



EUI Working Papers

MWP 2007/29

The *Europeanization* of Political Parties:

Influencing the Regulations on Political Finance

Marcin Walecki

EUROPEAN UNIVERSITY INSTITUTE
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ISSN 1830-7728

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Printed in Italy
European University Institute
Badia Fiesolana
I – 50014 San Domenico di Fiesole (FI)
Italy

<http://www.eui.eu/>
<http://cadmus.eui.eu/>

Abstract

Europe does matter for political parties because of the impact of its rules, directives and norms into the domestic sphere. Drawing on new evidence, this paper sheds light on largely hidden aspects of the *Europeanization* of political parties and argues that the legal framework regulating party funding has been directly affected by this process. Political parties in EU candidate countries and the member states of the Council of Europe have become the target of stricter regulations in order to combat political corruption. The way in which external agencies have influenced the regulations on the funding of political parties is analysed. The article illustrates how political parties gain in importance in the context of the EU accession process and associated anti-corruption reforms. The influence of *Europeanization* on party funding regulations has been particularly important in the cases of Latvia, Poland, Slovakia, Bulgaria and Romania, as well as Turkey and the Balkan countries that have declared their intention of joining the EU.

Keywords

Europeanization - Political parties – Regulation - EU-East-Central Europe - Political science

*The Europeanization of Political Parties:
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MARCIN WALECKI

Max Weber Post-Doctoral Fellow (2006-2007)
European University Institute, Florence, Italy

Introduction

In recent years, *Europeanization* has become a sophisticated research area, as studies have increasingly moved beyond largely descriptive analyses and towards comparisons across countries and issue areas such as political parties and party systems. Analyzing the impact of the EU on west European party systems, Peter Mair observed a few years ago that, 'Of the many areas of domestic politics that may have experienced an impact from Europe the party systems have perhaps proved to be the most impervious to change'.¹ As for analysis of the *Europeanization* of political parties, Robert Ladrech suggests a number of areas to be explored: 1) policy-programmatic content; 2) party organization; 3) patterns of party competition; 4) party-government relations; 5) relations beyond the national party system.² These five areas might overlap and new ones are not to be excluded.³ Yet, the recent research project (2003-2006) on the Europeanization of National Political Parties, whose research question asked if national party organization has been effected by the process of *Europeanization*, had two limitations: 1) it did not included the experiences of parties in post-communist EU, 2) it did not evaluate an important aspect of parties operating environment namely political party regulations.

¹ Peter Mair, 'The limited impact of Europe on national party systems', in Klaus H. Goetz and Simon Hix (eds.), *Europeanised politics? : European integration and national political systems*, (London: Frank Cass, 2001), p. 28

² Robert Ladrech, *Europeanization and Political Parties: Towards a Framework for Analysis*, Keele European Parties Research Unit (KEPRU) Working Paper 7, 2001

³ For instance Tapio Raunio in his article analyses the impact of European integration on the balance of power in the national parties of EU member states. See Tapio Raunio, Why European integration increases leadership autonomy within political parties, *Party Politics* Vol. 8 No. 4 2002 pp. 405-422

Bearing in mind the friendly warning that “Europeanization and Globalization can become catch-all, default, explanations for almost everything that cannot otherwise be explained at the domestic level”⁴, it is particularly tempting to analyze the role of *Europeanization* in the recent developments related to the regulatory reforms affecting political parties in many European Union (EU) candidate countries. An important area of interest to test for evidence of *Europeanization* would be party regulations in general and *political party funding* in particular. As studies of party regulations are limited in terms of any analysis of European Union-induced change, it would be important to check if the recent reforms of various political finance systems in Central Eastern Europe could have been influenced by agents and structures external to the state, such as the European Union and the Council of Europe.

While there is considerable debate about how to define *Europeanization*⁵, this paper generally uses the term to describe the ‘influence of the European Institutions’. In particular, the pressure from the European Union and the Council of Europe on the regulation of political parties is considered here. The focus of the paper is on the recent eastern enlargement, and the institutional and policy change in candidate countries. It illustrates the extent to which local regulations, and hence national political parties, are subject to the impact of standardized European anti-corruption policies. The paper argues that Europe does matter for political parties because of the impact of its rules, directives and norms into the domestic sphere. The CEE countries constitute particularly informative cases for the study of the effects of *Europeanization* because they have passed specific laws and made comprehensive amendments in recent years in order to meet EU accession conditions and follow recommendations provided by the Council of Europe.

Anti-corruption crusade and the *Europeanization* of party funding regulations

The particularly interesting process of developing pan-European norms and standards has recently been accelerated. Within the last decade we have witnessed two factors influencing the funding of political parties, both showing evidence of the *Europeanization* of political parties. The first process deals with the standardization of norms and it includes among others, some bold anti-corruption initiatives originated by the Council of Europe. Fighting political finance-related corruption is currently perceived as one of the biggest challenges for many European democracies. This has, indeed, been the main motivation for numerous political finance reforms, confirming the argument that the will to improve political finance laws often requires the stimulus of scandalous events,⁶ or external pressure. In the last few years, the search for legal

⁴ Peter Mair ‘The Limited Impact of Europe on National Party Systems’, *West European Politics*, 23(4) 2000, pp. 27-51.

⁵ Europeanization is a term that has been popularly employed to describe the different processes resulting from the integration of European institutions themselves. As suggested by some academics *Europeanization* encompasses the penetration of European rules, directives and norms into the otherwise differentiated domestic spheres

⁶ Nevertheless, western democracies have experienced a number of reforms, including the 1883 Corrupt and Illegal Practices Act in Britain. After the Watergate Affair of the 1970s, the United States entered a period of political finance reforms; also the 1981 Flick Affair led to important changes in the Parties Law in West Germany.

remedies has been a natural response to scandals in the Western democracies,⁷ although in the 1990s this was rarely the case in the CEE region. According to the Transparency International 2006 Global Corruption Barometer, political parties are perceived as the most corrupt of all democratic institutions in a clear majority of countries:

Identifying parties (...) as corrupt throws into question some of the most representative and authoritative institutions in a society, and puts at risk their capacity to perform credibly with any degree of transparency and integrity. (...) The results are consistent with those of the Barometers in 2005 and 2004, and the lack of improvement is disappointing. The perception of parties and parliaments as most corrupt reinforces the view that governments are not on the whole acting effectively in fighting corruption.⁸

Illicit party financing is certainly not a recent development and it has long been a common challenge throughout European democracies. Yet, it has started to be perceived by major international organizations such as Transparency International, the World Bank, the Council of Europe, the United Nations, and the European Union, as a major issue in a global fight against corruption. In particular, the illegal funding of political parties became evident during the recent EU enlargement as a phenomenon that to a large extent undermines the quality of public life and the stability of democratic institutions. Not surprisingly, the evidence shows that there was growing external pressure to reform and regulate the funding of political parties as part of a wider anti-corruption strategy in CEE. This is above all evident in the case of transition democracies with relatively new legal systems regulating political parties and weak political will to combat political corruption. As rightly observed by Luís de Sousa:

[A]lthough regulations are shaped by national legal traditions and reactions to specific challenges, the law-making process of political financing regulations, or any ethics law to that matter, is no longer solely confined to national understandings of the problems and principles at stake.⁹

The Council of Europe became strongly interested in the international fight against corruption as the problem, shared by all member States, contains transnational elements and undermines the core values of this organization. Over the last decade it has adopted a number of documents concerning the regulation of party financing.¹⁰ In 1997 the Committee of Ministers, at its 101st Session, adopted Resolution (97) 24 on the 20 Guiding Principles for the fight against Corruption, including principle 15 which specifically indicated that States should “promote rules for the financing of political parties and election campaigns which deter corruption.” The Council of Europe 3rd Conference of Specialised Services in the Fight against Corruption (Madrid, 28-30th October 1998) was also devoted to the issue of party funding, and the participants suggested that a relevant international instrument be drafted, inviting the Council of

⁷ This is well illustrated by the introduction of new legislation in the UK (the Political Parties, Elections and Referendums Act 2000)

⁸ See www.transparency.org

⁹ Luís de Sousa, *Policy and Governance. Challenges to political financing regulation: Sound external monitoring/enforcement and sensible internal party accountability* Asia Pacific School of Economics and Government, the Australian National University, 05-12, 2005, p. 9

¹⁰ The Council of Europe has adopted a wide range of instruments related to party funding including among others: Parliamentary Assembly of the Council of Europe, Recommendation 1516 (2001), *Financing of political parties*, Adopted on May 22 2001; PACE Political Affairs Committee, Report “*Financing of Political Parties*”, Doc. 9077, 4 May 2001.

Europe to “prepare common standards with a view to the setting up of transparent systems for the funding of political parties so as to prevent corruption”; and to “prepare a Protocol to the Criminal Convention on Corruption providing for the co-ordinated criminalisation of the illegal financing of political parties.”

On the basis of the above documents, the Committee of Ministers of the Council of Europe eventually adopted Recommendation Rec. (2003)4¹¹. This is concerned with those aspects of the funding of political parties that are vulnerable to corruption. It comprises a number of general rules that should underpin a State’s legislation and practices relating to this subject. The document is part of a comprehensive initiative, asking member countries to take a number of concrete steps to combat political finance-related corruption, ranging from full transparency in party accounts, through restrictions on, and prohibitions of sources of funds, to reasonable public funding, independent enforcement and meaningful sanctions. The Recommendation, as a soft legal instrument, contains provisions related to almost every aspect of party funding.¹² Furthermore, in *Rec. (2003)4* it prescribes that:

“The governments of member states adopt, in their national legal systems, rules against corruption in the funding of political parties and election campaigns – in so far as states do not already have particular laws, procedures or systems that provide effective and well-functioning alternatives”

This Recommendation further instructs the “Group of States against Corruption – GRECO” to monitor its implementation. In fact, one of the themes covered by GRECO’s Third Evaluation Round (launched on 1 January 2007) is the transparency of party funding as understood by reference to the Committee of Ministers’ Recommendation *Rec. (2003)4*.¹³

The above examples illustrate the extent to which the Council of Europe has both indirect and direct effects on regulating the funding of political parties in its 46 member States. The organization makes the broad assumption that “political parties and electoral campaign funding in all states should be subject to standards in order to prevent and fight against the phenomenon of corruption” to produce a pan-European normative framework for the funding of political parties. The governments of the Council of Europe member states are urged to adopt and implement in their national laws particular provisions against corruption in the funding of political parties, on the basis of Recommendation (2003)4. This Council of Europe driven process of *Europeanization* could indeed result in the homogenization of regulations and practices dealing with the funding of political parties, although such “standardization” might take a considerable time to be achieved. On the other hand, as Daniel Smilov suggests “As is often the case

¹¹ Recommendation (2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns. Adopted on 8 April 2003 at the 835th meeting of the Ministers’ Deputies.

¹² It also makes recommendations regarding some more controversial issues such as tax breaks and limits on parties’ expenditures linked to electoral campaigns.

¹³ GRECO formally adopted an evaluation questionnaire designed to collect information which will form the basis of Third Round evaluations and which will be complemented by holding on-site visits to each of the Council of Europe member States.

with joint European standards, the desire to reconcile different legal traditions leads to abstract and general norms, which themselves create scope for significant discretion at the level of implementation and supervision.”¹⁴

EU Enlargement and the funding of political parties

The EU focus on anti-corruption strategy in candidate states has been clearly evident all the way through the accession process. An analysis of the contents of various documents produced by the EU institutions shows that the issue has received particular attention and was included among the political criteria for accession. One of the issues covered to evaluate existing anti-corruption strategy was political party financing. The Commission’s assessment of political party financing in a number of candidate countries involved direct references to the funding of political parties and included recommendations which all candidate states and political actors needed to take into consideration in order to join the European Union.

Already in 1998 the European Commission in its overall report on progress towards accession by candidate countries stated that ‘The fight against corruption needs to be strengthened further. (...) There is a certain lack of determination to confront the issue and to root out corruption in most of the candidate countries’. In fact, the European Commission was not the only organization arguing for a more effective fight against corruption in the CEE region. In 1999 the World Bank Report on “Corruption in Poland” stated that ‘All those interviewed identified high level corruption as the most serious corruption problem that Poland faces, and considered that it was growing. (...) The vehicle is often the supply of political party financing for which favours and preferences of various kinds are exchanged.’ Furthermore, the European Bank for Reconstruction and Development (EBRD) and the World Bank in their “Business Environment and Enterprise Performance Surveys” (known as BEEPS) also made a direct reference to illegal private party finance particularly in the case of Latvia. However, as indicated below, the European Union was able to exercise much greater political pressure than any other organization.

In 2000, the European Parliament in its “Resolutions on applications for membership of the European Union and the state of negotiations” observed that Poland ‘must solve a number of crucial issues which may otherwise well delay its accession to the Union (...) The most important of these issues are (...) the fight against corruption.’ Also, in the case of the Czech Republic the European Parliament made ‘Calls for urgent matters to be taken to step up the fight against corruption.’ The 2001 European Parliament Resolution on applications for membership of the European Union and the state of negotiations pointed out with regard to Latvia that ‘a high level of transparency, clear separation of political and business elites, a politically neutral civil service are characteristic features of countries with very low levels of corruption’, and in Hungary “the alarming levels of corruption mean that legislative and administrative measures to combat this phenomenon must be reinforced”. In the case of Bulgaria, the European

¹⁴ Daniel Smilov, “Introduction: Party Funding, Campaign Finance and Corruption in Eastern Europe”, in Daniel Smilov and Jurij Toplak (eds.), *Money and Politics in Eastern Europe. The transition period*, 2007 (Forthcoming), p. 27

Parliament suggested that ‘the legislative framework itself needs to be strengthened, particularly in the areas of financial control and transparency in public life’.

The EU also developed certain mechanisms - *Regular Reports* - published each year to promote domestic policy change, such as anti-corruption reforms, in candidate countries. Country-specific *Regular Reports* underlined achievements as well as shortcomings; furthermore, any short-term priorities that had not been fully met by the candidate country were closely monitored by the EU. The first *Regular Reports* to address the issue of party finance covered Latvia, Slovakia and Romania, followed by Poland and Hungary. However, already in 2002 the Open Society Institute, after analyzing the first EU *Regular Reports*, observed that ‘the European Commission has not established clear benchmarks for candidate States in the area of corruption or anti-corruption policy.’¹⁵

The European Commission directly addressed the issue of party funding in its 2001 *Regular Reports* on Latvia and Slovakia stating that:

- In May 2001, the government adopted a revised Corruption Prevention Programme, which includes measures such as protection of whistleblowers, improvement of criminal procedures, internal audit and the system of financing of political parties. (Latvia)¹⁶
- Further progress was achieved in the field of party financing. Provisions were approved by the Parliament in October 2000, obliging political parties to divulge all donations and donors. In February 2001, the Parliament adopted rules aiming at improving the control over the use of financial resources for election campaigns. Measures adopted in April 2001 require independent auditors to check the accounts of political parties. (Slovakia)¹⁷

In 2002 the European Commission acknowledged that ‘Further progress has been achieved on increasing transparency in the field of (...) party financing.’¹⁸ However the EC 2003 *Regular Report* on Slovakia was particularly critical, recommending that ‘As regards transparency in the financing of political parties, further reforms are needed, including an appropriate regulation of membership fees, of tax breaks for donors and of efficient supervision of party financing.’¹⁹ In the case of Poland the European

¹⁵ The OSI also observed that: ‘Assessing levels of corruption in candidate States has proven difficult for the Commission, not only because the corruption problems of Central and East European (CEE) States are often different to the corruption problems faced by EU member States, but also because the European Union itself lacks a clear anti-corruption framework.’ *Monitoring the EU Accession Process: Corruption and Anti-corruption Policy*, OSI 2002, see <http://www.eumap.org/reports/2002/corruption>

¹⁶ The European Commission, *2001 Regular Report On Latvia's Progress Towards Accession*. In its 2003 *Regular Report* the EC focused on the issue of enforcement emphasizing that ‘amendments to the Administrative Violations Code introduced administrative liability for violations of the law on political party financing, and authorised the CPCB to impose on political parties fines up to LVL 10 000 (€ 15 798). (...) The Bureau has also asked the courts to suspend the activities of 11 political parties for not submitting financial declarations.’

¹⁷ The European Commission 2001 Regular Report on Slovakia's Progress Towards Accession, p. 19

¹⁸ The European Commission 2002 Regular Report on Slovakia's Progress Towards Accession, p. 25

¹⁹ The European Commission 2003 Regular Report - Comprehensive monitoring report on Slovakia's preparations for membership, p. 13

Commission in its 2003 *Regular Report* recognized the recent reforms, yet it criticized the possibility of ‘third party’ funding of political parties:

Amendments to the Act on Political Parties and the Election Law passed in 2001 and 2002 were aimed at regulating the financing of political parties with a view to curbing high-level corruption. For the most part they are being well implemented, leading to greater transparency in party funding and severe financial penalties for parties which violate the law. However, the new legislation contains some built-in loopholes that may expose the system to abuse. In particular, a provision allowing the creation of foundations that can employ party personnel and be sponsored by private companies makes it possible to create an alternative and non-transparent financial construction that is not subject to control.²⁰

Hungary was also criticized for the lack of transparent and accountable funding of political parties. In the 2003 *Regular Report* the European Commission stated that ‘The March 2003 Report on Hungary by GRECO noted, inter alia, that corruption related to the illegal funding of political parties appeared to be a problem, and that the Hungarian authorities should consider revising the applicable legal framework.’²¹ In its 2001 *Regular Report* on Romania, the European Commission observed that:

Reports on the funding of political parties have indicated that expenditures (and in particular election expenditures) are considerably higher than declared revenues. This applies to all political parties and is a potential source of corruption. In order to address this issue, Romania should adopt a fully transparent system of party funding.²²

The European Commission in its 2002 *Regular Report* reminded Romania about its previous recommendation, claiming that ‘no progress has been made in making the funding of political parties more transparent’.²³ Again, in its 2003 *Regular Report* the European Commission observed that:

New legislation on the funding of political parties and electoral campaigns entered into force in March 2003. The law contains a number of positive elements: the disclosure of the identity of major donors is obligatory, as is publication of and the total amount of anonymous donations. However, there are a number of omissions in the text – the most significant of which are the possibility for parties to be financed by NGOs between electoral cycles and a lack of clarity in the definition of membership fees.²⁴

In 2004 the European Commission indicated that Bulgaria should devote more attention to the issue of party funding. The 2004 European Commission’s *Regular Report* suggested that ‘there is still little transparency regarding (...) the financing of political parties and election campaigns’.²⁵

²⁰ The European Commission 2003 Regular Report, p. 17

²¹ The European Commission 2003 Regular Report - Comprehensive monitoring report on Hungary’s preparations for membership, p. 15

²² The European Commission 2001 Regular Report on Romania's Progress Towards Accession, pp. 21-22

²³ The European Commission 2002 Regular Report on Romania's Progress Towards Accession, p. 28

²⁴ The European Commission 2003 Regular Report on Romania's Progress Towards Accession, p. 21

²⁵ The European Commission 2003 Regular Report on Bulgaria's Progress Towards Accession, p. 19

Table 1 - EU Recommendations and party financing regulations

Country	EU Documents	Legislation Changed/Added	Accession
Slovakia	EC <i>Regular Report</i>	The 2005 Act on Financing of Political Parties and Electoral Campaigns replaced the original 1991 Act	2004
Poland	European Parliament Resolution and EC <i>Regular Report</i>	The Law on Political Parties – amended in 2001 – 2005	2004
Latvia	European Parliament Resolution	The Law on Financing of Political Organisations (Parties) – amended in 2002 - 2005	2004
Lithuania	European Parliament Resolution	The 2004 Law on Financing and Financial Control of Political Parties and Political Campaigns	2004
Hungary	European Parliament Resolution and EC <i>Regular Report</i>	-	2004
Bulgaria	EC <i>Regular Reports</i>	The 2005 Law on Political Parties	2007
Romania	EC <i>Regular Reports</i>	The 2006 Law on Financing of Political Parties and Electoral Campaigns	2007
Croatia	EC <i>Regular Reports</i>	The 2004 Act on Financing the Presidential Elections Campaign and the 2006 Bill on Financing of Political Parties	Candidate
FYR of Macedonia	EC <i>Regular Reports</i>	The 2004 Law on Financing of Political Parties	Candidate
Serbia & Montenegro	EC <i>Regular Report</i>	The 2003 Law on Financing of Political Parties	Candidate
Turkey	EC <i>Regular Reports</i>	The Law amended in 2005	Candidate

Moreover, the pressure to reform political party funding systems also came from outside the European Commission as the Open Society Initiative EU Monitoring and Advocacy Program (EUMAP) issued country reports concerning corruption in candidate countries, including political party funding. In its' 2002 Report the organization observed that: 'Corruption through the financing of political parties has been a major problem in most candidate countries. (...) No country has put in place an effective system for limiting corruption, although the transition to generous State funding in the Czech Republic, strict requirements for informing on donations in Estonia (and most recently Latvia),

and the allocation of a supervisory role to the Election Commission in Poland are all important steps in the right direction.’²⁶ In September 2006 the EU, in its monitoring report on Bulgaria’s preparedness for EU accession, observed that:

In the field of the fight against corruption, as part of the programme for the implementation of the strategy for transparent governance and for preventing and counteracting corruption, the legal framework was further strengthened. Several new laws were adopted which (...) oblige certain members of political parties to declare all their assets, income and expenditure; and tighten the rules on political party financing.²⁷

Although, after the 2004 and 2007 enlargements the future shape of the EU is still under discussion, the influence of *Europeanization* on political party financing is clearly manifested in the case of the remaining candidate countries. As a part of its anti-corruption agenda, the European Commission stated in its Croatia 2005 *Progress Report* that: ‘Corruption continues to be a serious problem in Croatia that affects various aspects of society. (...) The legal framework to combat corruption seems to be largely in place, although legislation on the financing of political parties is missing.’²⁸ Croatia responded by adopting the *National Programme of Fighting Corruption 2006 – 2008* which stated that:

‘(...) a special Law on the financing of political parties which will stipulate possible sources of financing of political parties and define more precisely financial means that can be used for the financing of political parties (...) shall be conceived so as to include the best practice of EU countries.’²⁹

A year later, the European Commission went further by suggesting that the principle of transparency must govern campaign finance, and urged Croatia to: ‘Take steps to adopt consistent and permanent electoral legislation, which regulates issues such as (...) campaign financing in a transparent manner.’³⁰ A similar direct reference to party funding was made by the European Commission in its reports on Serbia, suggesting that: ‘The implementation of the laws on conflict of interests and on the financing of political parties continues to face difficulties, notably concerning the inefficient mechanisms for sanctions. (...) a high number of political parties failed to submit their financial reports to the parliamentary committee for finances, within the set deadlines.’³¹ In early 2006, the Council of the European Union encouraged the Former Yugoslav Republic of Macedonia to ‘Ensure the implementation of the legislation adopted on the financing of political parties and on control over the assets of officials and impose effective sanctions in case of infringements.’³² In addition, in its *Progress Report* on the

²⁶ OSI (2002), p. 66

²⁷ Key findings of the monitoring report on Bulgaria’s preparedness for EU accession, MEMO/06/345, Brussels, 26 September 2006

²⁸ The European Commission, Croatia 2005 Progress Report, p. 16

²⁹ *National Programme of Fighting Corruption 2006 – 2008*, Section 4.1, p. 10

³⁰ 2006/145/EC: Council Decision of 20 February 2006 on the principles, priorities and conditions contained in the Accession Partnership with Croatia

³¹ Commission Staff Working Document Serbia 2006 Progress Report, p. 12, Brussels, 08.11.2006, SEC (2006)1389

³² Council Decision of 30 January 2006 on the principles, priorities and conditions contained in the European Partnership with the former Yugoslav Republic of Macedonia and repealing Decision 2004/518/EC

Former Yugoslav Republic of Macedonia 2006³³ the European Commission observed that:

Since the November 2005 opinion, the legal and institutional framework to address corruption has been further strengthened. Changes in the electoral code included the obligation for each party to account for its campaign expenses. Recommendations from the Council of Europe Group of States Against Corruption (GRECO) are steadily being implemented.

Regarding the issue of party funding the *Progress Report* stated that ‘The implementation of the regulations on political parties’ finances and election campaign financing are serious challenges, including for the State Audit Office capacity to determine irregularities’.³⁴

The issue of political party funding was considered by the European Union to be particularly relevant for the democratization process and anti-corruption reforms in Turkey. Since 2005 the EU has consistently pressured Ankara to reform its party funding system, suggesting that Turkey should ‘Align the relevant provisions applying to political parties on European practice’, and in particular to “align financing and auditing of political parties on European practice”³⁵. The European Commission also pointed out that ‘Turkey has no specific law on the financing and auditing of political parties.’³⁶ In its recent 2006 Report the European Commission reemphasized the issue stating that: “Turkey needs to improve its legislation on financing and auditing of political parties.”³⁷

Nevertheless, although Turkey, like the majority of European democracies, might not have a specific law on the funding of political parties, it was in 1965 one of the first countries to introduce state aid to political parties (with Law No. 648 on Political Parties). Moreover, the issue of party funding (including sources of funding, reporting, and audit) is regulated by Law No. 2820 on political parties dated 1983 and by the Constitution, which in Article 69³⁸ states that:

“Political parties shall not engage in commercial activities. The income and expenditure of political parties shall be consistent with their objectives. The application of this rule is regulated by law. The auditing of the income, expenditure and acquisitions of political parties as well as the establishment of the conformity to law of their revenue and expenses, methods of auditing and sanctions to be applied in the event of unconformity shall also be regulated by law. The Constitutional Court shall be assisted in performing its task of auditing by the Court of Accounts. The judgments rendered by the Constitutional Court as a result of the auditing shall be final.”³⁹

³³ Commission Staff Working Document, The former Yugoslav Republic of Macedonia 2006 Progress Report, pp. 10- 11, Brussels, 08.11.2006, SEC (2006) 1387

³⁴ Ibid.

³⁵ 2006/35/EC: Council Decision of 23 January 2006 on the principles, priorities and conditions contained in the Accession Partnership with Turkey

³⁶ The European Commission, *Turkey 2005 Progress Report*, p. 16

³⁷ The European Commission, *Turkey 2005 Progress Report*, p. 10

³⁸ As amended on October 17, 2001

³⁹ For more details on political finance in Turkey see Omer Faruk Genckaya, *Political Finance, Conflict of Interest and Accountability in Turkey: Implications for Democracy*, Paper presented at the Octopus Interface Conference on Corruption and Democracy Strasbourg, 20-21 November 2006

Considering Turkey's established legal framework regulating the funding of political parties, the criteria on which the EU assessments have been based are questionable. Furthermore, the pressure on the remaining candidate countries seems to be increasing, as illustrated by the case of Turkey (e.g. requiring a separate law) and Macedonia (e.g. requiring immediate implementation and stronger enforcement).

There are in general several problematic issues connected to EU conditionality regarding the funding of political parties as the criteria for the "stability of institutions guaranteeing democracy". The main problem with the Copenhagen criteria is the initial language, which was so vague that the Commission could interpret it as it pleased through the pre-accession process. The EU eventually moved beyond the formal democracy criteria to include the funding of political parties, among others. Since 1999 it has increasingly been using more direct language in dealing with this issue.

Nevertheless, with no established "European practices" in the field, the EU has enjoyed broad policy discretion and applied different standards to evaluate candidate countries' rules on party finance. For some candidate countries (e.g. Estonia, the Czech Republic) included in the 2004 EU Enlargement it was not an issue. In fact, party financing in Cyprus and Malta was never a source of concern for the EU, even though both countries were lacking any system of regulation.⁴⁰ At the same time the issue received particular attention in the accession process of Latvia, Hungary, Poland, and Slovakia. In the case of Bulgaria and Romania the monitoring of compliance was much more intrusive and direct than in previous cases. The criteria became even stricter for Croatia, Macedonia, and Turkey, with party funding becoming an integral part of the anti-corruption reform as the political criteria for prospective EU membership. Furthermore, the European Commission started to evaluate not only the legal framework governing the funding of political parties but also its implementation, pointing out in the case of Macedonia that 'The legislative provisions on the financing of political parties, in particular the Law on the funding of political parties which entered into force in January 2005, will have to be fully implemented. This will require tightening up control by the State Audit Office.'⁴¹ Operating without guidelines, the European Commission differentiated between the types of change that it expects from candidate countries, distinguishing between formal change (the legal rules) and behavioural change (implementation and enforcement). Furthermore, there was no indication of the benchmarks employed to assess political party financing or the level of progress that would be considered sufficient by the Commission. This would confirm Kevin Featherstone's general observation about Europeanization that its impact "is typically incremental, irregular, and uneven over time and between locations, national and subnational. Profound disparities of impact remain—it is inherently an asymmetric process (...)."⁴²

In fact, in all candidate countries, even before their EU accession, there were working political finance systems. Thus, not only did the requirements in the area of anti-corruption policy in general, and party funding in particular, go far beyond the scope of

⁴⁰ See International IDEA database http://www.idea.int/parties/finance/db/country_view.cfm

⁴¹ The European Commission, *Analytical Report for the Opinion on the application from the former Yugoslav Republic of Macedonia for EU membership*, Brussels, 9 November 2005 SEC (2005) 1425 p. 23

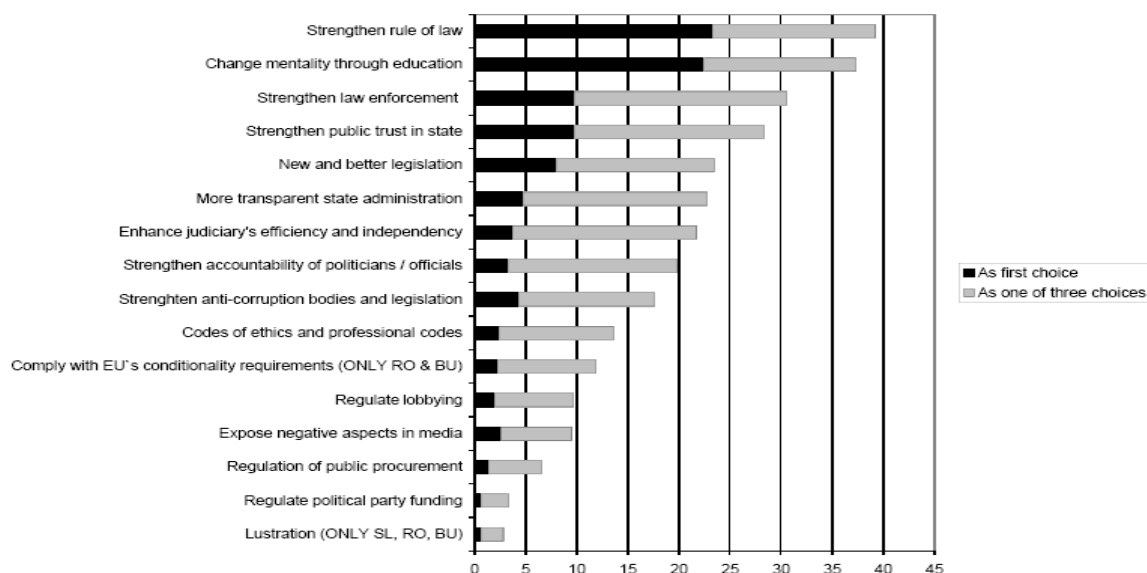
⁴² Kevin Featherstone and Claudion M. Radaelli (eds.), *The Politics of Europeanization*, (Oxford: Oxford University Press, 2003), p.3

the *acquis*, but research into party funding in CEE has shown that, in comparative terms, by 2001 the CEE countries had already introduced more regulations in the area of public disclosure than many western democracies.⁴³ It is doubtful whether the EU candidate countries really needed additional regulations dealing with the funding of political parties, not to mention separate new laws. Moreover, some of the existing members still have only limited legislation on the matter (Denmark, Luxemburg, Sweden) or have only recently reformed their systems (the United Kingdom).

The evidence suggests that external agencies such as the EU have strongly influenced the regulation of political parties and contributed to faster legal reforms in the candidate countries. This is mainly because corruption has consistently been one of the European Union's major concerns in candidate States, and in fact the European Commission's *Regular Reports* on the CEE countries made frequent reference to problems of illegal funding of political parties. In fact it is questionable whether without *Europeanization*, efforts to regulate political party funding would have received serious support from the national political elites, or whether the reforms would have been high enough on their political agenda, to be introduced and implemented before EU accession.

The recent research conducted by Ase Berit Grodland and Aadne Aasland might support this point, as it reflects the preferences of the local elites in the Czech Republic, Slovenia, Bulgaria and Romania regarding anti-corruption reforms in 2005. The authors looked at a list of 16 different measures that may – either on their own or in combination – reduce the harmful impact of informal networks and asked respondents to select the most, the second most and the third most effective measure. Figure 1 illustrates how effective the respondents assessed each measure to be.

Fig. 1 The Effectiveness of Reform Measures aimed at reducing the negative Impact of Informal Networks



⁴³ Ever before reforms happened scholars suggested that 'in virtually all areas of party finance the new democracies have adopted stricter regulations than the long-established ones'. See Ingrid van Biezen, 'Political Parties as Public Utilities', *Party Politics* 10, (2004), p. 714

Source: Ase Berit Grodeland and Aadne Aasland, *Informality and Informal Practices in East Central and South East Europe*, Paper presented at the 12 IACC, Guatemala, November 2006, p. 30

Measures aimed at regulating political party funding received a fairly low score among local elites (second lowest). In general, the respondents gave preference to completely different measures with which to address the negative manifestation of informal networks and corruption. As the authors observe, '(...) these groups to be regulated are considered to be highly corrupt. Consequently, efforts to regulate them are not particularly likely to succeed, given that those responsible for introducing and overseeing reform are not only likely to resist such efforts, but also given that they are, to some extent, able to decide whether they should be regulated or not.'⁴⁴ Thus, one can argue that the main mechanism accounting for many of the rapid legal reforms of political party funding rules, was external pressure from the EU and its conditionality, rather than political will among national elites to combat political party related corruption.

A number of the CEE regimes introduced complex regulations purely to meet the anti-corruption requirements for EU enlargement. As Ewing rightly observes, 'it is one thing to regulate, but something else to ensure that regulation is effective. The key to effectiveness is supervision and enforcement (...)'.⁴⁵ The EU left it to the discretion of each candidate country to define the status of this control authority. Most regimes described in this paper have chosen an independent and permanent Electoral Management Body and some have established special anti-corruption agencies to supervise party funding (see table 2). The composition and powers of these bodies vary enormously with some agencies having powers to audit, investigate and sanction (e.g. Bosnia & Herzegovina, Latvia) and others being much weaker regulators (e.g. Slovakia, Croatia, Hungary). Nevertheless, none of the regulators in CEE can yet match 'the remarkable powers of the Electoral Commission in the United Kingdom, which at least formally exceed those of the police investigating a murder.'⁴⁶

⁴⁴ Ase Berit Grodeland and Aadne Aasland, *Informality and Informal Practices in East Central and South East Europe*, Paper presented at the 12 IACC, Guatemala, November 2006, p. 31

⁴⁵ K.D. Ewing and Samuel Issacharoff, *Party Funding and Campaign Financing in International Perspective*, (Oxford: Hard Publishing 2006), p. 7

⁴⁶ *Ibid.* p. 8

Table 2 Public control of party funding in the EU new member and candidate countries

Country	<i>What body is responsible for administration and enforcement of the regulations?</i>
Bosnia and Herzegovina	National Electoral Management Body
Bulgaria	National Electoral Management Body/Other (Audit Chamber)
Croatia	Others (Parliament/State Audit Office)
Czech Republic	Government Department
Estonia	National Electoral Management Body
Hungary	Other (National Court of Auditors)
Latvia	Other (Anti-Corruption Agency)
Lithuania	National Electoral Management Body/Government Department/Other (Tax Office)
Macedonia	National Electoral Management Body/Other (Audit Chamber)
Poland	National Electoral Management Body
Romania	National Electoral Management Body
Serbia	National Electoral Management Body/Other (Parliament)
Slovakia	Government Department
Slovenia	Other (Audit Chamber)
Turkey	Other (Constitutional Court)
Selected countries	Government Department: 2 countries National Electoral Management Body: 8 countries Other: 5 countries

Tabulated by the author. Sources: Ikstens, Smilov, and Walecki (2002), Pinto-Duschinsky and Walecki (2006), and author's own research for the Council of Europe

Finally, practitioners and scholars working on the issue of political party funding agree that the motives for regulating political finance and the focus of the regulations vary considerably. At least four different motivations can be identified: preventing abuse; enhancing fair political competition; empowering voters; and strengthening parties as effective democratic actors.⁴⁷ It seems that in its recommendations the EU focused only on the first - preventing abuse and limiting party-related corruption. Strengthening political parties, enhancing political competition, and empowering voters, although equally important were probably of lesser concern to the EU. Yet these are the most difficult goals to meet in any transition country when reforming party funding. In this respect, the EU approach to the issue of political party funding is narrow and short-term,

⁴⁷ See www.aceproject.org. As observed by the contributors to the ACE project "Countries can help foster strong and democratic political parties with strong links to their members by providing matching grants for donations, giving extra funds for training and development, and in general providing legislation that is coherent and functioning."

in sharp contrast to the more comprehensive and long-term initiative of the Council of Europe.

EU Membership and funding of political parties from foreign sources

Another question which arises from the process of *Europeanization* concerns the financing of political parties from foreign sources and the application of certain articles of the Treaty establishing the European Community (EC).⁴⁸ In December 2005 the European Court of Human rights asked the Venice Commission (Council of Europe) to prepare an opinion on the problem of political parties receiving financial contributions from abroad. The request consisted, among other issues, of the following question ‘Is it necessary (...) to adopt a specific approach concerning the financing of a political party established in a member country of the EU by a party established in another member state of the EU?’ The Venice Commission observed in its opinion that:

“Old legislative decisions imposing too many restrictions on political parties – taken between the World Wars and during the Cold War – have to be reconsidered in the light of the situation in Europe as it has developed over the last 15 years. One argument for a much less restrictive approach is the experience of the co-operation of political parties within the many supranational organisations and institutions of Europe today.”⁴⁹

Among “the old members”, two countries, while prohibiting foreign donations in general, allow financing from abroad if it comes from member States of the European Union (EU). Exceptions exist in Spanish legislation⁵⁰ and in Germany⁵¹. The question is if the new member States of the European Union will have to review their regulations on political parties in order to fully comply with the requirements of the Treaty of Rome. As a result of their recent history, most of the post-Communist countries are sensitive to external political influences. For this reason, regulations on foreign contributions are mostly restrictive and negative, that is, they limit foreign donations in both quantitative and qualitative ways. Political parties are, for instance, generally banned from receiving donations from foreigners in all Central European countries other than Bosnia and Herzegovina, the Czech Republic and Croatia. This *status quo* has been changing since the EU enlargement. In August 2004 the Lithuanian parliament adopted a new Law on Financing and Financial Control of Political Parties and Political

⁴⁸ Article 56 of the Treaty states that: “Within the framework of the provisions set out in this chapter, all restrictions on the movement of capital between member States and between member States and third countries shall be prohibited.”

⁴⁹ See the Venice Commission Opinion no. 366/2006 on “The Prohibition of Financial Contributions to Political Parties from Foreign Sources”. Adopted by the Venice Commission at its 66th Plenary Session, Venice, 17-18 March 2006

⁵⁰ Ley orgánica 3/1987, de 2 de julio, sobre financiación de los partidos políticos (2003) Artículo 6 “Donations to political parties by other states or other public foreign organs are forbidden, with the exception of subsidies given by the European Parliament”,

⁵¹ “Parties are not allowed to accept the following donations: <...> 3. Donations from outside the area of application of this Law unless these donations accrue to a party directly from the assets of a German citizen as defined by the Basic Law, a *citizen of the European Union* or a business enterprise more than 50 per cent of whose shares are owned by Germans as defined by the Basic Law or by a *citizen of the European Union* or whose principal residence is located in a *member state of the European Union*; they are donations to parties of national minorities in their ancestral country which are granted to them from states bordering on the Federal Republic of Germany and in which members of their ethnic community live, or they are donations of no more than 1,000 euros from an alien” (The Law on Political Parties (Party Law) (2002), Article 25)

Campaigns. Under this law the only subjects entitled to provide donations to political parties are natural persons (citizens of Lithuania, *citizens of another EU member state permanently residing in Lithuania*, other permanent residents of Lithuania, and persons without citizenship) and legal entities (private legal entities, which are registered in Lithuania and which do not have state or municipality participation in their capital, *or private legal entities of NATO or EU member states registered in Lithuania*).

Conclusions

In his recent paper Paul Lewis observed that “The impact of enlargement on CE (Central European) party systems represents a relatively uncharted area whose final shape is difficult to predict, while exploration of the issue of political Europeanization has also been limited and analysis of domestic party change in the broad EU context itself is only exploratory.”⁵²

The evidence presented in this paper suggests that in one concrete case, namely the regulation of political party funding, *Europeanization* has galvanized the development of certain rules, since the EU listed political finance reforms among its political conditions for further enlargement and the Council of Europe adopted detailed recommendations regarding party funding.

One should recognize that the regimes described in this paper have been indirectly influenced by other simultaneous processes including: a) a global anti-corruption campaign⁵³, and b) *Democratization*.⁵⁴ On top of these two processes comes a more direct one - *Europeanization*.⁵⁵ Indeed, *Europeanization* has been an important instrument mobilizing regimes to reform their legal frameworks as direct recommendations were made to increase control over party funding through new legislation requiring disclosure, reporting, and professional audit.⁵⁶

The evidence presented in this paper suggests that the impact of *Europeanization* on regulations on political parties has been different across the candidate countries. The pressure

⁵² Paul Lewis, *The Impact of the Enlargement of the European Union on Central European Party Systems*, SEI Working Paper No 71, p. 4

⁵³ Best illustrated by the activities of international organisations such as Transparency International and the World Bank among others. For more details see Marcin Walecki, *Challenging the Norms and Standards in Political Finance*, (forthcoming)

⁵⁴ As Lewis rightly observes: “In broad, if indirect, terms the influence of European integration and the prospect of EU enlargement has been pervasive and so strong that it is virtually impossible to disentangle it from the fundamental processes of democratization that have dominated much of the political agenda in the region since 1989.” See Paul Lewis, *Consolidation or Collapse? Impacts of EU Involvement on Party Systems in Central Europe*, Paper prepared for panel on Impacts of EU Involvement on Party Systems in Central Europe, EUSA Ninth Biennial International Conference, Austin, Texas, 31 March – 2 April 2005

⁵⁵ Wojciech Sadurski rightly suggests that “*Democratisation* was both in an important tension and in a mutually reinforcing synergy with the Europeanization of CEE states”. Sadurski (2006), p. 4

⁵⁶ This is in line with an argument made by Szarek that: “The prospect of accession was a major drive behind democratic reforms in CEE countries and the fight against corruption was recognized as one of the most important components of these reforms.” Patrycja Szarek, *The European Union Policy against corruption as an element of the democratization process in Central and Eastern Europe*, Paper presented at the Octopus Interface Conference Corruption and Democracy Strasbourg, 20-21 November 2006, pp. 5-6

was explicit in the cases of Latvia, Slovakia, Poland, Bulgaria, and Romania, as well as Turkey and the Balkan post-communist countries that have declared their intention to join the EU. However, only in the context of Bulgarian and Romanian accession did the EU spell out, and regularly monitor, an explicit pre-accession conditionality regarding the funding of political parties. The pressures on some regimes (Latvia, Hungary, Slovakia and Poland) before the 2004 Enlargement were less consistent, more general, and sometimes ignored by the candidate country (Hungary). This would indicate that in the period between the 2004 enlargement and the 2007 enlargement the set of changes required of candidate countries increased. This illustrates the increase in penetration by external actors and conditionality in terms of party funding regulations. As observed by de Sousa, the pressure has been more visible in the case of transition and consolidating democracies. Yet, certain old UE democracies have not been completely resistant to the effects of the *Europeanization*. Although he is not directly referring to the process of *Europeanization* described in this paper, he still argues that:

The decision of the Swedish government to consider the adoption of a regulatory framework for political financing came also as a result of the measure being recently put in place by other 14 EU member-states. “Best practice” is a strong means of standardisation in the context of European integration: no member-state wishes to be labelled the odd-one out unless their institutional specificity proves to be more successful and demanding than the effort of adjusting to common standards.⁵⁷

EU interference might not guarantee improvements in the transparency or accountability of political party funding, nor in the stability of the laws regulating political parties.⁵⁸ The problem with adding restrictions in CEE countries is that in general they don't address the underlying fragility of parties, their weak institutionalisation, the lack of popular funding, and the decrease in public confidence which they enjoy. Furthermore, progress in the field of anti-corruption cannot be ensured simply by introducing more restrictive political finance regulations.⁵⁹ As Renaud van Ruymbeke rightly concludes in his study on “Trading in Influence and Illegal Financing of Political Parties”:

[I]t is impossible to combat illegal financing of political parties purely by means of regulations on party funding. What matters is to clean up the whole environment surrounding party funding ... This places the illegal financing of political parties in the wider context of misappropriating procedures relating, for example, to town planning ventures, commercial development, public

⁵⁷ de Sousa (2005), p. 10

⁵⁸ A similar concern is raised by Ulrich Sedelmeier who argues that ‘(...) despite the success of the EU's pre-accession conditionality in promoting rule adoption, it is far from clear whether this success will prove sustainable.’ Ulrich Sedelmeier, ‘Pre-Accession Conditionality and Post-Accession Compliance in the New Member States: A Research Note’ in Wojciech Sadurski, ‘Introduction: The Law and Institutions of New Member States in Year One’, in Wojciech Sadurski, Jacques Ziller, and Karolina Zurek (eds.), *Après Enlargement: Legal and Political Responses in Central and Eastern Europe*, (Florence: European University Institute, 2006), p. 146

⁵⁹ Writing about Russia, Vladimir Gelman also observes that the status of political finance depends on the overall status of law and legal order. He concludes that ‘If extra-legal relationships continue to dominate over legality, it is unlikely that the system of political finance will function without violating the law’. See Vladimir Gelman, ‘The iceberg of Russian political finance’, in Peter Burnell and Alan Ware (eds.), *Funding Democratisation* (Manchester: Manchester University Press, 1998), p. 177.

procurement, public service provision, use of local semi-public corporations or semi-public non-profit-making organizations, etc.⁶⁰

Overambitious demands on the EU candidate countries and strict timelines did not allow for the proper development of parties' internal control mechanisms, with more emphasis being put on external control by the state. Furthermore, the pressure to introduce complex financial restrictions on a regional scale might conflict with differences in the level of party institutionalization, the nature of the political system, the distribution of money and wealth, and the principles it protects (e.g. the freedom of speech).⁶¹

Besides, many accession countries reformed their legal frameworks without any proper analysis of the issues and challenges related to the regulation of party funding. Unfortunately, serious institutional reforms were introduced without identifying the key issues and the choices which needed to be made. No public consultations were held or white papers published, contrary to the practice in better established democracies.⁶² This would confirm the argument made by Wojciech Sadurski that:

'Enactment of EU-related laws was often fast-tracked, with little or no serious parliamentary discussions, and with the executive controlling the process throughout. This was perhaps no bad thing, given the notorious inefficiency and incompetence of parliamentary institutions in post-communist states, and was arguably the only way to ensure that the enormous body of EU law was transposed into domestic legislation. ... [However], it strengthened the executive bodies over their parliamentary equivalents, a secretive procedure over fully transparent ones, and the quick-fix pace of decision-making over comprehensive deliberation.'⁶³

The popularity of the issue of anti-corruption has almost overtaken concerns about the stability of the law and the quality of the regulations dealing with the funding of political parties. In fact, over the last decade the depth of crisis necessary to introduce political finance reforms in many European democracies has decreased so significantly that any new scandal seems to initiate more radical ideas and demands for stricter sanctions. The experience of Central Eastern Europe illustrates the fact that it is easier to portray corruption as a major cause of the poor performance of political parties, impose new restrictions on their sources of funding, and increase public subsidies. As Hayden Phillips observed recently in his *Review of the Funding of Political Parties*, "The reform of party funding is not an end in itself, but a means to achieve the wider benefit of

⁶⁰ Renaud van Ruymbeke et al. (1998), *Trading in Influence and Illegal Financing of Political Parties*, Council of Europe Programme of Action against Corruption, Third European Conference of Specialised Services in the Fight against Corruption, Madrid, 28–30, October 1998, p. 84

⁶¹ As Ewing and Isaacharoff rightly observe: "the choice of regulatory method will depend on a number of factors, not least the history and political tradition of the jurisdiction in question", See Ewing and Issacharoff (2006), p. 6

⁶² The Fifth Report of the UK Committee on Standards in Public Life, published as early as 1998, is still the most comprehensive review of the options available to regulators. See Fifth Report of the Committee on Standards in Public Life "The Funding of Political Parties in the United Kingdom" (Cm 4057, October 1998), http://www.public-standards.gov.uk/publications/5th_report.aspx

⁶³ Wojciech Sadurski, "Introduction: The Law and Institutions of New Member States in Year One", in Wojciech Sadurski, Jacques Ziller, and Karolina Zurek (eds.), *Après Enlargement: Legal and Political Responses in Central and Eastern Europe*, (Florence: European University Institute, 2006), pp. 3–18

improving the quality of democracy.”⁶⁴ The frequency and speed with which new regulations concerning party funding are enacted makes many of these laws overambitious and difficult to implement. The full impact of the new regulations in CEE is difficult to measure, as the laws will require significant time for their proper implementation.⁶⁵ As for the impact on the quality of democracy, the initial evidence is mixed, with the question at this point remaining largely open.

Scholars and practitioners continue to search for the best practices in controlling the funding of political parties.⁶⁶ In this respect direct involvement in the regulatory process by the army of EU bureaucrats seems to be at least surprising. One could argue that the European Commission was applying higher standards to the new member states, yet none of the old member states had ever been judged on the basis of transparency and accountability in the funding of political parties. In fact, if similar standards were applied to evaluate corruption scandals in Germany, Italy, and the UK, the EU would have to be equally critical as in the case of some CEE countries.⁶⁷ It took many democracies decades to build the capacity to detect political finance irregularities, move from systemic electoral fraud to individual acts of corruption, educate political parties, train enforcement agencies and introduce the necessary preventive measures. Given this, why were the candidate countries asked to eliminate political finance-related corruption before joining the European Union if many of the old members could not do it themselves? Or did the EU maybe focus too much on the public perception of corruption⁶⁸ and not recognize that candidate countries often lacked the managerial and technical efficiency to control their political parties.

Finally, the evidence presented in this paper suggests that another important trend emerges from the process of *Europeanization* – CEE parties will be kept in an enclosed financial space, unable to escape limits on sources of funding, and supervision over expenditure.⁶⁹ As Mair suggests, “parties are now increasingly subject to new state laws

⁶⁴ An Interim Assessment October 2006. See www.partyfundingreview.gov.uk

⁶⁵ de Sousa makes a similar point that ‘International actors and fora have been successful in raising awareness about party financing practices, fostering the transfer of knowledge on the general format of legislations and highlighting best practices through comparability of results achieved; but have been less successful in going beyond the law into the sociological and organisational reasons for expensive campaigning and party-related corruption.’ See de Sousa (2005), p. 9

⁶⁶ For instance Ewing and Issacharoff argue in their recent comparative volume that there is “the range of regulatory possibilities and the surprisingly high level of discontent with each. The regulatory regimes may be distinct, but they seem, per Tolstoy, each to be unhappy in its own unique way’. Ewing and Issacharoff (2006), p. 10

⁶⁷ As rightly observed by Sedelmeier ‘The involvement of the EU and the Commission in particular, in the domestic politics of candidate countries during the pre-accession phase has been extraordinary. The imposition of such a strict and pervasive pre-accession conditionality is unique in the history of EU enlargement and intrusiveness of monitoring pre-accession compliance is in stark contrast to the reactive approach vis-à-vis full members.’ Sedelmeier, (2006), p. 146

⁶⁸ Interestingly, the recent TI GCB shows that the perception of corruption within political parties is as high in the “old” EU member states as in the candidate countries.

⁶⁹ This argument corresponds with the observation made by Ingrid Van Biezen and Petr Kopecky that there is ‘the increasingly close linkage between parties and the state, (...) a near-universal trend in the process of party transformation, by which parties in contemporary democracies have become best understood as part of the state rather than the representative agents of civil society’. See Ingrid van Biezen and Petr Kopecky, *The State and the Parties Public Funding, Public Regulation and Rent-Seeking in Contemporary Democracies*, Party Politics Vol 13. No.2 2007, p. 250

and regulations, which sometimes even determine the way in which their internal organization may function. Many of these regulations and party laws were first introduced or were substantially extended in the wake of the introduction of public funding for parties, with the distribution of state subventions inevitably demanding the introduction of a more codified system of party registration and control.”⁷⁰ This paper has shown that the intensity of funding regulation in recent years has coincided with the EU enlargement process in almost all candidate countries. In fact, the *Europeanization* of political party financing has been influenced by at least two factors. Firstly, EU enlargement and EU conditionality acted as a “single shock” galvanizing candidate countries to review their anti-corruption strategies and improve their legal frameworks. For many political parties EU accession was an external pressure which imposed the development of more restrictive party regulations. However, EU enlargement provides only a partial explanation for the process described in this paper. Probably more sustainable development can result from the Council of Europe anti-corruption campaign and its recommendations – the process of introducing and implementing Pan-European rules against corruption in the funding of political parties and election campaigns. As a result of this regional fight against corruption, political parties have become the object of domestic and European supervision to a degree far exceeding what would normally be acceptable for any other type of association. This major regional regulatory initiative is being justified by the need to prevent corruption. If successful, a growing number of parties in Europe will be held captive by the state because of their financial obligations and the perception of financial misconduct. Full transparency, substantial public subsidies, growing supervision of their financial conduct, and the systemic decline in private funding⁷¹ – all this indicates that parties might have already become captives. The funding of formerly autonomous parties is now perhaps best understood in terms of “public affairs” rather than “semi-private business”.

⁷⁰ Peter Mair ‘Democracy Beyond Parties’. Working paper, Center for the Study of Democracy, University of California, Irvine, USA, 2005, p. 19; Available at: <http://repositories.cdlib.org/csd/>.

⁷¹ Karl-Heinz Nassmacher made an interesting observation about the public and private financing of political parties in Europe: “worker’s parties are less dependent on public financing (mainly because of income from dues and unions), while bourgeois parties (in France and Sweden) and Green parties (in all European countries) receive more than 80 per cent of their income from state funds. Conservative parties, which in former times depended on large donations, now have problems getting along without public subsidies because their traditional source of funds is questioned publicly.” See Karl-Heinz Nassmacher, “Regulation of Party Finance” in Richard S. Katz and William J. Crotty (eds.) *Handbook of party politics*, (London: SAGE 2006), p. 449