



DEMONETISATION OF ANTI-DEMOCRATIC AND EXTREME CONTENT

ABSTRACT

The proposed European Democracy Shield (EUDS) aims to fortify the EU's democratic systems against disinformation, foreign interference, and evolving digital threats. While building on the existing regulatory backbone, the Shield's effectiveness will depend on actionable solutions that address the business models fuelling disinformation.

A central recommendation to ensure the success of the EUDS is to make demonetisation of disinformation a priority, ensuring that online platforms and disinformation creators cannot profit from or facilitate the spread of false content. This includes enforcing transparency in ad revenue sharing, particularly for influencers, and requiring disclosure of political ties through established ad repositories.

The Shield should also address gaps in national language moderation, ensuring platforms allocate resources proportionally to user bases, and update trust and safety tools to filter AI-generated, mass-produced content.

Furthermore, stable funding for civil society and independent journalism must be integrated into EU budget priorities. By focusing on these targeted measures, the Shield can move beyond patchwork regulation and provide a future-proof framework for defending democracy in the digital age.



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Introduction

In May 2024, Ursula von der Leyen, campaigning for her second term as president of the European Commission, introduced the European Democracy Shield (EUDS) – a concept initially focused on strengthening enforcement of the Digital Services Act (DSA), combating political deepfakes and proposing a pan-European anti-disinformation watchdog modelled after Swedish and French agencies.¹

Later in 2024, this idea was incorporated into the Commission's political guidelines for 2024-2029, and its scope has since broadened beyond the focus on technological solutions only. The ongoing public consultation² highlights four main priorities: countering disinformation and foreign interference; safeguarding election integrity; strengthening democratic frameworks; and fostering citizen participation. This indicates the file is not intended only as a "patch" to current digital frameworks but will branch out to engage citizens and support the rule of law.

The legislative structure of the package remains undecided. The final product might be as small as a strategy or Commission Communication or grow into a new regulatory package that will be tightly integrated with the upcoming budget priorities. Development of the EUDS is led by the Commissioner for Democracy, Justice, Rule of Law and Consumer Protection, Michael McGrath, with input from cross-sectoral groups within the European Commission. The development is supported by the Commissioner for Tech Sovereignty, Security and Democracy, Henna Virkkunen, and the cabinet of the president of the Commission. Budget decisions are in the hands of the European Commissioner for Budget, Anti-Fraud and Public Administration, Piotr Serafin, who is working on the post-2027 Multiannual Financial Framework (MFF).

Work on issues expected to be covered by the Commission's proposal on the EUDS is proceeding in parallel within the European Parliament, particularly through hearings of the Special Committee on the

EUDS. These hearings focus on the responsibilities and impact of online platforms on democracy, algorithmic manipulation and the enforcement of the EU Digital Rulebook in the context of foreign interference.

Officials indicate that the existing digital regulatory framework will serve as the backbone of the EUDS, and it is unlikely that, in this package, we will see a deep dive into new digital tools or the introduction of additional digital regulation. The initial proposals discussed as a part of EUDS build on the existing, though not fully implemented, broad regulatory framework from the previous Commission term, including the DSA, the European Media Freedom Act and the Transparency of Political Advertising Regulation (TTPAR).

Despite these efforts, the tech industry remains difficult for regulators to keep pace with. In late 2024, the European Commission decided to react to the constitutional crisis and cancellation of the Romanian elections, which was tied to the influence operations network that supposedly used TikTok to spread political content. After Donald Trump's election, American social media platforms changed their policies to limit the role of factcheckers and loosen hate speech and moderation standards. Meanwhile, the "creator economy" is growing rapidly, with a global estimated value of \$480 billion by 2027.³

All these developments underscore the need for actionable solutions. This includes maximising the effectiveness of existing legislation through robust enforcement. A key focus is on making the regulatory framework effective, with particular attention paid to demonetising disinformation.

The EUDS gives an opportunity to look beyond current laws to address the underlying business models of very large online platforms (VLOPs). As platforms depend on user engagement – such as clicks, likes and shares – to drive advertising revenue, they should make sure users engage with content that is not inauthentic or sensationalist.

In seeking solutions compatible with the EUDS's initiative, this policy brief recommends exploring policies specifically targeting the financial incentives behind disinformation, thereby strengthening democratic resilience.

This is why a stronger focus on making actionable solutions is needed, and a viable solution lies in focusing on the demonetisation of disinformation.

Why getting demonetisation of disinformation right is key

Online sources are becoming increasingly important for Europeans seeking information. European Parliament data shows that between 2022 and 2023, there was an 11 percentage point increase in respondents using social media platforms for news, with smaller but notable increases for messaging apps, video platforms and podcasts. Trust in influencers is also rising.⁴

This shift places the responsibility for information quality in the hands of profit-driven actors, whose opaque content distribution strategies have raised concerns for many years. This situation has raised several critical issues, underscoring the urgent need to address incentives that allow disinformation to spread unchecked.

Online advertising models have long been criticised, particularly for microtargeting using sensitive data, non-transparent recommendation algorithms and lax data protection in real-time bidding.⁵

In political advertising, new EU regulations have improved transparency, but oversight remains imperfect. Social media advertising systems have become conduits for foreign interference. For example, a January 2025 report found that Meta's advertising infrastructure was used to run over 8,000 political ads aligned with Russian interests, earning Meta approximately \$338,000 between August 2023 and October 2024 from ads run by the sanctioned Social Design Agency, a Russian IT company closely linked to Russian political power.⁶

Domestic misuse of paid political advertising also remains a problem. In Hungary, the ruling Fidesz party used proxies, such as government-organised non-governmental organisations (NGOs), influencer platforms and state-aligned media, to amplify its messages – often outside a platform's community guidelines. In a three-month period in 2024, pro-government actors in Hungary spent around €1 million on Facebook and Google ads, five times more than all opposition parties combined.⁷

Monetisation methods have evolved beyond traditional advertising models. Harmful disinformation now spreads through multiple tools. One of these is scam ads that use real-life public figures, such as politicians, for promoting dubious investments. The revenue sharing by platforms with owners of the accounts also encourages low-quality content creators to promote sensationalised or outright fake narratives for "engagement farming". Tools that also add up to the monetisation landscape include fan tips from users for live broadcasts (not always archived to verify the contents of the broadcast), subscriptions and the use of branded content.

In addition, AI tools have created new avenues for low-quality and malicious content. Studies show that AI models repeated falsehoods distributed by the Pravda network, a multilingual influencer operation that was proven to manipulate reputable news sources over 33% of the time, furthering pro-Moscow narratives.⁸ Generative AI is increasingly used to create and disseminate content at scale by means of automated content production, liking, sharing and commenting. An example of this would be OpenAI's own report described by The Guardian as "malicious actors used the generative AI models to create and post propaganda content across social media platforms, and to translate their content into different languages".⁹

Automation has also affected moderation, sometimes leading to over-moderation of sensitive content and limited appeal options for legitimate creators. Improvements to moderation and appeal processes, as proposed in the DSA, are still in the "growing pains" phase.

The plethora of risks sketched out above should make a clear case for having a closer look at the current regulatory framework around demonetisation of disinformation and how future-proof the current solutions are.

From voluntary codes to regulatory measures: The European approach to demonetising disinformation

Efforts to demonetise disinformation are a recurring theme in European digital regulation. The voluntary Code of Practice on Disinformation, now integrated into the DSA as a Code of Conduct, requires stricter eligibility for content monetisation, providing buyers with transparency for the placement of advertising and third-party audits. Platforms have reported introducing measures such as giving advertisers control over ad placement and preventing ads from appearing alongside certain content.

The Commission's guidelines for providers of VLOPs and very large online search engines (VLOSEs) on the mitigation of systemic risks for electoral processes recommend targeted policies to ensure that the placement of advertising does not provide financial incentives for the dissemination of disinformation and foreign information manipulation and interference.¹⁰

TTPAR similarly "encourages" platforms to prevent political advertising containing disinformation. The main focus is on transparent labelling of advertisements, restrictions of targeting options and regulation of cross-border advertising rules.

The pressure to provide more clarity in transparency and raised standards of political operations was also put on political parties. An example of this would be the Code of Conduct for the 2024 European Parliament elections, where parties committed to ethical and transparent use of campaign tools and technologies, including AI, and the principles of truth and accuracy in their communication strategies.¹¹

Gaps

Despite a sprouting digital legal framework, demonetisation of disinformation stayed on the sidelines of actually enforceable solutions and remained in the realm of suggestions and good practices. This might be why the actual results have lagged behind expectations. No proceedings against platforms have yielded outcomes yet, even as the Commission has opened cases based on their treatment of political content against X and TikTok and requested information from Google and Snapchat.

Five EU member states have been taken to court for ineffective implementation of the DSA. There are continued debates about the division of responsibilities between the EU and member states, especially regarding election integrity, to avoid jurisdictional and political conflicts.

Microtargeting for political content still remains widespread. It remains possible to segment the audiences in political campaigns and isolate controversial messaging to specific age or gender groups. Researchers are also investigating the bias of the content algorithms, with Musk's X being one of the main suspects.¹² Researchers pointed out the need for neutrality of social media platforms as information carriers.

Political ad regulation is not yet fully in force, but political ad transparency registers, hosted by the platforms, provide some insight into election spending, allowing for the beginning of real-time monitoring. Similar transparency is not required regarding influencer content and its monetisation. Influencers might be sponsored by direct contracts that are fulfilled outside the digital platforms. Another venue of monetisation is platforms sharing their ad revenue with content creators based on the number of views and engagement. TTPAR has faced criticism for its broad definitions, which put NGOs and social movements under the same high transparency standards as political parties during the campaign season.

In the AI field, the EU initiated efforts to address the disinformation potential of generative AI platforms. Classification of a model's ability for "persuasion and manipulation" as a systemic risk was discussed in the Code of Practice on AI. The document is not finalised yet after three rounds of comments, and it is not clear if the drafting team will be able to propose precise wording on this issue.

The EUDS offers an opportunity to address these shortcomings.

Recommendations for the EUDS

Strengthening national language moderation capacities

DSA reporting has highlighted significant gaps in local language moderation among the VLOPs, especially for smaller language groups. This leaves these communities more vulnerable to foreign interference and disinformation. Moderation resources should be proportional to the number of speakers and users in each country.

Transparency for paid influencers

While commercial aspects of influencer work are being addressed by ongoing regulation and local consumer authorities are finding ways to successfully enforce labelling and transparency of ads, monitoring political connections remains outside the scope of enforcement efforts. Influencers should be required to report their ties and payments through political ad repositories already developed by platforms. Harmonising the definition of “influencer” at the European level and bringing accountability standards of the biggest influencers to the requirements of traditional media is necessary.

Addressing gaps in NGO funding

Non-profit oversight is threatened by shrinking public financial support. It is essential to rebuild these capacities and align the EUDS with concrete budgetary measures in the MFF to ensure adequate funding and effective implementation. Programmes like the Citizens, Equality, Rights and Values Programme, which in the previous budget was aimed at €1.5 billion, need to be significantly broadened to ensure citizen engagement.

Closing the AI-generated, mass-produced content loop

The trust and safety tools of VLOPs should be updated to be able to filter out the content that is automatically amplified. Virality stoppers, which would need to have approval from a human editor for a post that is gaining massive and immediate popularity, especially for AI-generated content and automated amplification, should be implemented and enforced. Companies should prioritise banning misleading uses of public figures and media impersonation with the availability of smaller, fast-tracked investigations by the authorities.

Transparency for monetisation mechanisms

Greater transparency is needed in terms of sharing the ad revenue with content creators. This would give insights into financial flows between platforms, and potential bad actors that might be covered by international sanctions or be in breach of local campaigning laws should be considered for the Digital Fairness Act or as a part of the EUDS package.

Endnotes

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About CEE Digital Democracy Watch

CEE Digital Democracy Watch, a non-profit organisation registered in Warsaw during the pivotal election year of 2024, is dedicated to navigating the intersection of digital regulation and freedom of expression in modern democracies.

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