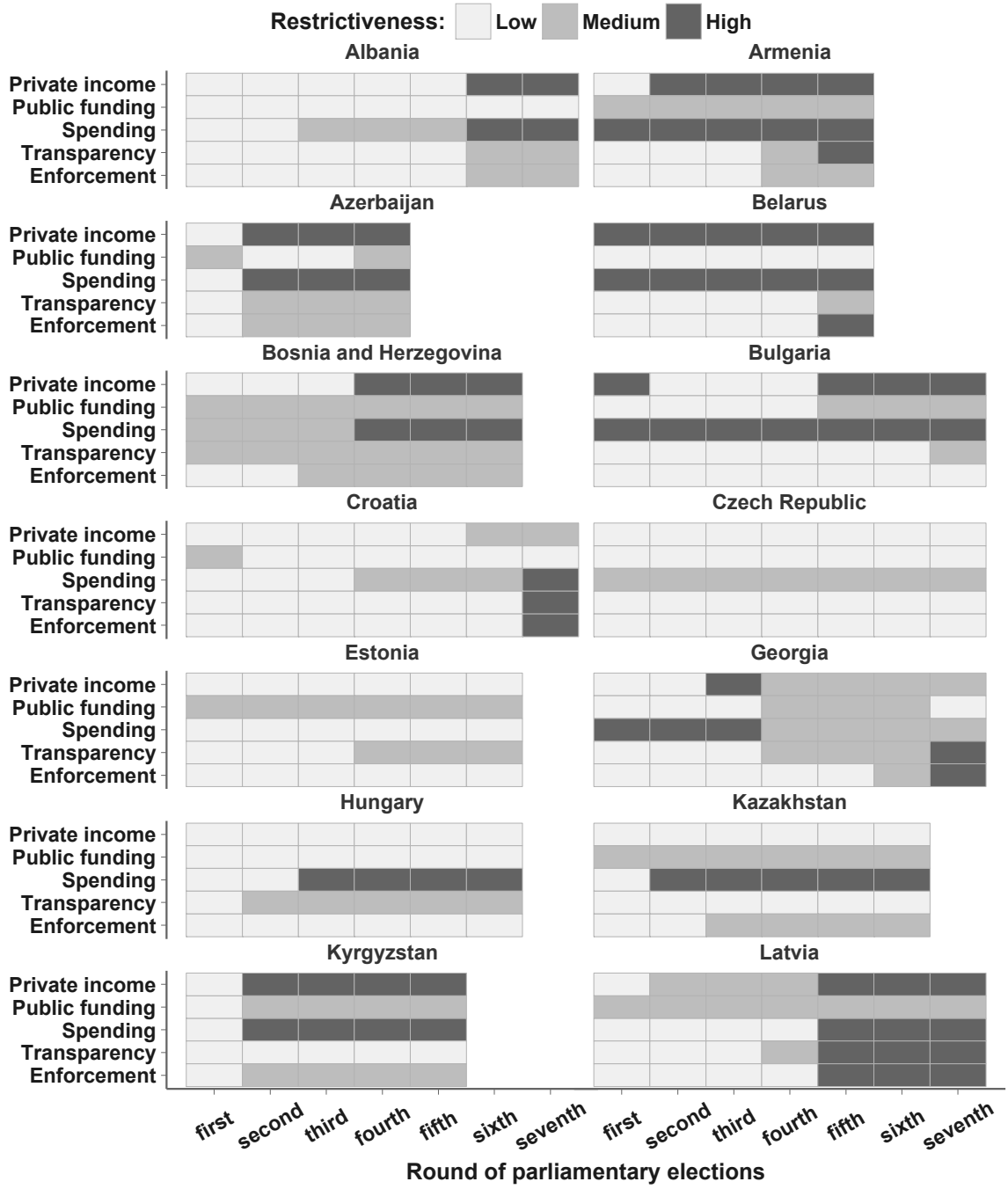
Appendix 3. Restrictiveness of statutory party financing by country, regulatory dimension and time



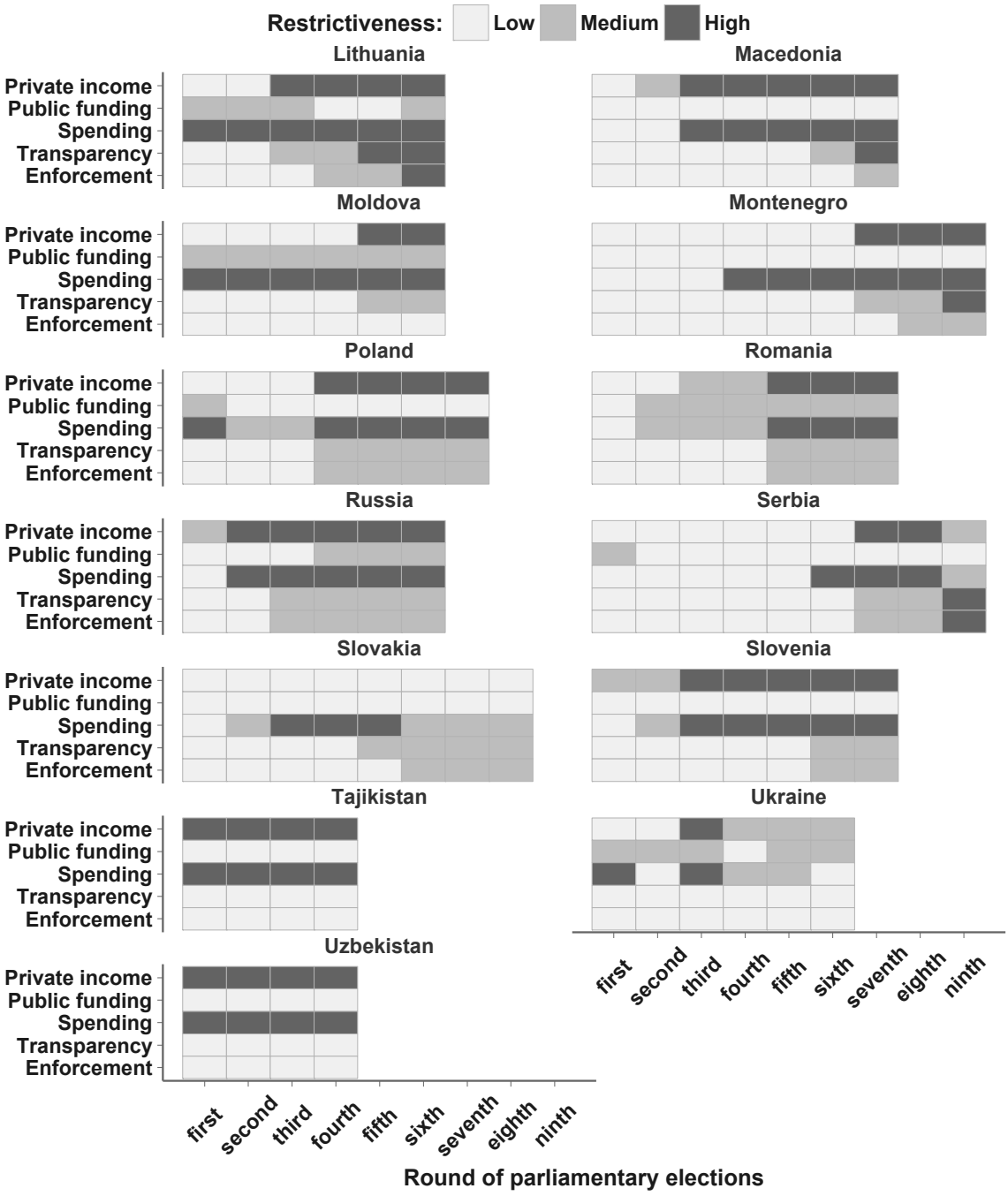
Appendix 3. Continuation



Appendix 4. Restrictiveness of election financing by country, regulatory dimension, and time



Appendix 4. Continuation



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