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A STEP FORWARD IN THE MINIMIZATION OF POLITICAL CORRUPTION IN FINANCIAL SUPPORT OF POLITICAL PARTIES: THE EXPERIENCE OF UKRAINE AND LITHUANIA

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ABSTRACT

Political corruption as a negative phenomenon hampers the democratic and economic development of any state. The experience of foreign countries across the world testifies to the existence of number of reasons conducive to the spread of political corruption. Its study is important both for Ukraine, which is actively taking measures to combat political corruption, and for other countries with a high level of political corruption.

The article begins with a study of various approaches to understanding the concept of "political corruption", the reasons for its emergence and determination of the level of citizens' trust in political institutions in Ukraine and foreign countries. The main obstacles to minimizing the phenomenon of political corruption in Ukraine are the existence of an effective mechanism for financial support of political parties and control over their financial activity. Based on the analysis of scientific literature, international acts, and legislative acts of Ukraine and Lithuania, the authors disclose the experience of Ukraine and Lithuania in the sphere of state financing of political parties and control over their financial activity. The methods of descriptive comparative analysis and observation of the latest scientific research on this issue guide the work.

Proceeding from the existing problem of minimizing the phenomenon of corruption in the funding of political parties in Ukraine and taking into account the development of Ukraine's legal system, the article presents a number of proposals on improving the legislation of Ukraine on financial support of political parties. The authors also provide a proposal on the need to improve the legislation in Lithuania in the area of indirect state funding of political parties. This article aims to disclose the notion of "political corruption", to study experience of Ukraine and Lithuania in the sphere of minimizations of corruption in the funding of political parties and control over the use of such financial support, to determine the areas for improving the legislation of Ukraine and Lithuania in this issue, and to show the optimal mechanism of overcoming corruption in political parties, since Ukraine is not the only state where this phenomenon reaches its peak.

KEYWORDS

Corruption, political corruption, combating political corruption, financial support of political parties, financial activity of political parties

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INTRODUCTION

This article focuses on ways to overcome political corruption due to the transparent financial support of political parties and control over their financial activity. Today the importance of studying corruption in financial support of political parties and possible ways of minimization it is urgent as never before, for a number of states that are still in the process of becoming democratic and legal. In such states, one of which is Ukraine, the processes of reforming the supreme agencies, large number of political parties and absence of proper settlement of their financing create conditions for the prosperity of corruption in the activities of political parties. However, such a growth of political corruption can destroy positive results from reforms and has a detrimental effect on the state's economy, as well as the protection of human and civil rights and freedoms. For the European community, it is also obvious that a state with a high level of political corruption is not interesting for investors because there is a high risk of investment loss in case of investing in the projects of a corrupt state.

The present article contributes to the discussion through a detailed focus on the definition of "political corruption" and a comparative analysis of the experience of Ukraine and Lithuania in state financing political parties and control over the financial activity of political parties. The respective experiences will determine the optimal mechanism for counteracting corruption in the activities of political parties, which can be the basis for improving the legislation of the states, including Ukraine, whose priority is the transparent financial support of political parties.

The discussion is presented as follows: Part 1 gives an overview of different methodological approaches to understanding political corruption on the basis of which the author's definition of "political corruption" is formulated; Part 2 concerns the experience of Ukraine and Lithuanian regarding the state financing of political parties; in particular, norms of Ukrainian and Lithuanian legislation on financing political parties are compared, and the benefits of Lithuanian model of state financial support of political parties are highlighted; Part 3 deals with next steps of Ukraine and Lithuania towards improving mechanism of state financing of political parties in these countries; and, Part 4 focuses on monitoring and control over the financial activity of political parties in Ukraine and Lithuania and ways for its improvement.

1. METHODOLOGICAL APPROACHES TO UNDERSTANDING POLITICAL CORRUPTION

The analysis of scientific literature shows that the study of political corruption has been carried out from the standpoint of various approaches, such as moral, systemic, network, structural and functional, comparative, and using the methods that were developed and received certain popularity at a certain time. However, in the course of research, some approaches survived the test of time, while others remained isolated attempts, where the specificity of the phenomenon was confronted with significant methodological constraints or discrepancies.

Ceva E. and Ferretti M. note that political corruption is usually presented as a pathology of the social order. Therefore, the aspects in which political corruption was presented as incorrect depended on the normative theory of social order that was dominant at one time or another.¹ Today this approach is supported by Ousanee Sawagvudcharee and Maurice Youlles, who are convinced that the existence of corruption, including political, is largely due to the existing link between ideology and ethics that are commonplace in the state.² Similarly, Alberto Vanucci distinguishes the cultural paradigm between the three paradigms of corruption analysis, in which the existence of corruption is due to existing cultural traditions, social norms and the intrinsically accepted values of each society, which ultimately forms the preference of individuals for encouraging corruption or struggle with corrupt manifestations.³

The moral and axiological approach were the most popular in the study of political corruption, but comparative and behavioural approaches were also widespread. A comparative approach was popular because political corruption was perceived for some time only as a problem inherent in transformational societies and "young" democracies. The behavioural approach was used by the scientists who considered imperfection of human nature (the temptation to take a bribe) to be the main reason for political corruption. The network approach to political corruption is still quite new and requires the delineation of political corruption from its forms: clientelism and structuring of corruption networks. Fewer attempts were made to study political corruption through systemic and structural and functional approaches, since the phenomenon of political corruption is ambiguous and it is rather difficult to identify a structure or predict the consequences. The phenomenon of political corruption requires a detailed study, taking into account the specifics of the country and the distribution environment.

¹ Emanuella Ceva and Maria Paola Ferretti, "Political corruption," *Philosophy Compass* Vol. 12, No. 12 (2017) // DOI: 10.1111/phc3.12461.

² Ousanee Sawagvudcharee and Maurice Youlles, "Understanding corruption," *Journal of Organizational Transformation & Social Change* 2 (2010).

³ Alberto Vanucci, "Three paradigms for the analysis of corruption," *Labour & Laws* 1 (2015).

The lack of a single definition of political corruption has led to different areas in the study of this phenomenon and a multiple number of definitions. The analysis of theoretical scientific developments allows concluding that every decade has brought something new into the process of studying the nature and peculiarities of political corruption, posing more and more questions to scientists. However, there has never been a single optimal approach to the study of this phenomenon, and the identification of its essence played an important role.

The Soviet approach to political corruption was characterized by the denial of the term "corruption". John M. Kramer notes that this approach was used only in the late 1980s. Rejecting the definition, the Soviet government thus rejected the phenomenon, replacing it with some forms of corruption, such as bribery, abuse of office, etc. It was believed that shortcomings in the work of parties, trade unions and state bodies were attributed to corruption, especially in the field of educating the workers. In Soviet literature, corruption was considered to be a phenomenon characteristic of certain social and economic formations. In encyclopaedias and dictionaries of the Soviet era, it was emphasized that corruption is a phenomenon inherent in the bourgeois state and society, where a person exploits a person, where the state apparatus is subordinated to the monopolies, and the conditions of this are laid in the economic and political systems of the capitalist society.⁴ In particular, in the Great Soviet Encyclopedia of 1973, it was noted that corruption is a crime consisting in the direct use by an official of powers for personal enrichment.⁵

Only in the mid-1990s did the publications begin to define corruption as an integral attribute of any state, including the socialist state. The term "corruption" in the context of the communist regimes began to be denoted as an illegal private or shadow economy, which was considered as a dynamic and innovative factor, which even leads to a change in the social system.

With regard to the European states, since the 1970s the development of international relations and trade has caused the destruction of authoritarian regimes in Eastern Europe and Third World countries. At the same time, Western European political systems have faced a number of problems, namely: the crisis of political parties after a low turnout in the elections and the economic crisis, the crisis of Western European values. The main consequence of this was the growth of corruption in the last decade and the awareness of the spread of this phenomenon, which gave rise to a new social crisis.

It is worth noting that the term "political corruption" was much earlier an object of philosophical research in the world. In particular, in 1975 V. le Vine published a

⁴ John M. Kramer, "Political Corruption in the U.S.S.R.," *The Western Political Quarterly* 30 (1977).

⁵ Hannah Kokhan, *The phenomenon of political corruption: theoretical and methodological analysis* (Kyiv: NISS, 2013).

book titled *Political Corruption: The Ghana Case*, in which he described political corruption as a network of links between secretaries of ministries, football field managers and the informal political hierarchy. By studying the causes, consequences of Ghana's political corruption, the author tried to compare them with the situation in other countries. This study of political corruption has become one of the first practical studies of this phenomenon.

April K. Clark gave a more specific definition of political corruption. He understands it as a permanent political threat to democracy in the world. From the point of view of the legislative approach, political corruption implies deviant political behavior, which is expressed in the illegitimate use of state resources by the ruling political elite to satisfy private interests.⁶ Daron Navot draws attention to the fact that political corruption is characterized as a violation of established institutional ideals and behavior that harms the democratic processes and institutions.⁷

To understand the essence of political corruption, it is advisable to pay attention to the approach of Donatella Della Porta and Alberto Vanucci, who focused on the skills of a politician-businessman to create networks, build relationships, form trusts, facilitate mutual obligations and provide services. A politician-businessman in this case is a politician who views politics as a means of accumulating funds, influence and power. According to the authors, if the ability to create networks is rewarded in traditional politics and in conditions of widespread corruption, it is aimed both at increasing personal power and at creating the necessary "cover" inside the party, in other parties, civil society and state institutions. Politics is a business based on the distribution of benefits and favors in exchange for favors and support.⁸

In the 1990s, when the bipolarity of the world disappeared and the "cold war" ended, the development of international trade, business lobbies, and the global dissemination of information facilitated the transition from studies of political corruption as a negative phenomenon to seeking understanding and influence on the phenomenon of corruption and developing anticorruption strategies.

Judging by the content, the most complete and first official definition of corruption, which can also be considered a definition of political corruption, is contained in the documents of the 34th session of the UN General Assembly (1979), which states that it is "commission or omission of an act in the performance of or in connection with official's duties, in response to gifts, promises or incentives

⁶ April Clark, "Measuring corruption: Transparency international's Corruption perceptions index"; in: Nancy S. Lind and Cara E. Rabe-Hemp, eds., *Corruption, accountability and discretion* (United Kingdom, 2017)

⁷ Doron Navot, "Political Corruption, Democratic Theory, and Democracy," *Les ateliers de l'éthique* Vol. 9 (2014) // DOI 10.7202/1029057ar/.

⁸ Donatella Della Porta and Alberto Vannucci, *Corrupt exchanges: Actors, resources, and mechanisms of political corruption* (New York: Aldine De Gruyter, 1999).

demanded or accepted, or the wrongful receipt of these once the act has been committed or omitted".⁹

Thus, it is obvious that the phenomenon of political corruption has been known worldwide for a long time and, as mentioned by K. Hope, still exists in developing countries, despite the spread of legal, institutional and other measures taken to combat it.¹⁰ The understanding of the essence of political corruption changes together with the development of states and their legislation, as well as with the change in relations between states in the international arena. In this regard, taking into account the prevalence of political corruption and the lack of a single notion, it is advisable to draw attention to the essence of political corruption from the legal point of view.

The legal interpretation of political corruption should be based, first of all, on the social relationships that arise between state officials, third parties who are not related directly to political activity, but seek to satisfy their private interests. It is not difficult to see that many scholars who investigated political corruption paid attention only to actions or inaction of state officials and did not appreciate the role of third parties. At that time, a vivid example of relations that arise between state officials and third parties is the bribing of voters when they give them support in elections for a certain reward from the leaders of political parties. According to the above mentioned, public relations, which are defined as political corruption, arise only if one of the parties is a direct participant of political activity. From the legal point of view, private interests are the subject of these relationships. In addition, one cannot ignore the subject of such relationships, which can be tangible and intangible goods, in particular funds (both from the state budget and private, legal entities), services, etc.

Thus, political corruption is a social relationship that arises between direct participants in political activity or between a direct participant in political activity and a third party in order to meet private interests through the use of powers granted by the state, as well as state and private material and intangible resources and which violate the principles of democratic, legal and social state. Moreover, bribing voters is not the only manifestation of corruption in the activities of political parties; often political parties neglect their own programs and act in the interests of sponsors who fund the activities of the party.

⁹ *Code of Conduct for Law Enforcement Officials*, Adopted by General Assembly resolution (1979, no. 34/169) // <http://www.ohchr.org/EN/ProfessionalInterest/Pages/LawEnforcementOfficials.aspx>.

¹⁰ Kempe Ronald Hope, "Fighting corruption in developing countries: Some aspects of policy from lessons from the field," *Journal of Public Affairs* 17 (2017).

2. UKRAINIAN AND LITHUANIAN EXPERIENCES OF THE FINANCIAL SUPPORT OF POLITICAL PARTIES

Despite reforms that Ukraine is constantly implementing to overcome corruption, enactment of regulatory acts for this purpose, as well as the creation of new anti-corruption agencies, it is still ranked the 131st according to Transparency International 2016. At the same time, Italy holds the 60th position, Slovakia – 55th, Malta – 47th, Latvia – 44th, Spain – 41st, Lithuania – 38th, France – 22nd, Belgium – 15th, United Kingdom – 10th, Sweden – 4th.¹¹

The results only indicate that the issue of financial support of political parties is relevant for Ukraine, which intends to integrate into the European community.

Financing of political parties has recently attracted particular attention. During elections, political parties spend significant amounts on campaigning and receiving voter support. Such financial support is often provided by influential business representatives who intend to enter the parliament and act in the interests of their own businesses. Accordingly, we have a situation where a businessman finances a party to present it as the best one to the voters, to receive the required number of votes and to enter the parliament; the party in return gives such a patron a place in a political party and, accordingly, in parliament. This leads to detrimental consequences for the population of the state, since the private interests of people's deputies are dominant in politics instead of national interests.

Proponents of this position are O. Gokcekus and S. Sonan, who believe that the funding of political parties is a long-term investment, which forces the legislator to change the rules of the game and helps to circumvent the existing rules for the satisfaction of personal interests.¹²

The issue of transparency of political party financing in Ukraine has become relevant in terms of the introduction of public funding. International acts initially enshrined the approach, according to which the issue of political party financing is the exclusive prerogative of national legislation. The situation changed in the 2000s, when the international community realized that funding for political parties was a covert and sometimes a real threat to the development of corruption mechanisms. Already in 2003, the Committee of Ministers of the Council of Europe adopted common rules against corruption in the financing of political parties and electoral campaigns, Article 1 of which directly provided that the state should provide support

¹¹ Transparency International, "Corruption Perceptions Index" (2016) // https://www.transparency.org/news/feature/corruption_perceptions_index_2016

¹² Omer Gokcekus and Sertac Sonan, "Political contributions and corruption in the United States," *Journal of Economic Policy Reform* 20 (2017): 360.

that may be financial but adequate and should in no way interfere with independence of political parties.¹³

We agree with Ingrid van Biezen that there are three main reasons why the state should provide financial support for political parties. The first of them is the compensation of rising costs and resources; the second important reason is to ensure fair political competition in the state; and the last reason is to restrict the attraction of funds from business.¹⁴

Today, the experience of the countries is not the only stress point in the issue of financing of political parties. Each state, taking into account its own legislation, political situation and the peculiarities of the electoral system, has generally come to the best model of financial support for political parties that is now functioning successfully, which is confirmed by the low level of corruption and the trust of citizens in political institutions in these countries (France, Finland, Lithuania, Romania, USA, etc.).

Among the countries listed Lithuania's experience is particularly interesting as Lithuania is one of the few states where each citizen may pay 1% of their income to a political party. Such an experience is extremely positive, since a number of issues that determine political corruption are solved in this way in Lithuania. Under such circumstances, Lithuanian political parties make every effort to fulfil their election promises and to properly carry out their statutory activities, as citizens are interested in financing and supporting a party that carries out its activities in the interests of the population, not businesspersons who provide parties with financial support. This step in Lithuanian legislation is progressive.

According to official data of 2013, financing of the liberal party in Lithuania amounted to 51.55% of personal income (1%); 37.78% of the total financing of the party was provided by the state and only 10.67% was allocated to membership fees.¹⁵

E. Accinelli, F. Martins, and J. Oviedo draw attention to the fact that in the democratic societies an important role should be played by the citizens themselves. Scientists argue that politically active citizens can prevent the spread of corruption. Participation of citizens in the political life of the state is a kind of game between the government and officials, where each party has the opportunity to choose between corruption and honest behavior. In turn, politically active citizens influence such a choice, which ultimately leads to an increase in the intolerance index of corruption in

¹³ *Recommendation of the Committee of Ministers to member states on Common Rules Against Corruption in the Funding of Political Parties and Electoral Campaigns* (2003, no. 4) // <https://rm.coe.int/16806cc1f1>.

¹⁴ Ingrid van Biezen, "Financing political parties and election campaigns – guidelines" // https://eos.cartercenter.org/uploads/document_file/path/309/Financing_Political_Parties_en.pdf

¹⁵ Aušra Mikulskienė, *The European experience of political party funding. Lithuania* (Kyiv, 2014).

the state.¹⁶ The position of M Farzanegan and S. Witthuhn, who conclude that the impact of political corruption on the stability of the state in many respects depends on the potential of the youth involved in the political life of the state, is somewhat similar.¹⁷

Ukraine is also moving towards legislative regulation of the issue of political party financing. Although, the idea of state funding of political parties is not new for Ukraine. In particular, the first attempt to introduce state financing of statutory activities of political parties in Ukraine is related to the adoption of the Law of Ukraine "On Introducing Certain Changes to the Legislative Acts of Ukraine in Connection with the Introduction of Public Financing of Political Parties" (2003).¹⁸ Unfortunately this legal act did not work. According to the decision of the Constitutional Court of Ukraine in case No.1-2/2007 on June 12, 2007 the provisions of the law on the financing of political parties were declared unconstitutional. The decision of the Constitutional Court of Ukraine was due to the fact that the restrictions stipulated by Article 15 of the Law of Ukraine "On Political Parties" (2001) prohibiting the financing of political parties by state authorities and local self-government, first of all, determine the equal conditions for the activity of all political parties and protect rights and freedoms of people who are not members of these parties.¹⁹

Thus, on July 1, 2016, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on the Prevention and Combating of Political Corruption" came into force. However, unlike in Lithuania, the Ukrainian legislation does not consider it expedient to foresee the possibility of paying a percentage of citizens' income in favor of political parties.

However, the participation of citizens in the financing of political parties is not entirely excluded by the new law. In particular, it is envisaged that every year, the amount from the state budget of 0.02% of the minimum wage multiplied by the number of voters who participated in the vote in the last parliamentary elections should be allocated annually. In fact, it can be argued that the amount of funding of political parties depends on the number of voters who took part in the last parliamentary elections. However, the implementation of these provisions is compounded by the fact that since 2006 the percentage of non-appearance at elections has been increasing. For comparison, in 2006, the turnout of voters was

¹⁶ Elvio Accinelli, Fillipe Martins, Jorge Oviedo, Alberto Pinto, and Luis Quintas, "Who controls the controller? A dynamical model of corruption," *Journal of Mathematical Sociology* 13 (2017): 1.

¹⁷ Mohammad Reza Farzanegan and Stefan Witthuhn, "Corruption and political stability: Does the youth bulge matter?" *European Journal of Political Economy* 49 (2017): 47.

¹⁸ *Law on Introducing Certain Changes to the Legislative Acts of Ukraine in Connection with the Introduction of Public Financing of Political Parties of the Republic of Ukraine*, Bulletin of the Verkhovna Rada of Ukraine (2004, no. 218).

¹⁹ *Decision of the Constitutional Court of Ukraine in case No.1-2/2007* (2007) // <http://zakon3.rada.gov.ua/laws/show/v002p710-0>.

almost 70%, while this figure dropped significantly to 53% in 2014. Moreover, the probability of further reduction should not be ruled out, as Ukrainian citizens lost confidence in politicians, which formed a consciously unwillingness to participate in political life. Although political parties now have an incentive to promote political activity of voter through execution of election promises and acting in the interests of the people.

In addition to the absence of the possibility to pay 1% of the citizens' income to political parties in Ukrainian legislation, there are other differences in the laws on the political party financing in Ukraine and Lithuania (Table 1).

Table 1. Some provisions of the legislation of Lithuania and Ukraine regarding the financing of political parties

Lithuania	Ukraine
1. Sources for financing a political party	
1) contributions of a member of a political party; 2) allocations from the state budget; 3) state budget funds allocated based on the government programs; 4) funds received by a political party from its other activities; 5) donations of individuals and legal entities having the right to make donations; 6) loans granted by a political party registered in Lithuania by banks; 7) interest on money stored in a bank account.	1) contributions to the support of political parties: money, property, benefits, services, loans, intangible assets, other intangible and non-monetary benefits, membership fees of political party members, sponsorship by third parties of activities or other activities in support of the party, goods, work, services rendered or received free of charge or on preferential terms (at a price lower than on the market); 2) state financing of statutory activities of political parties.
2. The total amount of contribution in support of a political party from a citizen during the year	
not more than 20 sizes of the average monthly salary for the fourth quarter of the last calendar year.	not more than 400 times the minimum wage established on January 1 of the year in which contributions were made.
3. Total amount of contribution in support of a political party from a legal entity during the year	
Not more than 20 sizes of the average monthly salary for the fourth quarter of the last calendar year.	Not more than 800 times the minimum wage established on January 1 of the year in which contributions were made.
4. Assignment of the state budget to finance the activities of a political party	
Obtained by political parties that meet the established criteria and received at least 3% of the total number of votes for candidates	Obtained by political parties that received not less than 2% of the total number of votes for all the electoral rolls of candidates for

for political parties in the elections to the Seimas, local councils, elections to the European Parliament.	deputies of Ukraine in the national multi-mandate election ballot at the last regular/extraordinary elections of people's deputies.
5. Compensation of expenses of political parties for the election campaign	
political parties that received at least 3% of the votes and do not have debt obligations associated with the political campaign are compensated for up to 25% of the cost of the political campaign. ²⁰	political parties that participated in the distribution of deputy mandates at the last elections of deputies of Ukraine in the amount actually spent by the party, but not more than the maximum size of the party's election fund, candidates for deputies from which are registered in the national multi-mandate constituency. ²¹

The above comparison of certain provisions of the legislation on the financing of political parties is a clear indication that Ukrainian legislation differentiates as to the maximum amount of contribution in favor of political parties from individuals and legal entities, whereas in Lithuania the maximum amount is the same for all persons. Taking into account the average monthly salary in Lithuania in the fourth quarter of 2017 (\approx EUR 850), it can be concluded that individuals and legal entities in 2018 can make a contribution in support of a political party in the amount of EUR 17,000 (UAH 564,400 respectively). Whereas in Ukraine, where the minimum wage is UAH 3723 from January 1, 2018, the maximum amount that can be contributed from individuals to a political party is UAH 1,489,200, and from legal entities – UAH 2,978,400. So, the difference in the amounts of contributions to a political party in Lithuania and Ukraine is obvious.

The provision that political parties may receive compensation from the state for an electoral company in the amount of its actual expenditures is somewhat unclear; but not more than the maximum size of its election fund. In our opinion, such a provision should be replaced by a more specific one. In this case, the legislator of Lithuania is undoubtedly very correct about the maximum amount of money that a political party can receive as a compensation is clearly defined.

Thus, a comparative analysis of certain provisions of the legislation of Ukraine and Lithuania in the field of financing political parties allows us to conclude that in both countries at the legislative level, state financial support for the activities of political parties is foreseen. Despite the existence of similar norms, the Ukrainian

²⁰ Law on Financing and Control Over the Financing of Political Parties and Political Campaigns of the Republic of Lithuania (2004, No. IX-2428) // <https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.417472>.

²¹ Law on Amendments to Certain Legislative Acts of Ukraine on Prevention and Counteraction of Political Corruption of the Republic of Ukraine, Bulletin of the Verkhovna Rada of Ukraine (2016, no. 49-50).

legislation, unlike the Lithuanian, differentiates as regards the amount of funds that may be provided by individuals and legal entities to political parties, and does not stipulate the obligatory financial support of political parties by citizens of the state, etc., which allows for conclusion about the need to improve the financing mechanism of political parties in Ukraine.

3. THE NEXT STEPS FOR LITHUANIA AND UKRAINE ON MINIMIZING CORRUPTION IN THE FINANCIAL SUPPORT OF POLITICAL PARTIES

The disadvantages mentioned above in Part 2 are not the only ones in the field of political parties financing. In particular, the Venice Commission at the 84th Plenary Meeting in 2010 adopted the Guidelines for the Regulation of Political Support of Political Parties by the State, which includes:

- 1) limiting individual donations by type and size;
- 2) establishment of the limits for election campaigns;
- 3) introduction of requirements for increasing transparency of party funding;
- 4) independent mechanisms for regulation and enforcement of sanctions for non-compliance with provisions on financial discipline;
- 5) ensuring the state financing of political parties.²²

A comparative analysis of the legislation of Ukraine and Lithuania testifies that the legislation of Ukraine does not have a limit on expenditures by political parties on election campaigning. This situation has a negative impact on the fight against political corruption, since the establishment of a limit on election campaign allows the state controlling the circulation of funds during the electoral process. Today, the experience of foreign states shows that there are countries where there is no such legislatively defined limit, but these are those countries where the phenomenon of political corruption is substantially minimized and the living standards of the population are high; in particular, it is about Luxembourg and Norway. However, for Ukraine, where every sphere of public life is corrupt, it is more expedient to study and implement Lithuania's experience.

Thus, the Law of Lithuania "On Financing and Control Over the Financing of Political Parties and Political Campaigns" (Article 17) provides for the expenses and the limit of expenses for a political campaign. In particular, it is stipulated that if the electoral constituency covers the whole territory of the state, the maximum amount of expenditures for funding a political campaign of one independent participant in a political campaign is calculated through increasing the number of voters included in

²² The OSCE Office for Democratic Institutions and Human Rights, "Guidelines for the legal regulation of political parties" (2011) // <https://www.osce.org/odihr/77812>.

the electoral list for 1 year and multiplying the result obtained to the accuracy of the first two significant figures. Moreover, if the electoral constituency covers only part of the territory of Lithuania, the costs of financing a political campaign are calculated in accordance with the above formula, but the number of voters increases not for one, but for 2 years.

Magnus Ohman points out that the benefit obtained by the candidates and party leaders in connection with their personal financial capacity may be limited either by spreading the level of donations to use their own funds or by setting limits on their spending.²³ Accordingly, it is obvious that the main goal of setting the limits for an election campaign is not to regulate the impact of individual sponsors of political parties, but to reduce the benefits of political parties and candidates who have access to large amounts of cash.

Taking into account the experience of Lithuania and the guidelines put forward by the Venice Commission on the regulation of financial support of political parties by the state, it is expedient to formulate and legally enshrine the cost of the election campaign in the Law of Ukraine "On Political Parties".

Lithuania's experience is interesting and progressive both for determining the maximum cost of election campaigns and for strengthening the ability of citizens to pay 1% of their income in favor of the political parties they support. In particular, the specifics of Lithuania's legislation on the financing of political parties are also the provisions of the current legal acts on political advertising. Currently, the laws of Lithuania regulating the activities of political parties, their financing, election campaigns, etc., stipulate the following: the costs of a participant in a political campaign cannot exceed 50% of the maximum allowed amount of expenses set for a participant in the political campaign. In addition, there are certain restrictions on political advertising during election campaigning.

In addition, Lithuanian legislation does not provide for mechanisms for indirect financing of political parties. The importance of indirect funding of political parties is as important as direct funding. In support of the significance of this financing kind it is advisable to focus on Switzerland, where the preference is given to purely state indirect funding of the activities of political parties.²⁴

Today, among the foreign countries, the most common type of indirect financing of political parties is tax exemption (40%) (Belgium, Czech Republic, Germany, Finland, France, Hungary, Latvia, Netherlands, Romania, Norway),

²³ Samuel Jones, Magnus Ohman, and Elin Falguera, eds., *Financing of political parties and election campaigns. Guidelines for financing political activities* (Stockholm: International Institute for Democracy and Electoral Assistance, 2016).

²⁴ Renat Kuenzi, "No Swiss state funding for political parties? Not so fast" // https://www.swissinfo.ch/eng/directdemocracy/transparency-and-democracy_no-swiss-state-funding-for-political-parties-not-so-fast/43519250.

provision of media space for promotional materials (15%) (Belgium, France, Italy, the Netherlands, Slovenia, Spain) and meeting rooms (13%) (Italy, Romania, Spain, Great Britain), free postal services (11%) (Belgium, Spain, Great Britain) and transport services (4%) (Slovakia), etc.²⁵

Lithuania can use the successful experiences of foreign countries to improve its own mechanism of indirect state funding of political parties. As for the direct financing of political parties, Lithuania's experience is undoubtedly positive, since the state can maintain a balance between public and private funding of political parties by citizens, which both prevents political parties from falling into dependence on the state that finances them and increases the political activity of citizens, including public control over the activities of political parties, which should act in the interests of the people. For Ukraine, such a model of funding of political parties is most successful, since it involves participation of citizens in the formation of financial resources of political parties. The current level of corruption in the state hinders receiving a positive result if the higher authorities of the state decide which political parties will receive funding, which in turn will only lead to an increase in the level of political corruption among the high officials of Ukraine. Accordingly, it is appropriate for Ukraine to draw attention to the experience of Lithuania in the field of direct financing of political parties. However, it should be emphasized that the process of creating a mechanism for party funding in Ukraine will not be rapid, which is confirmed even by the fact that Lithuania has been in the process of establishing a mechanism for direct financing of political parties for almost 24 years.

Equally relevant and interesting for Ukraine and Lithuania remains the issue of membership fees of political party members as a source of funding for political parties. In accordance with the Law of Lithuania "On Financing and Control Over the Financing of Political Parties and Political Campaigns," the contributions of political party members are permanent sources of forming the budget of a political party (Article 7). At the same time, the amount of such contributions is not defined by law. The same applies in general to Ukraine, the Law of Ukraine "On Political Parties" stipulates that contributions of political party members are the property of a political party (Article 14), but the fixed amount of such contributions is not defined. However, an analysis of the regulations on the procedure of accounting and paying of membership fees of several political parties makes it clear that in Ukraine, determining the size of such contributions belongs to the powers of political parties. In this case, as a rule, the minimum size of membership fees of political party members is indicated. The feasibility of this provision is questionable, because

²⁵ OECD, *Financing Democracy; Funding of Political Parties and Election Campaigns and the Risk of Policy Capture. OECD Public Governance Reviews* (Paris: OECD Publishing, 2016).

determining the size of the membership fees of political party members will really contribute to the transparency of political parties financing only in case of fixing the maximum possible size of membership fees.

It should be noted that several acts which regulate the size of membership fees of political party members have been adopted already by the European Union. In particular, the Regulation of the European Parliament and of the Council "On the Regulation Governing Political Parties at European Level and the Rules Regarding Their Funding" No. 2004/2003 (2003) stipulates that membership fees of party members with the status of European cannot exceed 40% of the annual budget of the party.²⁶ This approach ushers from the fact that European parties are important as they contribute to the formation of European consciousness and the expression of the political will of the European Union citizens. At the same time, the lack of a European does not diminish party influence at the national level. Besides the activities of national parties contributes to the formation and expression of political will of citizens of the country. Moreover, the readiness of the population to cooperate with political institutions depends on the transparent functioning of political parties. Therefore, we believe that the maximum size of the contribution of political party members should be regulated at the legislative level for national parties as well as for European parties.

Taking into account the above mentioned, it is expedient to stress Ukraine's need to consider Lithuania's positive experience in financing political parties; for instance: to provide compulsory financial support of political parties by citizens of Ukraine, to consolidate smaller and equal amounts of money that can be provided by individuals and legal entities in favor of political parties, and to enshrine the cost of an election campaign. In turn, it would be appropriate for Lithuania to improve the mechanism of indirect state financing of political parties and for both countries to determine the maximum amount of contributions from members of political parties. Solving these issues will minimize corruption in political parties financing in both Ukraine and Lithuania.

4. MONITORING AND CONTROL OVER THE FINANCIAL ACTIVITY OF POLITICAL PARTIES IN UKRAINE AND LITHUANIA

Recognizing the importance and complexity of the situation in the sphere of financial support of political parties, politicians and economists also try to solve it, because the corrupt state incurs significant losses from corruption in party system,

²⁶ *Regulation of the European Parliament and of the Council on the Regulation Governing Political Parties at European Level and the Rules Regarding Their Funding* (2003, No. 2004/2003) // <http://docs.pravo.ru/document/view/27622216/27825550/>.

does not interest the international community and will not be perceived as a reliable strategic partner. This is all because political corruption reduces the investment attractiveness of Ukraine, hinders business development, and moreover destroys trust in the political institutions.

The press release of Transparency International for 2016 notes that the problem of corruption remains in the top three most relevant for Ukraine, according to 56% of respondents. Thus, 72% of Ukrainians have responded negatively to the question if the level of corruption has decreased over the past four years. At the same time, 49% of Ukrainians think that wealthy people influence the government in their own interests and suggest introducing more stringent rules for prevention. 67% are sure that it is necessary to prohibit companies from financing political parties and candidates. The citizens of Ukraine consider civil servants (65%), parliament (64%), tax workers (62%), judges (61%), president and prime minister (60%), representatives of local authorities (55%), police (54%), etc. to be corrupt.²⁷

Taking into account the above statistics, the issue of monitoring and control over financial activity of political parties as well as financial support of political parties remains important for Ukraine. These factors determine the high level of distrust of citizens to political parties, which, according to official sociological surveys conducted in 2017, is 66.9%.²⁸

Consequently, the lack of proper monitoring and control over financial activity of political parties promotes leaders and members of political parties to use their powers and financial resources to implement own business interests. These factors contribute to the spread of political corruption in the party system.

In accordance with Article 14 of Recommendation Rec (2003), 4 of the Committee of Ministers of the Council of Europe to Member States on uniform rules against corruption in the field of financing political parties and electoral campaigns of 8 April 2003 to the member states of the Council of Europe recommended the introduction of independent monitoring of party financing and election campaigns.

Lithuania's experience shows that the Supreme Election Commission and the State Tax Inspectorate belong to the subjects that control the financial activities of political parties. At the same time, the Law of the Republic of Lithuania "On Financing and Control Over the Financing of Political Parties and Political Campaigns" (Article 22)²⁹ delimits their renewal, which allows them to immediately understand the competence of these entities. Under this law political parties are also required to keep

²⁷ See Global Corruption Barometer (2016) // <https://ti-ukraine.org/en/>.

²⁸ *The attitude of Ukrainian citizens to the public institutes, electoral orientation*, Results of sociological research (Kyiv, 2017).

²⁹ *Law on Financing and Control Over the Financing of Political Parties and Political Campaigns of the Republic of Lithuania*, *supra* note 20.

account and to send an annual financial statement to the Supreme Election Commission and to the State Tax Inspectorate, which includes both incomes and expenditures.

E. Masnevaite mentions that even though the regulations of control mechanism are comprehensive, in practice the control over financial activity of political parties does not involve all kinds of financing (e.g., the above mentioned example about financing by third parties). Even more importantly, it is unclear whether the controlling institutions have enough financial resources and enough qualified staff. For example, it is often stated that media monitoring is conducted better by professionals than the Central Electoral Commission staff but the service of such companies is usually too expensive.³⁰

Instead, in Ukraine, a range of entities that are given control over the financing of political parties include the Accounting Chamber of Ukraine and the National Agency on Corruption Prevention. In accordance with the political party quarterly, no later than forty day after the end of the reporting quarter, they must submit to the National Agency on Corruption Prevention in paper form an electronic report about property, income, expenses and liabilities of a financial nature of the political party for the relevant quarter, as well as promulgate such a report on its official website. As a result of the work of the Department for the Political Corruption Prevention, the National Agency on Corruption Prevention has more than 1,200 audited political parties' reports for the period from 2017 to the first quarter of 2018. At present, the total amount of payments subject to confiscation by court decisions is about 1 million USD, and the amount of imposed fines – more than 300 thousand.³¹ Such experience is absolutely new for Ukraine and for its political leaders while in Lithuania and other foreign countries it is an usual democratic practice.

In relation to this, the issue of public participation in monitoring the activities of political parties remains relevant. In particular, in such Laws of the Republic of Lithuania as "On Political Parties" (1990)³², "On Financing and Control Over the Financing of Political Parties and Political Campaigns" (2004), Laws of the Republic of Ukraine "On Political Parties" (2001)³³ and "On Information" (1992)³⁴, there is no mention of any method of public control over the activities of political parties both in

³⁰ Elena Masnevaite, "Legal Regulation of Funding of Political Parties and Political Campaigns in Lithuania". Summary of Doctor Dissertation (2010) // <http://talpykla.elaba.lt/elaba-fedora/objects/elaba:1729008/datastreams/MAIN/content>.

³¹ See Official website of the National Agency on Corruption Prevention: <https://nazk.gov.ua/analiz-zvitiv-partiy>.

³² *Law on Political Parties of the Republic of Lithuania* (1990, no. I-606) // <https://eseimas.lrs.lt/portal/legalAct/lt/TAD/93c154702c7711e6a222b0cd86c2adfc?jfwid=wny8riyz4>.

³³ *Law on Political Parties of the Republic of Ukraine*, Bulletin of the Verkhovna Rada of Ukraine (2001, no. 23).

³⁴ *Law on Information of the Republic of Ukraine*, Bulletin of the Verkhovna Rada of Ukraine (1992, no. 48).

Lithuania and Ukraine. Given such a gap in the legal acts of Lithuania and Ukraine on political parties, it is appropriate to point out that the role of the public in controlling and monitoring the activities of political parties should not be underestimated, as citizens, through a number of instruments of influence on political parties, can ensure their transparency and openness. Such tools can undoubtedly become public control over the distribution of budget funds to finance the statutory activities of political parties, in the case of violations to demand from the authorities their elimination. In addition, citizens can monitor and compare the provisions of the election campaign programs of political parties with their specific activities, analyze property and financial declarations of individual members of political parties.

Magnus Oman also supports this position and emphasizes that civil society can play an important role in monitoring the behavior of political parties and candidates in a way that state institutions may not have the capacity or political independence to do.³⁵

Therefore, we consider it necessary to consolidate the existence of public control over the activities of political parties and the right of citizens to receive financial statements from political parties at the level of the Law of Ukraine "On Political Parties" and the Law of Lithuania "On Political Parties". This will create the formal grounds for public participation in the controlling and monitoring of the activities of political parties.

CONCLUSIONS

The phenomenon of political corruption led to the existence of a number of scientific, sociological, philosophical approaches to its study and understanding. We define "political corruption" as a social relationship that arises between direct participants in political activity or between a direct participant in political activity and a third party in order to meet private interests through the use of powers granted by the state, as well as state and private material and intangible resources and which violate the principles of democratic, legal and social state. It is undeniable that political corruption, as a negative phenomenon, is inherent in all states of the world. Ukraine is not an exception, which is confirmed by the low level of public confidence in political parties due to their corruption and activity aimed at satisfying the personal interests of politicians, not the people. Accordingly, issues of financing political parties, as well as monitoring and control over financial activity of political parties, remain pressing for Ukraine.

³⁵ Magnus Ohman, "Controlling Money in Politics: An Introduction" (2013) // https://ifes.org/sites/default/files/a_brief_introduction_to_money_in_politics_final_magnus_ohman.pdf.

The experience of foreign states suggests that state funding of political parties really works. Although Lithuania's experience in financing political parties is rather interesting. The comparative characteristic of certain provisions of the legislation of Ukraine and Lithuania allows concluding that the legislative norms of the Ukrainian legislation that are in force today require significant concretization. Moreover, it is expedient to introduce the possibility for citizens of Ukraine to pay a certain percentage of their income to those political parties that they trust and to establish the spending limits on election campaigns, as well as to consolidate smaller and equal contributions that can be paid by individuals and legal entities to political parties, which will undoubtedly have only a positive effect.

In turn, Lithuania as a state, where the mechanism of direct financing of political parties is working very well, should pay attention to the study of foreign experience on indirect funding of political parties, which also has a positive effect on minimizing the level of corruption in the state. Moreover, both countries should pay attention to the size of membership fees as a source of political parties financing due to obvious need to enshrine the maximum possible size of such contributions.

Taking into account that monitoring and control over the financial activity of political parties is a necessary element of the general mechanism which allows for the minimization of corruption in the financial support of political parties, it is important to define in Ukrainian and Lithuanian legislation the opportunity afforded citizens to monitor and control the financial activity of political parties. This step is undoubtedly important in improving the legislation of Ukraine and Lithuania on the matter of the financial support of political parties.

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