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Public Funding of Political Parties and Rada Members in Post-Electoral Period

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Abstract

This study addresses the issue of the efficiency of public funding mechanisms. Using the Ukrainian experience as an example, the article covers recently introduced amendments and their effect on the overall efficiency of public funding. Further, the article analyzes possible ways for mitigating existing shortcomings of public funding mechanisms and outlines suggested solutions. Complemented with semi-structured interviews with current Members of Rada, the article strives to provide insights and suggestions to issues of political independence, political corruption, accountability, and transparency.

Key Words: political parties, public funding, parliamentarians, Verkhovna Rada of Ukraine



Introduction

Ukraine's politicians' dependence on oligarchs has long been a problem that needed to be addressed as a priority. Attempts to overcome these problems were made a number of times. But despite all the efforts, thirty years after Ukraine became independent, effective mechanisms of independent politics were neither established, nor institutionalized.

It should be noted that public funding has long been regarded as an efficient tool ensuring financial independence of political parties and MPs. But the number of academic studies on this topic is not nearly enough to explore such a broad issue in full. It is written a bit more on public funding of political parties, and hardly anything on public funding of the parliamentarians.

Notwithstanding the fact that the number of academic works on the topic is insignificant, this topic is of a great interest to the society. Basically, it is the interest in the quality of parliamentary work, its transparency, integrity and effectiveness that lies in the core of the public interest.

One can divide public funding into covering of MP's expenditures and public financing of political parties based on the election results. Both funding of the parties and MPs are closely linked as political parties and MPs are key actors in parliamentary activities, including election campaigns. Public funding promotes financial

independence of political parties and MPs elected in both single-member and multi-member constituencies and serves the goal of overcoming political corruption.

Ukrainian legal scholars are often inclined to distinguish between parliamentarians and their parties once in office, stating that MPs receive their mandates as the election result and are in no way bound by decisions of their parties.¹ However, some scholars tend to differentiate “faces of parties”, one of them being “party in office”, which is formed by the representatives of the party in the parliament or in the government.² It could seem that the connection between parties and their MPs is solely political, yet there are numerous proofs in support of the fact that it has a legal nature as well.

Ukrainian legislation also has a number of proofs of the legal connection between a party and an MP. Ukrainian Constitution has been criticized a number of times for upholding imperative mandates of MPs, which means that political party can deprive MPs of their mandate, should those MPs fail to join or should they leave the faction of the respective political party.³ Notwithstanding criticism, this provision of the Constitution is still valid. Thus, even the Constitution itself serves a proof of the existing legal ties between political parties and MPs.

Moreover, financing of the MPs activities could be viewed as an indirect funding of political parties. Traditionally, relations between the state and an MP are determined in the light of labor law. However, there are some peculiarities that cannot allow us to define these relations as strictly labor ones. From the political point of view, the people are the employer of an MP, but from the point of view of law, hardly can anyone define who the employer of a parliamentarian is. Since MPs are elected to this position, they cannot be fired as regular employee can. A number of other labor law norms cannot be applied to an MP. Simultaneously, there are features that allow us to regard state financing of MPs as indirect funding of political parties. Usually, indirect funding is defined as funding having clear financial value which also allows a political party to benefit from it.⁴ Apparently, state financing of the MPs has a clear financial value. It is not provided directly to the party, though. At the same time, it spares the party from the necessity to pay its representatives in the parliament, and a political party benefits from this financing in this way. According to the Law of Ukraine “On Political Parties”

1 Olena Tokar, “Protsedurni ta pravovi aspekty formuvannia deputatskykh obiednan Verkhovnoi Rady Ukrainy” (Procedural and legal aspects of formation of parliamentary associations of Verkhovna Rada of Ukraine), *National Institute for Strategic Studies* (2012): 9, accessed May 20, 2021, https://niss.gov.ua/sites/default/files/2012-05/Parliament_thesis-b37bc.pdf.

2 Andriy Meleshevych, *Party Systems in Post-Soviet Countries a Comparative Study of Political Institutionalization in the Baltic States, Russia, and Ukraine* (New York: Palgrave Macmillan, 2007), 25–26.

3 Constitution of Ukraine, adopted on June 28, 1996, *Vidomosti Verkhovnoi Rady Ukrainy* 30 (1996): 141, accessed July 16, 2021, <https://zakon.rada.gov.ua/laws/show/254%D0%BA/96-%D0%B2%D1%80#top>.

4 “Parties and candidates.” ACE The Electoral knowledge framework, accessed July 9, 2021, <https://aceproject.org/ace-en/topics/pc/pca/pca02/pca02a/pca02a4>.

(hereinafter—Political Parties Law), political parties “aim at assistance in formulation and expression of citizens’ political will, takes part in elections and other political activities.”⁵ Consequently, political party benefits from activities of the MPs in the parliament which help them win the next election.

Therefore, clear existence of legal and political connection between MPs and parliamentary political parties, common goals, shortcomings and challenges of the public funding mechanisms allows us to study public funding of political parties and of parliamentarians within one conceptual framework. Historic retrospective, international standards, international experience, current legal regulation in Ukraine will be discussed below.

The author understands the existing differences between the public funding of political parties and of the members of parliament. These two funding regimes are indeed separate. However, the author contends that there is a clear political and legal linkage between a political party and a Member of Parliament representing the faction of such political party in the parliament. This linkage influences activities of both parties and MPs in the parliament, and thus allows us to cover the issues of public funding of political parties’ statutory activities and parliamentary activities of the MPs within the scope of this study.

Key problems that the mechanism of public funding solves include dependency on private funds, lack of transparency and accountability. Since the mechanism of public funding is one of the factors that reduces dependence of politicians on financial and industrial groups, research question arises: which model of public funding of Members of Parliament (MPs) and political parties is the most effective and acceptable for Ukraine, given Ukrainian legal and political realities?

Populists often speculate on the cost of public funding of the MPs and political parties for the state and claim that such funding is inefficient. It is partially true, since shortcomings definitely exist. Yet, funding of the parties and MPs by the oligarchs surely does cost the state more.

Methodology

Having in its core primarily domestic and international academic works, sociological surveys, and non-governmental think-tanks analytics, this research article is mostly desk-based. Another important part of this article is interpretation and analysis of the relevant Ukrainian legislation, being explored in the course of its development. The research also examines international framework on public funding of the political parties, namely, documents of the OSCE/ODIHR, PACE and Venice Commission.

Being an addition to the main topic of public funding of Ukrainian political parties and Members of Parliament, a comparative aspect of public funding of parliamentarians’ activities in different countries is briefly discussed as well. A significant input of the

5 Law of Ukraine on Political Parties, adopted April 5, 2021, *Vidomosti Verkhovnoi Rady Ukrainy* 23 (2001): 118, accessed July 9, 2021, <https://zakon.rada.gov.ua/laws/show/2365-14>.

author includes semi-structured interviews (hereinafter—Semi-Structured Interviews) with current Rada Members conducted by the author, either being between thirty and forty minutes long and focused on the following issues:

- What are the relations between the party and MPs once in the office?
- What constitutes an efficient mechanism of public funding of political parties?
- What are the conditions of receiving state funding for the MPs?
- What is the level of political corruption in the parliament and how is it affected by the public funding mechanisms?

State of the Art on Public Funding of Parties and Corruption

Olha Kotsiuruba argues that public funding of the political parties is a feature of a developed democratic society.⁶ Public funding mechanisms (either direct or indirect or both) function in Canada, France, Germany, Great Britain, the U.S.—altogether, in 130 countries of the world.⁷ O. Kotsiuruba states that the need in public funding arises because of (i) election campaign expenditures increase; (ii) diversification of the funding sources.⁸ Speaking of the expenditures increase, she emphasizes that a crucial role is played by the media as a channel of communication between the voter and the party.⁹ According to the information of Chesno NGO (“Honestly” in Ukrainian), one minute of political advertisement at a major Ukrainian TV Channel before presidential elections could cost up to USD 10,900.¹⁰ Clearly, the costs may be too high for a party which forces it to start allocating additional funding, mostly coming from private sources, which in turn causes dependency of a party on a capital that provided such a funding.¹¹ In support of her position, the scholar claims that election campaign expenditures increased 16-fold in the last decade, and therefore, covering them solely out of party funds is impossible.¹² Andriy Meleshevysh states that the cost of the election campaign for party forming a large enough faction in the parliament could reach up to USD 300–500 million.¹³ Although, he admits, this number has fallen

6 Olha Kotsiuruba, “Publichne finansuvannia politychnykh parti: perspektyva dlia Ukrainy na dosvidi Polshchi. [Public Financing of Political Parties: Perspective for Ukraine Based on Poland’s Experience],” *Lviv University Journal, Law Series* 57 (2013), 179.

7 “Public funding of parties”, ACE Electoral Knowledge Framework, accessed July 3, 2020, <http://aceproject.org/epic-en/CDTable?view=country&question=PC012>.

8 Kotsiuruba, “Public Financing of Political Parties,” 179–180.

9 Kotsiuruba, “Public Financing of Political Parties,” 179–180.

10 “Do triokhsot tysiach za khvylynu: skilky koshtuvatyme reklama na TB (utochneno) [Up to Three Hundred per Minute: How Much will the TV Advertisement Cost (update)],” Article by civic movement “Chesno” [Honestly], January 11, 2019, accessed July 5, 2020, <https://www.chesno.org/post/843/>.

11 Kotsiuruba, “Public Financing of Political Parties,” 179–180.

12 Kotsiuruba, “Public Financing of Political Parties,” 179–180.

13 Andriy Meleshevysh, “Cost of Parliamentary Politics in Ukraine,” *Kyiv-Mohyla Law & Politics Journal* 2 (2016), 156.

slightly after the Revolution of Dignity (2014), when the country was on a brink of economic catastrophe and the public demand for transparent and honest elections were unconventionally high.¹⁴ O. Kotsiuruba expresses an unconventional idea, namely, a thesis that financing of the election campaign by one person violates one of the basic principles of the fair elections— one person, one vote— as far as relationships between a party and such a donor either from the beginning work as *quid pro quo* or could cause a conflict of interest later when a party would be forced to represent donor's interests.¹⁵

A Swedish scholar, Nubia Evertson, apart from the *quid pro quo* issue analyzes transparency of the private funding of the parties. Although some controlling mechanisms exist, it is still much more difficult to trace sources and amounts of the private funds transferred to party accounts, as well as it is easier to conceal them.¹⁶

Another prominent Ukrainian scholar Yuriy Shveda supports the abovementioned thoughts by writing that

“autonomy of the financial base is one of the main features of the political party autonomy.”¹⁷

He states that membership fees have to be the main source of party funding, even though usually it is impossible to cover all party expenditures solely with membership fees.¹⁸ Yu. Shveda highlights that most countries use the mechanism of public funding, and at the same time lists sources used by political parties should the government funding be inaccessible to them, namely, entrepreneurship, bribes, funding from the groups of interests, subsidies from the foreign governments.¹⁹

Having assessed best scholarly practices, we will turn later to international standards in order to complete the picture on the desired state of the public funding of political parties. Yet, we now have to evaluate best practices of the public funding of MPs, which is an integral part of this article.

State of the art of public funding of MPs and corruption, independence, accountability etc.

To assess Ukrainian mechanisms of MPs state financing, one needs to evaluate best practices. For the purposes of this study, the criteria of geographical proximity, as well as similarity of historical, political, institutional and social development are used to

14 Meleshevyh, “Cost of Parliamentary Politics in Ukraine,” P. 167.

15 Kotsiuruba, “Public Financing of Political Parties,” 179–180.

16 Nubia Evertson, “Political Corruption and Campaign Financing,” *Department of Criminology Report Series, Report 2008:2*, Stockholm University, (Stockholm: 2008), 27–28.

17 Yuriy Shveda, “Teoriya politychnykh partyi ta partiynykh system: navchalnyi posibnyk [Theory of Political Parties and Party Systems: Study Guide], (Lviv: Publishing Centre of the Ivan Franko Lviv National University, 2003), 161.

18 Shveda, “Theory of Political Parties,” 162–163.

19 Shveda, “Theory of Political Parties,” 162–163.

choose countries for comparative analysis. This brings us to choosing Poland, Latvia, Lithuania and Estonia as states corresponding to the abovementioned criteria and demonstrating good results in democracy building. The table below analyzes the existence of different compensations types:

COUNTRY	MPS ACTIVITIES	ACCOM- MODATION	TRANSPORT	MEDICINE	BUSINESS TRIPS
Estonia ²⁰	+	+	-	-	+
Latvia ²¹	-	+	+	-	-
Lithuania ²²	+	-	-	-	-
Poland ²³	+	-	+	+	-
Ukraine ²⁴	+	+	+	+	+

With mandatory submission of supporting documents needed to receive all compensations, Estonian system of financial support of MPs is indeed a very positive example of transparency and accountability of the parliament. Speaking of Latvia, it is interesting that the general amount of envisaged compensations cannot exceed the amount of average monthly wage in Latvia. Similarly, in Lithuania the amount of compensation for MPs activities cannot exceed 80% of the average monthly wage across Lithuania. Lithuanian MPs also have to submit reports on use of funds. What makes Polish experience interesting, is that it is possible to deprive MPs of the compensations, should they violate Polish laws or Rules of Procedure of the Parliament. These funds in Poland are also non-taxable. The website of Polish Sejm has a separate section²⁴ containing laws on parliamentary activities including laws on remunerations, compensations, bonuses, etc. Indeed, it enhances transparency and accountability of the parliament. The requirement to submit supporting documents on MPs' expenses exists in most countries of the above. The only exception is Latvia, which is criticized by local journalists for lack of transparency regarding parliamentary finances.

The other feature for review is an average MP's wage compared to an average wage in the country. Finding respective ratio could help determine whether the amount of payment in Ukraine is reasonable.

20 "Salaries of MPs," Riigikogu, accessed July 7, 2021, <https://www.riigikogu.ee/en/parliament-of-estonia/composition/salaries-of-mps/>.

21 Latvian Public Broadcasting, "LTV broadcast looks at work and salaries of MPs in five countries," *Public broadcasting of Latvia*, February 9, 2021, <https://eng.lsm.lv/article/politics/saeima/ltv-broadcast-looks-at-work-and-salaries-of-mps-in-five-countries.a392138/>.

22 Latvian Public Broadcasting, "Salaries of MPs in five countries."

23 "O wykonywaniu mandatu posła i senatora," Ustawa z dnia 9 maja 1996 r., Sejm Rzeczpospolita, accessed July 7, 2021, <http://www.sejm.gov.pl/prawo/mandat/kon6.htm>.

24 Ukraine's compensation mechanisms for MPs will be discussed in more detail below.

COUNTRY	AVERAGE MP'S WAGE	AVERAGE WAGE IN THE COUNTRY	RATIO
Estonia	4,330 € ²⁵	1,441 € ²⁶	3.0
Latvia	2,963 € ²⁷	1,147 € ²⁸	2.58
Lithuania	3,434 € ²⁹	1,455 € ³⁰	2.36
Poland	2,745 € ³¹	1,189 € ³²	2.30
Ukraine	1,359 €	369 € ³³	3.68

The data above allows us to state that Ukraine has the highest ratio between the average MP wage and average wage in the country. But it needs to be noted that the share of shadow economy in Ukraine is very substantial, and the real ratio is lower. The share of shadow economy is expected to grow further in light of the COVID-19 pandemic. Other than that, in all countries the ratio is about the same.^{25 26 27 28 29 30 31 32 33}

Getting back to financing of MPs activities, it is clear that the lack of transparency and control is not exclusively a Ukrainian problem. Yet, effective models of MPs financing do exist. For instance, in the UK, Independent Parliamentary Standards Authority (hereinafter—IPSA) draws a strict line between expenses and allowances. Expenses are real, they have legitimate confirmation of payments made, whereas allowances are lump sums, and even though they have certain designated purposes, still some freedom is granted for their use.³⁴ IPSA emphasizes that allowances are typically taxable.³⁵ IPSA also stresses that preferably, MPs costs should be covered with the help of the expenses tool.³⁶

Should we compare mechanisms of state financing of Ukrainian MPs with foreign ones, we will see that the majority of payments are made in the form of allowances

25 Riigikogu, "Salaries of MPs."

26 Roberta Vaino, "Lithuania's Average Wage Rises Above Estonia's," *ERR.ee*, December 18, 2020, <https://news.err.ee/1212541/lithuania-s-average-wage-rises-above-estonia-s>.

27 Latvian Public Broadcasting, "Salaries of MPs in Five Countries."

28 Vaino, "Lithuania's Average Wage Rises."

29 Latvian Public Broadcasting, "Salaries of MPs in Five Countries."

30 Vaino, "Lithuania's Average Wage Rises."

31 Juliette Bretan, "Polish MPs Vote to Give Themselves 60% Pay Rise," *Notes from Poland*, August 14, 2020, <https://notesfrompoland.com/2020/08/14/polish-mps-vote-to-give-themselves-60-pay-rise/>.

32 "Average Gross Wage in 4th 2020," Statistics Poland, accessed July 7, 2021, <https://stat.gov.pl/en/latest-statistical-news/communications-and-announcements/list-of-communicues-and-announcements/average-gross-wage-in-the-4th-2020,281,29.html>.

33 "Average Salary in Ukraine," Ministry of Finance of Ukraine, accessed July 27, 2021, <https://index.minfin.com.ua/ua/labour/salary/average/>.

34 "MPs Expenses: A Consultation," Independent Political Standards Authority, 25, § 4.1, accessed July 24, 2021, <https://bit.ly/3d68BeT>.

35 IPSA, "MPs Expenses," § 4.1.

36 IPSA, "MPs Expenses," § 4.4.

rather than expenses, with the former neither being reported nor taxed. This causes weakening to total disappearance of state control over MPs' finances. At the same time, the publication of MPs' reports on the use of funds at the widely available platform would facilitate transparency.

As we can note from the foreign experience, if payments are made in the form of expenses, reports on their use have to be filed, supporting documents should be submitted, and all respective data has to be published. Whereas if payments are made in the form of allowances, they have to be taxed and disclosed in the annual financial statements since there is no supporting evidence proving that this money would be spend for the purposes of the parliamentary activities.

International standards and recommendations on public funding of the political parties and MPs

International guidelines aimed at ensuring political parties independence make another focus of this research. At the same time, Guidelines and Report on the Financing of Political Parties adopted by the Venice Commission³⁷ as well as Guidelines on Political Party Regulation by OSCE/ODIHR and Venice Commission³⁸ underscore that public funding of political parties should not serve the aim of creating barriers for smaller parties; on the contrary, it is highlighted that granting public support to parties that are not represented in the parliament, yet managed to accumulate certain support among citizens result in enhancing of political pluralism in society. Sharing the same thought, PACE in Recommendations No. 1516 (2001) claims that public funding should aim at providing opportunities to smaller parties to become engaged in the big politics and compete with bigger parties that either have already won seats in the parliament or generally have wider support in society.³⁹

PACE Recommendation No. 1516 also envisages a number of principles which form the basis of the public funding. Those are:

a reasonable balance between public and private funding, fair criteria for the distribution of state contributions to parties, strict rules concerning private donations, a threshold on parties' expenditures linked to election campaigns, complete transparency

37 "Guidelines and Report on the Financing of Political Parties," European Commission for Democracy through Law (Venice Commission), para 4, accessed July 16, 2021, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF\(2001\)008-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF(2001)008-e).

38 "Guidelines on Political Party Regulation by OSCE/ODIHR and Venice Commission, European Commission for Democracy through Law (Venice Commission), para. 185, accessed July 17, 2021, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2010\)024-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2010)024-e).

39 PACE, "Recommendation No. 1516 (2001)," para. 8 (a)(ii).

of accounts, the establishment of an independent audit authority and meaningful sanctions for those who violate the rules.⁴⁰

Naming shortcomings of the public funding of the political parties, the OSCE in its Handbook on Combatting Corruption adds that if the threshold for obtaining the state funding is too low, it could cause sporadicity of political landscape and prevent consolidation of political institutions.⁴¹

Unlike on public funding of the political parties, much less is written in international guidelines on state financing of the MPs. Nevertheless, there are common features that make public funding of the parties and of the MPs very similar in nature.

Highlighting the existing linkage between the parties in the parliament and their MPs, Resolution of the Parliamentary Assembly of the Council of Europe (hereinafter—PACE) No. 800 (1983) states that the parliament is

“composed of representatives of political parties.”⁴²

Venice Commission also regards political parties to be represented in the parliaments through respective MPs, defining a political party as

“an association with the task of presenting candidates for elections in order to be represented in political institutions.”⁴³

What also unites public funding of political parties and public financing of the Members of Parliament, is common goals of both mechanisms. Recommendation Rec (2003)4 of the Committee of Ministers of the Council of Europe highlights that

“[t]he rules regarding funding of political parties should apply *mutatis mutandis* to (...) the funding of political activities of elected representatives.”⁴⁴

40 PACE, “Recommendation No. 1516 (2001),” para. 7.

41 “Handbook on Combatting Corruption,” OSCE, 116, accessed June 26, 2021, <https://www.osce.org/files/f/documents/0/3/232761.pdf>.

42 “Principles of Democracy” No. 800 (1983), Resolution, Parliamentary Assembly of the Council of Europe, para 6(B)(i), accessed June 23, 2021, <http://www.assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=16211&lang=en>.

43 “Code of Good Practice in the Field of Political Parties,” European Commission for Democracy through Law (Venice Commission), para. 10, accessed July 25, 2021, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2009\)002-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2009)002-e).

44 “Recommendation Rec (2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns,” Committee of Ministers, Art. 8, accessed July 21, 2021, <https://rm.coe.int/16806ccifi>.

These same recommendations highlight that funding of political parties should be subject to measures aimed at increase of transparency, independence of political parties, as well as at avoidance of the conflict of interests.⁴⁵ Thus said, we could make a conclusion that these same principles, as mentioned in numerous international guidelines, should be applied to the funding of the MPs. In its turn, this means that the goals of introduction of state financial support of both political parties and MPs, although they are not the same, are still very close.

The evolution of the regulatory framework in Ukraine on direct public funding mechanism

For decades the issue of public funding of political parties could not find its path into Ukrainian legislation. Two attempts to introduce direct public funding of political parties were undertaken in 1992 and 2002, with neither of them being successful. Thus, up to 2015 virtually no direct public funding existed in Ukraine.

In 2015 the Law of Ukraine on Amending Some Legislative Acts on Preventing and Combating Political Corruption was adopted⁴⁶ (hereinafter—the 2015 Political Parties Public Funding Law). The law named two types of public funding: (i) public funding of party's statutory activities, apart from election activities; (ii) public funding of expenses during campaigning. In this study the researcher focuses solely on statutory activities funding. One of the central issues with it being the absence of definition of statutory activity. Essentially, any activity envisaged in party's statute is deemed statutory, with all the parties including as many types of activity in their statutes as possible.

The 2015 Political Parties Public Funding Law envisaged public funding for the parties getting at least 2% of votes. The overall amount of public funding was established at the level of 0.02 of the minimum wage multiplied by the total number of voters that partook in the election in the nation-wide district. This amount was split between the parties that passed the 2% threshold proportionally to the number of the gained votes. Another important novelty of the law concerned equal gender representation. Should no more than 2/3 of the elected candidates from one party be of the same sex, the party gets additional 10% of the general amount of public funding. Should several parties meet this criterion—the sum is split equally among them. This novelty looks like a positive example of stimulation of the gender equality.

According to the transitional provisions of the 2015 Political Parties Public Funding Law the first parties to receive public funding became the parliamentary parties of the 8th convocation of the Rada. The non-parliamentary parties started receiving funding only after the next parliamentary election. This decision to postpone the provision of public funding to non-parliamentary parties while granting access to public funding to

45 Committee of Ministers, "Recommendation Rec 2003(4)," Article 3(a).

46 Law of Ukraine on Amending Some Legislative Acts of Ukraine on Preventing and Combating Political Corruption, adopted on October 8, 2015, *Vidomosti Verkhovnoi Rady Ukrainy* 49–50 (2015): 449, accessed July 13, 2021, <https://zakon.rada.gov.ua/laws/show/731-19#Text>.

parliamentary parties looks ill-motivated, discriminatory, and premeditated to create preferential conditions to parliamentary parties while suppressing competitiveness of the non-parliamentary ones.

Another crucial novelty that the 2015 Political Parties Public Funding Law contained was the introduction of the control mechanisms over public funding use by the parties. National Agency for Prevention of Corruption (hereinafter—NAPC) was granted powers to suspend public funding or to deprive political parties of it altogether, with establishing an independent authority and granting it powers to exercise meaningful sanctions being among fundamental guarantees for effective functioning of public funding mechanisms, as mentioned above.⁴⁷

Current state of the public funding of political parties, problems and challenges

With the election of the new convocation of the Verkhovna Rada, another law was adopted, namely, the Law of Ukraine “On Introducing Amendments to Certain Legal Acts of Ukraine on Ensuring the Efficiency of Corruption Prevention Institutional Mechanisms” (hereinafter—the 2019 Political Parties Public Funding Law).⁴⁸ This law concerned a number of legal acts and introduced two very crucial amendments to the text of the Law on Preventing and Counteracting Political Corruption. For instance, the amount of public funding of political parties was halved from 0.02% of minimum wage multiplied by the number of voters to 0.01%. Also, the decision was taken to increase the threshold of 2% of votes to 5%, which meant only parties taking part in distribution of seats in the parliament would get public funding. According to the information of the NAPC, the overall amount of funding was reduced from nearly USD 20 million to about USD 10 million.⁴⁹ For example, in 2020, following the decrease of the overall amount of funding, the biggest faction in the parliament, Sluha Narodu received around USD 5 million of direct public funding, whereas the smallest faction in the parliament, Holos, received around USD 1.2 million (almost half of the sum was granted for the compliance with the gender representation quota).⁵⁰ As the minimum

47 PACE, “Recommendation No. 1516 (2001),” para. 8 (a)(ii).

48 Law of Ukraine on Amending Some Legislative Acts of Ukraine on Securing Efficiency of Corruption Prevention Institutional Mechanisms, adopted October 2, 2019, *Vidomosti Verkhovnoi Rady Ukrainy* 47 (2019): 311, accessed July 17, 2021, <https://zakon.rada.gov.ua/laws/show/140-20#top>.

49 “Public Funding of the Political Parties’ Statutory Activities in 2020,” National Agency for Prevention of Corruption, accessed July 14, 2021, <https://nazk.gov.ua/uk/documents/proderzhavne-finansuvannya-politychnyh-partij/>.

50 NAPC. *NAZK rozpodilylo koshty derzhavnogo finansuvannia politychnym partiyam* [NAPC has Distributed Direct Public Funding Amount among Parliamentary Parties]. NAPC, February 11, 2020, accessed November 30, 2021, <https://nazk.gov.ua/uk/novyny/nazk-rozpodilylo-koshty-derzhavnogo-finansuvannya-parlamentskym-partiyam/>.

wage was increased significantly in 2021, the amount of direct public funding also increased significantly, reaching about USD 25 million, compared to USD 10 million in 2020.⁵¹ Thus, in 2021, Sluha Narodu as the biggest faction received around USD 13 million (taking into consideration the exchange rate), and Holos, as the smallest faction, received around USD 3 million (taking into consideration exchange course change and that almost half of the mentioned sum is granted for compliance with gender representation quota).⁵²

The Centre for Political and Legal Reforms (hereinafter — CPLR) provided a disapproving conclusion regarding the draft of this law, criticizing deprivation of non-parliamentary parties of public funding and questioning the expediency of public funding amount decrease. Although, the CPLR stressed that the amount of public funding should not be excessive, quoting already mentioned in this research paper PACE Recommendation No. 1516 that

“excessive reliance on state funding can lead to the weakening of links between parties and their electorate,”⁵³

still the CPLR underscores that in this case there is no evidence that any calculations or modelling to prove necessity of such decision were conducted whatsoever.⁵⁴

Another controversial law was adopted by the parliament in 2020. The Law of Ukraine “On Amending the Law of Ukraine “On State Budget for 2021” suggested that political parties could submit a refusal to receive public funding for three, six, nine or twelve months.⁵⁵ However, this novelty seems to have several problems within itself. Firstly, the Law on State Budget only serves the means of defining financial goals of the state for the next year. It is not designed to amend other laws and establish new rules. Secondly, these amendments seem to have served only one party: earlier that year the ruling party Sluha Narodu announced that it wanted to redirect its public funding for the purposes of fight with COVID-2019 disease, yet the legislation at that

51 Civic movement “Chesno” [Honestly]. *Na finansuvannia partiy u 2021 rotsi peredbacheno 697 milioniv hryven: khto I skilky otrymaye?* [697 Million Hryvnias Envisaged for Public Funding in 2021: Who Gets How Much?] Civic movement “Chesno” [Honestly], January 15, 2021, accessed November 30, 2021, <https://www.chesno.org/post/4471/>.

52 Chesno, “697 Million Hryvnias.”

53 Centre for Political and Legal Reforms, “Konsolidovanyi vysnovok na zakonoproekt № 1029 v chastyni vnesennia zmin do Zakonu Ukrainy “Pro politychni partii v Ukraini” [Legal Opinion on the Draft Law No. 1029 Concerning Amendments to the Law of Ukraine on Political Parties in Ukraine], *Centre for Political and Legal Reforms*, September 5, 2019, accessed July 29, 2021, <https://bit.ly/2WHACCr>

54 CPLR, “Legal Opinion on Draft Law No. 1029.”

55 Law of Ukraine on Amending the Law of Ukraine on State Budget of Ukraine for 2020, adopted April 13, 2020, *Vidomosti Verkhovnoi Rady Ukrainy* 19 (2020): 126, accessed July 14, 2021, <https://zakon.rada.gov.ua/laws/show/553-20#Text>.

time did not provide such an opportunity.⁵⁶ Thus, the adopted amendments served not the objective need of the society but rather political goals of one of the parties, which looks wrong in terms of both lawmaking and policymaking principles. Our view is also that opportunity of the parties to file refusal to accept public funding to some degree runs contrary to the goals of introduction of such funding. As mentioned before, public funding of political parties serves the goal of political corruption decrease and increase of parties' independence, transparency and accountability. By filing refusal to accept money provided by the state, political party waives certain financial independence guarantees. Consequently, a question can rise as to from which source a party substitutes loss of such a substantial financial revenue stream. Moreover, as was already mentioned, the NAPC has the power to suspend public funding of a political party should any requirements of the law on party finances be violated. Should a party be able to waive public funding, the NAPC loses its leverage over violations in the area of party finances, which also distorts the whole system.

With the NAPC starting to apply suspension of public funding, representatives of all factions in the parliament collectively registered a bill No. 5253 (hereinafter— Bill No. 5253) that limits powers of the NAPC.⁵⁷ Bill No. 5253 suggests prohibiting NAPC to suspend public funding of a political party if shortcomings in the party's financial reports were found for the second time, after a party was given time to correct the initial shortcomings. It also deprives the NAPC of powers to determine whether a political party conducted shell transactions. It seems that after NAPC started acting more decisively and started punishing some parliamentary parties for the violations of financial reporting requirements some MPs regardless of their ideological stances wanted to subvert the novel capacity of the NAPC in order to spare themselves from increasing accountability.

Direct public funding is deemed to be effective, as it allows establishing rules on spending and reporting which can be enforced in case of their violation through imposing administrative fines and suspending or limiting amount of public funding.⁵⁸ Basically, the state has limited capacity to control whether and how much the party is paid from the private sources. This type of contribution is possible to hide, whereas public funding provides more opportunities for control from the side of the state and thus increases transparency of parties spending and accountability of parties.

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- 56 Sluha Narodu poky ne mozhe vidmovytys vid derzhgroshey na koryst borotby z COVID-19 [“Sluha narodu cannot yet give up public funding in favor of fight with COVID-19”]. *Ukrainska Pravda (Ukrainian Truth)*, April 7, 2020, <https://www.pravda.com.ua/news/2020/04/7/7246859/>.
- 57 Draft Law on Amending the Law of Ukraine on Political Parties in Ukraine on Improving the Rules on Suspending and Depriving of Public Funding of Political Party's Statutory Activities No. 5253, registered March 17, 2021, accessed July 20, 2021, https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=71428
- 58 Marcin Walecki, *Political Money and Political Corruption: Considerations for Nigeria*. INEC–Civil Society Forum, November 27–28, 2003, accessed November 29, 2021, https://www.ifes.org/sites/default/files/nigeria_political_money_and_political_corruption.pdf.

NAPC claims that direct public funding in the long term will allow political parties to substitute oligarchic money with state funds.⁵⁹ NAPC also states that introduction of public funding allowed parties to compensate lack of membership fees, spare parties from the constant search of the funding and allocate more time for the inner party building.⁶⁰

However, public funding has its problems and challenges. As Katz and Mair highlight, parties get accustomed to public funding and become integrated in the state apparatus, which leads to the cartelization of parties.⁶¹ Cartelization turns political activity into profession, restricts access of younger and smaller parties to the electoral scene and causes parties to stop representing interests of the voters and to concentrate only on the competition among themselves. The same could be said about MPs. Represented in the Parliament and enjoying far greater degree of publicity than unsuccessful candidates, incumbent parliamentarians tend to be re-elected for decades, and very often seem to lose their connection to voters, being focused only on internal parliamentary matters. Similar point is supported by the PACE, which states that the meaning of membership fees and private donations to political parties becomes smaller, and as a result ties with voters are weakened.⁶²

Critics of the public funding of political parties also say, that rarely such funding earns support from the people, as their taxes are spent to support parties, which they do not trust.⁶³ The same applies to financing of MPs, whom voters do not trust. Although the funds to the parties are distributed proportionally, the mere fact that in the society so highly polarized as the Ukrainian one some party that is considered by some voters to be not worth supporting, forces such voters to deny the idea of public funding of political parties as a whole.

59 National Agency on Corruption Prevention. *Pyatiom parlamentskim partiyam pererakhovano koshty derzhavnogo finansuvannia* [Amounts of Public Funding has been Transferred to Five Parliamentary Parties]. National agency on Corruption Prevention, July 29, 2021, accessed November 29, 2021, <https://nazk.gov.ua/uk/novyny/politychna-koruptsiyaya-novyny/p-yatom--parlamentskym-partiyam-pererakhovano-koshty-derzhavnogo-finansuvannia/>.

60 National Agency on Corruption Prevention. *Pro derzhavne finansuvannia politychnykh partiy* [On public funding of political parties]. National Agency on Corruption Prevention, August 27, 2020, accessed November 29, 2021, <https://nazk.gov.ua/uk/documents/pro-derzhavne--finansuvannia-politychnyh-partij/>.

61 Peter Mair and Richard S. Katz, "Party Organization, Party Democracy, and the Emergence of the Cartel Party," in the *Party System Change: Approaches and Interpretations*, ed. Peter Mair (Oxford: Oxford University Press, 1997), 93–119.

62 "Financing of Political Parties. Recommendations 1516 (2001)," Parliamentary Assembly of the Council of Europe, para 8(a)(iii), accessed July 6, 2021, <http://www.assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=16907&lang=en>.

63 Mykola Yashchuk and Dmytro Ostapchuk, "The Cost of Politics: What Should Be the Price of Democracy in Ukraine," Vox Ukraine, accessed July 7, 2021, <https://voxukraine.org/en/cina-polityki-en/>.

Speaking of challenges, challenges for both mechanisms of public funding of political parties and members of parliament are the same: lack accountability, transparency, low levels of enforcement, as well as the issue of the amount of such funding, which should not be excessive not to cause loss of connection with voters and social tensions, and not to be too small to foster corruption and prevent effective execution of parliamentary functions.

Current State of the MPs Funding, Problems and Challenges

Public funding of MPs finds its basis in the Law of Ukraine “On Status of the Member of Parliament of Ukraine”⁶⁴ (hereinafter—Law on Status of MPs) and in the Resolution of Verkhovna Rada “On Financial Support of the Members’ of Parliament of Ukraine Activity”⁶⁵ (hereinafter—Resolution on MPs’ Finances).

As of now, salary of a Ukrainian MP equals ca. USD 810. Additionally, the parliamentary Committee on the Rules of Procedure, MPs Ethics, and the Work Organization of the Verkhovna Rada (hereinafter—Committee on the Rules of Procedure) adopted a decision establishing a 100% bonus for all the MPs on December 8, 2017.⁶⁶ Therefore, combining basic wage and a 100% bonus, the total amount of the MP salary reached USD 1,620.

The decision was adopted with only 6 votes of the members of the Committee on the Rules of Procedure. As a result, salary of all the MPs was doubled. One way to increase MPs’ salary twofold is to put the issue of the amount of the basic MPs’ wage in front of the parliament, since the basic wage is determined by the Resolution of Verkhovna Rada, that is to say, by at least 226 votes. Adopted by the Committee on the Rules of Procedure, the decision to establish a 100% bonus required only 6 votes, reaching the same result of doubling MPs’ salary. The regulation allowing to reach the same result with the help of two different means of incomparable difficulty seems to be disproportionate since hardly is it arguable that it is harder to gather 226 votes rather than 6 votes. Moreover, the decision of the Verkhovna Rada would have attracted greater publicity. Therefore, it can be assumed that one of the reasons to increase MPs’ salary through the Committee on the Rules of Procedure decision was to avoid redundant discussions in the society, which, in the author’s opinion, constitutes violation of the principle of integrity.

64 Law of Ukraine on Status of the Member of Parliament of Ukraine, adopted November 17, 1992, *Vidomosti Verkhovnoi Rady Ukrainy* 3 (1993): 17, accessed July 6, 2021, <https://zakon.rada.gov.ua/laws/show/2790-12>.

65 Resolution of the Verkhovna Rada of Ukraine on Financial Support of the MPs’ Activities, adopted December 12, 2017, accessed July 6, 2021, <https://zakon.rada.gov.ua/laws/show/2240-19>.

66 Minutes No. 102 of the Meeting of Committee on the Rules of Procedure, MPs Ethics, and the Work Organisation of the Verkhovna Rada, December 8, 2017, accessed July 17, 2021, http://reglament.rada.gov.ua/documents/protokol_z/73573.html.

What also seems disproportionate is that this bonus does not consider different intensity of MPs work. Basically, some MPs work harder than others, some visit more sittings than others, some conduct more meetings with voters etc., yet all of them are entitled to the same amount of a 100% bonus for the “intensity” of their work. While there is nothing wrong with increase of MPs’ salary *per se*, current regulation arguably breaches principles of integrity and proportionality.

By the Law on Status of MPs, Members of Parliament are also entitled to a set of reimbursements. The first one being a compensation for MPs’ activities which equals 100% of the remuneration, i. e. USD 1,620. This law also envisages covering of the expenditures for the accommodation in case a parliamentarian lives outside of 30 km zone around Kyiv (ca. USD 700), a lump sum aimed at covering transport expenditures (ca. USD 270), remuneration of business trips costs, free medical care, a right to use parliamentary motor pool, etc.

With the abovementioned benefits granted to parliamentarians being common for most democracies, what needs to be addressed is the issue of accountability. These benefits are neither taxable, nor they have to be reported upon as part of the annual financial disclosure campaign of public servants. Explaining this, the NAPC stated that these benefits are not considered to be income, but only a compensation of the MPs expenditures.⁶⁷ Therefore, they are neither taxable, nor have to be disclosed. The same understanding of the legal nature of MPs reimbursements is offered by the Law on Status of MPs.

Not only MPs reimbursements are not subject to taxation and disclosure in the annual financial statements, but there is also no obligation to report on the use of these funds. The Law on Status of MPs envisages only submission of reports on business trips, but these reports have mostly informative character as to the MP’s activities during such a trip. The financial part of the report is not foreseen. The only reports available at the parliamentary website, are the lists of MPs receiving funds for accommodation, as well as a report on the number of hours each MP spent using motor pool of the Parliament. Thus, a clear reporting and accountability system has to be elaborated. At the same time, a delicate balance between the financial security of an MP and a reasonability of their income, not allowing them to lose ties to voters, has to be struck.

Stakeholders positions on issues of public funding of MPs and political parties

An important source for understanding state and challenges of public funding in Ukraine is the sociological data. For instance, sociological survey conducted in 2017 by the Ilko Kucheriv Democratic Initiatives Fund, a renowned Ukrainian sociological foundation, demonstrated increasing distrust towards political parties among Ukrainians: altogether

67 “Dokhody, v tomu chysli i podarunky: Roz’yasnennia NAZK (Income, Gifts included: NAPC clarification),” National Agency for Prevention of Corruption, accessed July 25, 2021 <https://nazk.gov.ua/wp-content/uploads/2019/04/11-1.pdf>.

71% of respondents think that political parties represent interests of their leaders and oligarchs.⁶⁸ With 81.4% of respondents saying they did not support the introduction of the public funding mechanisms, 68.95% of respondents knew nothing about such a mechanism.⁶⁹ While respondents overall think that parties represent interests of their leaders, and not those of the people, about 50% of respondents claimed that parties should be financed by their leaders.⁷⁰ Moreover, 48% and 36% of respondents respectively stated that this is party members and party supporters that have to finance it.⁷¹ At the same time 81.9% of respondents said they were not ready to fund a political party, even if it effectively represented their interests.⁷² A survey of 2015 by the same fund with largely the same questions demonstrated that only 3.5% of respondents were members of a political party.⁷³ This clearly shows that citizens have a somewhat distorted perception of public funding and mechanisms of political finances in general. It also indicates that people tend to make little to no difference between a political party in the office and an MP in the office, granting them both the representation function.

The legislators' views on the public funding mechanisms were voiced during the Semi-Structured Interviews with Rada members (hereinafter — Respondents). The thirty to forty minutes interviews with Rada members were conducted both with representatives of the ruling and opposition parties, with MPs elected under party lists and with MPs elected in single-member districts, as well as with MPs that served in the previous convocation of the Rada and with the ones elected for the first time in 2019. In these interviews the author does not strive to provide accurate quantitative data but rather use qualitative approach in order to gain insights and unveil existing problems.

Remarkably, all Respondents agreed that public funding of political parties is of utmost importance and influences positively both independence of political parties and MPs. At the same time, Respondents were almost unanimous in denying public funding to non-parliamentary parties. Some addressed national security issues, associated with providing public funding to parties deemed to be pro-Russian marginalized political projects. Some stated that parliamentary parties are the ones who work on public good and thus deserve public funding. On the contrary, some argued that not always parliamentary parties work effectively enough and perhaps a more meritocratic approach needs to be implemented. But here we find ourselves faced with the question of how to define which party works efficiently? Effective work of the party depends on effectiveness of work of their MPs, who are also financed from the state budget.

68 “Perception of Citizens on Political Situation, Elections and Parties. Press-release,” Ilko Kucheriv Democratic Initiatives Fund, accessed July 13, 2021, <https://dif.org.ua/uploads/pdf/11837777675979e41751cad8.18422987.pdf>.

69 Ilko Kucheriv Fund, “Perception of Citizens on Political Situation.”

70 Ilko Kucheriv Fund, “Perception of Citizens on Political Situation.”

71 Ilko Kucheriv Fund, “Perception of Citizens on Political Situation.”

72 Ilko Kucheriv Fund, “Perception of Citizens on Political Situation.”

73 Ilko Kucheriv Fund, “Perception of Citizens on Political Situation.”

At the same time, Respondents largely stated they felt committed to work on the goals of the political party in the Parliament, even though in theory they represent people, not the political party to the faction of which they belong. This proves they do not differentiate much between themselves as MPs and political parties to which they belong. Remarkably, during the Semi-Structured Interviews Respondents indicated that public funding is the main source of revenue for their political parties. Some of them mentioned membership fees, with their amount being so small that they hardly can account for any substantial share of party's money. Some Respondents voiced concerns about introduction of public funding, stating that it was not supposed to replace private funding and membership fees, but rather help rebuild party institutions and consolidate voters support.

Speaking of MPs salaries and compensations, most MPs stressed that MP's salary needs to be increased, perhaps even through elimination of all compensation payments which would be added to the amount of salary. The main reasoning for this suggestion is that significant increase of salaries would cause a number of MPs dependent on illicit payments to decrease. Others argue that the amount of MPs salary is still much higher than the average salary in public sector and that if people got elected in order to contribute to personal enrichment, no salary would change that. At the same time, should the salary of the MPs guarantee financial security of the Rada Members, this will create opportunities for professionals with high level of integrity to enter the system and work for the public good.

Respondents also addressed the issue of the amount of the compensation payments. Almost every Respondent found that compensations are not covering all the expenses, with the most frequent example being transport expenses and assistants' payments. Some Respondents expressed a view that MPs not working with their constituents must be deprived of all compensatory payments.

Speaking of reporting mechanisms, some parliamentarians in Semi-structured interviews expressed concerns that reporting mechanisms that existed previously were too bureaucratic and burdensome. On the other hand, they reported that MPs, which serve as members of Ukrainian delegation in PACE, submit reports on the use of funds to the Secretariat of the Council of Europe even though they are not obliged to submit anything of the kind in Ukraine, which serves a proof that such reporting mechanisms are well-developed and commonly used in other countries and could be deemed necessary to be adopted in Ukraine.

Another issue that needs to be addressed within the scope of this study is the issue of illicit payments to MPs that are made either by the interest groups or by the political parties themselves. Some Members of Parliament that participated in Semi-Structured Interviews reported that some 50% of the Rada Members received payments not envisaged by the law, other Respondents suggested that the share of such MPs reached well beyond 90%. Mostly, Respondents agreed that they had heard of such practices even if never accepted these kinds of payments themselves. Respondents clearly indicated that such payments, whatever their source, aim at influencing decision-making process in the Rada. They also claim that even when these payments

are made by the parties themselves, one needs to understand that they come from the large interest groups as well.

Potential solutions

As evidenced by numerous scholars, public funding mechanism is effective in ensuring independence of political parties from private capital. It allows parties to pursue agenda crucial for their voters rather than lobby interests of small groups of powerful people.

Speaking of shortcomings of public funding, the main disadvantage to be named is a risk of overdependence of parties on state and gradual loss of connection to the electorate. Nevertheless, public funding is a widely used tool in democratic countries which proved to be efficient in reaching its goals.

Paradoxically enough, in Ukraine the idea of public funding of the political parties is largely unpopular. Mostly, Ukrainians know little to nothing about public funding but for some reason this idea finds little support among people. At the same time, Ukrainians are not ready to fund parties by themselves. With over 96% of Ukrainians not being members of political parties, absolute majority thinks that funding should be a concern for supporters and members of some political force. This shows a certain tangle existing in the heads of Ukrainians and lack of understanding of the basics of politics, as well as cause and effect relations within it.

Notwithstanding deficiency of public support, public funding was still introduced and even was reformed less than four years later. New regulation halved the amount of public funding and increased the threshold of votes needed for a party to receive it. This seems to be a negative rather than a positive change. The amount of public funding to be distributed among parties were not excessive before. But with this amount decreasing in half, it is highly probable that political parties would substitute this loss with money of oligarchic groups.

Increase of the threshold of votes needed to receive public funding seems to lack substantiation as well. Development of smaller parties not yet represented in the parliament contributes to the development of political pluralism and serves one of the reasons of public funding mechanism introduction. Whereas granting of public funding only to parliamentary parties only leads to cartelization of parties and conservation of political landscape.

Summarizing arguments mentioned above, it can be said that for public funding of political parties the threshold of votes needed to be granted state support has to be lowered to allow smaller or less successful parties to develop. Questionable is though, what is the most reasonable amount of public funding of political parties. However, what seems clear is that the decision on this amount should not be arbitrary, but rather be justified. The issue of the amount of public funding remains open to a discussion. On the one hand, independence of private capital needs to be achieved, on the other hand, independence from the state and connection to voters must be preserved.

Comparing Ukrainian regulation of public funding with international standards, it could be said that not all international recommendations are properly implemented in Ukraine. For instance, Ukrainian legislation lacks effective mechanisms of control of the use of funds and effective sanctions for violation of legislation on financing of the political parties, as envisaged in PACE Recommendation No. 1516. Although, the NAPC lately started enforcing sanctions more effectively.

Simultaneously, political independence of parties correlates with independence of the MPs. After winning the election, autonomy of parliamentarians is ensured through state financial support of MPs activities. Unlike public funding of political parties, financial support of MPs activities was always part of Ukraine's political culture. In the case with parliamentarians, the goal is not only to secure independence from outer influence, but also very often from their own parties striving to constrain their own MPs.

It would not be an overstatement to say that there are problems in public funding of parliamentarians as well. First of all, similarly to situation with political parties, funding of MPs also lacks effective mechanisms of control over their spending. MPs in Ukraine get substantial amount in compensations. However, how they use them is left to their consciousness. Since these payments to MPs are not taxable, since they are not part of MPs annual financial disclosure statements either, it could be well said that currently a certain disbalance exists, as there are no clear rules on spending public money. And even though according to Ukrainian legislation those payments are considered to be compensatory, in the essence they are far closer to wages than to compensations. Different opinions exist also regarding the form of MPs public funding: whether they have to remain in the form of allowances or should be transformed into expenses. And depending on the answer, the question whether they should be taxable or not remains. Previously mentioned IPSA opinion on the matter seems to be a very reasonable approach.

A question open to discussion is also regarding the amount of MPs allowances as compared to average wage around the country. Total amount of all the payments can equal more than USD 3.5 thousand and reach up to over 5 thousand, with a basic MP's wage equaling USD 810. By contrast, according to the official data of the Ministry of Finance of Ukraine, in 2020 average wage in Kyiv equals USD 730, whereas the average wage in Ukraine makes only USD 511.⁷⁴ This may explain why Ukrainian parliamentarians did not wish to vote in the plenary session for the increase of the basic MP wage. Hardly would this idea find support among voters across Ukraine.

At the same time, the author supports the idea of adequate MP wages, but stands firmly for accountability and transparency of parliamentarians' expenditures. Besides, every allowance and expense paid from the state budget should have a justification based on calculations. At the same time when Members of Parliament try to hide any decision of theirs—it only deteriorates political culture and ruins the remnants of public trust in the legislative body.

74 Ministry of Finance, "Average Salary in Ukraine."

One may safely state that adequate payment to MPs surely is not a panacea against the problem of corruption. Yet public funding of MPs can create conditions appealing to honest professionals that otherwise would not have left their jobs in private sector to serve the country.

This study clearly demonstrates that public funding can be a rather efficient mechanism of stimulating political parties and MPs independence and quality work in the interests of the voters given that effective control mechanisms are established. Basically, it is political corruption that is eliminated with the help of public funding of MPs and political parties. Besides, the author muses a clear reporting system is needed, and preferably these reports by each MP should be published on official web resources of the Verkhovna Rada.

Educational activities targeted at wider masses of population are also crucial for successful implementation of public funding, both of political parties and Members of Parliament. This study reflects that people poorly understand the essence of politics. Their understanding of political finances is even less profound. Even though the population in Ukraine currently does not favor public funding, the attitude will tend to improve, provided that all the required explanations and justifications will be conveyed to the people.

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Appendix

List of interviewed Rada Members:

- 1) **Solomiia Bobrovska**, Holos, party lists
- 2) **Sophia Fedyna**, European Solidarity, party lists
- 3) **Iryna Konstankevych**, "For Future" Group, single-member district
- 4) **Halyna Mykhailiuk**, Servant of the People, party lists
- 5) **Alona Shkrum**, Batkivshchyna, party lists
- 6) **Halyna Vasylchenko**, Holos, single-member district
- 7) **Yelyzaveta Yasko**, Servant of the People, party lists

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Публічне Фінансування Політичних Партій та Депутатів Ради у Після-Виборчий Період

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Анотація

Це дослідження присвячене питанню ефективності механізмів публічного фінансування. Використовуючи український досвід в якості прикладу, стаття охоплює нещодавні зміни, внесені до законодавства, та оцінює їхній вплив на ефективність публічного фінансування загалом. В статті також аналізуються можливі шляхи пом'якшення існуючих недоліків механізмів публічного фінансування та виокремлюються можливі рішення. Спираючись на напівструктуровані інтерв'ю з депутатами поточного скликання Верховної Ради України, стаття демонструє існуючий стан справ та надає пропозиції стосовно питань політичної незалежності, політичної корупції, підзвітності та відкритості.

Ключові слова: політичні партії, публічне фінансування, парламентарі, Верховна Рада України