



## **Ilko Kucheriv Democracy Fellowship Programme**

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## **On the Road to Better Functioning of Political Parties in Ukraine**

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## Abstract

This Policy Paper<sup>1</sup> proposes approaches to public policy in the field of democracy in Ukraine that aim to reduce the critical dependence of political parties on informal interest groups and restore their ability to function democratically. These proposals are formulated by considering conditions affecting the functionality of political parties in old (the Federal Republic of Germany) and new democracies (Poland)<sup>2</sup>.

The proposals also consider the need for a systematic approach that includes efforts in the following four areas: strengthening a financial basis to ensure the stable activities of political parties, introducing democratic principles of decision making to enhance internal party stability, creating conditions for independent media, and providing access to information about party activities.

Although these measures will not eliminate the impact of informal groups on political and administrative processes in Ukraine, they could lay the foundation for enhancing the capacity of political parties to set public policy goals and promote trust in party activities in the long run. At the same time, the ability of different social groups to express their interests should be a trust-building factor.

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<sup>1</sup> I would like to acknowledge with much appreciation the support of the Policy Association for an Open Society (PASOS) and the National Endowment for Democracy (NED) that provided me the possibility to conduct this research within the Ilko Kucheriv Democracy Fellowship Programme. I would also like to express my deepest appreciation to the Research Centre for East European Studies at the University of Bremen that hosted my research stay. My special thanks go to Prof. Dr. Heiko Pleines who invested his full effort in supervising my research and Ms. Anastasia Stoll who greatly assisted my stay in Bremen. I am immensely grateful to the reviewers for their critical comments and suggestions that significantly improved my manuscript.

<sup>2</sup> I have chosen FRG and Poland as examples of the successful political parties' institutionalization due to several reasons. The party system in FRG demonstrates a positive impact of strong regulations on development of party system and therefore could be regarded as a typical example of successful regulatory politics. Meanwhile the initial conditions of the post-communist development of party system in Poland have some similarities with Ukraine, i.e. in both countries political parties originated from the broad politically oriented social movements, like 'Solidarity' of Poland and 'Peoples Movement' (Ruh) in Ukraine. Poland and Ukraine also have similar semi-presidential political regime, although unlike in Ukraine Polish Parliament is bicameral.

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# 1. Problem Statement

Ongoing research in the field of democracy development constantly provides new data supporting the thesis of a positive correlation between economic growth and good governance (*Pzeworski, 1992; McFaul, 2005*) and between good governance, a stable democracy and the level of institutionalization of the party system (*Meleshevich, 2007*). It is widely believed that a well-institutionalized party system functions as one of the key safeguards of democratic stability: "... Democracy does seem to be unthinkable save in terms of moderately institutionalized party systems. In other words, democracy will never collapse as soon as a certain degree of systemic institutionalization is reached" (*Bértoa, 2016*).

Fernando Casal Bértoa notes that "a system of parties can be said to be institutionalized when political parties cooperate, collaborate and colligate in a standardized and structured way – a way that is independent of the relevant issues in each moment and which random shocks cannot alter" (*Bértoa, 2011*). According to Larry Diamond, "Institutionalized party systems thus increase democratic governability and legitimacy by facilitating legislative support for government policies; by channeling demands and conflicts through established procedures; by reducing the scope for populist demagogies to win power; and by making the democratic process more inclusive, accessible, representative and effective" (*Diamond, 1997 :xxiii*), on the other hand, Sarah Birch emphasizes, that party system instability is detrimental to democratic consolidation (*Birch, 2003: 120*):

"1. It reduces accountability – voters cannot 'throw the rascals out' if the rascals no longer exist as a unified group. In the absence of mechanisms that ensure accountability, voters may become disillusioned with democracy itself.

2. It impedes party institutionalization by decreasing the level of longterm commitment which politicians, activists, and voters have to 'their' party.

3. It significantly increases uncertainty, hampering the ability of politicians and voters to engage in strategically-driven co-ordination which, as we have argued, can play an important role in shaping the impact of electoral institutions.

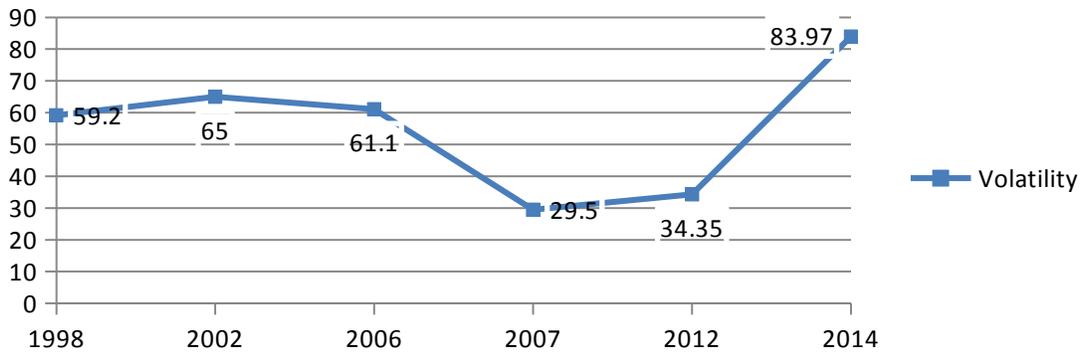
4. It raises the stakes of the electoral game. This may have the consequence of weakening the democratic commitment of politicians, who could then seek other ways of feathering their beds so as to insure themselves against possible political loss at the next election".

The weak institutionalization of the party system in Ukraine is confirmed by the following two indicators:

a) The rather high volatility of political parties in the parliament (the volatility is calculated by the *Pedersen volatility index*)<sup>3</sup>.

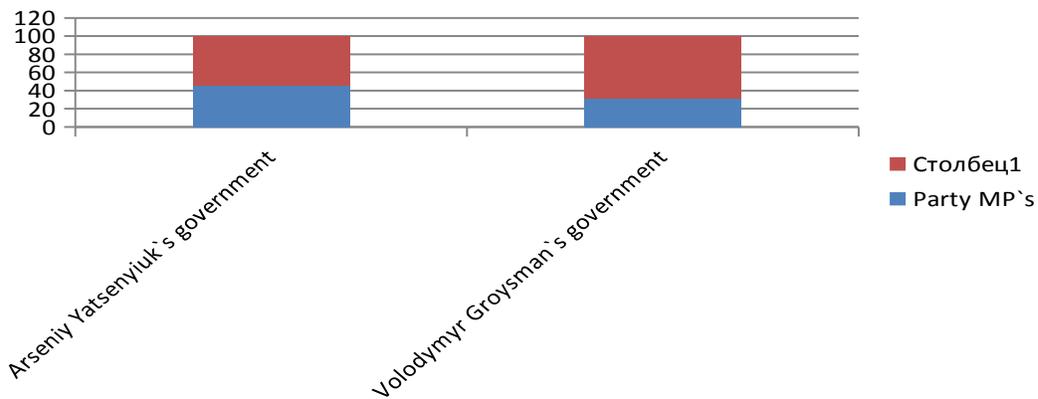
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<sup>3</sup> The Pedersen index is a measure of aggregate electoral volatility in party systems. It was introduced by Mogens Pedersen in 1979. The index indicates individual vote transfers and demonstrates the stability of electoral support for the political parties between two consecutive parliamentary elections.



Source<sup>4</sup>: Data of the Central Election Commission of Ukraine (CECU) / [www.cvk.gov.ua](http://www.cvk.gov.ua)

b) A weak relationship between political career and party membership. The percentage of people without a party membership in the governments formed after the Euromaidan has been high. Specifically, there were 54.5% of MPs were independent in the government of Arseniy Yatsenyuk (2014), and 68% in the government of Volodymyr Groysman (2016), including the Prime Minister himself.

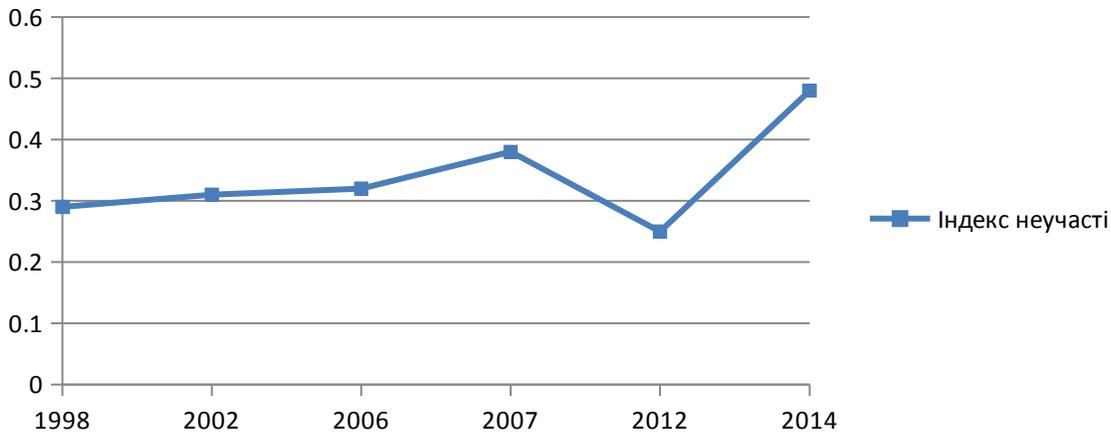


Source: Data of the Government Portal / [www.kmu.gov.ua](http://www.kmu.gov.ua)

The low consolidation of the party system in Ukraine is confirmed by the following indicator: a high ratio between Ukrainians who did not participate in elections and the total number of voters revealed the persistently high number of people who do not take part in voting.

Non-participation index, max = 1

<sup>4</sup> The diagrams and tables in the text express author's own estimations unless stated otherwise.



Source: Data of the Central Election Commission of Ukraine (CECU) / [www.cvk.gov.ua](http://www.cvk.gov.ua)

In 2014, this indicator almost doubled because many people moved from Donbas and Crimea due to military activity. At the same time, its comparison with other indicators proves that many Ukrainians are dissatisfied with electoral proposals. Specifically, the percentage of votes for parties that failed to pass the electoral threshold is persistently high.

Undoubtedly, the presence of an institutionalized party system alone does not directly result in good governance, but institutionalized party systems do provide a continuous and systematic representation of the interests of the majority of voters. However, the development of Ukraine since its independence in 1991 following the collapse of the Soviet Union has demonstrated its economic backwardness, the constitutional instability of its political system and its weak political representation.

In early 90s political parties with strong ideological articulation were predominant in Ukraine. However, since that time only a few of them demonstrated a strong ideological component (mostly conservative and left) in their political agendas (Kononchuk & Yarosh, 2010). Today Ukrainian political parties have weak ideological articulation, therefore its political spectrum couldn't be divided on the right wing and the left wing, where social-democracy is especially underrepresented. Although Ukrainian citizens mostly vote for leaders, ideological component still affect discourses, identity and continuity of the political parties (Kononchuk & Yarosh, 2013: 10).

High electoral volatility confirms the thesis of Ukrainian political parties' instability. Additionally, data based on the monitoring of the political parties' sites demonstrate weak political representation: they lack activity and detailed, up-to date information.

Here, we address a social problem resulting from the constant emergence of a significant number of new parties, which make it difficult to establish a firm connection and permanent communication between voters and parties. This in turn weakens the parties' expression of the voters' interests. This lack of communication and connection dampens the creation of parties' human resource capacity, undermines their accountability to the voters, makes them ineffective in representative bodies at local and national levels (*governing function*, Schmitter, 2008) and causes the deterioration of the strategic outlook of state politics in general.

Additionally, Ukrainian political parties themselves face different challenges. The most important of these is the dominant position of shadow interest groups in the political process and their intention to use parties for their own purposes and to control party activities. This causes the parties to become unstable as political actors, undermines their ability to adapt to changing political situations, directs them to the strongest player, and leads to their "mediatization".

Ukrainian political scientists characterize the local political regime as "neo-patrimonial" (*Fisun, 2006*) and emphasize the "reproduction in the party system of clientelistic society features" (*Nazarov, 2013*). Thus, this basic paradigm of political development in Ukraine is based on the extraction of rent from political power, not merely on the relations between policy actors (parties) and interest groups. Moreover, the interest groups are often involved in the activities of parties and the state. This system is not focused on the establishment of ties with some "oligarchs" but an intention to seek rent from power opportunities and set up patron relations in politics and power. Recent theoretical observations on prospects for competitive democracy in Ukraine (*Hale & Orttung, 2016*) imply a "wait-and-see approach".

Studies certainly provide us with a reasonable and well-grounded explanation of this situation, but we must proceed from an analysis of the situation and the theoretical possibility of change. I think that Ukrainian political parties historically became a subject of the "political investment" due to the process of "state capture" already in the first decade of the Ukrainian independence (*Omelyanchuk, 2001*). This political investment was made by the new business elites who pretended to influence a process of development of the new political milieu and legal foundations of the newly established Ukrainian state, as well as with regard to the institutionalization of the electoral system and political parties participation in the elections. In 1998 the mixed electoral system (including proportional component) was introduced, that replaced previously existed majority system which allowed independent candidates to run. In our opinion, the circumstances faced by Ukraine after the Euromaidan offer the possibility of decreasing the dominance of this situation and increasing the political role and functionality of the parties, if not overcome and reject the "neopatrimonialism" logic in Ukraine's politics altogether. We find in Schmitter a theoretical possibility for the deconstruction of resource-oriented politics – "modern democracy should be conceptualized, not as a 'regime', but as a composite of 'partial regimes', each of which has been institutionalized around distinctive sites for the representation of social groups and the resolution of their ensuing conflicts" (*Schmitter, 1993*). As is shown, parties themselves also change the forms and methods of their activities in response to changes in their environment (*Luther & Müller-Rommel, 2002*).

The weak institutionalization of the party system and the internal instability of parties undermine the democratic delegation of authority, cause the instability of the political system, permanent constitutional changes, and disrupt the accountability of the public administration system overall.

Although "Revolution of Dignity" prompted a renewal of political elites and lead to the holding of early presidential and parliamentary elections, as well as the design of party representation in the Parliament was significantly affected by the geographical shift due to annexation of Crimea and the fighting in Donbas (regions that were traditionally supportive of the Party of Regions and CPU), while the nature of parties has not undergone significant changes.

In our opinion, the problem of political parties in Ukraine is represented by their critical dependence on the resources of informal influence groups, which is manifested in their inability to operate without this support<sup>5</sup>. This critical dependence arises when resources are limited in number and owned by a few people, which allows them to control the content produced and communicated through these channels. This is the so-called oligarchy (*Pleines, 2016*). Although the types of resources could be different – financial, media, personnel and consulting – political support from one of these source (no matter transparent or shadow) by far exceeds that from other sources. This dependence offers major opportunities to some parties and brings them out of open competition in the electoral process and into the course of public administration. As shown by the example of Mexico (*Green, 2007*), in countries with a large public sector, a dominant party can control this sector<sup>6</sup>. There is no dominant

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<sup>5</sup> In theoretical terms, this dependence is revealed through a correlation between support/absence of support for a party (party investment) and its presence on the political market. Data on such investment are not available.

<sup>6</sup> According to the party system classification suggested by *A. Siaroff*, Ukraine's party system after the 2014 elections could be characterized as an extreme multiparty system with two dominant parties. Although these two parties were far ahead of the others in terms of their number of seats, none of them had a majority to form the government. After the 2012 elections, Ukraine had a moderate multiparty system with two dominant parties.

party in Ukraine, but the share of the public sector is large<sup>7</sup>. Hence, the struggle for control or management of state-owned companies and enterprises creates shadow competition and contributes to the instability of the system of power.

This also poses the problem of shadow support for parties from large political investors. These non-democratic practices usually used by parties in politics will have disastrous effects for them in the long run. Not only will trust in parties be eroded but so will the parties themselves as they prove to be incapable of carrying out activities other than buying votes and decisions.

Of course, the process of democratization of political parties in Ukraine should be considered in the more general context of the political regime transformation, and it is hardly possible to make only some particular institutions democratic. But we assume that the systematic reinforcement of the political transparency and mechanisms of expression of public interests in the long run may weaken the critical dependence of the Ukrainian political parties on the informal interest groups.

**Research Question:** what mechanisms could undermine the excessive dependency of Ukrainian political parties on informal interest groups and create opportunities for establishment of the new democratic parties that will be politically competitive?

## 2. Objectives

At present, preconditions have been created to enhance the role of political parties in policy-making.

- The role of parties in the formation of public and local representative authorities has increased. Since 2010, electoral blocs of parties have been prohibited from participating in local and national elections. Although local elections were held using different electoral models, the mixed (parallel) in 2010 and the proportional in 2015, parties were offered the opportunity to become the only channel representing the interests of local authorities. In 2010, even mayoral candidates had to be nominated by the parties. Additionally, parties have a strong impact on the formation of the parliament and thus the government. The 2012 and 2014 parliamentary elections were held using the mixed (parallel) system. Only party candidates were included on national lists, whereas both party and independent candidates were nominated in single mandate districts.

- Direct public funding of parties was introduced in 2016. This enables parties that meet certain qualification requirements<sup>8</sup> to conduct regular activities in the periods between elections, develop party infrastructure, and thereby shift from parties that fight for power during elections for a reward (political machines) to those capable of performing more functions, including setting goals for political decision making and policy development, establishing and maintaining public relations with government institutions and society.

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<sup>7</sup> As of 2016, there are some 3,000 state-owned companies in Ukraine, of which 1,600 still operate:

<http://www.euractiv.com/section/global-europe/interview/poroshenko-aide-russia-is-behind-the-dutch-referendum/>. As reported by experts, the largest of these are Naftogaz Ukrainy (equity rights worth around \$ 24 billion), Ukrzaliznytsya (\$23.4 billion), Energoatom (\$12.1 billion), and Energy Company of Ukraine (\$11.2 billion): <http://www.bankman.com.ua/news/1444/>. State-owned companies and enterprises represent one of the mechanisms illegally used for the shadow funding of political parties from the state budget.

<sup>8</sup> Under the law “On Amendments to Certain Legal Acts of Ukraine on Preventing and Combating Political Corruption” of 8 October 2015, public funding is provided to all political parties that won at least 2% of all votes cast for all candidates for Members of Parliament (in the nationwide multi-mandate district only). As expected, starting with the next elections scheduled for 2019, parties should be eligible for public funding if they failed to get into the parliament but won at least 2% of votes. In accordance with Paragraph 2 of the “Transitional Provisions” of this law, public funding is provided to parties that won 5% of votes in the 2014 parliamentary elections (passed the electoral threshold).

**The practical goal (mission) of public policy** in Ukraine is to create systemic incentives aimed at the institutional strengthening of political parties and to conduct consistent actions for their implementation and evaluation.

**The goal (mission) of this Policy Paper** is to identify and present key trends in the funding of political parties that will open opportunities to strengthen Ukrainian political parties as agents of public policy together with the promotion of institutional stability and adherence to "inter-party competition" (*Mainwaring, 2007*).

A reduction in parties' dependence on actors who apply different types of capital and strive to control political decisions is linked to a policy of the de-concentration of resources needed to make political choices, including those of people's representatives. Hence, the focus of attention shifts to the media and rules for their independence.

The principles and structure of relations inside parties are also important because parties are active participants in all social relations, including those with informal influence groups. Such groups tend to invest in popular parties that are not strong enough to oppose the exchange of party brands for other benefits. Therefore, inter-party relations are also important in terms of creating systemic conditions for the formation of stable political parties.

### 3. Options

The PP objectives include:

- 1) Expanding opportunities for financial activities of political parties: present and evaluate sources of funding of political parties; principles of correlation of public and non-public funding; the structure of public authorities; and the volume of expenses in Ukraine, the FRG and Poland
- 2) De-concentration of resources by strengthening antitrust policy: present and evaluate principles of media ownership in Ukraine
- 3) Promotion of internal democracy: present and evaluate the legal requirements for internal party democracy in Ukraine, the FRG and Poland
- 4) Public access to information on political parties: present requirements for public information on the functioning of political parties during and between elections

#### *1. Expanding opportunities for financial activities of political parties*

A decrease in the critical dependence of political parties on excessive financial influence would offer opportunities to ensure a financial basis for their activities.

In all countries analyzed in this Policy Paper, parties are defined as not-for-profit organizations. The structure of permissible sources of funding for political parties is generally similar in Ukraine, Poland and the FRG. In all the three countries, parties are eligible for public funding (see table 2 in the appendix: Structure the funding sources of political parties in the FRG, Poland and Ukraine). However, as the Table shows, parties in Ukraine have fewer opportunities to receive private donations and earn profit.

Although the Ukrainian law provides for public funding, it imposes restrictions on the amount and sources of party funding and the reimbursement of campaign expenses. Political parties are prohibited from carrying out economic activities.

The allowed sources of party funding are divided into the following three groups: membership fees (affiliation fees are not provided for in the law), private donations (contributions of natural persons and legal entities), and

direct and indirect public funding<sup>9</sup> (see table 3 in the appendix: Allowed sources of funding of political parties in Ukraine before and after 2016). Parties have money, and they are able to own or rent tangible and intangible assets. Since 8 October 2015, they have been able to use assets under other terms. A list of assets, forms of their transfer to a party, and taxation needs to be detailed.

At the same time, the list of prohibited sources of funding is considerable and includes:

- 1) Public authorities and local self-government bodies;
- 2) State- and municipally owned enterprises, institutions, and organizations; legal entities that are partly owned (at least 10% of the statutory capital or voting rights) by such enterprises, institutions, and organizations; enterprises, institutions, and organizations whose beneficiaries (controllers) are authorized to fulfil the functions of public authorities or local self-government bodies;
- 3) Other countries, foreign legal entities, stateless persons, and legal entities whose beneficiaries (controllers) are foreign nationals or stateless persons;
- 4) Unregistered non-governmental, charitable, and religious associations (organizations);
- 5) Ukrainian citizens under 18 years of age; disabled, anonymous or pseudonymous persons;
- 6) Other political parties;
- 7) Natural persons and legal entities that have received a public contract for goods, works or services to be provided to a state authority or territorial community during the contract period and for one year after its expiration (with exceptions depending on income from such activities);
- 8) Natural persons and legal entities that have unpaid tax debt (see table 4 in the appendix: Prohibited sources of funding of political parties before and after 2016).

**Membership fees.** Analysis of the financial reports of Ukrainian parties<sup>10</sup> indicates that they do not have receipts from membership fees. Only two out of eleven parties represented in the parliament reported membership fee revenues in 2016, the Petro Poroshenko Bloc (UAH 220 or around € 8) and the Freedom (UAH 378,400 or € 14,500). There are two reasons for this absence: the weak membership base of most parties (in some cases, parties operate either nominally or their organizational structure is not linked to membership – personnel parties as classified by *Duverger*) and/or the search for private support. It should be mentioned that Ukrainian law provides only for fixed membership oriented to the so-called mass parties. The law on political parties of the Federal Republic of Germany also places an emphasis on the number of party members as a confirmation of its “serious intentions” (Paragraph 2)<sup>11</sup>. Meanwhile, recent studies revealed a trend towards a reduction in the membership base of leading parties of the FRG and supported a thesis that the type of a party’s organizational structure depends on the functions it seeks to perform (*Jun, Niedermayer, Wiesendahl, 2009*).

However, regardless of the share of membership fees in the revenues of parties that have membership mechanisms and organizational structure, membership fees should be viewed as a means of participation in party activities and an important element in the strengthening of the sense of responsibility of their members for the institutional stability of parties.

**Private donations and their restrictions.** There are no restrictions on private donations (contributions from legal entities and natural persons) in the FRG because its approach to party funding implies that parties should not be financed by the state alone. This reduces opportunities to establish cartel parties. Moreover, private

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<sup>9</sup> The law "On Political Parties in Ukraine" as of 5 April 2001 (in Ukrainian): <http://zakon0.rada.gov.ua/laws/show/2365-14>

<sup>10</sup> Reports of Ukrainian political parties: <http://nazk.gov.ua/zvity-politychnyh-partiy>

<sup>11</sup> Parteiengesetz // [https://www.bundestag.de/blob/189336/2d8fc37801c04ccfe153686a39e477e3/pg\\_pdf-data.pdf](https://www.bundestag.de/blob/189336/2d8fc37801c04ccfe153686a39e477e3/pg_pdf-data.pdf)

donations are encouraged through taxation. Up to 50% of private donations paid to political parties are tax deductible up to the amount of € 1,650 (or € 3,300 for married couples), i.e., the maximum tax deductible amount is € 825 per person<sup>12</sup>. Contributions of natural persons to political parties exceeding € 1,650 may be claimed as personal expenses, but again, the amount of personal expenses may not exceed € 1,650<sup>13</sup>.

Since 2016, restrictions have been imposed on contributions to political parties made in one year by Ukrainian natural persons (up to 400 minimum wages)<sup>14</sup> and legal entities (up to 800 minimum wages) as of 1 January of the year in which the contributions were made<sup>15</sup>. If such an entity controls one or several legal entities, the total of the contributions of its controlled entities are considered the contribution of one entity (see table 3 in the appendix: Allowed sources of funding of political parties in Ukraine before and after 2016). Restrictions on private funding were imposed to eliminate grounds for corruption based on the recommendations issued by GRECO<sup>16</sup>.

In Poland, the upper limit for annual contributions to one party amounts to 15 minimum wages (see table 5 in the appendix: Actual upper limit of individual contributions each year to a party in Ukraine, Poland and the Federal Republic of Germany). At the same time, as observed from the Table, the upper limit for contributions in Ukraine is high enough, which should in principle encourage "white contributions".

**Public funding.** Public funding of the statutory activities of Ukrainian parties was introduced in exchange for restrictions on private donations (see table 6 in the appendix: Principles of determining the amount of direct state spending on party financing). Public funding of parties capable in the long term lead to developing the capacity of the parties, provides opportunities for regular exercise analytical, educational, publishing works, develop contacts with the parties in European countries, party groups in the European Parliament and the like on the principles of transparency and openness.

The total amount of public funding of the statutory activities of Ukrainian parties is not fixed. In absolute terms, it may either increase or decrease depending on two variables – the number of those who took part in voting, and the amount of monthly wages.

The formula for calculating the annual amount of public funding in Ukraine is as follows:

$P = 0.02\%$  of the minimum wage and  $X$  is the total number of voters who participated in the latest parliamentary elections over the number of seats won by a party in the parliament

An additional 10% will be awarded as a bonus to political parties that comply with the principle of gender balance (the number of Members of Parliament of the same gender elected on a party's list may not exceed two-thirds of the total number of seats). According to the results of the 2014 parliamentary elections, the Self-Help was the only party that met the above requirement and therefore would be eligible for the additional 10%.

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<sup>12</sup> § 34g Einkommensteuergesetz // <https://www.gesetze-im-internet.de/estg/>

<sup>13</sup> § 10b Abs. 2 Einkommensteuergesetz.

<sup>14</sup> The minimum monthly wage amounted to UAH 1,378 (at the rate of exchange of the National Bank of Ukraine UAH 26.2 to 1 EUR) or € 52.6 or UAH 8.29 per hour (€ 0.31) as of 1 January 2016.

<sup>15</sup> To enhance transparency while transferring funds, natural persons or legal entities are expected to provide a written confirmation of the absence of circumstances restricting their right to support a party. In turn, a party should deny a contribution made by a person not qualified under the law to make such contribution or a contribution (contributions) made by such person that exceeds the amount limits established by the law.

<sup>16</sup> Incriminations (ETS 173 and 191, GPC 2). Transparency of Party Funding. Third Evaluation Round. Second Compliance Report on Ukraine. Adopted by GRECO on 30 November - 4 December 2015: [https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2015\)22\\_Second\\_Ukraine\\_EN.pdf](https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2015)22_Second_Ukraine_EN.pdf)

It should be noted that the principles of public funding of political parties in Ukraine are not congruent with those of the electoral system because public funding is provided only to parties that won seats by proportional representation. If a party wins the number of seats in single mandate districts needed to pass the electoral threshold, it is entitled to receive funds from the state budget. Hence, we recommend that the Ukrainian government bring the principles of public funding of political parties in line with the electoral system model to provide adequate support to parties.

Equal funding for all parties is the central concept behind the public policy of party funding in the FRG. According to one of the main principles of the funding equalization model, the amount of public funds for a party in the Bundestag may not be less than 50% of funds provided to any other party (§5 Parteigesetz).

The following three aspects of the approach used by the FRG are of special note: a balanced correlation of private and public funding manifested in a dependence on the amount of public funding for a party based on its capacity to receive private contributions; restrictions on the amount of public funding up to a certain limit of private funds attracted by a party (relative limit); graduated funding, i.e., an inverse correlation between public funding and the "price" of a vote.

This approach ensures the support of small parties and prevents the strengthening of large ones, i.e., it sets equal conditions and maintains inter-party competition.

An absolute upper limit (absolute Obergrenze) for public funding is established to control state budget expenditures. This limit may not be exceeded and is used to calculate the amount of public funding for each party.

The formula for calculating the annual amount of public funding in the FRG is as follows:

$$P_1 = P \times \frac{Y}{PX}$$

where P is the some "ideal amount", Y is the absolute upper limit, and PX is the "ideal amount" for all parties eligible for public funding.

The identical approach based on a decrease in the "price" for the voice of a party is applied in the Polish model of public funding of political parties, which helps to ensure flexible support.

The formula for calculating the annual amount of public funding in Poland (since 2011)<sup>17</sup> is as follows:

$$S = V_1 \times M_1 + V_2 \times M_2 + V_3 \times M_3 + V_4 \times M_4 + V_5 \times M_5,$$

where S is the annual subvention, V<sub>1</sub>...V<sub>5</sub> are the number of votes received by a party within forecasted graduated percentage points, M<sub>1</sub>...M<sub>5</sub> is the "price" of votes within percentage points.

By achieving up to 5% of seats, a party receives PLN 5.77 per vote (M<sub>1</sub>), 5-10% provides PLN 4.61 (M<sub>2</sub>), 10-20% grants PLN 4.4 (M<sub>3</sub>), 20-30% provides PLN 2.31 (M<sub>4</sub>), and over 30% grants PLN 0.87 (M<sub>5</sub>).

Another source of funding is the "basic donation" paid for every seat in the Lower House of European Parliament obtained by a party on its own. It calculated according to the formula  $D_p = (W / 560) \times M$ , where D<sub>p</sub> is donation amount, W is total cost of the campaign, and M is number of seats. If a party is part of an electoral coalition, it receives a percentage of the total donation amount based on the number of seats obtained by coalition, as outlined in the coalition agreement<sup>18</sup>.

Ukraine still fails to comply with the external financial audit requirement. An external financial audit should be carried out annually for parties that receive public funding or in an election year for parties running for parliament. At present, the Opposition Bloc (formed from the former Party of Regions) led by Yuriy Boiko, have

<sup>17</sup> Ustawa z dnia 16 grudnia 2010 r. o zmianie ustawy o partiach politycznych// <http://isap.sejm.gov.pl/Download.jsessionid=1D577538E3CA683C13516324B1EB6D3D?id=WDU20102541702&type=2>

<sup>18</sup> Kodeks wyborczy (Art. 150). Ustawa z dnia 5 stycznia 2011: <http://isap.sejm.gov.pl/Download?id=WDU20110210112&type=3>

officially rejected public funding, allegedly for ethical reasons. It claims that the use of public funds for political parties is unfair, but in terms of transparency, they have attempted to avoid an annual external audit.

The legal framework for party funding sets reasonable requirements, which seek to guarantee parties' independence from undue influence created by donors (contributors) and provide for transparency in political finance in accordance with the Council of Europe Guidelines on political party regulation<sup>19</sup>. Additionally, public funding should offer parties the opportunity to develop their policies. In this respect, it would be expedient to define the term "statutory activities" to more adequately evaluate party expenses. Specifically, Polish law on political parties provides for the establishment of the so-called Expert Fund to which a party should allocate 5-15% of the subvention amount. These funds could be spent for legal, sociological, and socio-economic examination, publishing and educational activities of the parties (Paragraph 1-4, Article 30)<sup>20</sup>. However, Polish experts noted that parties often spend public funds at their own discretion because the current law on parties does not regulate all issues related to the spending of public funds<sup>21</sup>. The law requires that parties allocate 5-15% of the subvention amount to the Expert Fund, and they allocate the minimum of 5%. Moreover, large amounts of funds are often indicated as "other expenses" in party financial reports.

Parties may also use public funding for the electoral funds established to finance their campaigns to the Sejm, the Senate and the European Parliament, as well as during presidential and local elections (Article 35-36). In Ukraine, parties are also allowed to finance their campaigns using their own funds, but it is unclear whether they may use public funds for this purpose.

In Poland, cash contributions may not exceed the equivalent of € 300; the FRG allows up to € 1,000. Although there is no such restriction in Ukraine, it is recommended that the Ukrainian government regulate the foundation of party organizations without establishing a legal entity because monitoring not only the sources and spending of the party funds of such organizations but also the functioning of internal party mechanisms would be impossible.

**Foreign sources of funding.** As is known, there is no uniform policy on this issue among the Council of Europe Member States. A relevant political decision has been made based on an analysis of several factors and the potential implications of such funding. Most countries prohibit foreign finding of political parties.

Germany allows the funding of political parties by foreign parties represented in the European Parliament, factions of political parties in the European Parliament, legal non-resident entities of EU countries when at least 50% owned by German or EU citizens, and individual foreign nationals up to € 1 000; it also allows contributions to German national minority parties by persons who belong to ethnic communities from areas bordering FRG<sup>22</sup>.

In Ukraine, the reimbursement of funds for election campaigning has been provided since 2015 as direct public funding of political parties. It is paid only to those parties that have passed the electoral threshold. The reimbursement covers the actual cost of the campaign but does not exceed the maximum amount of the party's election funds. In 2013, it was legally established that the amount of the election fund in the multi-mandate constituency shall not exceed 90,000 minimum wages<sup>23</sup>.

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19 P. 176, Guidelines on political party regulation by OSCE/ODIHR and Venice Commission. Adopted by the Venice Commission at its 84<sup>th</sup> Plenary Session on 15-16 October 2010: [http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2010\)024-e](http://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2010)024-e)

20 Ustawa o partiach politycznych z dnia 27 czerwca 1997: (with amendments as of 22 July, 2016).

21 Zbieranek Jarosław, ekspert z Centrum Studiów Wyborczych. Patrycja Wiczorkiewicz Na co partie powinny wydawać pieniądze?:

22 § 25 Parteiengesetz.

23 Law on elections of people's deputies of Ukraine. Art. 48 : In 2014, when parliamentary elections were held, the upper limit of the election fund of the party was €9 963 000 (the minimum wage as of 1 January 2014 – 1 218 UAH, exchange rate EUR/UAH 1/11).

**Profit-seeking activities.** Additionally, the public funding of political parties does not solve the issue of new parties facing a risk of "resource seizure". In this respect, the opportunity to profit from their activities (actions), assets, participating interests, and heritage is very important to political parties. Although parties are considered not-for-profit, tax-exempt organizations all over the world, many countries offer them opportunities to make profit that should only be spent for statutory activities (not distributed among party members). For example, bank loans represent one of the allowed sources of party funding in Poland. Bank loans could be repaid later using public subventions<sup>24</sup>.

## *2. De-concentration of resources by strengthening antitrust policy*

Present Ukrainian legislation on freedom of information is rather liberal. In particular, with regard to political parties, it emphasizes their right to use public media and set up their own (Law of Ukraine on Political Parties, art. 12). As a result some political parties own printed media, and also use various mass-media to disseminate their information.

However, the possibility of making an informed and rational choice depends on whether it is possible to carry out continuous and free exchange of views on the sites, independent of political interests.

The functioning of the independent media is one of the preconditions for competitive policy and the proper functioning of democracy. However, oligarchic policy is based on the concentration of resources and the subordination of the media to political influences, which reduces the opportunities for free democratic discourse. Although the media operate in a competitive market, they are influenced by their owners' interests. Most media outlets are directly or indirectly influenced by their owners and top managers and do not comply with the principle of unbiased coverage.

According to survey data, Ukrainians receive up to 80% of their information through TV (see table 9 in the appendices "Where do you get the information about the political development in Ukraine?"). Meanwhile, as observed in table 7 in the appendix (Beneficiaries of 14 TV news channels in Ukraine), 93% of the 14 top Ukrainian TV channels broadcasting news programs and political talk shows in 2016 are controlled by political actors (directly vested with representative and official powers or pursuing political interests), including the President of Ukraine (owner of news TV channel "5 Channel"). These individuals simultaneously hold shares in other media and business sectors and influence the management of state-owned companies. The oligarchic type of mass-media ownership imposes restrictions on the dissemination of information related to the political interests of the owner, that makes the media (as well as the parties) in a first place an instrument of influence and control of public opinion in the power struggle. For this reason, according to the owners, the media can be economically unprofitable

The public acquisition of access to information on parties and their activities after the Euromaidan must be mentioned. Other positive achievements have included a requirement to disclose information on the structure of media ownership and a prohibition on the establishment of TV and radio broadcasting organizations by legal entities registered in offshore zones, stateless persons, residents of an aggressor or occupant state,<sup>25</sup> political parties, trade unions, and religious organizations, including all shareholders in the chain of ownership of a television or radio broadcasting organization (see table 8 in the appendix: Rules for the establishment of and participation in TV and radio broadcasting organizations, and program service providers (since 2015)). This requirement is set by a law passed after the Euromaidan in 2015<sup>26</sup>.

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<sup>24</sup> Ustawa o partiach politycznych z dnia 27 czerwca 1997:

<sup>25</sup> Russia is meant by the term, "aggressor or occupant state".

<sup>26</sup> The law "On Amendments to the Laws of Ukraine on Providing Measures to Ensure the Transparency of Media Ownership and Implementation of the State Policy Principles in the Field of Television and Radio Broadcasting" dated 3 September 2015 (in Ukrainian):

The implementation of this law is imperative for the creation of the conditions needed to foster independent media in Ukraine. The current situation in the structure of media ownership is inconsistent with these legal requirements, and there has been no solution thus far. The ban under the Constitution and laws of Ukraine against concurrently holding representative or executive authority positions and private posts in steering or advisory bodies of commercial companies is not followed.

The transparency of the structure of media ownership does not make the media independent, but it increases the public awareness. The processes of creating alternative broadcasting channels as a parallel alternative also continues. Public television is expected to be developed based on the de-nationalization of state-owned TV and radio broadcasting companies.

### **3. Promotion of internal democracy**

The promotion of internal democracy could essentially contribute to a decrease in the critical dependence of political parties on informal interest groups since parties are active participants in this relationship. The Code of Good Practice in the Field of Political Parties (2008) states: "Parties are an integral part of a democracy, and their activities should ensure its good functioning. Hence, a commitment to internal democratic functioning reinforces this general function. Although few European states regulate this requirement in detail, several countries require the party's internal structure and operation to be democratic. This positive experience could be shared between different Council of Europe Member States" (Paragraph 2b)<sup>27</sup>. The Code also mentions the basic intuitive concept of democratic organizations (Paragraph 29).

Pursuant to the decision by the Constitutional Court of Ukraine in 2001,<sup>28</sup> complaints about the acts and actions of public associations, which pertain to the internal organizational activities of such associations or fall within their cognizance in accordance with the law or their statute (regulation), cannot be tried in court. As an argument in support of the above decision, the Constitutional Court put forward a thesis about the inadmissibility of the interference of public authorities and their officials with the activities of public associations. Bearing this in mind, it would be reasonable, in our viewpoint, to enshrine the requirements for the internal democracy and decision making of parties in such a statute. First, both the FRG and Poland have chosen to do this, striving to center the activities of political institutions on democratic values. The democratization of party policies in the FRG and Poland incorporates a wide and effective set of tools for promoting internal party democracy. The most important of these are party arbitration tribunals for settling disputes, mechanisms for the nomination of candidates for elective offices by a secret ballot, and regular reporting by party leadership. These mechanisms seek to further the principles of freedom inside parties and give their members a sense of involvement in and responsibility for "processes shaping the parties' will" (*Linnemann, 2001*). Second, this approach helped to avoid the elimination by parties of provisions strengthening internal party democracy at their own discretion.

At present, a statute of a political party should provide information on its name; the list of party bodies, procedures for their establishment, powers and term of office; the procedure for joining a party, the grounds and procedure for suspension and termination of party membership; the rights and duties of party members; the procedure for the establishment, general structure, and powers of party branches at a variety of levels; the procedure for making changes and amendments to the statute and program of a party; and the procedure for convening and holding party congresses, conferences, and meetings. In view of the introduction of public funding, this information should be supplemented with detailed data on the sources of material and financial support of a political party and its local branches, the procedure for making expenses (Article 8); the procedure for exercising ownership rights with respect to property owned by a party (Article 16); and the procedure for

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<sup>27</sup> Code of good practice in the field of the political parties:

<sup>28</sup> The decision of the Constitutional Court of Ukraine as of 23 May 2001 concerning the constitutionality of Article 248-3 of the Code of Civil Procedure of Ukraine: [://zakon2.rada.gov.ua/laws/show/v006p710-01](http://zakon2.rada.gov.ua/laws/show/v006p710-01)

performing an internal party audit, the procedure for the establishment, scope and term of powers of audit officials (Paragraph 8.1)<sup>29</sup>. The above changes will not be introduced until 2020, which means that during the 2019 parliamentary elections, the public will not have access to information on political parties.

Implementation of the mechanisms of internal party democracy is more significant for the newly established parties than for existing ones. These procedures may cover entire system of intra-party relations, including decision-making procedures, nomination of candidates for elected party and government positions, leadership accountability, resolution of disputes (*Scarrow, 2005*).

The following two aspects whose compatibility with the principles of democracy and the democratic organization of political parties is questionable should be noted:

1 – the provision of the Constitution of Ukraine on early termination of the mandate of a People's Deputy of Ukraine elected from a political party if he/she fails to join a parliamentary faction representing the same political party or exits from such a faction<sup>30</sup>. This provision conflicts with the principle of the free and independent mandate of People's Deputies of Ukraine and was criticized by the Venice Commission. The Commission stressed that "linking the mandate of a People's Deputy to membership in a parliamentary faction or bloc infringes on the independence of the deputies, bearing in mind that Members of Parliament are supposed to represent the people, not their parties"<sup>31</sup>. The mandates of 2 Petro Poroshenko Bloc "Solidarity" MPs were terminated in 2016 based on this provision.

2 – the so-called law on party dictatorship under which the law "On Elections of People's Deputies of Ukraine" of 17 November 2011 was amended in the following way: "The party may decide on the exclusion of a candidate for People's Deputy, who is deemed unelected according to the voting results, from its electoral list at any time after the election day and before the Central Election Commission makes a decision declaring him/her elected. Such a decision shall be made pursuant to party's statutes by congress (meeting, conference) of the party, which may be held only after deputies elected at regular or snap election swear an oath"<sup>32</sup>.

The first regulation enabled parties to deprive deputies of parliamentary mandates. The second document gave parties the subjective right to exclude from their lists candidates who were not elected in regular elections, but were close to winning parliamentary mandates.

#### ***4. Public access to information on political parties***

Much remains to be accomplished regarding open access to information on parties and their activities. In recent years, the state has provided restricted access to such information, including data on party registration and programs, in compliance with the law on elections. Hence, the requirements to access that volume of information and its presentation change from election to election.

<sup>29</sup> The law "n Amendments to Certain Legal Acts of Ukraine on Preventing and Combating Political Corruption" dated 8 October, 2015 (in Ukrainian):

<sup>30</sup> The Constitution of Ukraine of 1996 (as amended in 2004 and 2014):

<sup>31</sup> Opinion on the three draft laws proposing amendments to the constitution of Ukraine. Opinion no. 230 / 2002 (CDL-AD (2003) 19). Adopted by the Venice Commission at its 57th Plenary Session (Venice, 12-13 December 2003):

<sup>32</sup> The law "On Amendments to the Law of Ukraine "On Elections of People's Deputies of Ukraine" regarding the Exclusion of Candidates for People's Deputies of Ukraine from Party's Electoral List in a Multi-Mandate District", dated 16 February, 2016: . In terms of legal culture, it is interesting is that the amendments to the electoral law that was applied to party candidates in the 2014 parliamentary elections were made a year and a half after the elections despite the principle of non-retroactivity ("Lex retro agit in mitius") enshrined in Article 58 of the Constitution of Ukraine reading: "Laws and other regulatory legal acts shall have no retroactive force, unless they mitigate or nullify the responsibility of a person" and Article 79 guaranteeing free mandates for people's deputies of Ukraine.

Starting in 2016, a considerable volume of information should be presented in parties' financial reports: the value of party assets; the date and amount of each contribution to a party, its electoral fund or a candidate; the name, location, and fiscal number of the legal entity or natural person that made a contribution; the amount of public funds allocated for statutory activities of a party and the reimbursement of its campaign expenses; and the date, amount, and purpose of each payment from the accounts of a party or its electoral fund. Audit opinions and copies of payment documents should also be enclosed with financial reports.

Parties are also required to publish account details on their websites.

The protection of personal information about donors to political parties became acute because of the fight against political corruption in Ukraine. As observed from the above, personal data on donors who made contributions worth even € 1 are open to the public. In our opinion, it would be reasonable to disclose information about large donors to promote party funding and enhance internal party communication. Particularly in Germany, if the total amount of donations to a political party or to one or more of its local branches exceeds € 10,000 in one year, that will be recorded together with the names and addresses of the donors. The development of an agreement on a reasonable upper limit and approach to such donations in Ukraine is recommended.

Parties are obviously required to publish programs that reflect a sort of "soft contract" or moral commitment between parties and voters and serve to further promote accountability (Paragraph 46), including changes in programs after coming to office (Paragraph 47)<sup>33</sup>. These activities could be strengthened through the systematic creating, updating and dissemination of information on party activities and political processes using a public platform<sup>34</sup>, free from a biased approach and enabling citizens to freely express their views.

An important element of this publicly accessible information should be data on party registration, re-registration, and statutory documents because party documents in Ukraine often become objects of "sale". The availability of such data would increase voter awareness of party history and promote the understanding of reasons for their structural changes. Simultaneous changes in a statute, program, or personal data on party leadership should be evaluated by a public regulatory authority, as they imply a conflict between the procedures for party foundation and registration, including the collection of signatures in support of a certain party and its further political goals and practices.

## 4. Recommendations

Based on the above analysis, a minimum program is recommended for implementation, which will not require additional effort. According to each of program objectives, we recommend:

- Expanding opportunities for the financial activities of political parties:

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<sup>33</sup> Code of good practice in the field of political parties... – Ibid.

<sup>34</sup> Such as Bundeszentrale für politische Bildung //

- ✓ Improve the model of public funding to reach a balance between expenses for the statutory activities of political parties and private funding and simultaneously provide flexible support for parties through the application of the principle of graduated expenses (a reduction in funding rates depending on a certain percentage of votes received);
  - ✓ Harmonize legal regulations on political parties and the election of different authorities related to electoral funds and the possibility of direct government contribution to election funds;
  - ✓ Expand entrepreneurship opportunities for parties;
  - ✓ Consider tax incentives for private contributions to political parties;
  - ✓ Detail issues related to financial transactions between central and regional offices of parties;
  - ✓ Bring the principles of public funding in line with the electoral model to avoid the unequal treatment of parties that won seats through different components of the electoral model;
  - ✓ Provide financial assistance to parties that failed to pass the electoral threshold ("fall short of the threshold by 2%" could be an acceptable option) to maintain a competitive party environment;
  - ✓ Provide for allowed expenditure items relating to "party statutory activities";
  - ✓ Determine sources of external audit funding;
- De-concentration of resources by strengthening antitrust policy:
    - ✓ Lobby for the disclosure of information on ultimate beneficiaries in the area of mass media;
    - ✓ For NGOs – carry out monitoring of TV channels regarding the violations of unbiased coverage and the regulations on rules of political agitation and subjective and biased news coverage;
- Promotion of internal democracy:
    - ✓ Specify the timeframe for making changes in party statutes related to the disclosure of financial information;
    - ✓ Essentially expand requirements for the enshrinement of internal democracy principles in party statutes and for the payment of membership fees;
    - ✓ Cancel constitutional and legal rules incompatible with the free status of a member of parliament;
    - ✓ Continue stimulate parties to promote gender equality at the nomination of candidates in the elections.
- Public access to information on political parties:
    - ✓ Ensure convenient service and the fullest access to information to identify a party, including its statutory and program documents, leadership, and organizational changes;
    - ✓ Carry out information and awareness campaigns among the public on the government's party policy (for example, bpb.de) to open the opportunity to obtain objective information, raise citizens' awareness, and improve their attitude regarding party activities.

A maximum program should provide for further expert discussions on the autonomy of politics. This should imply changes in approaches to ballot rules (particularly the disclosure of information about candidates for elective offices and the implementation of a requirement prohibition against the concurrent holding of parliamentary mandates and private posts or significant shareholdings in commercial companies) and the

electoral system itself that should offer opportunities for more competitive and open elections (in particular, open lists in the proportional system).

The implementation of these recommendations could give an impetus to the autonomy and stability of parties and enhance their policy-making capacity, if the following conditions are met:

- 1 – Develop an institutional framework that would not weaken the role of parties in the political system. In other words, there should be no changes in the procedure of the delegation of authority from the public to the parliament or in legal regulations on party activities and the role of parties in the electoral process.
- 2 – Continue the institutionalization and professionalization of the system of public administration and separate the levels of political decision making and implementation. At the same time, the balance of powers must be kept and the decentralization of public administration should be continued.
- 3 – Continue to strengthen civil society based on the capacity of different social groups to determine common interests, organize themselves and communicate their interests; develop transparent mechanisms of participation, bearing in mind that parties are not the only channel for this communication, and work with the available information about political parties.
- 4 – Continue and support policies that promote cooperation with the EU, which should foster the implementation of Ukraine's commitments in the field of human rights protection, democracy, and the rule of law.

It is possible to conclude that there are opportunities to make Ukrainian political parties more stable (less dependent on informal influences) and more powerful (capable of performing their functions). At the same time, actions to decrease the critical dependence of political parties on informal influence groups should be regularly evaluated to measure the implications of those proposed changes to clearly determine the directions of those efforts, and ensure the consistency of the said actions. The worst possible scenario is a reduction of competition within influence groups. In this case, a victory would belong to a single group, which would be the most integrated into the power structure and could appoint its members to top elective and administrative positions, resulting in its super-dominance.

The amount of resource investments in politics is comparable to the expected return on them. Hence, informal influence groups invest in political parties to the extent consistent with their influence goals. However, this does not exclude the use of other tools of influence.

## 5. Appendices

**Table 1.** Votes for parties that failed to pass the electoral threshold (within the proportional component only)

Year		Electoral system	Electoral subjects	Total votes for parties that failed to pass the electoral threshold, %	"Against all vote" <sup>35</sup>
1998	Regular elections	Mixed (parallel) (50/50)	Parties Electoral blocs of parties Self-nomination (SMD)	25.75	5.25
2002	Regular elections	Mixed (parallel) (50/50)	Parties Electoral blocs of parties Self-nomination (SMD)	17.96	2.45
2006	Regular elections	Proportional	Parties Electoral blocs of parties	18.31	1.77
2007	Special elections	Proportional	Parties Electoral blocs of parties	6.97	2.73
2012	Regular elections	Mixed (parallel) (50/50)	Parties Self-nomination (SMD)	6.8	Option is eliminated
2014	Special elections	Mixed (parallel) (50/50)	Parties Self-nomination (SMD)	17.91	Option is eliminated
				Σ average 15.61	

Source: Data of the Central Election Commission of Ukraine (CECU) / www.cvk.gov.ua

**Table 2.** Structure of the funding sources for political parties in FRG, Poland and Ukraine

	FRG	Poland	Ukraine
<b>Own</b>	membership fees; income from activities	affiliation fees; membership fees; heritage; income from possessions (property) or from their sale; income from financial assets (bank accounts and deposits interests, income from banking operations with treasury bonds and securities)	membership fees;
<b>Private</b>	contributions from natural persons (without restrictions); contributions from legal entities (without restrictions) contributions from non-resident EU natural persons (with restrictions) contributions from foreign sources (with reservations)	contributions from natural persons (with restrictions)	contributions from natural persons (with restrictions); contributions from legal entities (with restrictions) <sup>36</sup>
<b>Public</b>	direct:	direct:	direct:

<sup>35</sup> The "against all" option was permanently abolished for local elections in 2010.

<sup>36</sup> The law defines "contribution" as any kind of support: funds and property, privileges, benefits, services, loans (credits), intangible assets, any intangible or non-monetary profits, political party membership fees, sponsorship of events or other activities in support of a political party by third parties, goods, works and services. All these contributions should be subjected to assessment. To counter corruption, not only are direct contributions in support of the political party itself considered, but in the same vein, any contribution to persons connected to the party, party candidates in elections of any kind (contribution to the election fund) is also considered. In the future, it is advisable to distinguish between the concepts of "contribution", "monetary contribution", "property contribution", "sponsorship", and "third parties" to develop a methodology for assessing non-monetary contributions. Additionally, it is necessary to separate the concept of "membership fee" (or "affiliation fee" if it is established) from any type of private contributions.

Sources: German, Polish and Ukrainian legislation on political parties.

**Table 3.** Allowed sources of funding of political parties in Ukraine before and after 2016

<b>Before the introduction of public funding, 2001-2015</b>		<b>After the introduction of public funding, 2015</b>	
<b>Sources</b>	<b>Restrictions</b>	<b>Sources</b>	<b>Restrictions</b>
Membership fees	Parties' discretion	Membership fees	Parties' discretion
Natural persons	No restrictions on the number and amount of contributions	Natural persons	The total annual contribution cannot exceed 400 minimum wages
Legal entities	No restrictions on the number and amount of contributions	Legal entities	The maximum annual amount of the contribution is 800 minimum wages
Indirect public funding during the election period	Access to state-owned media	Indirect public funding during the election period	Access to state-owned media
-	-	Direct public funding in support of statutory activities	Annual funding, quarterly payments in the amount of 0.02% of a minimum wage multiplied by the total number of voters who participated in the latest parliamentary elections
-	-	Direct public funding reimbursing campaign expenses financed from party funds	

**Table 4.** Prohibited sources of funding of political parties in Ukraine before and after 2016

<b>befor</b>	<b>after</b>
<b>1)</b> Public authorities and local self-government bodies, except in cases envisaged by the law;	<b>1)</b> Public authorities and local self-government bodies;
<b>2)</b> State- and municipally owned enterprises, institutions, and organizations, as well as enterprises, institutions, and organizations that are partly owned by a state or municipal authority or by a non-resident;	<b>2)</b> State- and municipally owned enterprises, institutions, and organizations, as well as legal entities that are partly owned (at least 10% of the statutory capital or voting rights directly or indirectly) by a state or local self-government authority. These include non-residents and legal entities whose beneficiaries (controllers) are authorized to fulfil the functions of public authorities or local self-government bodies;
<b>3)</b> Other countries and foreign nationals, enterprises, institutions, and organizations;	<b>3)</b> Other countries, foreign legal entities, foreign nationals, stateless persons, and legal entities whose beneficiaries (controllers) are foreign nationals or stateless persons;
<b>4)</b> Charitable and religious associations and organizations;	<b>4)</b> Unregistered non-governmental, charitable, and religious associations and organizations;
<b>5)</b> Anonymous or pseudonymous persons;	<b>5)</b> Ukrainian citizens under 18 years of age <sup>37</sup> , disabled,

<sup>37</sup> In Ukraine, individuals acquire full civil capacity and bear full responsibility for their actions at 18 years.

	anonymous or pseudonymous persons;
<b>6) Political parties other than members of electoral blocs.</b>	<b>6) Other political parties;</b>
	<b>7) Natural persons and legal entities who have received a public contract for goods, works or services to be provided to a state authority or territorial community during the contract period and for <u>one year</u> after its expiration (with exceptions depending on income from such activities);</b>
	<b>8) Natural persons and legal entities that have unpaid tax debt.</b>

Source: law "On Political Parties in Ukraine" as of 5 April 2001 and amended 18 October 2015

**Table 5.** Actual upper limit of individual contributions each year to a party in Ukraine, Poland and Germany (per person)

	Ukraine		Poland, from 2001		FRG without restrictions
	min wages	contribution	min wages, €	contribution 15 min wages	min, €
2012	1 073 UAH ≈ € 105	without restrictions	336.4	5 046	
2013	1 147 UAH ≈ € 109		392.73	5 891	
2014	1 218 UAH ≈ € 110		404.4	6 066	
2015	1 218 UAH ≈ € 63.4		409.1	6 135.8	1 360
2016	1 378 UAH ≈ € 52.6	Natural person:400 min wages Legal entities:800 min wages	420	6 300	1 360

Source: for Germany and Poland Database-Eurostat / ec.europa.eu/eurostat/data/database;  
for Ukraine: law on budget – Verkhovna Rada of Ukraine / http://iportal.rada.gov.ua/

**Table 6.** The principles of determining the amount of direct state spending on party financing

	FRG	Poland	Ukraine
Who is eligible	Parties that received in the Federal elections (threshold – 5%) or in the European Parliamentary elections not less than 0.5% of votes or 10% in one constituency. In state elections, not less than 1%.	Party list received not less than 3% of valid votes (threshold of 5%) or not less than 6% within the election bloc (threshold of 8%)	Parties that passed the electoral threshold in the proportional component of the elections (threshold of 5%)
Principles of direct state financing	In Federal and European Parliamentary elections <sup>38</sup> Less than 4 mln. votes – 0.85 cents per 1 vote More than 4 mln. votes – 0.7 cents per 1 vote.  In state elections for local parties and party organizations: 0.5 cents per 1 vote  €0,38 per every 1€, gained from private sources, but limit for such support from one source is – €3300 (relative Grenze)	Statute activities:  Subvention Less than 5% – 5.77 PLN 5-10% – 4.61 PLN 10-20% – 4.4 PLN 20-30% – 2.31 PLN More than 30% – 0.87 PLN	Statute activities: Derived from 0.02 minimum wage and the number of votes in a national multi-mandate constituency in proportion to the number of seats obtained by the party <sup>39</sup>

<sup>38</sup> Art. 18 Parteiengesetz dated 1967, amended in 1994 and 2001 : // [://www.bundestag.de/blob/189336/2d8fc37801c04ccfe153686a39e477e3/pg\\_pdf-data.pdf](http://www.bundestag.de/blob/189336/2d8fc37801c04ccfe153686a39e477e3/pg_pdf-data.pdf)

<sup>39</sup> Art. 17-2 law «On Political parties in Ukraine». – Ibid.

	The upper limit of expenses from the state budget to finance political parties in general (absolute Obergrenze) <sup>40</sup>		
Actual amount of the budget expenditure	Year <sup>41</sup> 2010 – € 127.1 2011 – € 137.0 2012 – € 144.8 2013 – € 144.7 2014 – € 144 2015 – € 159.2	Year 2010 – 114 mln. PLN <sup>42</sup> 2011 – 55 mln. PLN 2012 – 54.4 mln. PLN 2013 – 54.4 mln. PLN 2014 – 54.4 mln. PLN 2015 – 62 mln. PLN <sup>43</sup> 2016 – 138.5 mln. PLN <sup>44</sup>	Year  2016 – UAH 391 mln. ≈ € 14.9 mln 2017 – UAH 442 mln.

**Table 7.** Beneficiaries of 14 TV news channels in Ukraine

TV channels	Owner	Beneficiaries
Inter National TV channel	Inter Media Group	Dmytro Firtash, the businessman and President of the Ukrainian Employers' Federation (controller) and MP Serhiy Lyovochkin, the former Head of the Presidential Administration of Viktor Yanukovich, the Opposition Bloc (owner of a significant share)
NTN National TV channel	Inter Media Group	
1+1 National TV channel	1+1 Media	Ihor Kolomoisky, Privat Financial and Industrial Group (controller) and Chairman of the Dnipropetrovsk Regional State Administration in 2014-2015, Ihor Sukis (owner of a significant share)
First Channel National TV channel	National Television and Radio Broadcasting Company of Ukraine	The state
New Channel National TV channel	StarLightMedia	Viktor and Olena Pinchuk, the son-in-law and daughter of the Ukrainian ex-President Leonid Kuchma (1996-2004), owners of Interpipe Corporation
STB National TV channel		
ICTV National TV channel		
Ukraina National TV channel	Media Group Ukraine	Rinat Akhmetov, the owner of Ukraine's largest SCM Holding, business partner of Viktor Yanukovich and MP in 2006-2007 and 2007-2012, the Party of Regions
112 Channel	Offshore companies	Andriy Podshchypkov, the Opposition Bloc MP, Director General and aide to Ukraine's ex-Interior Minister Vitaliy Zakharchenko
Tonis	Tonis TV Company	Petr Zika, offshore companies
Channel 24		Kateryna Kit-Sadova, the wife of Andriy Sadovy, the Lviv Mayor and parliamentary leader of the Self-Help Party (76.7%)
Channel 5 TV	Prime Assets Capital	Petro Poroshenko, the President of Ukraine and owner of a multi-industry holding, the Petro Poroshenko Bloc
Espresso TV	Goldberry LLC	Larysa Knyazhytska, the wife of the MP Mykola Knyazhytsky

<sup>40</sup> Absolute Obergrenze till 2010 was (€, mln) 133, 141.9 in 2011, 150.8 in 2012, 154.1 in 2013, 156.7 in 2014, 159.2 in 2015, and 160.5 in 2016//[https://www.bundestag.de/parlament/praesidium/parteienfinanzierung/die\\_staatliche\\_parteienfinanzierung/04\\_obergrenzen/249380](https://www.bundestag.de/parlament/praesidium/parteienfinanzierung/die_staatliche_parteienfinanzierung/04_obergrenzen/249380)

<sup>41</sup> Die Staatliche ParteienfinanzierungDie Staatliche Parteienfinanzierung : [http://www.bundestag.de/parlament/praesidium/parteienfinanzierung/die\\_staatliche\\_parteienfinanzierung/die\\_staatliche\\_parteienfinanzierung/203248](http://www.bundestag.de/parlament/praesidium/parteienfinanzierung/die_staatliche_parteienfinanzierung/die_staatliche_parteienfinanzierung/203248)

<sup>42</sup> Ustawa z dnia 16 grudnia 2010 r. o zmianie ustawy o partiach politycznych. -

<sup>43</sup> Sprawozdanie z wykonania budżetu państwa za okres od 1 stycznia do 31 grudnia 2015 r. (Druk nr 553). Tom I -

<sup>44</sup> Ustawa budżetowa na rok 2016 z dnia 25 lutego 2016 r.-

		(controller)
News One	News 24 Hours	Yevhen Murayev, the Opposition Bloc MP, the Life Party since 2016 (controller)

Source: <http://fdlx.com/business-ukraine/49541-komu-prinadlezhat-populyarnye-ukrainskie-telekanaly-oficialnye-dannye-o-vladelcax.html>

**Table 8.** Rules for the establishment of and participation in TV and radio broadcasting organizations and program service providers (since 2015)

It is prohibited in Ukraine to establish or take part in TV and radio broadcasting organizations, and program service providers for:

- ✓ Public authorities and local self-government bodies and legal entities founded by them, including all shareholders in the chain of ownership of a television or radio broadcasting organization if a decision as to their creation or position does not provide powers to found a television or radio broadcasting organization;
- ✓ Legal entities and natural persons who are entrepreneurs registered in offshore zones;
- ✓ Legal entities and natural persons who are residents of the country recognized by the Verkhovna Rada of Ukraine as the aggressor or occupant state, as well as by legal entities whose shareholders are the said legal entities or natural persons, including all shareholders in the chain of ownership of a television or radio broadcasting organization;
- ✓ Political parties, trade unions, religious organizations, and legal entities founded by them, including all shareholders in the chain of ownership of a television or radio broadcasting organization;
- ✓ Individuals serving their sentence in places of deprivation of liberty.

Source: law "On Amendments to the Laws of Ukraine on Providing Measures to Ensure the Transparency of Media Ownership and Implementation of the State Policy Principles in the Field of Television and Radio Broadcasting" dated 3 September, 2015 (in Ukrainian) / <http://zakon0.rada.gov.ua/laws/show/674-19>

**Table 9.** Where do you get the information about the political development in Ukraine? (%)

	<b>Total</b>
I do not care about it	10,50
Through TV	80,50
Directly from the politicians I know	3,30
Through Radio	12,70
I get the information on the Internet via email	9,80
Through social networks (Facebook, Twitter, etc.)	6,80
Talking with friends and family	21,50
Through newspapers	20,90
Townhall meetings in my city with MPs and other officials	1,30
Don't know (Do not read)	4,50
<b>Total</b>	100,00

Source: Data of the closed-end survey conducted in Ukraine in April 2013.

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