

PARTY ORGANIZATIONS IN LATVIA

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TITLE VIII PROGRAM

Project Information*

Contractor:	Johns Hopkins University
Principal Investigator:	Richard Katz
Council Contract Number:	816-05g
Date:	June 12, 2003

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* The work leading to this report was supported in part by contract or grant funds provided by the National Council for Eurasian and East European Research, funds which were made available by the U.S. Department of State under Title VIII (The Soviet-East European Research and Training Act of 1983, as amended). The analysis and interpretations contained herein are those of the author.

Executive Summary

This paper provides a detailed description of political parties in Latvia, their legal framework, electoral competitiveness, party membership and internal and external governance structures, and sources of party resources.

1. Legal Framework

Activities of political parties in Latvia are regulated by a number of legislative acts. The 1992 law on public organizations and their associations sets requirements for establishing and dissolving a political organization. The 1995 law on party financing regulates the sensitive area of the raising and spending of party funds. The 1995 law on election agitation before Saeima elections lays out basic rules regulating the use of advertising in public media in parliamentary election campaigns.

The 1992 law defines a political party as an organization established by at least 200 citizens of the Republic of Latvia in order to carry out political activities, participate in election campaigns, put forth candidates to publicly elected offices, guide the elected officials in the Saeima and municipalities, implement its program as well as participate in establishing institutions of public administration¹.

Although permanent residents who are not Latvian citizens are allowed to join a party, an absolute majority of its membership must be citizens of Latvia. Membership is individual, and legal persons (including trade unions) cannot be members of any political party.

A party must be registered with the Ministry of Justice in order to function legally. For that purpose, representatives of the party have to submit its program and statutes along with a properly certified decision about forming the party to the ministry. The program cannot be aimed at illegal activities and the statutes have to contain provisions about:

- aims, goals and methods of the party;
- party name and its abbreviation;
- the structure of governance;

¹ Law on Public Organizations and Their Associations, 1992, Article 43.

- admitting and expelling party members;
- rights and obligations of party members;
- acquiring and dispersing of financial resources.

A decision on registration is taken within one month after all necessary documentation is submitted to the Ministry of Justice.

The 1995 Law on Party Financing introduced a number of important limitations.

According to this law, the legal sources of income for a party are: membership dues; donations (by both natural and legal persons); profit from entrepreneurship; other income not prohibited by the current legislation. Parties are prohibited to receive donations from enterprises where the state or a municipality holds 50% or more of the shares, from state or municipal institutions, from religious organizations, from stateless persons as well as from foreign or anonymous sources. If an anonymous donation is received, it has to be transferred to a separate fund controlled by the Ministry of Justice, which subsequently redistributes those donations among all registered parties. The legislation specifically prohibits the setting up of foundations for the purpose of financing a political party.

While the spending side is not regulated, a single benefactor is not allowed to donate more than 10,000 Lats (approximately US\$ 16,700) per year per party. It is important to note that the law does not foresee any direct state subsidies to political parties. Moreover, parties do not enjoy any tax privileges or exemptions although they (like other non-profits in Latvia) do not pay income tax. Similarly, donations to political parties are not tax-exempt.

Since 1995, all registered political parties have to submit annual financial declarations to the Ministry of Justice and the State Revenue Service, containing detailed information about the amount and the sources of income as well as aggregate data on spending. These declarations are

freely accessible after they are published in the official gazette “Latvijas Vēstnesis”. Failure to submit a declaration on time may result in disbanding the party following a court order.

2. Historical Backgrounds of Parties

Latvia has adopted a fairly liberal attitude towards the registration of political parties. This has clearly contributed to a rapid growth in the number of registered political organizations and a notable turnover of parties at the parliamentary level. As of mid-2002, more than 60 political organizations have been registered with the Ministry of Justice. For the purpose of an in-depth analysis in this paper, seven political parties have been selected: Latvian Social Democratic Workers’ Party (LSDSP); “Latvia’s Way”(LC); “For Fatherland and Freedom”/LNNK (TB/LNNK); People’s Party (TP); “For Human Rights in United Latvia” (PCTVL); Farmers Union of Latvia (LZS); Democratic Party of Latvia (LDP). The names of these parties in English and Latvian, as well as their ideological leanings, are summarized in Table 1.

2.1. Mode and timing of origination

The Latvian Social Democratic Workers’ Party (LSDSP) is the oldest political party in Latvia. It was originally established in 1904 as an illegal, extra-parliamentary party. Having been the largest political organization in the 1920s and 1930s, it was forced to resort to underground operation after the 1934 coup d’etat in Latvia. Following the Soviet occupation of Latvia, the party moved its headquarters to Sweden where it continued to be a member of the Socialist International. LSDSP restored its operation in Latvia in 1989. However, it remained a minor party not represented in the parliament until 1998 when it merged with another leftist organization and gained a number of seats in the Saeima.

The Farmers' Union of Latvia is another historical party. It was established in 1917 as an extra-parliamentary party and also played a very important role in the parliamentary era of the 1920s and 1930s. Its operation was halted after the 1934 coup and sporadic activities were noted after World War II outside Latvia. Local activists reestablished the party in 1991 and it gained parliamentary representation in 1993.

“Latvia’s Way” represents a classic example of intra-parliamentary origination of parties. It was established by a number of pro-reform parliamentary deputies of nomenklatura origin to contest the 1993 parliamentary elections. The party has had uninterrupted parliamentary representation since then.

While the “For Human Rights in United Latvia” association is a coalition of three parties, its two leading members – the National Harmony Party and the Latvian Socialist Party – came into being as intra-parliamentary parties in 1993 and 1994, respectively. The association was formed in 1998 when the two parliamentary parties decided to merge forces and form a joint candidate list for the 1998 parliamentary elections.

The “For Fatherland and Freedom” association was established in 1993 when five minor extra-parliamentary parties with links to the dissident movement merged into a single organization to contest the 1993 parliamentary elections. In 1997, the Latvian National Independence Movement (LNNK) joined the association, and its name was changed to “For Fatherland and Freedom”/LNNK.

The People’s Party was established by former Prime Minister Andris Šķēle in 1998. While a limited number of parliamentary deputies joined the party before the 1998 elections, it cannot be regarded as an intra-parliamentary party – the role of the non-partisan Šķēle in the forming of the party was overwhelming.

The Latvian Democratic Party rose to power more gradually. It traces its origins back to the political party “Saimnieks” established by a former Minister of Interior to contest the 1994 municipal elections. After having gained noteworthy representation in the Riga City Council, the party merged with the Democratic Center party to establish the Democratic Party “Saimnieks” (DPS) in 1995. DPS won the 1995 parliamentary elections but suffered a crushing defeat in 1998 as it failed to clear the 5% threshold. Subsequently, some of the leaders left the party and it changed its name to the Latvian Democratic Party.

2.2. Name changes

It is uncommon for a party to change its name in Latvia. Name changes usually reflect such organizational developments as a split or a merger of two or more parties.

As indicated above, the Latvian Democratic Party exemplifies this. It tried to incorporate elements of “donor-party” names into a new title in 1995, and it changed its name fundamentally after a split in 1999.

The “For Fatherland and Freedom” association included the abbreviation of the Latvian National Independence Movement (LNNK) after LNNK joined the association in 1997. The change of name had symbolic rather than practical significance as LNNK appeared to be weak at the time of the merger.

However, the Latvian Social Democratic Workers’ Party did not change its name after its merger with the Latvian Social Democratic Party, although the latter had more card-carrying members at the time of amalgamation. Firstly, the two names are notably similar. Secondly, the name of the Latvian Social Democratic Workers’ Party is widely recognized in Latvia and it carries important historical connotations.

Table 1: Party Name

Party name in native language	Party name in English	Ideological leaning
LSDSP – Latvijas Sociāldemokrātiskā strādnieku partija	Latvian Social Democratic Workers' Party	Social democratic
LZS- Latvijas Zemnieku savienība	Farmers' Union of Latvia	Agrarian
LC – Latvijas ceļš	Latvia's Way	Liberal
PCTVL – “Par cilvēka tiesībām vienotā Latvijā”	“For Human Rights in United Latvia”	Pro-Russian, leftist
TB/LNNK – “Tēvzemei un Brīvībai”/LNNK	“For Fatherland and Freedom”/LNNK	National conservative
TP – Tautas partija	People's Party	Conservative
LDP – Latvijas Demokrātiskā partija	Latvian Democratic Party	Social liberal

3. Electoral competition

Latvia's Parliament, or Saeima, has 100 deputies, elected to a term of four years. The conduct of elections and their adherence to the law are regulated by the Central Election Committee (CEC). The general provisions for elections of the Saeima are defined in the Constitution (Satversme) of the Republic of Latvia as well as in a number of laws.

Latvia has adopted a proportional electoral system. For the purpose of parliamentary elections, the country is divided into five electoral districts. The number of deputies elected from each district is determined by the Central Election Committee, taking into consideration the number of voters residing in each district. The distribution of seats among the five electoral districts is shown in Table 2.

Table 2: Size of Election Districts

District	1993	1995	1998	2002
Kurzeme	14	14	14	14
Zemgale	16	15	15	15
Vidzeme	26	25	25	26
Latgale	20	19	18	17
Riga	24	27	28	28

Source: Central Election Commission.

Submissions of candidate lists to the CEC are concluded two months prior to elections. Only registered political parties are allowed to submit candidate lists. To minimize the presence of adventure seekers exploiting election campaigns for their own personal interests, each party submitting a list must pay a security deposit of 1,000 Lats. This deposit is refunded if the list passes the 5% threshold.

The number of seats won by each list is calculated according to the Saint-Laguë formula. For lists to participate in the distribution of seats, they have to garner at least 5% of the valid votes nationally. This barrier was introduced to lessen the number of minute parties and their influence in Latvia's parliament.

The votes and seats won by major parties in the first three post-Soviet elections in Latvia are shown in Table 3.

Table 3: Seats and Votes Won by Major Parties, 1993-1998

Party	1993 Votes	Seats	1995 Votes	Seats	1998 Votes	Seats
Latvia's Way	32.4	36	14.6	17	18.0	21
"For Fatherland and Freedom"	5.4	6	11.9	14	14.6	17
LNNK	13.4	15			--	--
Green Party	1.2	--	6.3	8	2.3 (with CDU)	--
Farmers' Union	10.7	12			2.5	--
Christian Democratic Union	5.0	6	6.3	8	2.3 (with Green Party)	--
Democratic Center Party	4.8	5	--	--	--	--
DP "Saimnieks"	--	--	15.1	18	1.6	--
Unity Party of Latvia	0.1	--	7.1	8	0.5	--
LSDSP	0.7	--				
Democratic Labor party of Latvia	1	--	4.6	--	12.8	14
"Concord for Latvia, Development for Economy"	12.0	13	--	--	--	--
National Harmony Party	--	--	5.6	6	14.1	16
Socialist Party of Latvia	5.8	7	5.6	5		
"For Latvia" movement	--	--	14.9	16	1.7	--
People's Party	--	--	--	--	21.2	24
New Party	--	--	--	--	7.3	8
Others	7.5	--	8.0	--	3.4	--
TOTAL	100%	100	100%	100	100%	100

Source: Central Election Commission.

The number of registered parties grew rapidly at the end of the 1980s and beginning of the 1990s, and this trend still continues, although at a slower pace, as shown in Table 4. Obviously, not all of the parties counted in Table 4 have been represented in Latvia's Parliament. When the newly elected Supreme Council of the Latvian SSR gathered for its first meeting in May 1990, two factions were formed. In 1993, those same deputies were already split into five factions, representing more than ten parties. In the Fifth Saeima, eight parties were represented,

in the Sixth Saeima, there were 11 parties, but at the end of 1999, in the Seventh Saeima, there were 8 parties.

Table 4: Number of Registered Political Organizations

Year	Number of Registered Parties
1993	27
1995	34
1997	41
1999	47
2002	59

Source: Lursoft, Ltd.

It is important to note that not all of these parties have participated in elections with their own candidate lists. Many parties got involved in pre-election coalitions and formed joint lists. This makes the issue of the number of relevant parties in Latvia even more problematic.

For the purpose of this paper, two different approaches have been used to establish the number of relevant parties in the Latvian parliament. A qualitative, more intuitive approach has been suggested by Giovanni Sartori who uses coalition potential and/or blackmail potential of a party to establish its “relevance”². Another approach, the Laakso-Taagepera index of the effective number of parties, is purely quantitative³. These two measures are reported in Table 5.

Table 5. Number of Relevant Parties

	Laakso-Taagepera	Sartori
5th Saeima (1993)	5.05	5
6th Saeima (1995)	7.59	7
7th Saeima (1998)	5.49	5

Source: author’s own calculations

² Sartori, Giovanni. *Parties and Party Systems*. Cambridge University Press, 1976.

³ Shuggart, Matthew & Rein Taagepera. *Seats and Votes*. Cambridge University Press, 1989. P.93-114.

The number of relevant parties grew substantially in the Sixth Saeima, and this also coincides with the growth of populist politics in the state. Moreover, the Seventh Saeima realized a return to about five significant parties. It seems that these figures confirm the assumption that the formation of the leading coalition in the Sixth Saeima was more complex than in the Seventh Saeima.

Table 6. Level of Fractionalization

	5th Saeima (1993)	6th Saeima (1995)	7th Saeima (1998)
Largest party	36%	18%	24%
Two largest parties	51%	35%	45%
Three largest parties	64%	51%	62%
Four largest parties	76%	65%	78%
Five largest parties	83%	73%	92%

Source: author's own calculations

The number of factions in the Saeima, shown in Table 6, is another realistic indicator, which gives definite information about how complicated the formation of a leading coalition can be. These figures once again confirm that the Sixth Saeima was the most fragmented. In the same way, it is apparent that the parties' balance of power somewhat evened out in the Seventh Saeima.

4. Party Membership

Summaries of party rules indicate that parties in Latvia have adopted two basic procedures to recruit formal members. The most common procedure is a formal application of a person that is supported by two recommendations of party members. This approach is used by all constituent members of “For Human Rights in United Latvia”, LC, LZS, LSDSP and LDP. The statute of TB/LNNK stipulates a probationary period of up to six months in addition to written

endorsements of two party members. The People's Party has the most liberal approach, requiring a formal application only.

Some parties have introduced a special status for persons not willing to become party members but feeling a certain closeness to that party. People's Party and LDP have the status of supporter or sympathizer. They are allowed to participate in meetings of certain party bodies but have no voting rights. LC and LDP have the status of Honorary Party Member granted at the discretion of party leadership.

However, regardless of the admission procedure, members of all parties are obliged to pay membership dues. The amount of membership dues varies. Constituent members of "For Human Rights in United Latvia" have introduced a fixed amount of LVL 0.50 (about USD 0.85) per month. LC has adopted a differentiated approach. Parliamentary deputies and cabinet members are obliged to pay no less than LVL 5.00 (USD 8.50) per month while all other party members pay no less than LVL 1.00 (USD 1.70) per month. People's Party links membership dues to the income of a member. Depending on the monthly salary, the amount of dues varies between LVL 1.00 and LVL 5.00 per month. A similar approach exists within LSDSP where membership dues range between LVL 0.10 and LVL 50.00. LDP mentions the obligation to pay membership dues but has not specified the amount.

It must be stressed, however, that membership dues do not constitute a noteworthy source of income for the political parties under review as they tend to rely on donations by natural and legal persons. See Section 7 of this paper for details.

Apart from paying dues, party members tend to have other obligations. A universal duty is compliance with decisions of the governing bodies of the political party. Party members are frequently obliged to promote the ideas and program of the party and to get involved in the public activities of the party, as well as paying membership dues. In addition, LSDSP requires that its members be involved in fundraising for the benefit of the party and observe the Code of Ethics of LSDSP. The National Harmony Party (a constituent member of “For Human Rights in United Latvia”) and LSDSP require that their members adopt a tolerant attitude towards dissenting views within the party.

Members can be expelled from the party for a very limited number of reasons, of which failure to comply with decisions of the governing bodies of the party is universal in Latvia. Failure to pay membership dues is a common, but not universal, reason for expelling a person (TB/LNNK constitutes an exception to this tradition). Most parties would regard actions running against their programs or discrediting their organizations as a sufficient reason for expulsion. LC also bars its members from supporting financially other political organizations.

Decisions about expulsion are taken by different bodies. LSDSP, LDP and constituent members of “For Human Rights in United Latvia” delegate this decision to local branches but their decision can be appealed to higher bodies. The other parties under review attach a greater importance to this issue by stipulating that the highest executive bodies take a decision about expulsion.

Membership figures provided by the major political parties are not particularly reliable. This is even more so when it comes to smaller political organizations. Therefore, an accurate assessment of the total membership level is virtually impossible. Certain insights are provided by public opinion polls. Several surveys conducted by the Baltic Institute of Social Sciences in

1999-2001 revealed that the party membership fluctuates between 1 and 2 per cent of the population, which translates into 2-3.5 % of the country's electorate. Based on information provided by the political parties themselves, the number of party members in Latvia stands at approximately 1.5% of the total population.

Generally speaking, as shown in Table 7, party membership figures have been rising since the early 1990s. However, some parties may have been reporting exaggerated figures, while some others have revised the inflated membership numbers after a re-registration of members following electoral defeats. It is important to note that the Latvian legislation does not allow collective membership in political parties.

Table 7. Membership in Parties Under Review

	LZS	LC	TB	TP	LDP	LSDSP	PCTVL*
1992	1532	-	-	-	-	n/a	-
1993	1874	154	-	-	-	n/a	n/a
1994	2950	160	-	-	1,400	n/a	n/a
1995	-	195	n/a	-	1,700	n/a	n/a
1996	3800	457	n/a	-	1,600	n/a	n/a
1997	3800	474	n/a	-	1,400	n/a	n/a
1998	4000	574	n/a	1500	1,400	n/a	n/a
1999	800	692	n/a	1816	1,400	2078	n/a
2000	1000	988	1900	1950	1,200	1600	2286
2001	1200	1260	2000	2000	1,000	2700	3267

* Figures for PCTVL indicate a total for all three constituent members of "For Human Rights in United Latvia";
Source: information provided by respective political parties

Latvia has 26 administrative districts and major parties frequently attempt to build regional branches in each of the districts. People's Party, TB/LNNK, LZS, LSDSP have been particularly successful in this regard. However, the degree of penetration should not be exaggerated as these regional branches may well be established in a major urban setting of the district and hardly reach out to the countryside. Unfortunately, it is not clear how many local branches each

party has and what is the degree of their activity. While most of the major parties have lately been making efforts to extend their activities across the whole country, they are slow to lose their Riga-centered character.

5. Parliamentary Party and Party in Government

Latvian legislation stipulates that only registered political organizations may submit candidates for parliamentary elections. Moreover, there are restrictions of passive voting rights⁴. However, the law does not set forth any particular procedures for candidate nomination within political parties.

The parties under review have adopted a fairly uniform approach to selecting candidates. While local branches are encouraged to submit their candidates, a final decision is taken by the national organization. Usually, this decision is partly based on opinion polling results rank-ordering most the well-known and positively-viewed candidates.

The leadership of parliamentary factions is selected by means of voting within the faction. However, the highest executive bodies of some parties (TB/LNNK, LZS) make a formal recommendation before the vote. Other parties seem to rely on more informal consultations while the voting within the faction is still held. By-laws do not mention any formal procedures

⁴ The election law bars the following citizens of Latvia from running for the Saeima:

- persons who have been legally recognized as incapacitated;
- persons who are serving a court sentence in a penitentiary;
- persons who have been sentenced for a deliberately committed crime and if their previous criminal record has not been expunged or annulled unless the persons have been pardoned;
- persons who have committed a criminal offence in an irresponsible state or who, after having committed a crime, have become mentally ill and are incapable of taking conscious action or controlling it and as a result have been subjected to compulsory treatment, or their case has been dismissed without applying such a compulsory measure;
- persons who belong or have belonged to the salaried staff of the USSR, the Latvian SSR or another country's state security, intelligence or counterintelligence services; persons who, after 13 January 1991, have been active in the CPSU (the CP of Latvia), the Working People's International Front of the Latvian SSR, the United Board of Working Bodies, the Organisation of War and Labour Veterans, the All-Latvia Salvation Committee or its regional committees.

with regard to how parliamentary offices are allocated to elected deputies as this is a complicated bargaining process among the political parties.

The role of parliamentary deputies and cabinet members within the extra-parliamentary party organization differs among parties. The constituent members of “For Human Rights in United Latvia” refrain from formalizing their role in the management of the party. LDP grants them a right to participate in meetings of the national executive but they do not have voting rights at those meetings. TB/LNNK gives parliamentary deputies and cabinet members full participation in the work of the national executive. LC, in turn, invites them to party conferences that are the highest decision making bodies between congresses. LSDSP does not grant deputies and cabinet members any special status within the party.

The statutes of most parties under review (TP, LC, LZS, LDP) do not mention the issue of internal dissent and a formal attitude towards this phenomenon. However, they do prohibit members of these parties to simultaneously be members of other political parties. Two constituent members of “For Human Rights in United Latvia” – the Latvian Socialist Party and the National Harmony Party – have banned internal factions. The party statute of TB/LNNK does not object to forming "interest groups" as long as their activities comply with party statutes. However, most parties appear to have informal groups of like-minded people characterized by shared ideological leanings.

6. Internal Party Institutions

The formal structure of governance in all parties under review appears to be very similar. The party congress is the highest decision making body. Congresses are normally convened once a year. Depending on the size of the party, either each party member can attend the congress and

vote (as is the case in LC) or there are delegates from each local branch. The quotas of representation are set by decision-making bodies between congresses or Councils (LSDSP, LDP, members of PCTVL) or the highest executive bodies (TB/LNNK, LZS, People's Party).

The congress is normally entitled to take decisions on any issue pertaining to the political party. Only the congress is entitled to amend the party statutes and program as well as to elect other institutions of the party and to change the name of the party.

Congresses elect members of the party Council or party Conference that are the highest decision making bodies between congresses. Councils frequently take decisions on participation in a governing coalition and cabinet members to be proposed to coalition partners. These bodies also discuss other important issues of political strategy that require a swift resolution. These institutions, however, cannot assume the functions of the party congress with regard to changes in party program, statutes or party name.

Congresses also select members of the national executive of the party, frequently called the party Board. Boards are involved in the day-to-day running of the party, communicating with local branches, raising financial resources for the party, co-ordinating election campaigns and other activities.

While all parties under review do have paid staff members, it is extremely complicated to make an accurate assessment of exact figures for a number of reasons. First of all, parties are not obliged to report these figures and they cannot be independently verified. Secondly, as the funding of parties is somewhat decentralized, each local branch is free to hire staff members based on the financial ability of the particular branch. Thirdly, some staff members are paid as aides to parliamentary deputies or they are even on the payroll of private companies.

Based on information provided by parties, it is possible to say that the parties under review normally employ 1-4 paid staff members at their central office. Some of them are part-time employees. Left-wing parties also partly rely on volunteers from among party members. Unfortunately, no statistics exist for paid staff members at the local level. Only LDP reported to have 2-5 paid staff members at the local/regional level. Parties represented in the Saeima rely heavily on parliamentary resources to pay for party staffers. Each parliamentary deputy is entitled to two part-time assistants. People's Party, for example, openly admits that half of its assistants to deputies work as staff members at the local level.

7. Party Resources

While Latvian legislation allows a notable variety of funding sources (for details, see Section 1), donations have been the prime source of income for political parties since 1995 when annual financial declarations were introduced.

Table 8. Party Income in 1995-2000, %

	1995	1996	1997	1998	1999	2000
Donations	89.5	78.4	91.2	83.5	88.5	71.8
<i>Private persons</i>	47.1	21.2	32.1	49.3	65.8	55.7
<i>Corporations</i>	52.9	78.8	67.9	50.7	34.2	44.3
Membership dues	2.2	20.5	7.1	3.2	9.0	3.4
Entrepreneurship	5.5	0.04	0.5	0.3	0.4	0
Other	2.8	1.1	1.2	12.9	2.1	24.8
Total	100	100	100	100	100	100
Total, in '000 Lats	1122.3	485.4	548.5	3029.7	756.5	1677.3

Source: Financial declarations of Latvian political parties.

The table shows that fundraising activity of parties peaks in national election years (1995 and 1998) while municipal elections (1997 and 2000) create less excitement. On average, more than four fifths of funding comes from donations. Moreover, corporate donations account for the

lion's share of all voluntary contributions, particularly in off-election years. Membership dues normally do not constitute a major source of income. The year of 1996 makes an exception but the fact that the steep increase in membership dues collected occurred within a minor party prompts one to consider it as an alternative way of channeling money into the party's accounts. It seems that parties tend to avoid entrepreneurship in order to fund their political activities. The year of 1998 saw a discovery of a new way of financing – bank loans, which account for the rapid increase of “other” sources in that year.

The stream of income appears to be fairly focused. The five wealthiest parties within a single election cycle tend to collect more than 80% of total party income, and there is a trend towards further concentration. This pattern is also observed in election years. It appears that the list of best-funded parties changes insignificantly during a full election cycle but the top five do change between election cycles. On the other hand, the number of parties that claim to have no income has increased from six in 1995 to 13 in 1998.

One can observe that corporate donations are particularly targeted for the wealthy five – on average these parties collect more than 90% of all corporate contributions while only some 70% of private donations go to the five. The wealthiest parties appear to be members of governing coalitions or to control important political offices (State Presidency as in the case of the Farmers' Union of Latvia). The size of their factions in the parliament seems to matter less for their financial well-being.

This money-for-influence thesis is further strengthened by the fact that the ideological positions of parties appear to have low salience for party financing. Aggregate data indicate that both left-of-center and right-of-center parties receive corporate and private donations in comparable proportions while the leftists' incomes have been lower than those of rightists.

It is very interesting and also confusing to discover that the importance of donations from private persons has grown over time. This observation runs against a growing dissatisfaction with politicians and political parties and a very slow economic development paired with decreasing level of welfare in Latvia. Hence, one can hypothesize that private donations are used to funnel money from other sources into parties' coffers.

Major political parties, which have or have had parliamentary representation, appear to rely heavily on large contributions. On average, large donations (more than US\$ 5000 each) make up 80% of corporate contributions and donations of more than US\$ 1000 cover almost 75% of income from private donations.

Latvian legislation does not limit the amount of membership dues that can be collected. Thus, they can be used as an unrestricted income source. However, membership contributions constitute less than 10% of annual budgets for more than 70% of registered parties. A growing number of parties collect no membership dues at all, reaching 41% in 1998. The percentage of organizations relying on membership contributions only has decreased by half to 7% in 1998.

One would expect that leftist parties, which traditionally have better-developed organizational structures would turn membership dues into a significant source of income. It is true that, for many of them, dues have been a major income source in off-election years. However, the totals collected are less than impressive. On the contrary, it is some right-of-center parties, which have reasonably developed organizations, that consistently collect notable amounts in membership dues. It should be noted, however, that "Latvia's Way" is said to collect additional sums from its parliamentary deputies and members of government. These parties also have more opportunities to utilize external (parliamentary, governmental etc.) resources due to their participation in governing coalitions.

While entrepreneurship of parties is not prohibited by legislation, Latvian parties tend to not engage in business in order to fund their prime activities. Two parties that can be regarded as successors of the Communist party extracted limited amounts from office space rental in their headquarter buildings but this source dried up as the privatization process advanced.

The 1998 election campaign saw the advent of a new approach to party funding – bank loans. Seven parties borrowed more than 384,000 Lats (more than US\$ 640,000) to cover campaign expenses. Annual declarations indicate that these loans are interest-free in many cases.

Table 9. Party Spending in 1995-2000, %

	1995	1996	1997	1998	1999	2000
Expenses to attain programmatic goals	71.2	49.8	63.8	78.7	26.1	19.4
Entrepreneurship expenses	1.9	0.2	0.3	1.7	1.1	0
Administrative expenses	5.2	14.9	4.7	4.2	10.2	11.6
Salaries and wages	16.7	29.6	27.3	8.3	17.2	9.7
Other expenses	5	5.5	3.8	7	45.4	59.2
Total	100	100	100	100	100	100
Total, in '000 Lats	1474.7	329.8	514.6	3111.4	346.3	1486.5

Source: Financial declarations of Latvian political parties.

The expenditure side of the parties' balance sheets reveals that most of the money is spent on what is loosely termed “expenses to attain the goals defined in the party program”. These expenses usually include designing information materials, polling, printing, promotion and advertising etc., and they peak in national election years. It is important to note that “programmatic” expenses more than doubled in 1998, compared to the 1995 spending level. Administrative expenses tend to rise in election years but their share in expenditures appears to be fairly stable. Entrepreneurship expenses increase notably in national election years – apparently to cover production of items for sale.

A telling trend can be observed for staff expenses: those amounts are in decline, which implies an increasing reliance of major parties on capital-intensive campaigns in mass media. That partly explains another trend – some parties repeatedly spend more than they have managed to raise in election years, which burdens their activities subsequently. That also explains an explosion of “other expenses” in 1999 – parties were returning loans taken for the 1998 parliamentary election campaigns.

Concluding Observations

Contemporary competitive political parties in Latvia emerged in the late 1980s as a result of the gradual disintegration of the Soviet regime. While some of them could claim they were heirs of inter-war democratic political organizations, virtually all them had to be created from scratch.

Latvian legislation adopted in the early 1990s laid out a basic organizational structure for a political party and established a fairly liberal regime of party registration and functioning. Along with proportional representation used for parliamentary and municipal elections, this contributed to a rapid growth in the number of registered political parties.

However, organizational maturing of parties proceeds at a slow pace. Parties appear to concentrate their activities in major urban settings and their work in the countryside is sporadic. While most parties under review have developed their regional branches, they are hardly interesting interlocutors for the central office of the respective organization. Local branches play an even less significant role. This can partly be explained by the flow of funds from the central office to local/regional branches as most fundraising activities are conducted in a centralized fashion.