



# Financing Politics in Europe:

a Political Party Roadmap for More  
Transparency and Effectiveness

**Edited by Thibault Muzergues**



The Wilfried Martens Centre for European Studies is the political foundation and think tank of the European People's Party, dedicated to the promotion of Christian Democrat, conservative and like-minded political values.

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External editing: Communicative English bvba

Layout and cover design: Victoria Agency

Typesetting: Victoria Agency

Printed in Belgium by INNI Group

This publication receives funding from the European Parliament.

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# The Authors

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## **Dr Mantas Adomėnas** – Secretary General of the Community of Democracies, Lithuania

Dr. Mantas Adomėnas (b. 1972) is a Classical scholar, translator, essayist, and, recently, a writer. Mantas Adomėnas was educated as a Classicist at Vilnius University. He wrote his doctorate on Plato and the Presocratic philosophers at Cambridge University, where he was also a Fellow at Gonville & Caius College. For three consecutive terms (2008-2020) he served as a Member of Parliament at the Lithuanian Seimas where he was one of the architects of the Lithuanian higher education reform, author of strategy for relations with diaspora, as well as a consistent supporter of fight for democracy and human rights in Russia, Belarus, China, and Hong Kong. In 2021-2023 he served as Vice Minister for Foreign Affairs of Lithuania. He is a Senior Research Fellow at the Baltic Institute of Advanced Technology, teaches Classics at Vilnius University, and has assumed duties as the Secretary General of the Community of Democracies.

Mantas Adomėnas writes and publishes essays and scholarly articles on topics ranging from Classics and architecture to political philosophy and current affairs. His first novel, “Moneta & labirintas” (The Coin and the Labyrinth), an intellectual spy thriller, was published in 2023 and was awarded prestigious Book of the Year Award. He served as a Private in the Lithuanian Army Volunteer Corps in 2015-2018. He has been decorated with the Presidential Order of Excellence of Georgia (2013) and received Friendship Medal of Diplomacy of Taiwan (2024). In 2024 he was declared by the Russian MFA to be one of the top-5 enemies of Russia in Lithuania. His hobbies are travelling, horse-riding, croquet, and Baroque.

## **Alexandre Basdereff** – CEO of Hopening, France

Alexandre Basdereff is one of the pioneers in France and Europe of the professionalisation of fundraising, particularly political fundraising.

During his long career working with politicians on the French centre–right, Basdereff led the implementation of a long-term fundraising programme that set a benchmark for the dominant parties of the right from the 1980s to the 2020s (Rassemblement pour la République, Union pour un mouvement populaire and Les Républicains); led the fundraising efforts of six presidential campaigns, including those of Jacques Chirac and Nicolas Sarkozy; and created a specific company dedicated to political causes and opinion: Mobilisation Directe.

As director of the French Government Information Service between 1995 and 1997, following Chirac’s election, he oversaw the creation of France’s first prime ministerial website.

Basdereff is the founder and CEO of Groupe Hopening, France’s leading provider of digital solutions and services for non-profits. Hopening is developing fundraising strategies for nearly 1,000 organisations with a team of over 120 experts in data, mobilisation and fundraising.

**Lolita Cigane** – International consultant on good governance, campaign finances and political parties, Latvia

Lolita Cigane has worked on campaign and political party financing since 2001, when she was first the project director of a campaign finance monitoring project run by Transparency International Latvia. The project was a response to the lack of regulation of campaign and political financing against the backdrop of Latvia’s bid to join NATO and the EU (to which it acceded in 2004). Several successful monitoring and advocacy projects run by Lolita have resulted in a substantial clean-up of the political and campaign finance system in Latvia. After successful advocacy, state financing for political parties was introduced in 2012. Lolita was the chairperson of the Board of Transparency International Latvia from 2008 to 2010. While working with the Organization for Security and Co-operation in Europe’s Office for Democratic

Institutions and Human Rights election observation missions as political analyst and in other capacities, she was one of the first practitioners to include campaign finance in election observation work. From 2010 to 2018, Lolita was a member of Latvia's Saeima. While working there she actively participated in drafting a single encompassing law that covers all aspects of electoral campaigns and authored amendments that address administrative resource abuse and banned paid TV advertising for 30 days prior to elections. After a decision to take a break from politics in November 2018, she now works as an international consultant, including in the field of campaign financing. Her most recent assignments include the development of civil society campaign finance and administrative resource abuse monitoring projects in Serbia, Sri Lanka and other countries; addressing third-party participation in campaigns in Moldova and Albania; and attempting to strengthen the mandate of the State Audit Office that oversees campaign financing in Georgia, among others.

**Isabelle Fenoy** – Associate Director, Mobilisation Directe, France

Isabelle Fenoy is a lawyer with a doctorate in political science. She began her career as a parliamentary assistant in the French Senate; she then worked as a parliamentary advisor in the office of the Minister of the Budget and Public Accounts, Eric Woerth, before joining the parliamentary department of the office of Prime Minister François Fillon.

While director of philanthropy and fundraising at the Institut Catholique de Paris, she developed her expertise in fundraising by running multiple 360° direct marketing campaigns for the general public (print and digital), as well as a major fundraising campaign with individual, foundation and corporate sponsors.

She joined the Hopening Group seven years ago to manage its subsidiary, Mobilisation Directe, which is dedicated to political and opinion causes. She works with political parties, both during and outside of election periods; lobbying groups; and professional organisations, helping them to develop their resources and manage their donor relations.

**Peter Hefe** – Policy Director, Wilfried Martens Centre of European Studies, Germany/EU

Dr Peter Hefe graduated in Economics and Economic History from the Catholic University of Eichstätt-Ingolstadt in 1997. He worked as an economic researcher at the Institute for Economy and Society, Bonn, before joining the Konrad-Adenauer-Stiftung (KAS) in 2003 as head of the Economic Policy/Political Education Department. In 2006, he became head of the China, South-East Asia and India Department in the Asia and Pacific Team of the KAS in Berlin.

From December 2010 to February 2015, he worked as head of the China Office of the KAS in Shanghai. From March 2015 to April 2019, he was head of the Regional Project Energy Security and Climate Change based in Hong Kong/China. Between May 2019 and December 2020, he was the Director for Asia and Pacific of the KAS in Berlin. Since January 2022, he has been Policy Director of the Wilfried Martens Centre for European Studies, the think tank of the European People's Party, in Brussels.

His work focuses on foreign and security policy, economic policy, international development cooperation and energy/climate policy. He is also an expert on political, economic and social developments in Asia and China. He is fluent in German, English and Hungarian, has good knowledge of French and Italian, and a basic knowledge of Chinese.

**Thibault Muzergues** – Senior Advisor, International Republican Institute

Thibault Muzergues has been working at the International Republican Institute since 2011, and currently serves as a senior advisor and head of the Rome Office, working with political parties to preserve and promote democracy and transatlantic relations around Europe and the Mediterranean. He is now based in Rome, after nine years working in Bratislava, Slovakia and Vienna, Austria. Prior to his work at the International Republican Institute, for five years Thibault was a fundraiser and direct marketing consultant to France's then leading party Union for a Popular Movement (Union pour un mouvement populaire) and Nicolas Sarkozy; in this position he pioneered online fundraising in the 2007 French presidential elections and introduced new marketing techniques in French politics, mostly inspired from the American marketing experience. He then moved his career in London, where he served as advisor to the British Conservatives, at both regional and local levels.

Outside of his job at the IRI, Thibault also writes extensively. He is the author of *The Great Class Shift: How Four Social Tribes Are Redefining Western Politics* (Routledge, 2019) and *War in Europe? From Impossible War to Improbable Peace* (Routledge, 2022). His latest book, for the moment only in French, is called *Postpopulisme*. Thibault is also a regular contributor to France's major newspapers, as well as English- and Italian-language media.

Thibault holds an M.Sc. in Russian and Post-Soviet Studies from the London School of Economics, and graduated from the Masters programme of Sciences Po Paris *summa cum laude*. As well as English and French, he speaks Russian, Italian and Spanish at a working level, as well as basic Slovak and German.

#### **Septimius Pârvu – Electoral Programme Coordinator, Expert Forum, Romania**

Septimius Pârvu is the coordinator of the electoral programme at Expert Forum, a Bucharest-based think tank. He has over 14 years of experience in coordinating projects related to election monitoring, political clientelism and civic engagement. Since 2009 he has participated as an expert or coordinated more than 10 election monitoring campaigns in Romania and internationally. He has collaborated on an ongoing basis with international organisations such as the Council of Europe, the National Democratic Institute, the International Republican Institute, Office for Democratic Institutions and Human Rights and the Community of Democracies. Septimius has published a significant number of reports on political finance and has developed the only interactive online platform in Romania that illustrates the history of this topic in the last 15 years—Banii Partidelor ([www.banipartide.ro](http://www.banipartide.ro)).



# Introduction

**Peter Hefe**

In the first volume<sup>1</sup> of a new book series on political parties in Europe by the International Republican Institute (IRI) and the Wilfried Martens Centre for European Studies (WMCES), we discussed the somewhat astonishing fact that political parties have not only shown a surprising resilience against all doomsday warnings of their imminent demise, but have remained key actors in Europe's representative democracies. We also drew a holistic picture of the constitutional framework for parties and internal party structures, and considered several hot topics, such as the modernisation of political communication, innovative ways of attracting new members and the renewal of parties' ideological foundations, for example in conservatism and Christian Democracy.

Readers might have asked why we did not take a more in-depth view of *one crucial factor* for the public acceptance, operability and efficiency of political parties: their funding—not least for the very reason that the persistently low levels of trust in parties and politicians in Western public opinion are often connected with scandals in relation to obscure financial sources, outright corruption, and (foreign) interference in and by political parties.

The evaluation of, challenges to and options for party funding are therefore the major topic of this second volume. As we can see a variety of funding systems in place across European democracies, the IRI and the WMCES decided against a country-by-country approach, as taken in the first volume. Rather we would prefer to shed light on the major critical dimensions of the existing systems of party financing.

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1 Thibault Muzergues, Romain Le Quiniou and András Braun (ed.), *Why We Still Need Parties: The Resilience of Europe's Parties Explained*, Wilfried Martens Centre for European Studies (Brussels, 2023).

As there is, for the time being, no common European framework for party financing in place, some of the authors took several European countries as case studies while trying to draw out more general lessons about the reform of party financing law and regulations in other (European) countries. We limited the scope of our analysis to Europe, being well aware that on a global scale, the situation of party funding in many of those countries that have (at a minimum, formal) party systems is even more diverse.

We start from the legal and institutional framework set up in most countries to regulate and supervise the funding activities of political parties (and political foundations).<sup>2</sup> Often, there are specialised supervisory entities in charge. It is fair to say that as a result of massive fraud cases in the past decades, control and reporting mechanisms have improved in almost all European countries. This development can definitely be seen as a significant contribution to furthering democracy, in particular for the younger member states of the EU in Central and Eastern Europe, by limiting the options for ‘state capture’ by political parties and corrupt elites (see the chapter by Mantas Adomėnas).

However, competences are often still widely spread between different institutions, and this represents a massive obstacle for more coherent and timely control and sanctioning, as Lolita Čigāne and Septimius Pârvu show in their contributions. An adequate system cannot rely only on specific party law regulations. Given the increasing options to circumvent traditional ‘fences’, additional instruments such as anti-money laundering provisions and the controls against foreign information manipulation and interference (see Thibault Muzergues’s chapter) become indispensable elements of the regulatory framework of party financing.

While we see an increase in the role of direct funding by the state (or, more precisely and logically, in most cases, the parliaments), other sources such as membership fees and private donations remain absolutely key in enabling the basic functioning of parties, and not only at times of campaigning. With rigid party membership decreasing in most

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2 The focus is on political *parties*. If at all, political *foundations*, act under a different legal framework. Only in the case of the EU is a unified system in place (see my chapter in this volume).

European countries, broadening and perpetuating the donor base has become a key area for party managers. However, most party organisations still lack the capabilities for modern fundraising, as Isabelle Fenoy illustrates in the case of French parties. A professionalised system could also close an important loophole for obscure funding by single, big donors.

We have again included a chapter on the European-level parties and European political foundations (Peter Hefele) to better understand the dynamics of a multilayer system such as the EU. The relationship between the European parties and their national member parties, for example, in terms of the transparency of financial flows between the different levels, is an ongoing challenge, reflecting the uniqueness of this system of ‘a party of parties’ and the structural weaknesses of democratic representation inside the EU.

We conclude with a set of recommendations that follow the aforementioned critical dimensions. The responsibility for a more transparent and efficient system of party financing lies both with national legislation (and affiliated special agencies) and the parties themselves. With the ever-increasing vulnerability of the Western democratic systems, party organisations and politicians must be aware of their systemic relevance and leave the age of innocence, and even in some cases ignorance. Alongside convincing political answers, the integrity of parties’ staff, structures and financial operations is a cornerstone of enhancing the resilience of our political system.

I would like to thank the IRI—and in particular, Thibault Muzergues—for another very fruitful collaborative effort. The preparation of the concept for this project, the organisation of the authors’ conference in Rome in May 2024 and the final editing process have been outstanding. I would also like to thank all our European experts for their valuable contributions. Against a backdrop of internal and external challenges to the democratic systems in Europe, the Wilfried Martens Centre for European Studies, the think tank of the largest European political party, sees this second volume in its series on the European party system as a valuable contribution to the debate on the renewal of European democracies and the critical role political parties play in this transformation.

# State Subsidies for Political Parties:

The Road to Monopoly or the Way of Survival?

Septimius Parvu

## State support for political parties: an overview

The provision of state support is rather common in most EU countries, and these funds have become the main source of funding for many political parties. State subsidies are not a new phenomenon and have been regulated in many countries since the 1950s. Western European states such as Germany (one of the earliest adopters, in 1955), the Netherlands (1964) and the Scandinavian countries introduced this kind of system early on.<sup>3</sup> In some cases, subsidies were introduced only to support the functioning of parliamentary groups or factions, before being extended to include party operations. After the fall of Communism, many Central and Eastern European countries adopted state subsidies following the Western model; this followed a West to East dynamic, as Central European countries adopted the state-funding model first, followed much later by the former Soviet states.

Today, very few countries in the EU do not provide subsidies. The most notable example is Italy (since 2017), where subsidies were gradually removed as a result of public dissatisfaction and scandals related to the mismanagement of funds. Another remarkable exception, Malta, provides support only to its parliamentary groups. In most European countries, however, public funding exceeds 70% of parties' budgets, but those figures be even higher.<sup>4</sup> There are some outstanding examples, such as Finland or Romania,<sup>5</sup> where more than 80%–90% of political funding is public. In Latvia, the 2019 political finance reform led to a massive increase in public funding, bringing it to more than 90% of the budget of political parties. On the other side,

3 Some other early adopters include Austria (1967); Belgium (1971), Denmark (1965 for parliamentary groups, 1987 for central organisations), Finland (1967), Italy (1974) and Sweden (1965).

4 The European Parliament report *Financing of Political Structures in EU Member States*, highlights that in many EU member states the percentage of subsidies out of political finance has reached 60%–70% – see a comparative table on pages 15–16 (European Parliament, Directorate-General for Finance, *Financing of Political Structures in EU Member States*, PE 694.836 (June 2021). [https://www.europarl.europa.eu/meetdocs/2014\\_2019/plmrep/COMMITTEES/AFCO/DV/2021/10-27/2021-JUNE\\_PE694.836\\_Financingpoliticalstructures\\_withAnnex3\\_EN.pdf](https://www.europarl.europa.eu/meetdocs/2014_2019/plmrep/COMMITTEES/AFCO/DV/2021/10-27/2021-JUNE_PE694.836_Financingpoliticalstructures_withAnnex3_EN.pdf)). Further statistics are available in Ingrid van Biezen and Petr Kopecký, 'The Paradox of Party Funding: The Limited Impact of State Subsidies on Party Membership', in Susan E. Scarow (ed.) et al., *Organizing Political Parties: Representation, Participation, and Power*, Oxford: Oxford University Press, 2017.

5 See [www.banipartide.ro](http://www.banipartide.ro).

Hungary reduced its subsidies by 50% in 2020, in a move which was described by some as a decision to reduce the capacity of the opposition.<sup>6</sup>

While state funding functions in parallel with private funding in many European countries, there seems to be a continuous decline in the support that private donors provide to political parties and electoral competitors. For example, in countries like Germany, the Netherlands or Denmark, the share of private contributions has decreased significantly over the past decades. There are multiple theories to explain this trend – some pointing towards a direct causality between the increase in subsidies and the decrease in members’ engagement and contributions<sup>7</sup> – although it is also argued that the increase in subsidies could be an effect of low participation and not vice versa. Some theories connect the decline in the membership of political parties with multiple causes related to the general characteristics of democracy and society itself, that is, a lower engagement of society with politics, beyond single issues. Robert Putnam highlights that one of the causes of shifting political participation is the social capital available in communities.<sup>8</sup> Other studies have reached the conclusion that there is no exhaustive connection between state subsidies and membership.<sup>9</sup>

The issue of state subsidies is rather controversial, as it brings both positive and negative impacts to the political stage. On the plus side, in many countries, and especially those marred by political corruption or oligarchic influence, public funding can potentially boost integrity and transparency. It may also reduce the influence of major donors and provide more opportunities to a variety of electoral

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6 See the Hungary Chapter in Freedom House, *Freedom in the World 2021*. <https://freedomhouse.org/country/hungary/freedom-world/2021>.

7 See Leon Epstein, *Political Parties in Western Democracies*, London: Routledge, 1967.

8 Putnam’s social capital has three components: moral norms, social values and social networks and is a fundamental component for well-functioning democracies. See Robert D. Putnam, Robert Leonardi and Raffaella Y. Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy*, Princeton: Princeton University Press, 1994.

9 Frederick Bonander, ‘Party Membership and State Subsidies. A Comparative Study’, *Orebro Studies in Political Science* 25 (2009). <https://www.diva-portal.org/smash/record.jsf?pid=diva2%3A272517&d-swid=9360>.

competitors.<sup>10</sup> Usually, the allocation of state subsidies is characterised by a stronger oversight regime, which implies more control over the use of funds than for private donations. In practice, as subsidies are allocated in many cases for communication and party-building or party strengthening, they may offer an opportunity to invest in better canvassing and may therefore allow parties to improve their communication capacities for electoral and political purposes. Also, research shows that the allocation of subsidies ensures a more diverse and long-lasting political scene, with more state-funded parties surviving across several electoral periods than private-funded parties, at least in Europe.<sup>11</sup>

However, the extensive use of subsidies can also generate negative effects. The most visible is that it strengthens parties that are already strong: these parties usually have access to parliament (although a sufficient number of states have lower entry thresholds) and, as such, they usually decide themselves on the allocation mechanism for the funds. This results in the *cartelisation* of political parties, as the biased criteria to allocate funds to a few parties, which already have access to funding due to their strong membership and access to state resources, can create greater political imbalance. For example, if the threshold for allocation is too high or no attention is paid to regional and local parties, the principle of equality may be affected. Furthermore, the increased allocation of state subsidies by a central government authority may lead to a limitation of the relationship between the political parties and their constituency; while receiving state funds through little effort, parties may also be disincentivised to find private donors—this theory, however, is up for debate, as discussed above. Furthermore, in some countries, such as Slovenia, the effectiveness of a move to state-funding in reducing corruption has proven to be quite limited.<sup>12</sup> It is worth noting that in some countries the allocation of large sums

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10 See Tatiana Kostadinova, *Political Corruption in Eastern Europe After Communism*, Boulder: Lynne Rienner Publishers, 2012.

11 Fernando Casal Bértoa and Maria Spirova, *Get a Subsidy or Perish! Public Funding and Party Survival in Eastern Europe*, Working Paper Series on the Legal Regulation of Political Parties, no. 29 (2013). <http://www.partylaw.leidenuniv.nl/uploads/wp2913.pdf>.

12 Jurij Toplak, 'Party Funding in Slovenia' in Daniel Smilov and Jurij Toplak (eds.), *Political Finance and Corruption in Eastern Europe: The Transition Period*, London: Routledge, 2007, pp. 171–88.

in subsidies is not necessarily popular with the general population and has not, by itself, eliminated corruption scandals.<sup>13</sup>

In many countries, parties have become very dependent on state funding and have little capacity or interest in collecting private funding. As a final point, as usually there are few limitations on how to spend state funding, parties can abuse subsidies to influence the public agenda. This is the case in Romania, where parties have directed tens of millions of euros of public funds annually to media outlets through non-transparent contracts—the inpouring of these vast amounts of money has consequently severely affected media independence in the country.

One of the main issues in comparing subsidies is that funds are provided in many formats, for multiple purposes and according to a variety of criteria, and therefore a simple comparison between different countries and models could be complicated and inaccurate.<sup>14</sup> A primary distinction can be made between direct public funding (usually money paid to parties for results, to support their campaign or to reimburse electoral expenses) and indirect public funding, which may include other types of support. For example, public support can be translated into free airtime for competitors during electoral campaigns (in 2021, 22 EU member states provided free airtime).<sup>15</sup> Estimating the cost of free airtime can be a complicated task, as it is not necessarily equivalent to buying commercial airtime on the market. In limited cases, citizens who donate money receive tax deductions, making their contribution in some ways a partially indirect state contribution. Another example of indirect state contribution is the dedicated support that some countries, such as Sweden, Italy and Finland, provide for publishing political newspapers. While in most states, the allocation is provided to the party at the national, central level, in some cases, as in Denmark and Sweden, subsidies can also be provided at the local level, which can increase the complexity of oversight.

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13 Kostadinova, *Political Corruption in Eastern Europe After Communism*.

14 More extensive details can be found in International IDEA's database on political finance: [www.idea.int/developmentzone.co/data-tools/data/political-finance-database](http://www.idea.int/developmentzone.co/data-tools/data/political-finance-database)

15 European Parliament, Directorate-General for Finance, *Financing of Political Structures in EU Member States*.



Getting back to direct public funding, the majority of EU members states also provide specific contributions for the functioning of parliamentary groups, independent of parties. In some states, such as Spain or Austria, earmarked funding is also allocated for political foundations, while many countries provide funds for the promotion of women or youth.<sup>16</sup> In a few cases, including France, the lack of gender balance on candidate lists is sanctioned by reducing subsidies.

It is worth noting that the criteria according to which subsidies are allocated can differ from country to country. However, in general, the eligibility to receive public funds is determined by results in elections, representation in a body (parliament or local/regional councils, for example), participation in elections or reimbursement of some (or all) electoral expenditures. Funding is usually provided based a combination of these criteria, with the first two being predominant.<sup>17</sup>

Lastly, the allocation of state funding is a fluid process. Rules often change, depending on the parties in power or other important factors that may impact the country. The legislation of subsidies often suffers changes across the years, in some cases fundamentally. For example, in Germany, the current system, although amended by a new party law in 2023, is based on a decision of the Constitutional Court from 1992, as in 1966 the direct allocation of subsidies was banned.<sup>18</sup> Italy decided through a referendum to remove direct funding after a series of political scandals that brought down the whole political personnel (better known as the *Tangentopoli*), just for another system of subsidies to be reintroduced in a different format a few years later.

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16 Fernando Casal Bértoa and Juan Rodríguez Teruel, *Political Party Funding Regulation in Europe, East and West: A Comparative Analysis*, Organization for Security and Co-operation in Europe, p. 6. <https://www.osce.org/files/osce-odhr%20Discussion%20Paper%20on%20Political%20Party%20Finance%20Spain.pdf>.

17 For a more detailed description, see Septimius Pârnu and Dr Magnus Ohman, 'Subsidies for Political Parties: The European Experience and the Situation in Romania', *Expert Forum*, 7 August 2023. <https://expertforum.ro/en/political-subsidies-europe-romania/>.

18 The German system is rather unique, as it directly connects the level of public funding to the private funding received by the party. In 2023 for the first four million votes, parties received €1.13 per vote, and a further €0.89 for each additional vote. Additional funds are received in relation to membership fees and donations—45% of every euro registered in membership fees, contributions from elected representatives and donations from natural persons, up to a certain limit. See: <https://www.bpb.de/themen/parteien/partei-en-in-deutschland/zahlen-und-fakten/42240/staatliche-parteienfinanzierung/>.

## Where there are benefits, there should also be increased responsibility: standards and principles

Within the EU there is a diversity of legal frameworks and international standards are rather limited when it comes to the allocation, expenditure and oversight of public funding. The funding of political parties and election campaigns has been largely left to the decisions of national legislators, due to its strong political connotations. Even so, there are international standards, principles and good practices which need to be taken into consideration when designing the model of financing.

In this sense, the Council of Europe Recommendation Rec(2003)4 underlines that support from public funds should be provided, but should be ‘reasonable’. The recommendation also underlines that ‘objective, fair and reasonable criteria should be applied regarding the distribution of state support’ and that states should not ‘interfere with the independence of political parties’.<sup>19</sup>

The 2020 Organization for Security and Co-operation in Europe (OSCE) Office for Democratic Institutions and Human Rights (ODIHR) and Venice Commission Guidelines on Political Party Regulation<sup>20</sup> stress that the manner in which the funding system is developed must ensure the utility of the funding. Private contributions should not become ‘superfluous’. Subsidies should not become the only source of funding and ‘should not be the only source of income or create conditions for over-dependency on state support’. There is no predefined amount of funding which should be provided, and the guidelines indicate that there should be a periodical review of the impact of funding, in order to adjust it.

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19 Council of Europe, ‘Recommendation Rec(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 by the Committee of Ministers on 8 April 2003 at the 835th Meeting of the Ministers’ Deputies)’. <https://rm.coe.int/16806cc1f1>.

20 OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) and Venice Commission, *Guidelines on Political Party Regulation*, Second Edition (2023). <https://www.osce.org/files/f/documents/8/1/538473.pdf>.

A 2023 decision of the German Constitutional Court also explains the principle of economic dependency on subsidies. It highlights that ‘the parties must remain dependent not only politically, but also economically and organizationally on the approval and support of the citizens’ and that ‘the state may not give the parties more than they need to fulfil their tasks in compliance with the principle of economical use of public funds’.<sup>21</sup>

The 2020 OSCE/ODIHR guidelines also stress the need to ensure equal (or rather proportionate) opportunities—furthermore, funding should be allocated according to objective and unbiased criteria. In this sense, funding should be provided to parliamentary parties in the first place, but could also be extended to provide support to other parties that have reached a certain level of popular support but not enough to achieve parliamentary representation. This point is also made by the Venice Commission’s Code of Good Practice in Electoral Matters, which states in paragraph 111 that to ‘ensure equality of opportunity for all the different political forces, public funding might also be extended to political formations that represent a large section of the electorate and put up candidates for election’.<sup>22</sup>

Oversight and enforcement of regulation are also crucial factors for the success of a good, transparent party financing process, as pointed out in several international standards. In many cases, however, the oversight is problematic, as the law does not give sufficient power (or budget) to the bodies in charge of monitoring and sanctioning. Article 7.2 of the United Nation Convention Against Corruption (UNCAC) underlines that states should undertake ‘administrative measures, consistent with the objectives of this Convention and in accordance with the fundamental principles of its domestic law, to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties’.<sup>23</sup> The Venice Commission Code

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21 Read more in Parvu and Ohman, ‘Subsidies for Political Parties’, p. 28.

22 Venice Commission, ‘Code of Good Practice in Electoral Matters: Guidelines and Explanatory Report’ (2002). <https://rm.coe.int/090000168092af01>.

23 UN Office on Drugs and Crime, *UN Convention Against Corruption* (2004). [https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026\\_E.pdf](https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf).

of Good Practice states that ‘the funding of political parties from public funds must be accompanied by supervision of the parties’ accounts by specific public bodies (e.g. the Auditor General’s Department). States should encourage a policy of financial openness on the part of political parties receiving public funding’. Furthermore, according to the 2001 Venice Commission Guidelines and Report on the Financing of Political Parties ‘States shall promote a policy of financial transparency of political parties that benefit from public financing’.<sup>24</sup>

Together with efficient oversight, states should impose effective sanctions for parties who do not comply with funding and spending rules in order to deter abuse. If sanctions do not provide sufficient leverage to prevent future violations, they are ineffective. Sanctions should, however, be proportionate and gradual and should not lead to an uneven playing field for political parties; in other words, rules should not become tools that impact the functioning of the parties in an arbitrary manner. Sanctions include in most cases notices, fines, confiscation, loss of subsidy and criminal investigation mechanisms. It is also worth mentioning that the ODIHR 2020 Political Party Regulation guidelines also stress that parties can receive some benefits, but that they also have additional responsibilities, including maintaining transparency, or accepting restrictions or obligations to ensure equal opportunities.

To sum up on the question of fundamental principles and standards, the following should be taken into account:

- The allocation of funds should be based on transparent, equitable criteria.
- The value of allocations should be revised based on clear and predictable criteria in order to ensure fair access.
- Funds may be allocated to a more diverse range of parties which receive voters’ support, not only to those which are represented in the national parliaments.

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<sup>24</sup> Venice Commission, ‘Guidelines and Report on the Financing of Political Parties’ (2001). [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-INF\(2001\)008-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-INF(2001)008-e).

- Proper oversight and transparency through periodic and detailed reporting should be ensured. Reports should be accessible to the public in a timely manner and in open formats.
- Sanctions should be efficient and dissuasive, in order to prevent future violations.

## A case study: good and bad governance in Romania, and why subsidies failed their potential

Romania has had one of the fastest growing public subsidy systems in recent years, even though regulations allowing for these subsidies have been in place since the early 1990s.<sup>25</sup> Subsidies are provided according to parties' results in elections, while indirect support is given through the provision of free airtime during the election campaign period. Financial incentives are also provided to parties that put women on their candidate lists. Subsidies are split between those parties that have received mandates in the parliamentary elections (75% of subsidies) and local elections (25% of subsidies),<sup>26</sup> with those that have passed the electoral threshold receiving funds in proportion to the number of votes. The annual budget for political parties is comprised of between 0.01% and 0.04% of GDP and is approved by the Parliament at the proposal of the Permanent Electoral Authority. The allocation process is rather arbitrary and is based mostly on the budget of the previous year, which leads to a constant increase in funding. Unspent funds are not returned to the state budget and can be kept by political parties without a time limit.<sup>27</sup>

The value of subsidies increased significantly during 2016–;18 while in 2015 all parties received some €1.4 million, by 2019 the annual budget had reached €50

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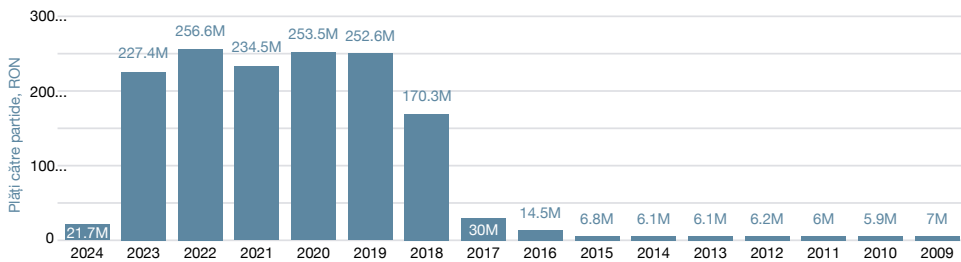
25 Sergiu Lipcean, 'Direct Public Funding of Political Parties: Between Proxy Measures and Hard Data', *Party Politics* 28/6 (2021). <https://journals.sagepub.com/doi/10.1177/13540688211037302>. See Figure 3.

26 The regulation is in fact very limiting, as parties need to obtain 50 county councillor mandates, which brings them closer to being parliamentary parties. After the last elections, two parties received funding for results in local elections and both of them almost reached the parliamentary threshold.

27 However, at EU level, fewer countries impose this kind of model. For example, Latvia allows beneficiaries to spend funds in the specific year or at the latest within three years.

million. The decision to increase public funding was strongly criticised, but it also had the potential to improve the integrity of the political financing process, especially in the context of the country, where the previous, predominantly private funding system was marred by high-level corruption cases.<sup>28</sup>

**Figure 1 Increase of state subsidy allocations in Romania (millions of RON)**



Source: <https://www.banipartide.ro/subventii>.

Note: In 2024, parties received 314 million RON, the highest value so far. Additionally, parties representing national minorities received 270 million RON through a different financing scheme.

While in general, the public funding of parties has the potential to reduce corruption, in Romania it created a different issue: parties started to spend significant slices of these funds, up to 60%–70%, on media and propaganda contracts, which are not accessible to the public. In the past three years, parties have spent some €60 million on media. Contracts signed with the press are used to build a positive image of the parties and their leaders, but also to cut some topics that may disadvantage the parties from the public agenda. Furthermore, there is no legal requirement to mark political propaganda materials as such outside of electoral periods. This creates an

<sup>28</sup> Among the most prominent cases was the one of former prime minister Adrian Năstase, who was sentenced for organising a fake contest, the Quality Trophy, to get electoral funding. Other cases have included ministers or other high-level officials.

information environment in which the public cannot get a grasp on which media pieces are paid for by the parties, and which are unpaid, that is, genuine journalism. This has gravely affected media independence in Romania, and this has been observed in international reports, including the European Commission's rule of law report<sup>29</sup> and that of the Council of Europe Parliamentary Assembly.<sup>30</sup>

The access to information about the final providers of these contracts are made public. But in most cases, contracts are signed through consultancy companies, which reduces the transparency of the funding process. The political leadership of the two main parties benefitting from these funds—the Social Democratic Party (Partidul Social Democrat) and the National Liberal Party (Partidul Național Liberal)—refuse to make the contracts public, in some cases in spite of court decisions to disclose the contracts. This extensive media contracting is affecting not only the informational landscape, but also the level playing field for electoral campaigns.

To sum up on the specific case of Romania, the increase of public subsidies seems to have played a positive role in reducing political and electoral corruption at the source. On the other hand, it has also led to the further cartelisation of the two major parties, and it has provided relatively limited access to funds for new parties, thereby accentuating the financial monopolies while severely affecting the independence and the behaviour of the media landscape. Furthermore, the transition to a mostly public-funded system has not put an end to cases of corruption. It is worth noting the double conviction of Social Democratic Party treasurer Mircea Drăghici for the illegal use of subsidies.<sup>31</sup> The problem therefore seems to have moved from the source (fundraising) to the use of funds.

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29 European Commission, *2023 Rule of Law Report – Country Chapter on Romania*, Staff Working Document, SWD (2023) 823 final (5 July 2023). [https://commission.europa.eu/document/download/da0ccb8d-ad1a-4876-961e-00ce13ba2f1a\\_en?filename=52\\_1\\_52630\\_coun\\_chap\\_romania\\_en.pdf](https://commission.europa.eu/document/download/da0ccb8d-ad1a-4876-961e-00ce13ba2f1a_en?filename=52_1_52630_coun_chap_romania_en.pdf).

30 Council of Europe Parliamentary Assembly, 'The Honouring of Membership Obligations to the Council of Europe by Romania'. <https://assembly.coe.int/LifeRay/MON/Pdf/TextesProvi-soires/2022/20220914-MonitoringRomania-EN.pdf>.

31 See <https://hotnews.ro/mircea-draghici-fostul-trezorier-al-psd-sub-conducerea-lui-dragnea-condamnat-la-6-ani-de-nchisoare-a-recunoscut-ca-a-folosit-bani-din-subventiile-de-la-stat-pentru-vacante-exotice-109561>. Mircea Drăghici was convicted in 2021 for using these subsidies to purchase a house, and in 2022 for using them to fund holidays.

## Conclusion and recommendations

While acknowledging the potential issues which are generated by the adoption of subsidies, state support for political parties seems to have beneficial effects. Therefore, states should provide such support, but public funding also creates a number of issues that need to be addressed. States need to ensure that public funding mechanisms remain instruments that do not affect the independence of the parties, or the level playing field and trust of the public in the political process.

To ensure proper access to resources, states should impose equitable regulations for the distribution of funding that do not affect the independence and stability of political parties. Clear, predictable and objective criteria should be imposed in regards to the beneficiaries and the value of allocations. Additionally, reasonable reporting should be required from parties to ensure the transparency of income and expenditure. Efficient oversight and dissuasive sanctions should also be put in place in order to ensure compliance with these regulations.



# Fundraising:

An Opportunity for Political Parties

**Alexandre Basdereff and Isabelle Fenoy**

The well-known adage that ‘money is the sinews of war’ is particularly relevant in the world of politics. Political parties need the means to function, candidates need the means to campaign and their actions depend essentially on the resources at their disposal.

Many countries in Europe have set up public funding mechanisms for their parties’ political activity: direct subsidies based on election results, the reimbursement of campaign expenses, tax deductions for citizens’ contributions—all this public funding is subject to strict conditions to guarantee transparency, accountability and the appropriate use of funds. The same conditions apply to political fundraising, which is one of the indispensable means of providing financial support for political initiatives in several countries, including at the European level.

## **Political fundraising, a tool that has more value and effect than simply in terms of the money it provides**

Fundraising not only serves as an effective tool to build up a party’s or a campaign’s resources, it also accompanies, prepares and conditions political and electoral success.

Its primary function is of course to respond to an actual need for funding. By soliciting donations from supporters and sympathisers, political parties and candidates increase their resources to finance and expand their political initiatives.

But that is not the end of the story, because political fundraising also helps to structure, organise and develop political parties. Of course, it provides the means to recruit and pay qualified staff, build skilled teams, finance premises and offices, and invest in innovative tools and technologies—in other words, it builds the infrastructure of the party.

But because fundraising requires the matching of a need with an offer to convince the donor to give—in other words, fundraising finances a project—it also contributes to the development of a political strategy, and can become one of its essential elements, even its driving force. Fundraising can actually be a useful tool for drawing up budgets and planning activities and actions.

In addition, fundraising is a formidable tool for informing and raising awareness: donation campaigns provide an opportunity to communicate the ideas, values, objectives and achievements of a party or candidate, while mobilising people to take action for a political cause. In this way, fundraising campaigns help establish and strengthen ties with sympathisers, while broadening the electoral base and expanding the networks of support that make up a political dynamic.

And so here comes what is perhaps the most important point: political fundraising, above all, offers supporters, sympathisers and citizens the opportunity to mobilise and become actively involved in politics. We must never forget that a donor, through his or her donation(s), is acting in defence of his or her ideas and convictions. By making it possible to contribute financially to their cause, political parties and candidates consolidate their relationships with their supporters and encourage the latter's long-term loyalty through this relationship.

Last but not least, political fundraising is a real thermometer for measuring the effectiveness of the actions undertaken, with levels of financial support reflecting overall support and interest in the party (or cause) asking for money. To take just one recent and telling example, during France's 2022 presidential elections, Valérie Pécresse's positive fundraising momentum ended the day after the failure of her first campaign meeting, when it became clear that she would not be able to become a second-round adversary of Emmanuel Macron.

For all these reasons, fundraising helps consolidate the position of a party or candidate in the political landscape, in total security and transparency, since political fundraising in Europe is regulated and supervised. For example, in France, the amounts raised are made public, and each gift is heavily regulated—this strengthens the accountability of politicians to their electors.

Furthermore, provided that the fundraising campaign is based on a healthy organisation where small and big donors alike are being mobilised, efforts to enlarge as much as possible the pool of donors tends to reduce the influence of special interests—the larger the base, the less dependent a campaign is on the will of a few

major donors (particularly when there is a ceiling on large donors' donations, as is the case in most of Europe). While it is true that major donors account for a significant proportion of the overall funds raised in the opening stages of a campaign, this proportion diminishes once the campaign is underway. As the election approaches, the mobilisation of small donors and the proportion of small donations increase mechanically, and by the end of the campaign, small donations total just as much, if not more, than the contributions of large donors.

Political parties and candidates are well aware of this, and many use small donors as well as major donor campaigns to finance their activities and election campaigns.

Fundraising has proven to be an effective means of generating resources and mobilising support, not only during national election periods, but also outside them—to support a candidate's path to victory or in times of defeat or crisis. Some numbers from France, where private fundraising has become a useful complement to public financing, are useful here: like Nicolas Sarkozy in 2007 and 2012, Emmanuel Macron raised nearly €16 million during his victorious 2017 presidential campaign, while starting from scratch; with more experience and a structure at his disposal during the 2022 presidential election, the incumbent French president repeated the same performance and raised another €16 million. During that same election campaign, the French TV-pundit-turned-politician Eric Zemmour raised some €2 million within days of officially announcing his candidacy. For her part, The Republicans (Les Républicains) candidate Valérie Pécresse collected €3.3 million in donations in the four weeks following her elimination in the first round to pay off her campaign loan, which was not going to be reimbursed by the state following her very low result at the elections (less than the 5% required for half of the campaign funds to be reimbursed by the state). In the same year, individual donations represented the second largest source of funding for The Republicans.

From parties to political movements to established or emerging candidates, all political players have a vested interest in using the 'fundraising tool' to support their ambitions and objectives. Its universal nature makes it accessible to all; it is up to each individual to define his or her own strategy, according to needs and means.

For fundraisers, the techniques and forms of action are many. Their effectiveness depends on a number of factors, from the size of the donor pool to the appeal of the candidates. In other words, there is an effective fundraising strategy for every situation: targeted mailings, digital fundraising campaigns via dedicated websites and emailing operations, emergency appeals for donations, campaigns to recruit and transform supporters into donors via consultations or petitions, major donor clubs, fundraising events, telemarketing, crowdfunding and so on.

With its proven effectiveness, flexibility and accessibility, fundraising plays an essential role in political life and, by appealing directly to citizens' generosity, it helps to strengthen democracy.

## Digital and artificial intelligence, an opportunity for fundraising and political parties

New technologies, first and foremost digital channels and artificial intelligence (AI), are revolutionising the world and enhancing the realm of possibilities. Fundraising is no exception to this trend.

While the ability to translate political ambition and financial need into an effective fundraising strategy remains the core know-how of a fundraising professional, the techniques, methods and practices of implementation are evolving and being perfected and strengthened thanks to the possibilities offered by technological advances.

Fundraisers are no longer content with sending undifferentiated mailings based on contacts managed in Excel spreadsheets. Customer relationship management, data science, digital channels and AI have dramatically transformed the approach to political fundraising.

The digital world offers a vast array of solutions and tools for interaction: dedicated websites, emails, petitions, pleas and online consultations enable targeted, personalised and interactive communication with donors and prospects, as well as agility, responsiveness and presence at all times—all at a reduced cost. Social

networks and crowdfunding platforms also offer new, unprecedented possibilities for reaching a wider audience. As the key to a successful fundraising strategy is the database, the opportunities offered by new technologies to enlarge this database and collect more data seem to be limitless.

During the 2010s, big data and microtargeting were the future of fundraising (and campaigning). Now the new frontier is AI. AI enables the fundraiser to gain in time, precision and performance. It can be used to help create relevant text, image and video content. It enables advanced data analysis and precise predictions of the behaviour of the donors or contacts to be solicited. Algorithms identify trends and patterns to determine which contacts are likely to donate to which campaigns and messages via each collection channel. They enable segmentation based on profiles, interests, geographical criteria, demographics, donation history and relationships. They help analyse data from fundraising campaigns, such as conversion rates, average donation amounts and loyalty rates, to identify what works and what does not, and to evaluate performance in order to optimise the impact of each fundraising action. Mass fundraising is transformed into individual fundraising, customisable at will.

Furthermore, digitalisation and AI facilitate automated, personalised interaction with the donor; in this, they help to strengthen the relationship, add value and foster loyalty. Collection experiences are more relevant, participative and engaging; in fact, they mobilise people much more effectively over the long term.

Provided that they are approached with lucidity, pragmatism and ethics, it is clear today that new technologies are opening up new ways to make fundraising more effective. Every week, new AI platforms are created, and every week, existing ones announce new developments. The prospects they offer are limitless, given the significant advances they have already made.

This performance, at the service of political fundraising, opens the door to new ways of mobilising commitment, renewing the very essence of how we do politics.

## A tool for mobilisation – but also a sign of the times

The rise of new technologies does not mean that old ways of political fundraising are disappearing. Rather, they are opening up new possibilities and enhancing existing campaigns. This in turn means that fundraisers need to use combined approaches to appeal, attract and maintain their audiences—for examples via petitions and digital consultations, by far the most effective fundraising tools these days. These approaches in turn respond to the public's changing expectations of political parties, as they encourage direct interaction and more active participation in the decision-making process.

Furthermore, giving to a cause or political party represents a different form of commitment that can at least partly remedy the decline in membership affecting all political parties and movements in Europe. Citizens are still willing to get involved in politics, but in a more ad hoc, spontaneous and less demanding way. Offering them a flexible, free form of membership, a 'one-click' membership as The Republic on the Move (La République en Marche) and France Unbowed (La France Insoumise) did in 2017 might help boost numbers in the short term; but in the long term, this approach does not work. Involvement is minimal, it does not open up any rights to actively participate in the internal workings and decisions of the party, and the relationship is limited in time since its objective is just to count one's supporters at a precise moment to create momentum during election periods.

A donation, on the other hand, is a much more meaningful action, and it carries a much stronger message—in other words, it has a political value. In a way, it is one of the strongest forms of support for a political cause in a modern democracy—perhaps the strongest, apart, of course, from the decision to actually vote 'for' someone or something. Furthermore, if cultivated in a relationship that goes beyond the gift itself, a donation can actually be the first building block in forming a more substantial ideological support base. In this sense, political fundraising has the potential to fundamentally transform the political landscape, as well as political practices.

Today, thanks to a much more decentralised fundraising tool, every political figure can hope to find the means to create his or her own movement (or micro-party, as these small political start-ups are known in France), and to launch an electoral campaign of their own. In 1990, France had 23 political parties; today there are over 500. In the run-up to the 2027 presidential elections, every potential candidate already has his or her own micro-party, and is organising fundraising efforts with the sole aim of influencing the debate and, when the time comes, winning the election.

For some, micro-parties help to diversify the political offer and enrich democratic debate; for others, their proliferation weakens the political system and divides electoral support. One thing is certain though: the practice has become a norm, particularly in France. While sociologist Jérôme Fourquet has described a process of the *achipélisation* (or the balkanisation) of French society,<sup>32</sup> the same could be said of the country's political party system, in which small is beautiful—partly because funding has become more accessible for political entrepreneurs.

In this ecosystem, a word has to be said about candidate primaries, an interesting solution through which large political parties can re-legitimise their appeal by designating a unified party candidate for an election. But the purpose of primaries goes beyond that: not only do they unify a dispersed pool of candidates by getting voters to give legitimacy to one of them, they are also a useful method to mobilise and create momentum. Furthermore, they offer an opportunity to build up capital and finance for the campaign for the general election. The organisation of open primaries for the centre-right in 2017 thus generated a surplus of over €9 million, which was used to finance the winner's campaign.<sup>33</sup>

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32 Jérôme Fourquet, *L'Archipel français: naissance d'une nation multiple et divisée*, Paris: Seuil, 2019.

33 See Thibault Muzergues and Dan Scaduto (eds.), *Standing out from the Crowd: Political Parties Candidate (S)election in the Transatlantic World*, Washington, D.C.: International Republican Institute, 2021.



## Political fundraising: a job for professionals

Access to political fundraising has become widely democratised, opening up the realm of possibilities and opportunities. However, it should be pointed out that an effective fundraising campaign at the levels required for national politics requires tools and experience that are available only to professionals. Political fundraising is a job in itself, and needs to be recognised as such by political actors.

It is easy to launch a ‘one shot’ campaign, on a popular subject, at a key moment, playing on emotion, assuming that the technical ecosystem is operational. But raising funds requires much more than a well-intentioned, well-presented appeal for donations: without a real political perspective, without a stated ambition, without a project or action to fund, and without a clearly identified need, the exercise proves really difficult in the longer term. And without a structure, organisation or dedicated skills, it is doomed to failure.

The 35 candidate lists for the 2024 European elections in France, whatever their size or representativeness, represent a perfect case study. None of them has really succeeded in setting out a winning fundraising strategy, beyond a few gimmicks and a couple of media-friendly fundraising operations, even though the political time is ideal to mobilise support—including financial support: the stakes are clearly identified, the rhetoric easy to understand and the implications strong.

Outside election periods, raising funds is even more difficult, and timing—or rather the conception and delivery of a long-term fundraising strategy are key to building resources over a long period of time. To use another French example, Emmanuel Macron’s Renaissance (formerly The Republic on the Move), has never been able to make use of the thousands of donors it managed to mobilise during its victorious presidential campaigns, thereby condemning itself to the Sisyphean labour of having to reboot its fundraising strategy almost from scratch at the start each electoral cycle—and thereby jeopardising its existence in the longer term. This is largely due to the fact that the party has never really given itself the means to build the structures

of a functioning political party over the long term at national and local level—perhaps also because, ultimately, it was never more than an instrument for one man’s conquest of presidential power.

In France, only The Republicans has a truly professionalised fundraising experience to draw on, both during and outside election periods. A solid base of supporters, a major donor policy organised around donors’ clubs (or circles, in French), annual and multi-year solicitation plans, small and medium-sized donor strategies and outreach, targeted relational programmes, donor recruitment and renewal plans—all these are fully integrated party activities, identified and structured internally, and supported by external professionals. This state of play is the fruit of a long history, born of a clear determination to make fundraising a major strategic weapon. It was by relying on this professional fundraising that the party was able to survive in 2014 and raise €14 million in just a few existential weeks, as part of what came to be called the ‘Sarkothon’, in reference to France’s telethon. At that time, the party had to urgently mobilise its donor base (and beyond) to reimburse a part of the campaign expenses of its presidential candidate, Nicolas Sarkozy, who had seen his campaign accounts invalidated by the French supervising body of political finance.

Political fundraising can do a lot, but it is not magic: it requires investment, both financial and human; it has a cost that must be assessed and accepted, in relation to the benefits obtained in the longer run; and it demands consistency, patience and trust.

Many political parties that could legitimately make a serious commitment to a structured, professional data-collection approach still shy away from it because they have not fully grasped the stakes and implications of what a successful fundraising policy (as opposed to operation) means. Their approach is instead a do-it-yourself one, and it falls short on fully grasping the issues at stake.

## Beyond parties, a political eco-system that needs be reinvented, financed and regulated

In contrast, professional organisations, trade unions and influential groups no longer hesitate to turn to professional fundraising to support their activities. They all have a cause to defend and need the means to do so. Perhaps because they are less naive and more far-sighted, they have lucidly identified all that fundraising can offer them.

These groups have specific demands to make, ideas to put forward to further their interests; they want to win over the general public, put pressure on governments and decision-makers.

Up until now, they have tended to act through political parties, relaying their concerns and demands, providing expertise on specific issues, contributing to the development of their ideological corpus and mobilising voters on their behalf.

Today, with the weakening of political parties and the atomisation of political life, they no longer hesitate to actively look for the means to act on their own, increasingly directly in the public arena, and fundraising helps them to do this. For instance, in the Netherlands, the Farmer–Citizen Movement (BoerBurger Beweging) has become, with its resounding victory in the 2023 provincial elections, the leading party in the provincial states.

In the future, and also for the sake of fair competition, it will be important to put in place the transparency, accountability and regulation mechanisms that are required of political parties in these political eco-systems. For depending on how they interact with the political process, the effects political groups have on democracy can be either positive (broad representation of interests and concerns, citizen participation, civic engagement etc.) or negative (undue influence, manipulation of regulatory, legislative cycles etc.).

## **Conclusion: regulated private fundraising, an important tool for a fairer and more transparent democracy**

The development of regulated fundraising for political parties is a powerful lever for reinforcing independence from outside interests, ensuring sustainability and guaranteeing freedom of action, while helping to reduce the disproportionate influence of vested interests on the political process.

Similarly, donations are an important means for citizens to participate freely in democratic processes. Making a donation will always remain a way of expressing support for a cause, for a candidate who defends one's values and concerns, and of helping to shape the future of a society according to one's convictions.

In this way, fundraising and donations are essential instruments of freedom, enabling political parties and citizens to play an active and enlightened role in public life, in favour of a fairer and more transparent democracy.

# Paper tigers:

The Role of Campaign Finance  
Oversight Institutions

**Lolita Cigane**

During a 2002 parliamentary committee meeting to amend the political party financing law, activists from Transparency International (TI) Latvia were asked what type of oversight institution—that is, an election administrator, central electoral commission or the newly established anti-corruption agency—should be put in charge of political finance oversight. After a moment’s hesitation, the TI activists answered that it should be the newly established anti-corruption agency. This was before Latvia’s entry into the EU and NATO in 2004 and at a time when Latvia was ranked high on the ‘state capture index’<sup>34</sup> developed by the World Bank. The civil society project run by TI Latvia for monitoring campaign finances<sup>35</sup> and the international push for establishment of an anti-corruption agency (the Corruption Prevention and Combating Bureau) constituted both an internal and external pressure on Latvia to tackle political corruption before its integration in the Euro-Atlantic family.

Building on this spontaneously expressed preference, the campaign finance system in Latvia has constantly evolved and adapted to the challenges of a new, increasingly complex election campaign environment. Over time, Latvia has passed laws that define and address the most complicated campaign issues, and campaign finance is now under comparatively strict and transparent oversight. This situation has been achieved through constant interaction between the vocal, active and articulate civil society, supportive media, responsive lawmakers and a proactive oversight agency. Without these persistent endeavours since the turn of the century, Latvia’s political system would have come under serious duress from foreign financing and influence.<sup>36</sup> This is not to say that Latvia has resolved *all* political party financing difficulties, not at all. In fact, new challenges and new scandals arise all the time, but these are usually a consequence of having a comparatively well-regulated system, efficient oversight and transparency.<sup>37</sup>

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34 Joel S. Hellman, Geraint Jones and Daniel Kaufmann, *Seize the State, Seize the Day: State Capture, Corruption and Influence in Transition*, World Bank Policy Research Working Paper 2444 (September 2000).

35 This experience is described in Open Society Justice Initiative, *Monitoring Election Campaign Finance: A Handbook for NGOs* (2005).

36 Lolita Cigane, *Regulating Online Campaign Finance. Case Study on Latvia*, International IDEA (2022). <https://www.idea.int/sites/default/files/regulating-online-campaign-finance-latvia-en.pdf>.

37 The most recent one, as reported by Re:Baltica, is about illegal donations that the political party For Latvia’s Development has received via intermediaries. <https://rebaltica.lv/2024/04/aploksne-ban-komats-partija-knab-izbeigtas-latvijas-attistibai-lietas-rada-nelikumigas-finansesanas-shemu/>, 10 April 2024.

Each country's situation is different, and the evolution of each campaign finance regulatory system is therefore individual. However, there are some features that allow us to predict if the campaign finance regulatory regime in a country has the potential to be effective or not. Global Integrity suggests that 'in 89% of countries, oversight bodies are unable to effectively impose sanctions and deter repeat violations of political finance laws'.<sup>38</sup> This focuses attention on the efficiency of campaign finance oversight bodies as the core instrument for the successful implementation of campaign finance regulations. In most countries, campaign finance oversight bodies suffer from cumbersome and politically influenced appointment procedures (and a lack of merit-based and independent leadership), budgetary and staff constraints, a lack of initiative and transparency regarding investigations, and poor enforcement capacity.<sup>39</sup> However, there are also some notable exceptions, which will be showcased in this chapter.

Effective campaign finance bodies operate in two ways—standard setting and behaviour modification.<sup>40</sup> Without effective oversight, campaign finance regulations remain in the realm of attempted standard setting and even that is, unfortunately, in most cases likely to fail. This chapter analyses what systematic features make effective oversight possible by drawing on the examples of political and campaign finance oversight arrangements in France, Germany, the US and some other countries.

## Institutional arrangements for effective campaign finance oversight

Globally, an increasing number of countries have introduced political and campaign finance oversight institutions. According to the International IDEA database, in 2019 only 20 (11%) out of 176 surveyed countries did not have any campaign oversight arrangements.<sup>41</sup>

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38 Luís de Sousa, 'Measuring the Enforcement Capacity of Political Financing Supervisory Bodies', *European Political Science* 18 (2019), p.3. <https://doi.org/10.1057/s41304-018-0150-2>.

39 Ibid.

40 Ibid.

41 *International IDEA*, 'Political Finance Database'. <https://www.idea.int/data-tools/data/political-finance-database>.

**Table 1 Type of public institution mandated to monitor political parties in the EU member states**

Country	Central Electoral Commission	Independent Agency or Commission	Ministry/Executive Branch	Parliament
Austria			✓	
Belgium				✓
Bulgaria				
Croatia	✓			
Cyprus				
Czechia		✓		
Denmark			✓	
Estonia		✓		
Finland				
France		✓		
Germany				✓
Greece			✓	✓
Hungary				
Ireland		✓		
Italy		✓		
Latvia		✓		
Lithuania	✓		✓	
Luxemburg	✓		✓	✓
Malta	✓			
Netherlands			✓	
Poland	✓			
Portugal		✓		
Romania	✓			
Slovakia	✓			✓
Slovenia				
Spain				
Sweden			✓	
United Kingdom*		✓		
<b>Total</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>5</b>

Source: Lolita Cigane, Ferdinand Pot and Giorgi Alasania, *Monitoring Financial Operations of Political Parties in Georgia: A Proposal for an Alternative Arrangement Based on EU Practices*, GFA Consulting Group (March 2019).



As the above table indicates, many EU member states entrust campaign finance oversight capacity to the main election administrator—that is, the central electoral commission; some delegate it to the executive branch (agencies, ministries) and others to parliaments. In some cases, mandates are shared between different institutions, which also depends on the nature of the financing (i.e. private or public). In general, when analysing global campaign finance practice, there is little evidence to suggest that having the main election administrator as the primary campaign finance oversight body is a solution that leads to effective enforcement. Since the primary responsibility of the electoral administration body is the successful conduct of elections, campaign finance oversight usually remains an auxiliary function with a pro forma implementation. For instance, in Croatia, the State Election Commission assesses political party compliance with campaign finance regulations by ascertaining that all reports are submitted on time and filled out properly.<sup>42</sup> If sanctions are implemented, it is done so only in response to late reporting or miscalculations in the forms. In general, such bodies ‘tend to act as compliance organizations, ensuring minimum standards of probity through rubberstamp monitoring of current and electoral financial statements’.<sup>43</sup>

Another institutional arrangement that signals ineffective implementation is when political and campaign finance oversight is placed with the parliament or the structure of a parliament. Parliaments usually neither have an incentive to implement the campaign finance mandate effectively, nor are they willing to impose sanctions on the political parties that are in direct control of the work of such oversight bodies. For instance, in Germany, political finance oversight is placed under the president of the Bundestag who in the realm of campaign finance acts through an administrative unit. The latter’s role is to scrutinise financial reports in relation to their accuracy and publish them on the website of the Bundestag.<sup>44</sup> They can enquire about particular issues in the financial reports and request additional clarifications as well as documentation

42 OSCE/ODIHR, *Croatia, Parliamentary Elections, 5 July 2020: ODIHR Election Assessment Mission Final Report*. <https://www.osce.org/files/f/documents/b/4/465120.pdf>

43 De Sousa, ‘Measuring the Enforcement Capacity of Political Financing Supervisory Bodies’.

44 OSCE/ODIHR, *Germany, Parliamentary Elections, 26 September 2021: Final Report*. <https://www.osce.org/files/f/documents/0/3/514048.pdf>

from political parties. If the party's statement does not provide sufficient clarification, the president of the Bundestag, in agreement with the party, can commission an independent audit. However, this provision has never been applied in practice, and the work of the oversight body is generally limited to spotting arithmetical inaccuracies and calculations.<sup>45</sup> Some limited amendments to Germany's campaign finance regulation were proposed in 2023 but they did not deal with the role of the oversight body; nor did they contemplate greater independence to the oversight bodies.<sup>46</sup>

## Mandates that make oversight bodies effective

For a political finance oversight body to achieve the long-term goal of behaviour modification—from mostly corrupt to mostly compliant—and transparent management of political finances, the following prerequisites are necessary:

1. a clear and objective procedure for leadership selection and appointment;
2. diversified and wide supervision powers;
3. special inquiry powers, including to request relevant information from a variety of involved parties—both public (such as the tax office) and private (such as financial institutions, i.e. banks);
4. powers to make decisions binding through a variety of graduated and effective sanctions, as well as the capacity to follow-up with the enforcement of the decisions;
5. the ability to perform on-site or at least in-depth documentary inspections and the availability of internal and external expert assistance to facilitate inspections;
6. the ability to start investigations on its own initiative (as a consequence of risk assessment), due to complaints or at the request of another body; and

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45 Ibid.

46 *Transparency International Germany*, 'Stellungnahme anlässlich der Anhörung zum Parteiengesetz' (Berlin, 27 November 2023).

7. increasing transparency of their work, including by publishing regular activity and political finance control reports in line with clearly set deadlines.

As a rule, such powers can only be vested in agencies that are independent—both in budgetary and leadership appointment—and are specialised, that is, they have political finance oversight as their core or one of their core roles. It is exactly this type of specialisation that allows campaign finance oversight bodies to modify their approaches as campaign methods develop and grow in sophistication (with, for instance, the complexities of online campaigning, third-party financing or financing through crypto-currencies). Such specialisation is also necessary for successfully gathering evidence of campaign finance violations, presenting and defending cases at court, and achieving the corresponding convictions. The transparency of the work of the oversight body, as well as transparency in political party and candidate reporting, is another fundamental and will be discussed later in this chapter.

In France, the National Commission for Control of Electoral Accounts and Political Finance (Commission nationale des comptes de campagne et des financements politiques - CNCCFP) is the independent administrative authority that oversees candidates' campaign finances and ensures compliance with the annual accounting obligations of political parties. The work of the CNCCFP focuses first on the scrutiny of political party financial reports. For this purpose, it hires 'specialist' help—some 200 rapporteurs, temporarily employed on a special roster, and external personnel, usually retired magistrates, judges or public servants, who conduct an initial examination of the reports. In addition, the CNCCFP may recruit experts to evaluate specific technical matters and request that the judicial police conduct investigations. Failure to comply with the reporting requirements may result in financial sanctions, ineligibility to stand for upcoming elections and criminal penalties. In these cases, the CNCCFP refers the matter to the Constitutional Council and, if necessary, to the public prosecutor, for further investigation. For elected candidates this may result in the loss of their mandate: in 2012, the elections of three Members of Parliament were cancelled due

to campaign finance irregularities.<sup>47</sup> Over the years, the CNCCFP has proven to be a principled enforcer of campaign finance regulations<sup>48</sup> and its work has resulted in some high-profile convictions for campaign finance misconduct.<sup>49</sup>

The efficient and visible work of the Commission also prompts legislative responses to close loopholes in the law. For instance, in 2017, the Law on Trust in Political Life increased sanctions for various campaign finance violations and introduced further transparency measures on the origin of contributions and on loans, effective for the 2022 presidential and parliamentary elections. This example shows how a proactive oversight agency creates a virtuous circle of legislative innovation that responds to the evolution of the campaign finance environment.

Another positive example of effective campaign finance oversight is the Standards in Public Office Commission in Ireland. It is an independent body, composed of six members. The chairperson must be a judge or former judge of the Supreme Court or High Court and is appointed by the president of Ireland on advice from the government and with supporting resolutions from the two houses of parliament. The Commission has four ex officio members: an auditor general, an ombudsman, a secretary general of the upper and the lower house of the parliament, and a former Teachta Dála or Member of Parliament, appointed by the government after approval from each house is received.<sup>50</sup> The secretariat functions are provided by the ombudsman's office.

The Commission is an independent body that has the right to initiate and conduct its own investigations. The results of the investigations are reported to the public and sent to the police or Prosecutor's Office if criminal misconduct is suspected. The mandate of the Commission is clearly and concretely defined: it accepts and publishes information on donations received by political parties and candidates; it

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47 OSCE/ODIHR, *France, Parliamentary Elections, 12 and 19 June 2022: Final Report*. [https://www.osce.org/files/f/documents/2/d/535107\\_0.pdf](https://www.osce.org/files/f/documents/2/d/535107_0.pdf)

48 Ibid.

49 *Reuters*, 'France's Sarkozy Found Guilty Again Over Campaign Funds, Makes New Appeal', 14 February 2024.

50 Standards in Public Office Commission, homepage. <https://www.sipo.ie>.

conducts oversight of the opening and maintenance of political donations accounts; it controls the limitation, disclosure and reimbursement of election expenses; it checks the state financing of qualified political parties and registers ‘third parties’.<sup>51</sup>

Due to its proactive oversight and investigative work, ‘the campaign finance system [in Ireland is] comprehensive and transparent’, with the Standards Commission also giving sufficient guidance to the electoral contestants as to what their campaign finance compliance obligations are.<sup>52</sup> This is, in fact, one of the distinctive features of effective and strong campaign finance oversight agencies—along with rigorous checks of the accounts, scrutiny of the supporting documents, and examination of the evidence and facts, they also conduct active outreach, educating and consulting political parties and candidates in campaign finance compliance.

## Transparency and reporting

US Supreme Court judge Brandeis famously stated that ‘sunlight is said to be the best disinfectant’. But while transparency is an important first step, it is not a sufficient measure to ensure effectiveness of campaign finance regulation. Transparency works best if it is coupled with some other important elements of a healthy political finance regulation system, including functional and independent media, as well as an efficient civil society and strong political competition.

In the US the level of transparency for donations to political parties and candidates is high—‘all entities participating in campaign spending are subject to regular reporting requirements and the information is promptly published on a searchable FEC-managed on-line database’.<sup>53</sup> However, inconsistent regulation on so-called independent spending, especially since the 2010 US Supreme Court Ruling *Citizens United v. Federal Electoral*

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51 Campaign/lobby groups or individuals that accept a donation for political purposes which exceeds €100 in value.

52 OSCE/ODIHR, *Ireland, Early Parliamentary Elections, 8 February 2020: Needs Assessment Mission Report* (5 February 2020). <https://www.osce.org/files/f/documents/a/b/445528.pdf>

53 OSCE/ODIHR, *United States of America General Elections, 3 November 2020: Limited Election Observation Mission Final Report*.

*Commission*<sup>54</sup> and the fact that the campaign oversight body, the Federal Election Commission, has been politically deadlocked or unable to make decisions for almost a decade,<sup>55</sup> are making campaign finance regulation in the US unworkable, resulting in spiralling campaign expenditure. This all happens despite high levels of campaign finance transparency for individual donations to candidates and their campaign.<sup>56</sup>

On the other hand, some democracies, notably Estonia and Latvia, have demonstrated that high levels of political income and expenditure transparency can strongly contribute to the effectiveness of oversight when the latter are fully empowered to perform their functions. This happens for two reasons. First, regular disclosure of campaign finance information allows for civil society and media scrutiny, thus generating demand for supervisory action from the responsible institutions. Second, high levels of transparency foster reporting and a race for higher standards—political parties and candidates engage in regular reporting on competitors' possible misconduct.

In Estonia, political party expenditure is disclosed via quarterly expenditure reports and a separate campaign expenditure report that is submitted by political parties and candidates within a month after the elections. The quarterly reports are available in a searchable database and include expenditure categories—such as advertising reported separately for different media, management and public relations costs. Election campaign reports are detailed and include the names of all political party contractual partners and the sums that have been paid to each service provider.

It has been assessed that during the parliamentary elections of 2023, 'political and campaign finance oversight [was] also facilitated by the media that actively pursue[d] and report[ed] on possible political and campaign finance irregularities. The [campaign oversight body] also received and considered a number of notifications and complaints from the political opponents who watched each other's campaigns and used opportunities to point out what they perceived as misconduct.'<sup>57</sup>

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54 As long as there is a formal separation between the candidate and the 'independent spender', the independent spenders can receive unlimited donations, including from corporations, and spend them for the candidate's promotion in an unlimited manner.

55 OSCE/ODIHR, *United States of America General Elections*, 3 November 2020.

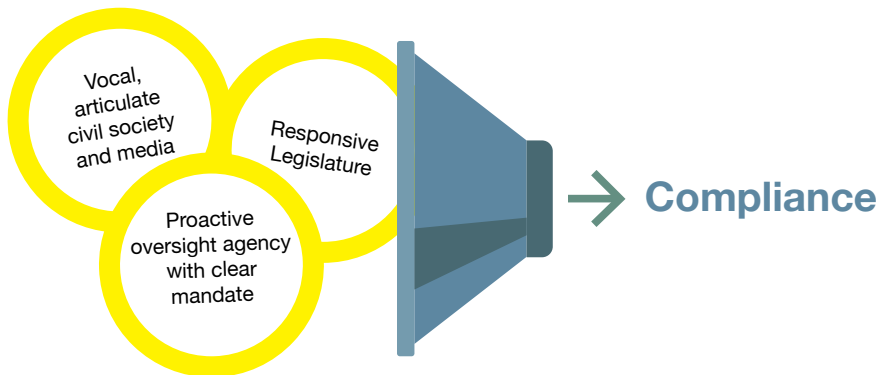
56 See US, Federal Election Commission website for examples: <https://www.fec.gov/data/>.

57 OSCE/ODIHR, *Estonia, Parliamentary Elections, 5 March 2023: Final Report*.

In Latvia, all donations to political parties must be reported within 15 days of their receipt via an electronic data input system, and all donations for concrete candidates must be passed on to the respective political party, which has immediate reporting obligations. Information on the donations, including the donor's identity and the type of donation (cash or in-kind) is published on a searchable database of the Latvian Anti-Corruption Agency. This increases overall transparency and, in the more specific campaign environment, where a large part of the activity occurs online, it makes it possible to expediently verify, for instance, whether a person who publishes a visible online advertising campaign, is an in-kind donor on a political party donor list or a third party acting on behalf of another (possibly foreign) entity, which is against the law.<sup>58</sup> In addition, the use of an electronic data input system ensures that there is a permanent information exchange between political parties and the oversight body fostering compliance.

In general, this is how transparency creates a virtuous circle of efficient campaign finance enforcement.

**Figure 1 Main elements of compliance**



Source: Lolita Cigane, *Regulating Online Campaign Finance. Case Study on Latvia*, International IDEA (2022).

<sup>58</sup> Cigane, *Regulating Online Campaign Finance*.

In Germany, civil society activists have been fighting for years to ensure that donations to political parties are promptly disclosed. Currently, only donations of €50,000 and above must be immediately disclosed and published on the website of the Bundestag. Donations below this threshold are disclosed only some one and a half years after elections when all reports are submitted. The 2023 proposal that this level is brought down to €35,000 has been criticised by civil society groups as not providing any meaningful transparency.<sup>59</sup>

## Conclusions

Enforcement of campaign finance rules via an independent and principled oversight institution is the key to any successful campaign finance regulatory regime. Without meaningful oversight, the campaign finance system is unlikely to either set standards or improve behaviour. The good news is that more and more countries have introduced campaign finance oversight bodies around the world. However, most of them are not endowed with the mandate, institutional arrangements or resources that lead to effective enforcement.

For the oversight bodies to be effective, there are certain important prerequisites: concrete but broad mandates; the ability to conduct analyses, fact gathering and investigations; the authority and ability to request information from private and public institutions and organisations (such as banks); and, finally, the ability to impose gradual, dissuasive and effective sanctions for misconduct.

This chapter shows that although specific in their institutional arrangements and in nuances in their mandates, campaign finance oversight bodies in some countries serve as good practice examples. Through the consistent implementation of their mandates, these institutions have over the years not only set standards for campaign finance accountability and integrity, but have also managed to modify and improve the campaign finance behaviour of electoral contestants (parties and candidates) over the longer term. As a rule, these more successful campaign finance institutions are specialised and independent political and campaign finance oversight bodies that carry out their mandates with independence and confidence.

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59 Transparency International Germany, 'Stellungnahme anlässlich der Anhörung zum Parteiengesetz'.



# Trial and error:

Political Party Financing Legislation  
as a Party-Building Instrument  
in a Teenage Democracy

**Mantas Adomėnas**

## The rationale behind changing legislation

The principles, scope and actual provisions of political party financing regulation in democracies are usually determined by the considerations of transparency (anti-corruption), ensuring an even playing field and vouchsafing independence from the state for political parties. In Lithuania, only the first of these considerations—concern to prevent political corruption and sale of influence—played a significant role in the public debate regarding party financing regulation. However, in terms of legislation, some other considerations were often put forward as rationales for revising party financing laws.

One concern that political party financing mechanisms were supposed to address was the fragmentation of the political landscape. In the 1990s, the Lithuanian political system closely resembled a two-party model, dominated by the ex-Communist left, represented by the Lithuanian Democratic Labour Party (*Lietuvos demokratinė darbo partija*), and an anti-Communist, pro-independence right, represented by the Homeland Union (*Tėvynės sąjunga* – the Lithuanian Conservatives). The received wisdom was that smaller parties (such as the Liberal Union/*Lietuvos liberalų sąjunga*, the Lithuanian Centre Party/*Lietuvos Centro partija*, the Lithuanian Social Democratic Party/*Lietuvos socialdemokratų partija*) would eventually coalesce into a two-party model, similar to that of the US or the UK. In 2000, however, this perceived likelihood collapsed, and the unicameral 141-member Lithuanian Parliament (*Seimas*) became increasingly fragmented. In the parliamentary term of 2000–4, the Parliament contained 6 political factions of various sizes (the biggest containing 54 Members of Parliament, the smallest, 7 Members, with no faction enjoying an absolute majority) plus an 8 Member-strong non-aligned group. Henceforth, this type of political landscape became the norm (eight plus one factions in 2004–8, seven plus one in 2008–12 and 2012–16, six plus one in 2016–20 and seven plus one in 2020–4). Coalitions of three to four parliamentary parties were needed to form the government, rendering successive governments less capable of implementing clear policies and structural reforms, or of maintaining distinct political identities. This further muddled the already muddly

political waters. The need for political party financing rules which would encourage their cooperation and aggregation, and would at least prevent further fragmentation of the political field, was felt throughout.

Closely linked to concern over fragmentation was concern with instability, even volatility in the political structure. In Lithuania, the levels of popular dissatisfaction with (any) incumbent government, the parliament, and political parties have historically been permanently high.<sup>60</sup> Concurrently, voter volatility in Lithuania has been among the highest in Europe—and in the broader region: ‘in terms of elections, Lithuania is one of the most unstable countries both in Europe and among the post-Communist countries’.<sup>61</sup> This instability led to the phenomenon that we have described in a previous International Republican Institute publication, known as the ‘New Guys On the Block Law’: ‘In every single Lithuanian national election after 1992 there has been a considerable surge of electoral support for a totally new and untried political party regardless of its political orientation, character, or message, with support drastically diminishing after its first national election-run’.<sup>62</sup> The term ‘universal punishment of the incumbent’, coined by Andrew Roberts,<sup>63</sup> is particularly applicable to Lithuania, insofar as not a single time has the incumbent government been returned through election in the course of the 34 years that the country has been independent. Thus, the parliament also tried to use political party legislation to engineer a model of political party financing with the aim of stabilising the political system and dampening this too rapid turnover and change.

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60 Vladas Gaidys, ‘Politinio aktyvumo rodikliai visuomenės nuomonės apklausoje’ [Indicators of Political Activity in Public Opinion Polls], *Filosofija. Sociologija*, 31/4 (2020), p. 363.

61 Mažvydas Jastramskis, ‘Kaip blaškosi Lietuvos rinkėjas? Kaitumas, protestas ir viltis politikoje’ [How Does the Lithuanian Voter Wobble? Fluidity, Protest, and Hope in Politics], in Mažvydas Jastramskis (ed.) *Ar galime prognozuoti Seimo rinkimus? Trijų kūnų problema Lietuvos politikoje* [Can We Forecast Parliamentary Elections? Three-Body Problem in the Lithuanian Politics], Vilnius: Vilniaus Universiteto leidykla, 2018, p. 42.

62 Mantas Adomėnas and Vytenis Fuks, ‘Candidate Selection and Open Primaries in Lithuania’, in Thibault Muzergues and Dan Scaduto (eds.), *Standing Out from the Crowd: Political Parties’ Candidate (S) election in the Transatlantic World*, Washington: IRI, 2022.

63 Andrew Roberts, ‘Hyperaccountability: Economic Voting in Central and Eastern Europe’, *Electoral Studies* 27 (2008), p. 542.

High voter distrust of political parties (indeed, political parties consistently rank lowest in voter estimation among all public institutions) has been blamed, at least partly, on political parties' detachment from, and instrumental treatment of, grass-roots voters (political parties only remember the grass roots before the election, political commonplace says). Thus, incentivising political parties to work more actively and closely with their electorates in between elections was deemed an appropriate and important goal when considering party financing models.

Finally, dissatisfaction with the quality of political parties' policies (party manifestos tend to contain populist slogans rather than workable realistic policies) and parliamentary policymaking (inept, nearly illiterate legislative proposals proliferate) led to the idea that investing in the boosting of the analytical and policymaking capacities associated with the political parties should be encouraged through financing mechanisms. Political party foundations, such as the Konrad-Adenauer-Stiftung and the Friedrich-Ebert-Stiftung in Germany, were pointed out as examples to be emulated.

All of the considerations outlined above played some role, to varying extents, in the experimentation with political party financing models and mechanisms which Lithuania underwent beginning in the 2010s.

## Overview of the changes to legislation

### ***Status quo ante***

The default, or *status quo ante*, regulation of political party financing was enshrined in the Law on the Financing of Political Parties and Political Organisations which was adopted in 1998 and came into force in 1999. It introduced the model of limited regulation of political party income, supplemented by limited state subsidies. Parties were permitted to derive income both from internal sources, such as party members' fees, donations and profits from activities, as well as from donations of individual and corporate contributors. A new feature was state subsidy, distributed to those parties that garnered more than 3% of votes in parliamentary or municipal elections. The law provided that state subsidies to political parties could not exceed 0.1% of the state budget (in fact it never even came close).

Individuals' and companies' financial contributions were neither capped nor effectively monitored or controlled. Private-sector contributions continued to dominate as the source of political parties' income (until the introduction of the special law in 1999, they constituted roughly 70% of political parties' income). This situation led to the formation of a network of clientelist relations between major companies (or their conglomerates) and political parties, as well as to numerous instances of political influence-trading and corruption. Thus, for example, the Liberal and Centre Union (Liberalų ir centro sąjunga), led by Vilnius mayor Artūras Zuokas, was broadly alleged to be financed by the 'Rubicon Group', an influential holding with which Zuokas had close, undeclared connections. The populist Labour Party was in the pocket of Russian-born oligarch Viktor Uspaskih, who was both its founder and chairman. He channelled financial support to 'his' political party, disguised as donations, through a host of his companies and their employees.

Concerns over transparency and political corruption led to tinkering with the political party financing mechanism. Therefore, a new special law seeking to increase transparency was adopted in 2004, ahead of parliamentary elections—the Law on the Financing and Financial Control of Political Parties, Political Organisations and Political Campaigns. All donors of amounts exceeding 100 litas (€29) had to be declared, and companies' donations were capped at 625,000 litas (€181,012) per annum—plus an additional 37,500 litas (€10,861) donation quota in an election year. Some accounting requirements were also introduced. However, political parties that surpassed the 3% threshold in the elections could expect up to 25% of their campaigning expenses to be compensated from the state budget.

Individuals' donations provided a loophole that led to the new regulations being circumvented: soon political parties began declaring a plethora of small donations below 100 litas—whose provenance they did not have to declare. It was broadly suspected that wealthy business donors simply distributed funds to their employees or, for a small fee, to indigent persons with the stipulation to donate the funds to a designated political party. Clientelist relations between business corporations and political parties therefore continued. A particularly insidious mechanism of political

corruption was exposed when it became known that some state-owned enterprises supported political parties and politicians through donations in exchange for political patronage and protection after those parties or politicians came into government and occupied positions controlling those very enterprises. Thus, in effect, the state sector was buying political influence through public monies. State enterprise Lithuanian Railways was particularly notorious for this,<sup>64</sup> but this practice was the rule rather than an exception.

## Subsequent reform

The beginning of the second decade of the century saw the most significant political party financing reform take place since Lithuania's statehood has been restored. The first steps were taken in 2010, as a new version of the Law on Political Parties and Political Campaign Financing and Financial Control was introduced: it brought changes in party reporting deadlines, mandated declarations of costs, lowered permissible donation limits more than 10 times (from 625,000 litas to 42,360 litas, i.e., the equivalent of 20 average monthly salaries or €12,268). Moreover, individuals had to declare their income to be able to donate to political parties (this was done to curb the use of indigent persons for transmitting fictitious donations). The new

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64 See, *inter alia*, Prezidentė Dalia Grybauskaitė, 'Prezidentės pataisos – korupcijos apraiškoms naikinti' [President's Amendments Seek to Tackle Corruption] (24 November 2015). <https://grybauskaite.lrp.lt/lt/prezidentes-pataisos-korupcijos-apraiskoms-naikinti/24253>. 'The facts that have come to light about abuse of office, influence peddling, employment of relatives, municipal privileges for a municipality's own companies, patronage in public procurement, free services for politicians, and non-transparent donations, call for additional legal measures to tackle corruption. . . . In order to ensure greater transparency in the use of funds, the amendments propose to oblige state- and municipally-owned companies to make public information on the support they receive. Currently, such companies do not have to publicly report on the criteria and to whom they provide support. For example, on average, state-owned companies such as *Lietuvos geležinkeliai* [Lithuanian Railways] allocate around €1 million per year to charity and support, *Klaipėdos nafta* [Klaipėda Oil] around €150,000 and *Lietuvos paštas* [Lithuanian Post] up to €140,000' (Author's translation). See also Mindaugas Lankauskas and Simonas Nikartas, 'Korupcija nevyriausybiniam sektoriuje: politinė korupcija labdaros ir paramos fondų veikloje' [Corruption in the Non-Governmental Sector: Political Corruption in Charitable Foundations' Activities], *Teisės problemos* 2/94 (2017), p. 99. <https://teise.org/wp-content/uploads/2017/12/Lankauskas-Nikartas-2017-2.pdf>. 'Last year, the undisclosed donations of the state-owned company *Lietuvos geležinkeliai* [Lithuanian Railways] alone amounted to €1 million, and according to media reports, these donations reached the constituencies of specific politicians. Thus, after banning legal persons from financing political parties, the funds can be used as a back door to finance political parties' (Author's translation).

law also specified the ways in which state budget allocations to political parties could be used, and introduced the verification of parties and political campaigners by independent auditors (previously this role was held by the state tax inspectorate). The maximum limit of expenditure on a national election campaign was lowered from 4 million litas (€1.16 million) to 2.7 million litas (or €0.78 million).

These changes were the result of heated wrangling in the parliament and did not go beyond somewhat improving existing regulations: parliamentary political parties found it difficult to lop off in their entirety the proverbial financial branches on which their financial security perched, namely, corporate donations.

It took the then newly elected president of Lithuania, Dalia Grybauskaitė—an outspoken, strict, sometimes vehement former European commissioner, alternately respected or feared—to introduce cardinal changes to political parties' financing legislation. At the end of 2011 she submitted—and the parliament passed—a legislative proposal which contained the following provisions:

- corporate donations to political parties and political campaigns were banned outright;
- individual donations to political parties as such were banned—individuals could donate only to and during political campaigns;
- during political campaigns, the limit on individuals' donations was lowered from 20 to 10 times the average monthly salary (i.e. approximately 20,000 litas, or €5,800);
- individual donors' contributions could not exceed 10% of their declared annual income; however,
- citizens could allocate up to 1% of their annual personal income tax to support a political party of their choice.

According to President Grybauskaitė, the first four provisions sought to increase transparency, tighten party financing controls and reduce the possibility of illicit funding from corporate donors—‘oligarchs’ buying political influence. ‘Thus, Lithuania transitioned from an extremely liberal regime of political party financing to an especially strict and limited one’, as the authors of a recent study on political party regulation put it.<sup>65</sup>

However, it is the last provision of the legislation that merits attention: by allowing citizens to allocate part of their income tax paid to political parties, legislators sought to encourage the latter to reach out to their constituents and to campaign for their financial support via the state and their income tax (which does not cost voters any extra financial outlay).<sup>66</sup> So a new source of income was introduced, conditional upon parties maintaining a connection with their electorates. Some political parties did not fail to avail themselves of this opportunity and started outreach campaigns. A few years later, once this model had become established, between 11% and 15% of political parties’ income was coming from personal income tax allocations.<sup>67</sup>

Nevertheless, even with the introduction of a new source of financing, political parties feared a loss of income due to the curtailment of corporate and individual donations. Therefore, the overall state funding for political parties in the 2012 budget was raised fourfold—from 5.5 million to 20.28 million litas (i.e. from €1.6 million to €5.87 million); with minor variations, it has stayed at around this amount to this day.

These innovations were not universally welcomed: some critics claimed that the new model increased political parties’ dependence on state financing, virtually turning them into state institutions. Others insisted that the draconian anti-corruption

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65 Mindaugas Jurkynas and Ingrida Unikaitė-Jakuntavičienė, *Politinės partijos Lietuvoje: rinkimai, lyderiai ir finansavimas* [Political Parties in Lithuania: Elections, Leaders and Funding], Kaunas: Vytauto Didžiojo universitetas, 2024, p. 104.

66 The idea was based on an existing financial support model for NGOs and other non-profit organisations: taxpayers could allocate up to 2% of annual personal income tax amount to civil society organisations of their choice.

67 Jurkynas and Unikaitė-Jakuntavičienė, *Politinės partijos Lietuvoje*, p. 112. However, these outreach campaigns could not be used by the parties to identify supporters and to expand the membership base, as the donors’ data would be anonymised.



measures would have the opposite effect: the curtailment of corporate donations would merely drive political party financing underground and off the books, therefore de facto increasing political corruption. This contention was partly justified in 2016, when Eligijus Masiulis, the leader of the Liberal Movement, was apprehended and charged with receiving a €106,000 bribe—intended for party campaigning needs—from business corporation MG Baltic.

The final significant change in political party financing legislation came in 2022. Two new laws were adopted, separating the regulation and control of political party financing from that of political campaigns. From then on, all matters pertaining to political campaign financing have been regulated by the new Electoral Code. As to the contents of the regulations, they have not significantly changed.

The new Law on Political Organisations prescribed all aspects of establishing political parties; their activities, including financing; and the winding up of political parties and political committees.<sup>68</sup> It provided for seven permissible sources of income for political parties: (1) membership fees; (2) state budget assignments; (3) income from activities, such as publishing, events, rent of property and so on; (4) bank loans and (5) interest on deposits; (6) personal income tax allocations (up to 0.6% of taxes paid); and (7) individuals' donations during political campaigns (which could be used only for campaign financing). The threshold for state budget assignments was lowered to 2% of the votes received in the relevant elections, that is, parliamentary, municipal and European Parliament elections.

The most significant innovation, however, was the provision permitting political parties to use state budget allocations to establish and finance political foundations and think tanks. This provision can be seen as a nudge for political parties to invest in their intellectual potential and the quality of policymaking.

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68 A relatively new form of political organisation relevant in the municipal election context since 2015. Since 2024 political committees can also be formed for European Parliament elections as well.

## Impact and outcomes

The reforms of political party financing regulation in Lithuania were not specifically aimed at ensuring an even playing field for political parties, providing them with means for their political activity or safeguarding their political independence. Rather, they aimed to shape the political party ecosystem, guiding it towards a more mature, transparent and responsible stage. How did the political party financing regulation succeed in fulfilling these aims?

*Transparency.* Political corruption scandals linked to party financing no longer make headlines, and there have been no major corruption cases comparable to that of the Labour Party's 'black accounting' scandal in 2006 or the Liberal Movement/MG Baltic bribery case in 2016. Whether that is attributable to the actual cleaning up of the political system due to stricter regulation, however, or to more effective law enforcement, is not obvious. Nonetheless, this aspect of financing regulation may be considered a success, insofar as it has created a climate of rigorous control. It has gradually eliminated the atmosphere of permissibility and impunity which reigned in political party financing until 2011.

*Stability of the political system.* State funding for established political parties surpassing the threshold of 3% of votes was supposed to consolidate those parties' political positions and *ipso facto* reduce the potential for fluidity in the political landscape. This, however, did not happen; voter volatility has remained as high as ever. As the authors of a recent study on the Lithuanian political party system remark,

from 2000 to 2020 in each election at least one newcomer political party, established just before the election, was successful. . . . As we can see, restricting the sources of party financing and increase of state subsidies failed to prevent the emergence of new parties or the build-up and growth of smaller ones, even though not all of them survived as parliamentary parties for a more extended period.<sup>69</sup>

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69 Jurkynas and Unikaitė-Jakuntavičienė, *Politinės partijos Lietuvoje*, p. 113.

*Outreach to grassroots.* Campaigning for personal income tax allocations has become an established practice, and major political parties each year reach out to their potential supporters through targeted campaigns. This has not, however, changed the underlying situation: campaigning between elections has not become a routine feature of Lithuania's political life. The fact that donations to political parties on top of state support and income tax allocations can only be made during election campaigns has also been an inhibiting factor: extra activity in between elections requires more outlay from the parties, but does not bring in additional income. In the meantime, party membership continues to fall: as a press release from the Ministry of Justice asserts, 'Data as at 1 October 2023 show that the total number of party members at the end of this year is 95,358. This is the lowest number of party members since 2014'.<sup>70</sup> There are only two parties that surpass the threshold of 10,000 members: the Lithuanian Social Democratic Party (14,336 members in 2023) and the Homeland Union–Lithuanian Christian Democrats (11,133 members at the same date). But even their membership is declining: in 2020 they had 16,759 and 13,772 members, respectively. Political scholar Elena Masnevaitė blames political parties' inactivity on state subsidies and subsequent acquiescence with the status quo:

The state now gives a lot of money to political parties in the form of grants. But the low level of trust in parties shows that they stop trying to attract people in the periods between elections, because they don't need them—they still get money from the state. It is as if the parties are only needed by the state to prove that it has a multi-party system and is a democracy, and not by the public to prove that they are part of civil society. Hence the problems with the high level of distrust in parties and the low percentage of the public that participates in them.<sup>71</sup>

70 *Lrytas.lt*, 'Partijoms priklausančių asmenų skaičius mažėja: šiuo metu partiečiai yra 95 tūkst. šalies gyventojų' [The Number of Persons Belonging to Parties Is Decreasing: Currently 95,000 Country Inhabitants Are Party Members], 8 October 2023. <https://www.lrytas.lt/lietuvsodiena/aktualijos/2023/10/08/news/partijoms-priklausanciu-asmenu-skaicius-mazeja-siuo-metu-partieciais-yra-95-tukst-salies-gyventoju-28646623>.

71 A. Lėka, 'Rinkimų finansavimas: ar bus daugiau skaidrumo?' [Election Financing: Will There Be More Transparency?], *Kauno diena*, 1 October 2022. <https://kauno.diena.lt/naujienos/lietuva/politika/rinkimu-finansavimas-ar-bus-daugiau-skaidrumo-1097280>.

*Think-tanks.* It seems that at least in one aspect the new legislation has been successful. Permission to spend state budget allocations on the creation and maintenance of party foundations or analytical centres has led to the establishment of a series of party think tanks: the Institute of European Right by the Homeland Union–Lithuanian Christian Democrats, the Solidarity Institute by the Lithuanian Social Democratic Party, the Liberal Democracy Institute by the Freedom Party, the Democracy Institute by the Lithuanian Democrats, Liberalis by the Liberal Movement, as well as the Centre for Christian Democracy and Traditional Values by the Farmers and Greens Union (Lietuvos valstiečių ir žaliųjų sąjunga).

It may seem a hopeful sign; however, it remains to be seen how far these think tanks will contribute to the raising of the overall intellectual level of Lithuanian political discourse and policymaking. In some cases, it seems like it might be a case of preaching to the converted (the Homeland Union was always an ideology- and policy-heavy party, reproached by its critics and supporters alike for its overly intellectual approach), whereas in some other parties' cases, where qualified intellectual and analytical input is most needed, the associated think tanks already appear to be somnolent or even moribund. Thus, this legislative provision seems to have created an opportunity to be exploited only by those political parties that already set their bar high and are fairly well provided for in that respect.

Thus, to conclude, as an instrument to shape and build up the Lithuanian political ecosystem, political party financing regulations have worked only partially. They have had considerable success in reducing opportunities for political corruption and increasing levels, or at least the perception of levels, of transparency. They may yet prove to be effective in providing political parties with badly needed intellectual resources. In other respects, however, the political system has proved resilient to the nudges provided to it by the evolving legal framework of the political party financing regulations.

# Financing European Political Parties and European Political Foundations

**Dr Peter Hefele**

The creation and functioning of European political parties (EUPPs) as a political organisation *sui generis* has been quite extensively studied, from their role in democratising the EU to their sometimes complicated relations with the party groups in the European Parliament and the national parties. However, it was only in 2004 that the European Parliament introduced a direct public funding system to subsidise EUPPs. Since then, this funding system has been a constant source of discussion, controversy and reforms. The evolution of a legal and administrative framework for EUPPs clearly shows the lengthy and complex genesis of this new type of political party organisation.<sup>72</sup> The constant adaptation of the respective laws, directives and control procedures reflects the ongoing internal evolution of these organisations, as well as their reactions to cases of abuse and new needs.

Following Wouter Wolf's approach, the object of this article is to study the European parties as *extra-parliamentary party organisations*.<sup>73</sup> We leave out, as far as possible, the political groups in the European Parliament, which are part of a different funding system. However, we include the funding of the *European political foundations* (EUPF)<sup>74</sup>, taking into account the fact that European parties and European political foundations are closely interconnected, being the 'tissue that connects'.<sup>75</sup>

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72 On the history and specifics of European political parties see Thomas Jansen and Steven Van Hecke, *At Europe's Service. The Origin and Evolution of the European People's Party*, Berlin Heidelberg: Springer, 2011; Nathalie Brack and Wouter Wolfs, *European Political Parties Poorly Identified Political Bodies*, Brussels: Institut Jacques Delors, 2023 ([https://institutdelors.eu/wp-content/uploads/2023/05/E\\_230522\\_Par-tis-politiques-europeens\\_Brack-et-Wolfs\\_EN.pdf](https://institutdelors.eu/wp-content/uploads/2023/05/E_230522_Par-tis-politiques-europeens_Brack-et-Wolfs_EN.pdf)); and Wilhelm Hofmeister and Peter Hefele, 'European Political Parties' Resilience Against the Threats to Democracy', in Thibault Muzergues, Romain Le Quiniou and András Braun (eds.), *Why We Still Need Parties: The Resilience of Europe's Political Parties Explained*, Brussels: Wilfried Martens Centre for European Studies, 2023.

73 It is worth mentioning that sub-organisations of the parties, e.g., Women's and Seniors' organisations receive funds from the party.

74 We follow the approach of the first volume of this series on European Parties, where the role of European political foundations is included in the analysis of European parties; see Hofmeister and Hefele, 'European Political Parties' Resilience Against the Threats to Democracy'.

75 Luciano Bardi et al., *Political Parties and Political Foundations at European Level. Challenges and Opportunities*, EUDO REPORT 2014/08. [https://www.europarl.europa.eu/meetdocs/2014\\_2019/documents/afco/dv/study\\_pe509983/study\\_pe509983\\_en.pdf](https://www.europarl.europa.eu/meetdocs/2014_2019/documents/afco/dv/study_pe509983/study_pe509983_en.pdf). Quotation from Benjamin Fox, 'European Political Parties and Foundations: The 'Tissue' that Connects?', *Euractiv*. <https://www.euractiv.com/section/future-eu/linksdossier/european-political-parties-and-foundations-the-tissue-that-connects/>.

## Legal framework

With Regulation (EC) no. 2004/2003, the European Parliament and the Council established for the first time a stable system for EUPPs to receive annual funding from the European Parliament.<sup>76</sup> The funding comes as a grant, for which each party has to apply annually. The subsidies can be used for the operation of the party organisation and can cover up to 85% of the parties' expenses.<sup>77</sup> The party statutes and internal regulations define the objectives for this funding, which can include covering the costs of meetings, staff, or campaigning. For the remaining 15%, the parties have to rely on their own resources, such as compulsory contributions from the member parties or private donations.

A major step forward in enhancing transparency was made in 2014 with Regulation (EC) no. 1141/2014, which answered a series of shortcomings and offences against transparency and the abuse of funds for objectives not stipulated in the previous rules. An essential element of this revision was the creation of an Authority for European Political Parties and European Political Foundations (APPF), which was 'established for the purpose of registering, controlling and imposing sanctions on European Political Parties and European Political Foundations'.<sup>78</sup> Minor additions have followed since,<sup>79</sup> whilst a more significant revision is expected in the upcoming legislature (2024–9).<sup>80</sup>

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76 See *European Parliament*, 'Contracts and Grants: European Political Foundations' (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-foundations>.

77 If not otherwise stated, the thresholds etc., reflect the latest regulations by the European Parliament and the Authority for European Political Parties and European Political Foundations.

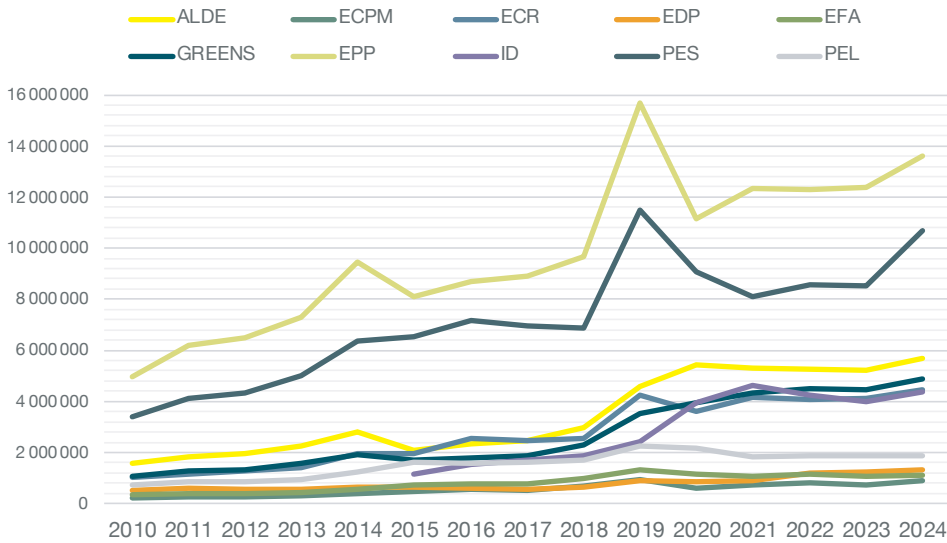
78 European Parliament, *Authority for European Political Parties and European Political Foundations* (2014), chapter 6.1; see also APPF, *About us* (2024). <https://www.appf.europa.eu/appf/en/home/the-authority>.

79 That is, in 2018. European Parliament and European Council Regulation (EU, Euratom) 2018/673 amending Regulation (EU, Euratom) no. 1141/2014 on the statute and funding of European political parties and European political foundations, OJ L114 (3 May 2018), 1. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32018R0673>.

80 *Pub Affairs Bruxelles*, 'European Political Parties and Foundations: MEPs Ready to Negotiate New Rules', 16 September 2022. <https://www.pubaffairsbruxelles.eu/eu-institution-news/european-political-parties-and-foundations-meps-ready-to-negotiate-new-rules>.

Furthermore, to better protect election processes from malign (foreign) interference, the European Parliament has already stepped up its efforts to shield political parties from untransparent funding.<sup>81</sup>

**Figure 1 Annual subsidies from the European Parliament 2010–24 (in euros)**



Source: European Parliament, Directorate-General for Finance, *Funding European Political Parties* (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-parties>.

## Other sources of revenue

The unique character of EUPPs is that they lack their own substructures in the member states. This creates significant dependence on their national member parties and has been a source of opacity and abuse of funds. Furthermore, this unsatisfactory

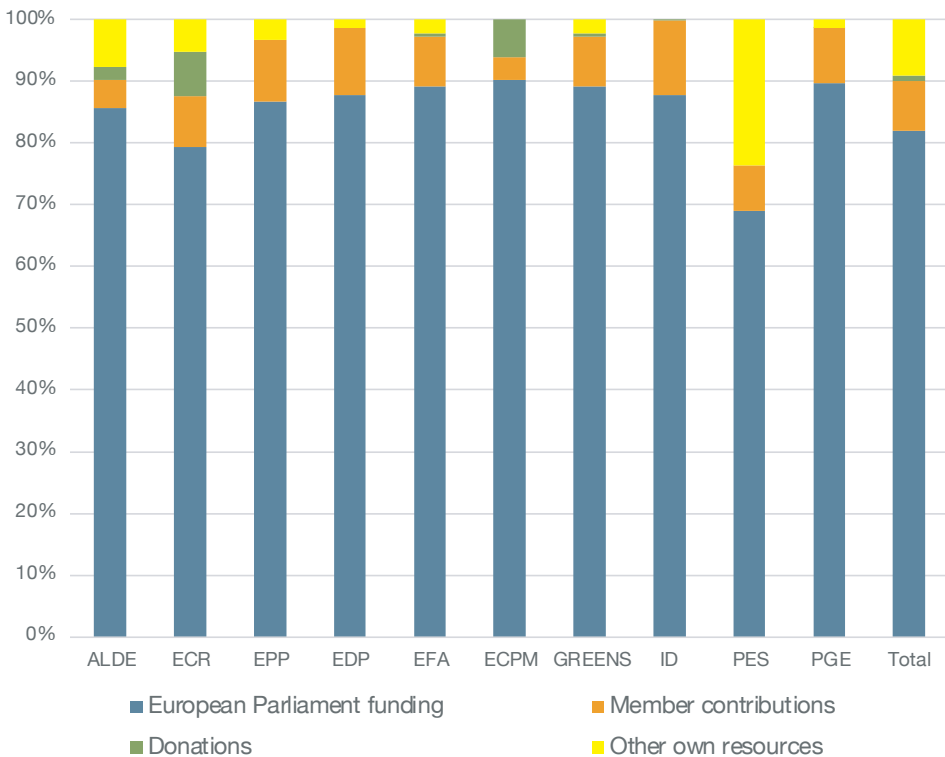
81 European Parliament, *Resolution on Foreign Interference in All Democratic Processes in the European Union, Including Disinformation*, 9 March 2022 (2020/2268 (INI)). [https://www.europarl.europa.eu/doceo/document/TA-9-2022-0064\\_EN.html](https://www.europarl.europa.eu/doceo/document/TA-9-2022-0064_EN.html). European Parliament, *Report on Foreign Interference in All Democratic Processes in the European Union, Including Disinformation*, 15 May 2023 (2022/2075(INI)). [https://www.europarl.europa.eu/doceo/document/A-9-2023-0187\\_EN.html#\\_section2](https://www.europarl.europa.eu/doceo/document/A-9-2023-0187_EN.html#_section2). Also with further reference to previous measurements.



situation is also the result of a quite heterogeneous legal framework among the member states regarding the ways in which European parties can (or cannot) support their member parties.

Among the EUPPs’ non-parliamentary funding sources, member parties’ contributions (i.e. contributions from national political parties or individual members) are a major source of income but are limited to comprising 40% of an EUPP’s annual budget. Individual citizens can donate up to €18,000 per annum.<sup>82</sup>

**Figure 2 Sources of funding for the EUPPs (2022)**



82 ‘Until 5 December 2023, only donations above EUR 12.000 had to be reported immediately. Since 6 December 2023 (6 months prior to the European elections), European political parties and foundations have to report all donations (also below EUR 12.000) on a weekly basis. Subject to compliance controls and applicable data protection restrictions, the Authority is publishing them here as soon as possible, usually within one week after having been informed of them’ (APPF, ‘Donations and Contributions’ (2024). <https://www.appf.europa.eu/appf/en/donations-and-contributions>.)

Source: European Parliament, *Contracts and Grants: Audit Reports and Donations* (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/audit-reports-and-donations>; own calculations.

Note: for ID, we use official data from 2021, as no official data are yet available for 2022.

A ‘red line is direct or indirect funding of other political parties, and in particular national parties or candidates; the same goes for elections, political parties, candidates or other foundations.’

Several cases in the past<sup>83</sup> have shown that the strict separation of funding between the European and national levels is often transgressed in practice, and therefore a constant source of complaints by the auditors.

Regarding the origin of private donations, there is a distinct difference between Europarties with nationalist and Eurosceptic agendas that are receiving donations from individuals, and federalist parties which receive most of their donations from international business donors. Moreover, individuals form the largest donor category. While donors are located in a variety of countries, those from Central and Eastern Europe make nearly half of all donations.

## The funding of European political foundations

European political foundations are part of the larger legal framework of party financing since 2004, and receiving subsidies (Eurofoundations) since 2008. The EUPPs *political foundations* are defined as ‘organisation[s] affiliated with a European political party, which underpins and complements the objectives of that party’.<sup>84</sup> The rationale behind, as well as the legal and budgetary template for European foundations draw on those of the German political foundations, which were created in the 1950s as an answer to the failure of the first democratic Republic of Weimar and its party system.

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83 The relevant article is Article 2 of Regulation (EU, Euratom) no. 1141/2014. See also *Authority for European Political Parties and European Political Foundations*, ‘Annual Activity Reports’ (2019). <https://www.appf.europa.eu/appf/en/other-information/annual-activity-reports>.

84 *European Parliament*, ‘Contracts and Grants’.

*Affiliation* is an important characteristic of political foundations. It marks the specific relation of these organisations in comparison to other types of entities inside the wider cosmos of the party family. Parties and their foundations share a common ideological basis, but their organisations, internal rules and, last but not least, funding are strictly separated. However, both are supervised by the APPF. The rationale behind this separation is to avoid any hidden ‘second-round’ funding of core party activities, such as campaigning or funding of (additional) party staff via political foundations.

The main purpose of the activities of the political foundations is to provide intellectual resources for the programmatic work of their ‘mother party’ and to support the development of democratic, ‘civic’ engagement among European citizens. The latter is primarily done in cooperation with national partners, which are often, but not exclusively, national party foundations. In many cases, however, party foundations or equivalents do not exist, as several European countries have not yet created a similar legal and budgetary framework at the national level.<sup>85</sup>

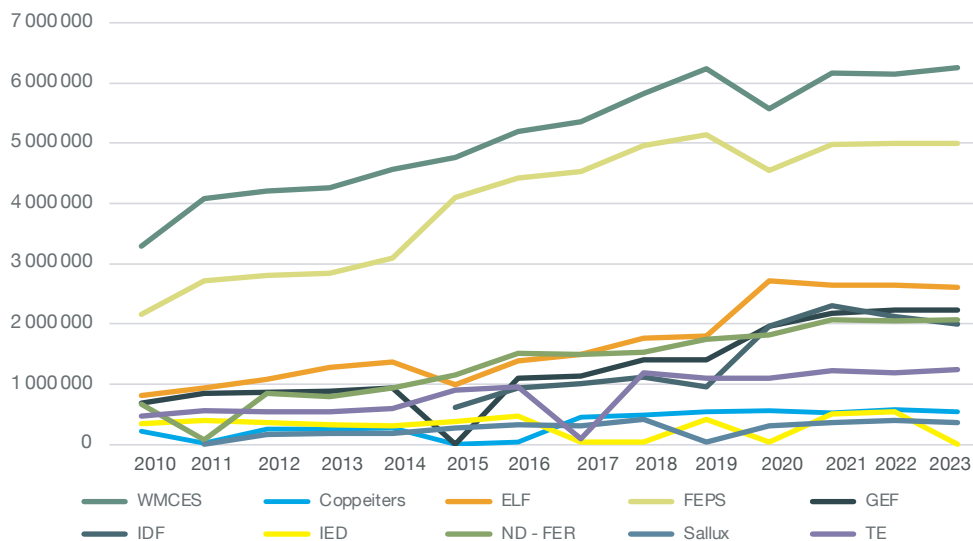
In 2023, a total of €22,317,186 was allocated to the 10 eligible European political foundations. As in the German system, the overall budget is allocated according to the number of seats of the respective party (group) in the European Parliament. The allocation remains (comparatively) constant over the whole period, and it changes only after the next round of elections.

All foundations operate under a unified regulatory framework and auditing processes. However, their internal organisational structures are different, and so is the allocation of funds for various types of activities, such as research and training courses. The same goes for the distribution of funds between direct activities and operations by national partners/foundations. In practice, there is no project-based cooperation between the various European foundations. Besides the issues of ideological differences, such cooperation could lead to a grey zone of ‘double funding’ for the same activities.

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<sup>85</sup> The guiding principle of cooperation is shared contribution and ownership from all partners. Full coverage of all project-based costs by a European Foundation is not allowed, nor is the funding of infrastructure and staff. This rule is a big obstacle to establishing new political foundations in politically and economically weaker countries, e.g. in countries which seek accession to the EU—thus limiting the overall objective of creating democratic societies.

**Figure 3 Annual subsidies from the European Parliament to the European political foundations, 2010–22 (in euros)**



Source: European Parliament, Directorate-General for Finance, *Funding European Political Foundations* (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-foundations>.

To secure independence from third parties, mainly private or public enterprises or major donors, around 95% of the budget is provided as grants by the European Parliament. Sponsorships or entrance fees make up the remaining 5%. Political foundations cannot participate in programmes funded by the European Commission, for example in democracy promotion, as this would be considered double funding from the Commission and the Parliament. This limits the scope of their activities in practice, given the size of the programmes, for instance, for democracy promotion.

The size of the individually allocated budget follows the German model and is defined by the number of Members in the European Parliament affiliated to the respective

party group. These shares remain unaltered during the whole legislative term, even if the composition and size of the group change. This rule provides a stable mid-term planning horizon for the foundations, supports the building-up of experience and enables continuous engagement with internal as well as external partners.

## Conclusions and recommendations

A critical analysis of the evolution of the funding system of the European political parties and the European political foundations provides plenty of valuable insights into the specific circumstances and roles these two groups of actors play, for example in the further democratisation of the EU. The following points combine some conclusions with recommendations for adjustments to the existing regulatory framework.

### European political parties

- While there is some logic in terms of transparency in separating party funding between operations on the European and the national party level, this strict separation puts some obstacles in the way of the promotion of the European idea at the national level. As long as the European parties do not have proper, deeper roots on the ground, for example through individual memberships, they rely on the infrastructure of their national member parties. However, in trying to support the national parties, they enter a grey zone of financial flows between different levels and inconsistent regulatory systems. This weakness would only be solved with clearer rules and better funding mechanisms for national parties. Similarly, the abuse of the political foundations' resources by their mother parties presents a very similar problem.
- While the influence of parties has steadily grown over the years, the relationship between the parties and the parliamentary groups remains an issue, including in terms of financing, transparency and leadership.
- The unprecedented rise of sophisticated methods of disinformation and malign

third-party operations<sup>86</sup> remains the biggest challenges for future reform of party financing. Internal party mechanisms must be tightened to maintain the integrity of the campaigning and legislative processes.

- With the rise of Eurosceptic parties, the current funding system will come under pressure as the mainstream parties will have to fight against the obvious abuse of those funds by extremist forces. A narrow path will have to be traversed between avoiding the accusation of ‘petrifying’ the existing system and excluding new competitors.<sup>87</sup>
- Given the sceptical public attitude towards political parties, a further increase in the base funding of EPPF is not realistic unless further steps are taken to democratise the EU.

## European political foundations

- The limited financial and organisational capacities of many European political foundations and national member foundations often constrain the scope of joint operations due to the principle of co-funding. Operations in countries on the verge of EU accession require increased flexibility.
- Furthermore, national parliaments should contemplate creating a thorough legal structure for setting up and financing political foundations. This move would enhance transparency between European and national foundations and enhance the promotion of European policy issues inside the member states.

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86 APPF, *Foreign Electoral Interference Affecting EU Democratic Processes Authority for European Political Parties and European Political Foundations*. Brussels, 2023.

87 Wouter Wolfs, *European Political Parties and Party Finance Reform: Funding Democracy?* London: Palgrave Macmillan, 2022, p. 244.

# Appendix

**Table 1 Registered European political parties (2024)**

Name	Abbreviation
<b>Alliance of Liberals and Democrats for Europe Party</b> (formerly European Liberal Democrat and Reform Party)	ALDE
<b>European Christian Political Movement</b>	ECPM
<b>European Conservatives and Reformists Party</b> (formerly Alliance of Conservatives and Reformists in Europe)	ECR
<b>European Democratic Party</b>	EDP
<b>European Free Alliance</b>	EFA
<b>European Green Party</b>	EGP
<b>European People's Party</b>	EPP
<b>Identity and Democracy Party</b> (formerly Mouvement pour une Europe des Nations et des Libertés)	ID
<b>Party of European Socialists</b>	PES
<b>Party of the European Left</b>	PEL

Source: APPF, *Registered Foundations* (2024). <https://www.appf.europa.eu/appf/en/parties-and-foundations/registered-foundations>.

**Table 2 Registered European political foundations (2019–24)**

Name	Affiliated European political party
Association pour l'Identité et Démocratie Fondation	ID
Coppieters Foundation	EFA
European Green Foundation	EGP
European Liberal Forum	Renew
Foundation for European Progressive Studies	S&D
Institute of European Democrats	EPD
New Direction	ECR
Sallux	ECPM
Transform Europe	PEL
Wilfried Martens Centre for European Studies	EPP

Source: APPF, *Registered Foundations* (2024). <https://www.appf.europa.eu/appf/en/parties-and-foundations/registered-foundations>.



**Table 3 Funding of the European political parties, 2010–24 (in euros)**

Year	Party										
	ALDE	ECRPM	ECR	EDP	EFA	GREENS	EPP	ID	PES	PEL	
2010	1,553,984	209,500	1,016,275	505,617	339,965	1,054,999	4,959,462		3,395,323	708,080	
2011	1,815,770	259,852	1,140,478	598,555	395,333	1,298,539	6,183,988		4,117,825	846,936	
2012	1,950,344	241,807	1,285,913	550,293	384,185	1,333,372	6,482,715		4,323,313	835,049	
2013	2,232,476	305,012	1,402,596	571,946	438,864	1,563,218	7,276,292		4,985,352	947,500	
2014	2,812,798	387,534	1,958,083	653,919	554,614	1,917,890	9,450,842		6,376,706	1,219,120	
2015	2,093,480	460,950	1,951,521	651,950	709,378	1,703,093	8,091,256	1,170,746	6,541,317	1,632,113	
2016	2,337,149	547,440	2,531,682	588,200	777,490	1,798,090	8,683,552	1,546,439	7,154,167	1,594,189	
2017	2,468,649	499,993	2,468,649	552,500	781,229	1,865,999	8,893,000	1,696,660	6,941,145	1,624,939	
2018	2,958,493	703,529	2,566,211	625,600	963,717	2,308,022	9,653,986	1,874,375	6,888,502	1,700,000	
2019	4,564,976	921,217	4,262,340	887,400	1,327,049	3,518,721	15,663,000	2,425,515	11,475,000	2,250,000	
2020	5,420,315	598,583	3,600,000	855,000	1,134,331	3,932,126	11,134,961	3,932,126	0	2,160,000	
2021	5,302,504	732,817	4,143,031	914,400	1,073,839	4,347,644	12,327,545	4,620,461	8,116,650	1,836,000	
2022	5,273,953	803,854	4,068,450	1,209,013	1,140,921	4,477,434	12,288,571	4,242,392	8,566,150	1,850,400	
2023	5,199,527	738,788	4,117,000	1,219,000	1,087,273	4,462,000	12,397,000	4,000,000	8,526,150	1,876,500	
2024	5,671,527	885,935	4,436,535	1,329,146	1,117,496	4,864,548	13,593,645	4,359,348	10,678,500	1,881,000	

Source: European Parliament, Directorate-General for Finance, *Funding European Political Foundations* (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-foundations>.

Table 4 Funding of the European political foundations (2010–22)

Fiscal Year	Foundation										TE
	WMCES	Coppeliers	ELF	FEPS	GEF	IDF	IED	ND - FER	Sallux		
2010	3,288,663	212,544	818,438	2,150,000	684,419		337,585	659,651			475,542
2011	4,075,836	25,245	942,819	2,714,798	850,767		392,156	74,721	150		554,889
2012	4,197,068	259,134	1,075,703	2,802,702	872,042		366,393	841,397	167,198		550,265
2013	4,255,505	249,695	1,270,187	2,839,002	889,406		325,851	798,019	173,539		539,088
2014	4,568,845	267,388	1,362,890	3,086,695	927,911		315,264	944,021	186,836		587,228
2015	4,757,131	2,975	984,981	4,089,429	9,455	621,677	375,882	1,147,367	266,745		904,485
2016	5,191,840	32,493	1,391,869	4,430,253	1,090,124	943,905	465,047	1,507,722	326,023		951,628
2017	5,357,039	457,035	1,487,768	4,536,250	1,127,277	1,010,392	40,375	1,487,768	310,164		98,308
2018	5,816,345	479,887	1,761,857	4,964,127	1,400,310	1,116,237	40,375	1,529,434	418,969		1,193,712
2019	6,238,125	534,179	1,798,601	5,142,293	1,405,225	955,653	421,786	1,742,404	36,559		1,096,144
2020	5,567,480	567,165	2,710,157	4,555,512	1,966,063	1,966,063	44,811	1,817,244	299,291		1,102,913
2021	6,163,773	523,386	2,651,252	4,970,198	2,173,822	2,310,231	504,172	2,071,516	366,409		1,218,962
2022	6,144,286	572,715	2,636,977	4,996,447	2,238,717	2,121,196	538,448	2,052,425	401,927		1,192,791
2023	6,258,788	543,636	2,599,697	4,991,000	2,231,000	2,000,000	6,095	2,076,970	369,394		1,240,606

Source: European Parliament, Directorate-General for Finance, *Funding European Political Foundations* (2024). <https://www.europarl.europa.eu/contracts-and-grants/en/political-parties-and-foundations/european-political-foundations>.

# When Foreign Authoritarian Actors Finance Political Movements:

The Dark Side of International Politics

**Thibault Muzergues**

Foreign influence via the financing of domestic politics is probably as old as politics itself and certainly older than political parties. In the eighteenth century, Poland, Russia, Austria and Prussia were known to finance various factions of Polish politics, with malign effects not only for national politics, but also for the very existence of the Polish Republic.<sup>88</sup> In the twentieth century, as fractions and clans evolved into mass political parties and ideological struggles became international, foreign interference almost immediately transformed itself into a problem for modern nation-states, forcing them in the 1930s and 1940s to legislate for the first time on political party financing. The most famous recipients of these foreign funding flows were, of course, Europe's Communist parties, which were intrinsically (and financially) linked with the USSR, but there were other examples of totalitarian countries providing financing to, for instance, fascist parties and organisations during the 1930s.

Following the dissolution of the USSR, the issue of the foreign financing of political parties and movements largely took a backseat in Europe, as the main foreign provider of funds disappeared. This did not, however, mean that funding of electoral campaigns by foreign actors ceased to be an issue. Indeed, one of the most famous examples of the 2000s is the alleged illegal financing of Nicolas Sarkozy's campaign by Libyan dictator Muammar Gaddafi in 2007. However, this particular scandal was seen as more relevant to issues of corruption than foreign interference. After all, having lived through the 'End of History',<sup>89</sup> Europeans saw themselves as not having any enemies, which precluded the very idea of foreign interference.

Things changed, albeit slowly, throughout the 2010s, as cases of electoral finance meddling by authoritarian powers multiplied in the EU, notably in Austria, France, Italy, Latvia, Spain and even the UK (among others), at a time when authoritarian powers sought to ride the wave of political disruption that seemed to be engulfing Europe.

The multiplication of these affairs illustrates how foreign authoritarian powers have been using the financing of political parties and their ecosystems as tools to gain political influence in Europe, a continent that these powers usually see as hostile

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88 See, for example, Norman Davies, *God's Playground: A History of Poland*, vol. 1, *The Origins to 1795*, Oxford: Oxford University Press, 2005.

89 Francis Fukuyama, *The End of History and the Last Man*, New York: Free Press, 1992.

and weak. This chapter will take a look at some of these scandals and identify what allowed foreign authoritarian powers to cheaply gain influence in Europe's political systems. Once these weak points have been identified, the conclusion will suggest a series of recommendations for political parties as well as lawmakers at both the EU and (mostly) national levels to better immunise their domestic political scene from this type of outside interference.

## Foreign authoritarian financing of political movements in Europe: a few (telling) case studies

In order to characterise the problem of foreign authoritarian influence in Europe via political party funding, it is best to provide a brief review of some of the most infamous cases over the past few years. These have been chosen not only because of their high profile and (sometimes extensive) coverage by the media, but also because they say much about the strategies employed by authoritarian states to try and buy influence in European politics. However, it would be foolish to see these as an exhaustive description of all cases of foreign partisan funding. Indeed, we should understand that these high-profile cases are only the tip of the iceberg, as many other cases have not been publicised, or have simply gone unnoticed due to the opaque nature of this type of financing arrangement.

### **Playing by the book: the Russian loan to the French National Front**

Perhaps the most famous—and certainly most straightforward—case of foreign funding to a political party in Europe is the Russian loan of €9.4 million arranged between Marine Le Pen's National Front (Front National, now National Rally/Rassemblement National or RN) and the First Czech Russian Bank (FCRB, actually a Russian private bank) in 2014, following the party's success in the European elections, and ahead of the presidential election of 2017. The transaction itself was completely legal as the French legal system at the time permitted loans from financial institutions of foreign

origin,<sup>90</sup> so much so that FCRB actually sued the RN in 2020 for failing to repay the loan—the RN now claims to have repaid it in full.<sup>91</sup> The case in itself is interesting, because although the loan was negotiated discretely, it was made in all legality, using a loophole in French legislation: although gifts from foreign or any other legal entity are not allowed under French law, at the time nothing impeded a party from receiving a loan from a bank, particularly as the said bank was licensed in Czechia, and therefore in the EU. The RN seems to have used this lack of regulation again in 2017 when it arranged another loan from an Emirati bank, this time for €8 million.<sup>92</sup>

When the story came out a few months after the signing of the contract, Marine Le Pen and her advisors justified it by claiming that no French bank had wanted to lend her the money. The rationale presented was simple: after several years of bad electoral results at the national level (2007–13), the RN was facing financial difficulties, and its rebirth under the leadership of Marine Le Pen seemed jeopardised by the lack of funds. As no Western European bank was available to the RN, options were limited to the Chinese, Iran Russia: Marine Le Pen considered that Russia was the best option, according to then-Member of the European Parliament Jean-Luc Schaffhauser, who negotiated the deal.<sup>93</sup>

If the deal was made legally, the origin of the money, however, was far from transparent: FCRB was suspected by the authorities in Czechia, where the bank was licensed, of laundering money, and it soon emerged that it was being used as a conduit for activities that allowed private actors to evade sanctions imposed on Iran.<sup>94</sup>

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90 Legal dispositions to address this were adopted in 2017, via the Organic Law Nr. 2017-1338 “for trust in political life” dated September 15, 2017.

91 Valentin Dechambre, ‘Le Rassemblement national a intégralement remboursé son prêt russe’, *Le Point*, 19 September 2023. [https://www.lepoint.fr/politique/le-rassemblement-national-a-integrale-ment-rembourse-son-pret-russe-19-09-2023-2536060\\_20.php](https://www.lepoint.fr/politique/le-rassemblement-national-a-integrale-ment-rembourse-son-pret-russe-19-09-2023-2536060_20.php).

92 Karl Laske and Marine Turchi, ‘La justice saisie de l’affaire du prêt émirati de 8 millions d’euros au RN’, *MediaPart.fr*, 11 January 2021. <https://www.mediapart.fr/journal/france/110121/la-justice-saisie-de-l-affaire-du-pret-emirati-de-8-millions-d-euros-au-rn>.

93 Declaration to the National Assembly’s parliamentary investigative committee, in May 2023. See *20 Minutes*, ‘Rassemblement national : Tout comprendre à l’affaire de Marine Le Pen et du prêt russe’, 24 May 2023. <https://www.20minutes.fr/politique/4038171-20230524-rassemblement-national-tout-comprendre-affaire-marine-pen-pret-russe>.

94 *GMF*, ‘Illicit Influence – Part One – A Case Study of the First Czech Russian Bank’, 28 December 2018. <https://securingdemocracy.gmfus.org/first-czech-russian-bank-case-study/>.

The case of the RN's Russian loan raises the question of whether it had consequences for the positioning of Marine Le Pen vis-à-vis Russia and the war in Ukraine, or *au contraire*, whether the loan was secured as a result of Le Pen's Russophile inclinations.<sup>95</sup> In any case, the influx of Russian money into national politics was seen as enough of a worry for French lawmakers to forbid national political parties from taking loans from either foreign states or corporations a few months after the 2017 French presidential elections.<sup>96</sup>

### **Not only Russia: Venezuela and the new left in Spain and Italy**

The Russian loan to the RN, of course, is not the only time that Russians have been in contact with European politicians to finance their political operations. Another that could be mentioned is the 'Metropol case', consisting of meetings between two businessmen close to Matteo Salvini's League (Lega) and three Russian intermediaries at Moscow's Hotel Metropol in October 2018 to discuss financing schemes for the party. Although the contacts and the intention were proven, the discussions on the actual financing seem to have gone nowhere, and Italian justice closed the case in 2023.<sup>97</sup> This time, the proposed scheme seems to have been murky, and involving many intermediaries, which might explain why politicians in the end refused to go along with it.

But Russia is not the only player in Europe to have at least attempted to finance political parties. In fact, the most famous case in Southern Europe involves Venezuela: in the early 2010s, the Chavez regime allegedly funded far-left movements sympathetic to its vision of Bolivarian socialism. Among the indirect beneficiaries of the schemes were the Five Star Movement (Movimento 5 Stelle), via Gianroberto Casaleggio, the owner

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95 Marine Le Pen was interviewed on this subject by the French National Assembly's investigative commission on foreign interference on 24 May 2023. See Valentin Dechambre, 'Prêt russe au RN : Marine Le Pen auditionnée sur les ingérences étrangères', *Le Point*, 24 May 2023. [https://www.lepoint.fr/politique/pre-t-russe-au-rn-marine-le-pen-auditionnee-sur-les-ingerences-etrangeres-24-05-2023-2521431\\_20.php#11](https://www.lepoint.fr/politique/pre-t-russe-au-rn-marine-le-pen-auditionnee-sur-les-ingerences-etrangeres-24-05-2023-2521431_20.php#11).

96 Law no. 2017-1339, dated 15 September 2017 amends the French electoral code, and Article L-58 on the financing of political parties should be noted.

97 *Il Sole 24*, 'Caso Metropol, archiviata l'inchiesta sui fondi russi della Lega. Gip: «Obiettivo era finanziamento ma non è stato raggiunto»', 27 April 2024. <https://www.ilssole24ore.com/art/caso-metropol-archiviata-l-inchiesta-fondi-russi-lega-AE6GB0MD>.

of the movement's database and operations,<sup>98</sup> and what was to become the Spanish party We Can (Podemos), via think tanks linked to the Indignados movement, which was intended to usher in the formation of the party.<sup>99</sup> This time, the financial arrangements were totally untransparent and illegal, as they involved large deliveries of cash through diplomatic pouches and payments via private communication companies close to the political parties—and, in the case of Spain—that were owned by Venezuelans.<sup>100</sup>

The Venezuelan case is quite revealing about authoritarian actors' preferred mode of operation. The financial transfers involved private companies and think tanks rather than parties as such, and the money was allegedly used to provide services for political parties and the personalities that circled around them—that is, database services (in the case of Casaleggio in Italy), public events and so on. In fact, it seems that the financial movements were deliberately aimed at avoiding financing political parties directly; instead they meant to feed the ecosystem that was built around them. There seem to have been two reasons for that: first, the lesser scrutiny of the finances of the private companies and think tanks surrounding political parties, but also the very specific construction of the party structures of We Can and the Five Star Movement, which structurally grew out of civil society movements and private companies operating on the margins of the political system. In this case, there was some logic to financing the ecosystem around the political parties (which, in the case of We Can, did not actually formally exist when the first payments were made) rather than political parties themselves. Financing the service provider rather than the party was not only less risky, but was also probably seen as more impactful.

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98 Rossana 'Miranda, Il tesoretto di Maduro ai 5 Stelle e Podemos? Le indagini in corso', *Formiche*, 28 October 2021. <https://formiche.net/2021/10/maduro-movimento-5-stelle-indagini-venezuela/#content>.

99 Isabel Vega, Cruz Morcillo and Javier Chicote, 'La Audiencia Nacional investiga si Maduro financió a Podemos hasta al menos 2017', *ABC*, 18 November 2021. [https://www.abc.es/espana/abci-audien-cia-nacional-investiga-si-maduro-financio-podemos-hasta-menos-2017-202111181522\\_noticia.html](https://www.abc.es/espana/abci-audien-cia-nacional-investiga-si-maduro-financio-podemos-hasta-menos-2017-202111181522_noticia.html).

100 B. Parera, A. Requeijo and P. Gabilondo, 'El juez investiga el pago de 4,5 M de Venezuela a una plataforma ligada a cargos de Podemos', *El Confidencial*, 18 November 2021. [https://www.elconfidencial.com/espana/2021-11-18/juez-investiga-venezuela-podemos-millones\\_3326721/](https://www.elconfidencial.com/espana/2021-11-18/juez-investiga-venezuela-podemos-millones_3326721/).



## **From Ibiza to Vienna: a setup that says a lot about foreign influence via political funding**

The question of financing ecosystems rather than parties was also at the heart of the Ibizagate scandal in Austria, which exposed how far political elites with sympathies for the Russian regime would go to secure financial backing. The scandal takes its name from a secret video recording, made at a 2017 meeting in Ibiza between then far-right opposition politician Heinz-Christian Strache and a woman posing as the daughter of Russian oligarch Igor Makarov. The video shows Strache agreeing to assist the woman in acquiring business contracts in Austria in exchange for political and financial support in the upcoming October 2017 elections, following which he became vice-chancellor. In the video, Strache suggests that in order to avoid being audited, the woman should donate funds not to his party directly but to its affiliated associations. He then seems to agree with her suggestion that she might help his Freedom Party of Austria (Freiheitliche Partei Österreichs) in the long term by buying the *Kronen Zeitung*, Austria's biggest tabloid newspaper.

The video itself was incriminating enough to cause the resignation of Strache the day following its publication by German newspapers *Der Spiegel* and *Süddeutsche Zeitung*. The scandal resulted in elections, in which the Freedom Party was decisively defeated. While it was a setup (the person in the video proving not to be the daughter of Makarov), it showed the extent to which some high political officials in Austria were ready to go to obtain access to foreign money to gain advantage in the political and the media scene—and once again that the favoured mode of action was to finance not the party directly, but rather the ecosystem around it.

## **The latest prominent case: Voice of Europe**

Finally, the most recent case of foreign authoritarian money financing politics in Europe also tells us much about authoritarian powers' modus operandi. The Voice of Europe scandal came out in March 2024, when Polish and Czech authorities revealed a scheme surrounding the website Voice of Europe, which was financed by Viktor

Medvedchuk, a Ukrainian oligarch with clear Russian sympathies. The website was used to spread Russian propaganda across the continent. The ongoing investigations have revealed a vast pro-Russian operation aimed at filtering Kremlin messaging to the electorate. Several media sources have also reported that several European politicians, many of them Members of the European Parliament, were paid directly in cash or via cryptocurrency swaps to spread narratives pushed by the website.<sup>101</sup> The suspicions have naturally fallen on personalities who have contributed to Voice of Europe, most of them from far-right parties in various countries (the Netherlands, Belgium, Germany, France, Hungary, and Poland), including populist firebrand Thierry Baudet, who has been relaying conspiracy and anti-Ukrainian content on the Internet for the past few years. If confirmed, those payments would once again show a preference for financing the ecosystems around political parties rather than the political parties themselves, with ‘media’ websites being used as cover for financing individual politicians. This would make sense considering the current atomisation and personalisation of politics, as seen in most European countries, most notably the Netherlands.

## Lessons: what these cases tell us

The above cases allow us to distinguish a number of patterns that help us better understand how some authoritarian countries financially support political parties and their ecosystems in Europe, most often (but not always) illegally. The first pattern is actually one of the (imperfect) diversity of sources: even if Russia features prominently in the series of cases presented above, it is not the only autocracy that has been financing European political actors over the past decade. As we have seen, Venezuela has also attempted to provide financial assistance to nascent parties (on the far left), and one could also add to the list Qatar<sup>102</sup> and Azerbaijan<sup>103</sup> — although in both cases

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101 Nicholas Vinocur, Pieter Haeck and Eddy Wax, ‘Russian Influence Scandal Rocks EU’, *Politico*, 29 March 2024. <https://www.politico.eu/article/voice-of-europe-russia-influence-scandal-election/>.

102 Heena Sharma, ‘Explained: Qatargate Scandal: Cash, Corruption, Raids and Arrests Shook European Parliament a Year Ago’, *WION*, 9 December 2023. <https://www.wionews.com/world/explained-qatargate-scandal-cash-corruption-raids-and-arrests-shook-european-parliament-a-year-ago-667964>.

103 *France24*, ‘“Strong Suspicion” of Corruption in “Caviargate” at Council of Europe’, 23 April 2018. <https://www.france24.com/en/20180423-suspicion-corruption-caviargate-council-europe-azerbaijan>.

the money went directly to corrupt individual politicians, rather than to helping parties, so these could be more easily presented as individual corruption scandals. China is so far absent from the picture, but it is known to finance think tanks and other, less partisan structures linked to the political world.<sup>104</sup>

This leads to a second pattern, which is that foreign financing is often opaque: with the notable exception of the Russian loan to France's RN, which was done by the book thanks to a gap in regulation that has since been filled,<sup>105</sup> all other financial transactions were opaque, if not outright illegal. This is where countering foreign authoritarian influence and the fight against kleptocracies making in-roads in Europe converge, and this intersection must be recognised if one is to better combat both phenomena. The fact that these transactions happen far from the public eye is obviously revealing of how compromising the information would be in the perception of at least parts of the electorate, but it is also testimony to the fact that most—though not all—European countries have put in place a legislative system to keep foreign money out of their political parties. What the multiplication of cases in the 2010s shows is that authoritarian actors have multiplied efforts to influence Europe's political systems, and there are currently too many loopholes that allow them to find ways into Europe's political system. For example, while France has for a long time prohibited corporations, unions and foreign governments from making donations to political parties, nothing—at least until 2017—prohibited the latter from receiving loans from foreign banks. That the loan was legal could not hide the fact that senior Russian government officials were involved in the deal.

Another regulatory loophole is connected to what could be referred to the 'ecosystem' that surrounds a political party. The example of *Ibizagate* in Austria, in which a senior national politician basically offered ways for the supposed daughter of a Russian oligarch to buy influence in the country by buying a newspaper and (importantly)

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104 See, among others, Mareike Ohlberg and Clive Hamilton, *Hidden Hand: Exposing How the Chinese Communist Party is Reshaping the World*, London: Hardie Grant, 2020.

105 Marine Turchi, 'Le Front national décroche les millions russes', *MediaPart*, 22 November 2014. <https://www.mediapart.fr/journal/france/221114/le-front-national-decroche-les-millions-russes>.

making donations to party associations, shows how political party financing legislation can be easily circumvented as party associations fall under the jurisdiction of civil society law rather than political party law.

There are actually many ways for foreign powers to finance political organisations without giving directly to political parties—even legally or at least half-legally. In Austria, donating to party associations seems to be a good way to circumvent party finance regulation, but here, as in many other countries, the press, which has become much more partisan and linked to specific political movements, can also be bought or even created with the aim of manufacturing a political atmosphere favourable to certain actors—this was one of the themes of the Ibizagate scandal, but even more clearly of the Voice of Europe case. In the same way, autocrats can also choose to finance private actors, who not only are less scrutinised by regulation but may seem better suited than political parties to achieve mobilisation goals. These can be non-governmental organisations or think tanks, whose finances are not as closely scrutinised as those of political parties. In the case of the alleged financing of the Five Star Movement, the money seems to have gone to Casaleggio Associati, the private company that practically ‘owned’ the party via the ownership of its data database and communication system.<sup>106</sup>

The current multiplication of political actors around political parties and the atomisation of party systems also allows autocrats to finance smaller, more agile actors, which often allows them to slip through the cracks of attention. This can translate into the individual corruption of elected officials, particularly when a state is focusing on a certain issue and needs to target particular officials in a given parliamentary committee of a national parliament or an international parliamentary assembly, such as the Parliamentary Assembly of the Council of Europe or the European Parliament. In such cases, when corruption is discovered, it is easier to hide the issue of foreign influence behind that of corruption or kleptocratic in-roads being made in Europe, as was the case during the early phase of Qatargate.<sup>107</sup>

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106 See Nicola Biondo and Marco Canestrari, *Il Sistema Casaleggio: Partito, soldi, relazioni: ecco il piano per manomettere la democrazia*, Milan: Ponte alle Grazie, 2019.

107 Ella Joyner, ‘Qatargate, One Year on: EU Corruption Scandal Still Unsolved’, *DW.de*, 12 August 2023. <https://www.dw.com/en/qatargate-one-year-on-eu-cash-for-influence-scandal-still-far-from-over/a-67670541>.

This naturally leads to the question of the why and the how, for if there are authoritarian actors who are willing to ‘invest’ money in European politics, they must first have a number of objectives and also have enablers who allow them to enter the game by introducing them to corruptible leaders or actors who will take their money. In terms of the former, it is rather obvious: the autocrats are financing political actors and their ecosystems to at least influence their thinking and policy platform. However, one should also understand that money by itself does not buy direct influence as the ideological affinities are pre-existing—otherwise Bolivarist Venezuela would not have bet on Southern Europe’s far-left, and Vladimir Putin would not have bet on Europe’s far-right. Rather, the goal is to change ideological affinities into a long-term clientelistic relationship that will solidify into long-term agreements defined by dependence. This prompted French President Emmanuel Macron to tell Marine Le Pen in the 2022 presidential debate: ‘you speak to your banker when you speak to Russia’.<sup>108</sup> Although such politicians may indeed carry the aspirations of certain sections of society that would not otherwise be heard, these relationships of dependence with foreign funders seriously undermine their legitimacy. Cutting these dependency links is complicated, for it means cutting a financial relationship, not a mere connection.

Regarding the question of domestic enablers, one must recognise that the number of political actors around political parties has grown exponentially over the past years, and while their presence is often a welcome addition to the political debate, it must also be acknowledged that these actors are often poorly regulated, which in turn allows malign internal and external actors to cheaply buy their way in the national or EU political systems. Filling these legislative loopholes is therefore an important part of any strategy of countering foreign authoritarian influence through political party funding, as is exposing those actors that receive (and enable) this funding.

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108 Pierre de Vilno, ‘Macron à Le Pen : «Vous parlez à votre banquier quand vous parlez à la Russie»’, *Europe1*, 20 April 2022. <https://www.europe1.fr/politique/guerre-en-ukraine-emmanuel-macron-accuse-marine-le-pen-de-dependre-du-pouvoir-russe-4106888>.

## Conclusions and recommendations

Over the past decade, the multiplication of scandals involving foreign powers financing political actors in Europe (very often, but not only on the far right and far left of the political spectrum) has raised awareness of a real problem for Europe's sovereignty: in societies like that of the EU, openness is often mistaken for weakness, and foreign actors, including malign authoritarian powers, are ready to take advantage of trust and loopholes in the system to finance local political actors that they believe would be more sensitive to their interests. As seen in the case studies presented in this chapter, there are regulatory loopholes that can be used by foreign states as the campaign environment is constantly evolving and a multiplicity of different actors (not only political parties) that take part in the public debate. In order to build resilience against the foreign funding of European politics, the following actions could be taken:

- *Ban direct funding of political parties from any foreign entity outside the EU:* while many European countries have built defences against the financing of political parties by foreign powers, legislation varies from one member state to another. For example, while 13 countries have full bans on foreign donations to political parties and 11 have partial restrictions on foreign funding (for example, 'only' allowing limited donations from foreign individuals—up to a limit of €1,000 from foreign nationals in Germany or €2,500 in Austria, a practice that can be circumvented using bundling techniques),<sup>109</sup> four member states—Belgium, Denmark, Italy and the Netherlands—do not have any restrictions on foreign funding. At this stage, it seems that some harmonisation would help, even though every EU member state should also remain in control of its own campaign finance system. This is why the EU could adopt a directive banning any donation to a political party from any individual, corporate or state entity from outside the EU, allowing each member state to then adopt compliant legislation with the possibility of adapting it to its own system.

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109 Kristine Berzina, 'Foreign Funding Threats to the EU's 2019 Elections', *GMF* (2024). [https://www.gmfus.org/download/article/15319#\\_edn1](https://www.gmfus.org/download/article/15319#_edn1).

This would still allow funding from within the EU to circulate (notably from European political parties and their sister organisations), but reduce the risk of direct foreign funding of political parties.

- *In each EU member state, organise an audit looking at potential loopholes in political party financing and filling the gaps to make foreign funding more difficult:* This is what the French National Assembly did following the affair of the RN's Russian (and subsequently Emirati) loan: in 2017, it passed a law banning such practices. While this is certainly a positive development, one must also recognise that the practice of foreign funding by using loopholes in the law has now reached such a scale that major, serious audits are now necessary to recognise, preferably *ex ante*, which points of legislation create vulnerabilities for unscrupulous foreign actors. This would allow European states to gain an advantage by allowing them to anticipate (as opposed to reacting to) possible new cases of foreign funding.
- *Name, shame and prosecute:* in order to be effective, the fight against foreign authoritarian funding in our political landscapes needs to be integrated by all actors—and of course, the potential recipients of the foreign funding, that is, the political actors and parties, need to be made aware of the issue and the costs incurred by accepting money from foreign actors, particularly in terms of their reputation and appeal to the electorate. This was less obvious in the early 2010s, when Russia and China (among others) were seen rather positively by sections of the electorate. However, as public opinion has decisively turned against them today,<sup>110</sup> it is much clearer that parties run a real reputational risk by associating with these foreign authoritarian actors. Making this clear to political leaders and incentivising those that wish to get away from these relationships, should be a task for civil society organisations aiming to clean up foreign malign influence in Europe. The fact that many actors today are

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110 Dominique Reynié (ed.), *Freedoms at Risk: The Challenge of the Century*, Fondation pour L'Innovation Politique (January 2022). <https://www.fondapol.org/en/study/freedoms-at-risk-the-challenge-of-the-century/>.

keen to distance themselves from association with foreign authoritarian actors, including Salvini's League (which denounced its cooperation agreement with United Russia in April 2024) and Marine Le Pen's RN (which made the effort to repay its Russian loan ahead of time) show that the momentum is currently favourable. This should not be put to waste.

- *Take an overview, and look at the financing not only of political parties, but of political ecosystems:* specialisation and the atomisation of political life have greatly complexified our political landscapes: today think tanks, dedicated private companies working for political parties and even partisan media (both online and offline) have become political actors of their own, and their funding is subject to legislation that is, understandably, much looser than that of political parties. Of course, it would be a mistake to submit all these organisations to the same, drastic regime as political parties. Think tanks, for example, have a different economic model, and having them follow the same rules that apply to political parties would probably obliterate many of them. But adapting legislation to shield these sectors from foreign interference would be a welcome move by the legislator. For example, France has recently passed a new law to fight against foreign influence, requiring all think tanks to publicly declare gifts and donations from any foreign actor.<sup>111</sup> This clearly falls short of the infamous 'foreign actor' regime implemented in countries such as Russia, as it gives the possibility for think tanks to pursue these foreign donations without legal consequences, but their declaration makes for more transparency in the political debate. Other pieces of legislation, such as a ban for security purposes on the purchase of media by non-NATO nationals, could also be considered, with the understanding that there is a fine line between the over-regulation of the sector, which would either kill the business model or open the way to anti-democratic abuse, and the protection of these sectors from foreign malign influence.

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<sup>111</sup> France, *Vie Publique*, 'Loi du 25 juillet 2024 visant à prévenir les ingérences étrangères en France', 26 July 2024. <https://www.vie-publique.fr/loi/293529-prevenir-les-ingerences-etrangeres-proposition-de-loi-houllie-2024>.



# Conclusion:

It Is Time for Us to Take Political Party Finance Seriously – Again

**Thibault Muzergues**

There is no such thing as a free meal, and everything has a price. As this publication has shown, money is not only at the centre of everything, it also plays a crucial part in politics, and even though it might sound provocative, democracy also has a dollar—or, in this case, a euro—figure attached to it. To put it simply, democracy needs money to function. And because the money is always elsewhere than in politics, politicians need to make an effort to reach out to gain access to it. However, in democracies this needs to be done honestly and transparently so that the flows of money towards parties and politicians do not interfere with the will of the people.

That quest for money is never easy. And as this chapter will show, there is no silver bullet: no system for financing politics is perfect, and even when we think it is, it needs to constantly evolve to adapt to new circumstances—while corruption has always been a major issue for anyone dealing with the subject, other considerations such as foreign influence need to be taken into consideration. Likewise, as shown in the chapters written by Septimius Pârvu on public funding (and spending), and Isabelle Fenoy and Alexandre Basdereff on private fundraising, there are pros and cons to every system, and even public financing can lead to injustices (such as keeping some political movements out of funding sources by denying them public financing) and shady dealings when it comes to spending money. Likewise, private fundraising can be used by parties to build new resources, but to do it properly and transparently requires experience, professionalism and lots of ethics—something which so far only experienced fundraisers in Europe have been able to provide.

In this fast-changing environment, the immediate reaction would be to call for the legislator to step in and act, to create a more transparent framework for political party finance across the EU. In some member states, this is clearly the case, and some of our chapters feature a number of options for new regulation to be considered, both at the national and (to some extent) European levels. However, it would be a mistake to think that a good political party finance system requires only sound legislation on its own. This puts too much responsibility on the parliament or government and risks ossifying a system that will not be able to adapt to new challenges—whether that is the emergence of artificial intelligence, new foreign authoritarian actors exploiting

loopholes in legislation or simply new schemes by kleptocrats to launder their money by buying influence in politics.

In fact, making party finance more effective requires efforts from every actor in society: while legislators are key to defining a consistent framework for financing political parties, other actors also have important roles to play. As Lolita Cigane argues in her chapter, oversight institutions are just as important in making sure that the system works—and to do their job properly, they need to be independent, well-funded and well-staffed, as well as able to start investigations and obtain the right information from other authorities. But above all, in these times of increased polarisation and public defiance of institutions (which go hand-in-hand), their functioning must be transparent, and they must make the effort to prove their integrity to the public at every step.

But political financing transparency does not stop at the institutional level. Civil society organisations (CSOs) also have a role to play in keeping the legislator and the public informed about these issues, and to push parties to be more transparent, for example by sharing a code of good and bad practice. CSOs can also inform citizens and politicians about new threats and new opportunities in political party financing (which is exactly what this publication is aiming to do). Of all these CSOs, the ones that are the most important are obviously political parties—although these are often put in the category of institutions. Transparency cannot be truly achieved if political actors—and in particular political parties—do not make an effort to improve the state (or the transparency) of their financing. Without any need for the legislator to step in, parties can help themselves by building up a professional fundraising infrastructure, by publishing their financial results on a regular basis, and by training their members on the risks of political party finance being used by kleptocrats and foreign powers to buy influence in their polity. The latter is particularly true in decentralised countries at the local level, where local party officials are often ill-informed of the risks of dealing with foreign money without knowledge of the possible consequences, including for national security.

Finally, investigative journalism needs to be recognised as a key to making political finance more transparent. The hatred between investigative journalists and politicians

is mutual, but investigative journalists are uniquely able to dig into the increasingly complex schemes through which dirty money finds its way into politics. As experience shows, changes to political party legislation have two causes. One is a wish for political party engineering, and as Mantas Adomėnas has shown in his chapter, this is rarely successful, except when the engineering is directed at making political party finance more transparent. The second is as a response to a crisis or scandal—the French parliament’s legislation banning the practice of political parties contracting a loan from a foreign bank after the French National Rally’s Russian (and then Emirati) loan was publicised by investigative website Mediapart is a case in point. In this sense, even though they are painful to the parties involved, any political party scandal, most often uncovered by investigative journalists, should also be used as an opportunity to better one’s financing environment, whether that be by altering practices at the party level or by changing the law.

The reference to legislative change leads us to briefly revisit the question of regulation—and as the reader should have understood by now, our recommendation is that, while a consistent framework should be voted on (and applied), over-regulation—including at the European level—is not a solution. Political party finance legislation needs to be broad and strict, but not over-burdening, otherwise parties have few ways of financing themselves (other than by being exclusively financed from the state, and this raises the question of whether such political parties can really be independent from it). While under-regulation is an invitation for bad actors with dirty money to step in, as is currently the case with the ecosystems around political parties, over-regulation leads to stagnation, decadence and sometimes complacency.

In Europe, this dilemma also applies to the relationship between legislation at the supranational, European level, and at nation-state level. For reasons that have to do with the great diversity of our histories and of our political systems, legislation regarding political party finance rests almost exclusively at the national level even though, as Peter Hefele’s chapter points out, the European political parties and their ecosystems are quite heavily regulated, sometimes too much in terms of their relationships with member parties. This preference for national legislation should continue: the diversity

of the EU's political systems, which impacts their party finance systems, is such that harmonisation from the top would either fail or produce major disturbances at the national level. This should not preclude EU institutions from adopting some simple, general rules to ensure minimum levels of transparency or protection against foreign powers (such as enforcing an EU-wide ban on non-European foreign donations to political parties); but the bulk of the legislating sovereignty should remain in the member states' hands when it comes to political party finance.

More generally, recent developments show that it is time for Europeans to avoid any complacency with regards to political and campaign finance, and this is what led both the International Republican Institute and the Wilfried Martens Centre for European Studies to produce this publication. We may have believed at one time that our continent had reached the End of History<sup>112</sup> and that all that we had to do, in the famous words of Michael Woolcock and Lant Pritchett, was to '[get] to Denmark'<sup>113</sup> for our systems—including the way we finance politics—to be perfect. But we have realised in the past decade that we still have much to learn. Whether it is kleptocratic money finding its way into our political party finance systems,<sup>114</sup> foreign powers meddling in European politics or, more prosaically, national corruption scandals, the past few years have shown that our systems need to be adapted and improved—perhaps even more so because, full of our newfound safety and past victories, we had let our guard down. We should recognise our vulnerabilities and act to transform our weaknesses into strengths instead of downplaying them.

This is certainly the case when it comes to reforming our public financing system or creating the conditions in which independent oversight authorities can enforce good legislation to ensure a transparent playing field. But it is also the case for political parties themselves, who should act now to take responsibility when it comes to such

112 Francis Fukuyama, *The End of History and the Last Man*, New York: Free Press, 1992.

113 Lant Pritchett and Michael Woolcock, 'Solutions When the Solution Is the Problem: Arraying the Disarray in Development', *World Development* 32/2 (2004), pp.191-212.

114 See the IRI's latest publication on the subject: IRI, *Fighting Strategic Corruption and Transnational Kleptocracy in Europe* (2024). <https://www.iri.org/wp-content/uploads/2024/03/Fighting-Strategic-Corruption-and-Transnational-Kleptocracy-in-Europe.pdf>.

things as proposing party funding legislation, countering foreign influence or building up their resources through private fundraising, which as has been shown in this publication is not only a monetary investment but also part of a party-building effort.

Finally, and perhaps most importantly, nobody should take the issue of political party financing as something static, whether in terms of regulation, resource-building or transparency. Context and challenges change constantly, and the rules that go with them (whether written or unwritten) must also change. This requires constant movement on the part of the actors involved—in this sense, full ‘trust’ in the system is actually the best way to complacency, and ultimately to nasty surprises: no architecture, not even the most resilient system of political party finance, is fully immune, and it requires just one actor to understand how he can use loopholes in the system to put it in danger.

When it comes to money, in political life as in private life, there is no time for complacency—what we hope is that this publication will have brought to light the challenges each of us face in perfecting our political party finances and ensuring that they deliver what is most important when it comes to money in politics (apart from enabling political parties to have the means to act): transparency.

There is no such thing as a free meal, and everything has a price. And indeed, because money is at the centre of everything, it also plays a crucial part in politics - even though it might sound provocative, democracy also has a dollar—or, in this case, a euro—figure attached to it. To put it simply, democracy needs money to function. And because the money is always elsewhere than in politics, politicians need to make an effort to reach out to gain access to it.

However, in democracies this needs to be done transparently (and efficiently) so that the flows of money towards parties and politicians do not interfere with the will of the people.

This publication explores the many ways in which money and politics interact, and provides a roadmap for political parties to act for a more transparent and effective financing of European politics: from state subsidies to private fundraising, from regulation to oversight institutions, from protecting European politics from the influence of foreign authoritarian actors to funding European political parties, the authors provide an in-depth analysis of the tools that politicians have to better fund politics in Europe.

