

SUMMARY REPORT

Financing of political parties in the Republic of Moldova

2022 Retrospective





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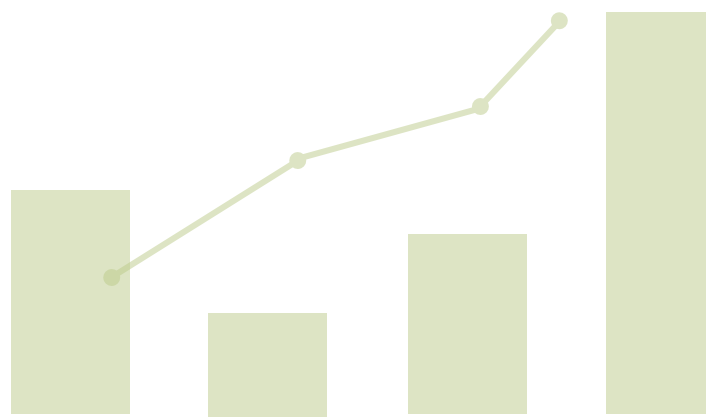
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EXECUTIVE SUMMARY

In 2022, the legal framework for the financing of political parties was subjected to a series of changes which, in the opinion of Promo-LEX, will improve the process of party financing. For the most part, they entered into force as of January 2023. Thus, a series of amendments that are directly related to the activity of parties were adopted, including the obligation to keep membership registers, which are to be updated semi-annually and annually; limiting the activity of political party in the event of its failure to submit financial management reports; expunging of the political party from the register of parties in case of failure to submit financial management annual reports for 2 consecutive years; the obligation to approve the procedures for collection of party membership fees; the obligation to submit financial reports only in e-format.

The limit of donations that can be made in cash has been reduced from three to one average salary per economy. Also, the ceiling for donations collected from citizens of the Republic of Moldova with revenues obtained from outside the country was increased. Thus, if previously they had the right to make donations that did not exceed 3 average monthly salaries per economy, currently, this ceiling has been increased up to 6 average monthly salaries, with the condition that the respective donations do not exceed 30% of the annual registered revenues of the donors. However, taking into account that the donors whose revenues come from outside the country usually do not declare their revenues to the State Fiscal Service, Promo-LEX expresses its concern about the manner in which the CEC will ensure the verification of the respective data.

At the same time, in order to meet the principles of proportionality and deterrence, the penalties applied for violating the legal provisions regarding the financing and management of financial means of political parties were increased, as well as the application of criminal penalties for illegal financing.

While ensuring oversight and control of political party finances, the CEC issued 117 warnings for violations admitted in the financing process, based on financial reports submitted by the parties in 2022. Also, the electoral authority ordered the initiation of 12 contravention procedures with regard to political parties that admitted violations in the financial reporting process. At the same time, given the repeated violation of financial discipline, the CEC referred the case of the PPŞ to the Anticorruption Prosecutor's Office for further examination of its financing. It also deprived the PPŞ of allowances from the state budget for a period of 12 months (July 1, 2023 – June 30, 2024). In this regard, we remind that for almost a year, the Prosecutor's Office has been investigating the financing of the PPŞ. Contextually, we note that the PPŞ did not submit to the CEC the annual report on financial management for 2022.

In the same context, in order to consolidate the CEC's capacities to monitor and control the financing of political parties, as repeatedly recommended by Promo-LEX, the CEC has established the Directorate for Oversight and Control of political parties and electoral campaigns financing. According to the organizational chart, for the new created Directorate, it has been assigned 8 personnel units. As of the end of 2022, despite the public competitions held, the CEC covered only 5 positions out of the 8 available, of which 2 are managerial positions and 3 are executive ones.

Regarding the „Financial Control” module of the ISS, which is the main tool used by the CEC in reporting the finances of political parties, despite the fact that Promo-LEX repeatedly reported and informed the electoral authority in the last three years of a series of deficiencies/limitations in its operation, we note that so far, the CEC has not been able to put in place the formulated recommendations. Therefore, the „Financial Control” module of the ISS is still difficult to use and has limited functionalities, which affects the transparency of political party funding. This situation raises concerns, especially in the context of the new changes to the legal framework, which stipulate that starting with 2023, political parties are to submit financial management reports to the CEC only in e-format.

As for the submission of financial reports to the CEC, according to the published data on the website of the electoral authority on May 31, 2023, only 89% (51 out of 57) of political parties submitted the annual

reports, and respectively 95% (52 of 55) – submitted reports for the first semester of 2022. No political party submitted the financial management reports for the second semester, thus continuing the practice of previous years. In this regard, we note that according to the new legal provisions, the obligation to submit semi-annual (by July 15 and January 15) and annual reports has been preserved. In addition, we reiterate that for failure to submit financial reports and financial management reports for 2 consecutive years, expunging of political party from the register of parties is provided by the legal framework.

In 2022, compared to previous years, we find an increase in the number of annual financial reports published by the CEC - from 48 (87% - in 2021) to 51 (89% - in 2022), which is largely due to the increase in the number of registered political parties (from 46 in 2019 to 57 parties in 2022). At the same time, although the number of registered political parties continues to increase, a decrease in the number of reported party members has been observed, which compared to 2021, decreased by almost 50 thousand, reaching the number of members declared in 2020, when 50 parties were registered (compared to 57 political parties – in 2022).

The largest number of party members was declared by the PPŞ (48,263 members), followed by the PACE (20,000 members) and the PSRM (15,326 members). Compared to 2021, the number of party members has increased insignificantly for some parties. On the other hand, generally, there was noticed a decrease of approximately 50 thousand members, of which the most significant decrease was reported by the PPŞ (-26,514 members), the PPPDA (-6,200 members) and the PLDM (- 3,792 members).

Revenues were reported by 35 political parties (2 parties – the PPŞ and PUN – based on reports for the first semester of 2022), amounting to 47,090,926 lei (including material donations). Another 18 political parties declared „zero” lei revenues. Of the total revenues declared, 94% were reported by 8 political parties (23%) that declared revenues of over 1 million lei each, and only 6% of the revenues were reported by the other 27 political parties (77% of the parties that declared revenues). The main funding sources are: state budget subsidies (82%), revenues from economic activity (10%), donations from natural and legal persons (6%) and party membership fees (2%). Therefore, we find a very low amount of revenues from other sources, as well as the fact that the possibilities of accumulating revenues from donations and fees are not sufficiently exploited, which significantly increases the dependence of political parties on state budget subsidies.

Collecting cash donations remains the most widespread practice. Thus, out of 15 political parties that reported financial donations, 11 political parties (73%) collected them in cash (100%). On the other hand, only one party (the PS) collected donations only by bank transfer, and in the case of 3 political parties – donations were collected both by bank transfer and in cash (the PAS, the PDCM and the CC). Contextually, we reiterate that the new provisions of the legal framework have reduced the ceiling of donations that can be collected in cash from three average salaries to one.

The financial expenses reported by 34 parties amounted to 36,685,403 lei. Other 19 political parties reported „zero” lei expenses. Of the total reported expenses, 89% were made from state budget subsidies, and 11% - from other sources. Of the 34 parties that reported expenses, 8 reported 93% of the total expenses, and another 26 parties - 7% of the expenses. Depending on the destination of the expenses, 30% account for youth and women’s programs, 23% - for staff, and 18% - for the maintenance and/or lease of premises.

In 2022, Promo-LEX carried out the civic monitoring, including the activities carried out by the parties. Based on them, the expenses incurred for the monitored activities were estimated. After their estimation, the respective expenses were compared with the expenses declared by the political parties to the CEC. As a result, Promo-LEX estimated a total amount of unreported expenses of at least 16,967,861 lei (by 17 parties). The most unreported expenses were estimated for the PPŞ (71%), followed by the PSRM (22%), the PPPDA (3%) and the PPVP (1%). When it comes to the destination of the expenses estimated as unreported, most account for travel in the country and abroad (31%), followed by the maintenance and/or lease of premises (28%), press and promotional materials (23%), staff (11%) and organization of public events (8%).

RECOMMENDATIONS¹

To the Parliament of the Republic of Moldova:

1. Amendment of art. 26, para. (3) of Law no. 294/2007 on Political Parties by introducing the phrase „and subsidies from the state” after the text „derived from membership fees and donations”.
2. Examining the opportunity to complete the Criminal Code and the Contravention Code with the provision regarding sanctioning the abusive use of administrative resources for political promotion of political parties (both during the electoral period and during the non-electoral period).
3. Regulating the activity of political blocs formed by two or more political parties, in the pre-election period, in terms of financial reporting of jointly incurred expenses.
4. Regulating political and electoral funding by third parties.

To the Central Election Commission:

1. Consolidating the capacities of the CEC in order to establish a mechanism to control the expenses declared by political parties (filling vacant positions; developing electronic reporting tools with functionalities to increase the transparency of the financing of political parties and electoral campaigns, etc.).
2. Automate the process of financial oversight and control of political parties by the interconnection of „Elections” ISS with the relevant state registers, in collaboration with the state authorities holding the respective registers.
3. Adopt the methodologies/detailed work instructions regarding the preparation of the financial report by the political parties/initiative groups/electoral competitors.
4. Approve of an instruction/guideline that regulates in details how expenses for youth and women’s programs are to be reported.
5. Regular publication by the CEC of information regarding the initiation of contravention procedures in the exercise of its powers of oversight and control of the finances of political parties.
6. Modify the financial report form for the financial management of political parties by separating the category of travel expenses two distinct budget lines: internal and external travel.
7. Adjusting the „Financial Control” module in order to expand the options for viewing and processing reports of political parties for interested parties by:
 - the inclusion of the additional function of „viewing” the financial reports;
 - the inclusion of the possibility of multiple ticking both in the category of „Political party/ Electoral competitor/Initiative group” and the „Name of the report” category;
 - the inclusion of three new categories, which show cumulatively:
 - electoral competitors/initiative groups/political parties that submitted reports within the established timeframe;
 - electoral competitors/initiative groups/political parties that submitted reports after the deadline;
 - electoral competitors/initiative groups/political parties that have not submitted reports.

¹ The list of recommendations made also includes some recommendations from the previous reports of the Promo-LEX Association on the monitoring of the financing of political parties.

- the inclusion of the „report submission date” and „report publication date” options;
- including the possibility to download reports from the module in different formats, including a format that corresponds to the principles of open data (in addition to the pdf format, for example, it must be possible to download data in CSV or Excel format);
- inclusion of search engines, the possibility to search by the name of the party (currently, no search engines are available);
- inclusion of all political parties in the „Financial Control” ISS and the exclusion of irrelevant information (for example, the Test Party, the „Ionel” Initiative Group, etc.);
- dividing the reports into three different groups: Electoral competitors, Initiative groups, Political parties;
- inclusion of certain restrictions/warnings when the general amounts indicated in the report do not correspond to the total of the amounts from which the general amount is formed (for example, the total amount of revenues is not equivalent to the sum of all the figures indicated per each source of revenue).

To Political Parties:

- 1.** Ensuring discipline when collecting membership fees,
- 2.** Consolidating the process of collecting donations and fees, including by diversifying collection methods (online, at the territorial level, etc.).
- 3.** Active collaboration of political parties with those concerned in the monitoring of political party financing.

LIST OF ABBREVIATIONS

LPA	Local Public Authorities
PSA	Public Services Agency
STS	State Tax Service
art.	Article
para.	paragraph
CEC	Central Electoral Commission
CO	Central Organization of political party
TO	Territorial Organization of political party
AUR	Political Party Alliance for the Union of Romanians
CC	Political Party Common Action Party - Civic Congress
CUB	Coalition for Unity and Welfare
FASM	Alternative and Salvation Force, Political Party of Moldova
MPA	Antimafia People's Movement, Political Party
MPSN	Movement of Professionals "Speranta-Nadezda" (Hope), Political Party
MRRM	Social-Political Movement of Roma in the Republic of Moldova, Political Party
NOI	New Historical Option, Political Party
P.Reg.	Party of Regions of Moldova
PACE	Building Europe at Home, Political Party
PAD	Alternative Democratic Platform
PAM	Agrarian Party of Moldova, Political Party
PAS	Party of Action and Solidarity, Political Party
PC	Conservative Party, Political Party
PCRM	Party of Communists of the Republic of Moldova
PDCM	Political Party for the Development and Consolidation of Moldova
PDM	Democratic Party of Moldova, Political Party
EP	European Party
LP	Liberal Party
PLD	Law and Justice Party, Political Party
PLDM	Liberal Democratic Party of Moldova, Political Party
PMM	Greater MOLDOVA, Political Party
PMUEM	United Moldova Party - Единая Молдова
PN	Our Party, Political Party
PNL	National Liberal Party, Political Party
POM	Political Party Labor Party
PONA	For People, Nature and Animals, Political Party
PPBN	Our Bugeac, Political Party
PPCD	Christian Democratic People's Party
PPDA	Democracy at Home, Political Party
PPDM	Political Party People's Democratic Party of Moldova
PPEM	Political Party European People's Party of Moldova
PPM	Patriots of Moldova, Political Party
PPMAN	"Ours", Political Party

PPN	„NOI” Political Party
PPP	PATRIA Political Party
PPPDA	Platform of Dignity and Truth, Political Party
PPPM	PRO Moldova Political Party
PPPO	People’s Power Political Party
PPPPN	Political Party National Progress Party
PPRM	Political Party People’s Party of the Republic of Moldova
PPSM	Socialist People’s Party of Moldova
PPŞ	Political Party of SOR
PPVP	The People’s Will Party
PR	RENASTERE, Political Party
PRM	Partidul Republican din Moldova
PRSM	The Russian-Slavic Party of Moldova
PS	Political Party of Change
PSD	Social Democratic Party
PSE	Political Party of European Left
PSM	Socialist Party of Moldova
PSP	Political Party of the Progressive Society
PSRM	Political Party of Socialists of the Republic of Moldova
PUN	National Unity Party
PVE	Green Ecologist Party
UCM	Centrist Union of Moldova
UCSM	Political Party Christian-Social Union of Moldova

