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SUMMARY REPORT

Financing of political parties in the Republic of Moldova

2023 Retrospective



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EXECUTIVE SUMMARY

2023 was marked by the new legal provisions relevant to political party financing which entered into force in the context of the status of a candidate country for joining the European Union obtained by the Republic of Moldova. The most important modifications concerned the following issues:

- prohibition of organizing charitable activities (philanthropy) or sponsorship by political parties, but without stipulating any sanctions for breaching the respective provision;
- excluding the limit of 3 average salaries per economy in case of donations made by citizens with the income obtained abroad, which implies granting the right to make donations within the limit of 6 average salaries per economy, yet without establishing any control tools for verifying the source of donors' income;
- lowering the upper limit of donations which can be made in cash up to an average salary per economy, without establishing the same upper limit for cash payments in case of contributions;
- increasing transparency of reports on financing political parties' activity by expanding the categories of data to be published, yet implementation of the respective provision is delayed (reports are published after the legal deadlines are over, and the open data principles are not complied with);
- consolidating the CEC's capacities in the sphere of monitoring and control over political party financing activity by creating a special subdivision within the CEC, permanent territorial subdivisions, and raising salaries;
- limiting a political party's activity in case of failure to file a financial management report or the information necessary for monitoring and control over the political party financing within the terms and according to the format established by the CEC.

As a result of exercising the attributions related to monitoring and control over political party financing and activity, the CEC initiated contraventional processes regarding 28 political parties¹ for their failure to file reports and/or not complying with the term and/or format of their presentation, or for admitting the use of allocations from the state budget contrary to their destination.

However, according to the information provided by the CEC, it was stated that initiating a contravention process does not yield a guaranteed result such as sanctioning the entity which breached the legal provisions. Therefore, for instance, in 2016-2021, only 65% of the contraventional processes initiated by the electoral authority while monitoring and controlling were filed to the courts for examination, which implies that, in 35% of them, the processes initiated were not finalized.

Subsequently, at the level of the courts, in more than half (51%) of the cases examined, the contravention process was terminated, and only in 48%, the persons declared guilty of breaching the procedure of financing political parties were fined. Hence, it should be stated that the rate of impunity in relation to the persons liable for breaching the legal provisions related to political party financing was quite significant.

For the first time in the Republic of Moldova, while verifying the way political parties and electoral campaigns were financed, the investigative authorities' resources and efforts were activated, and several criminal cases regarding falsification of reports on the political parties' financial management, as well as the acceptance of financing from an organized criminal group by the political party were initiated. As a result, currently, the courts are examining several files on financing political parties and electoral campaigns regarding the ex-SPP and the RP. Promo-LEX welcomes the efforts of investigative authorities in investigating the cases of illegal financing of the political parties.

As to filing financial reports, 92% of the parties complied with the legal provisions on providing the reports for the first semester of 2023. As to the second semester, 87% of the parties filed their reports, and the annual reports were presented by 75% of the parties. Compared to the previous years, there was a decrease in the share of the parties which presented their financial reports (in 2022, annual reports were filed by 89% of the parties).

¹ ALDE, AFMS, SPMR, SRM, NOI, P. Reg., PACE, CP, PDCM, LDP, MUEMP, NLP, LPP, FPNA, CDPP, DHPP, DPPM, PMP, DTPPP, PPPP, RUPP, PSPM, VPP, PC, SDP, PEL, SPM, and PSP.

It should be mentioned in this context that the “Financial Control” ISS which is used as the main tool for filing the reports, functioned with deficiencies both during the presentation of the reports for the first semester and during the presentation of the annual reports, and it had a negative impact on timely presentation of the financial reports. On the other hand, the legal framework stipulated contraventional sanctions for failure to provide or for delayed presentation of financial reports. It is also possible to limit a political party’s activity if it has not filed its financial management report within the term and according to the format established by the CEC.

According to the reports filed to the CEC, there has been a significant continuous decrease in the number of party members compared to the previous years. For instance, compared to 2022, the total number of the members decreased by over 69 thousand. Consequently, the total number of 187 thousand members was reported for 2023, with 61 registered parties, which almost reached the number of the members in 2019, when 152 thousand members and 46 registered political parties were registered. The situation described above can be explained by fact that the ex-SPP was declared unconstitutional by the Constitutional Court, which resulted in its deletion from the state register of political parties and, respectively, in the failure to report 48263 members (as of June 30, 2022).

For 2023, the greatest number of the party members was reported by the PSRM (14220), the PAS (12602), and the LP (10600). Compared to 2022, the largest increase in the number of the party members was registered by the PAS (+1951) and the PDCM (+1260), and the greatest decrease was registered in the DFPP (-4,991) and the PVPP (-1832).

During the assessment period, 34 political parties declared revenues totaling **54.9 million lei**. The largest amount of the revenues was reported by the PAS (41%), the PSRM (18%), the ESDP (9%), the PCRM (7%), the OP, and the DTPPP (6% each). Hence, 87% of the total revenues was reported by 6 parties, and only 13% of the revenues was reported by 28 other parties.

The essential source of funding for the parties was allocations from the state budget accounting for 84%, which demonstrates an alarming continuous increase in the parties’ financial dependence on public funding sources (in 2022, the revenues from allocations accounted for 82%). By contrast, at the level of the European Union, the shares of party revenues from the public budget and those from private sources are 65% and 35% (in the recent democracies of Eastern Europe) or 55% and 45% (in the consolidated democracies).

The Council of Europe, the GRECO, the Venice Commission, and OSCE/ODIHR promote the need to ensure a reasonable balance between public and private financing as one of the fundamental principles of regulation of political party financing.

The revenues from state budget allocations were indicated by 23 political parties, and their total value amounted to **45.7 million lei**. The largest amounts were registered by the PAS (41%), the PSRM (22%), the ESDP (11%), the OP, and the DTPPP (7% each). Therefore, 88% of the total allocations were transferred for financing 5 parties, and 12% accounted for 18 other political parties.

Revenues obtained from membership fees were reported by only 16 parties, regardless of the fact that the statutes of all 61 parties provide for regular payment of contributions by the party members. The largest contributions were collected by the NAM (47%), the PAS (36%), and the PDCM (4%).

However, depending on the number of party members who paid their contributions compared to the total number of members declared to the CEC, the parties which had the largest numbers of members who paid their contributions were the PAS (58% of the party members), followed by the NAM (50% of the party members) and the PDCM (5% of the party members), respectively. 85% of the total contributions were collected in cash, and only 15% were paid by bank transfer.

Revenues from financial donations in the total amount of **4.8 million lei** were reported by 18 parties, the largest amounts were reported by the PAS (58%), the CUW (18%), and the PDCM (10%). 90% of the donations were paid from salaries, 5% were paid from pensions, 3% were paid by unemployed persons, and 1% was paid from scholarships and social assistance. It should be mentioned that, according to the legal framework, the CEC is supposed to thoroughly verify the source of revenues only in case of donors

who made donations equal to more than 3 average monthly salaries per economy, which accounted for only 19% of the total donations made by individuals in 2023.

As to the parties' expenses, 33 parties reported total expenses of **56.9 million lei**. Most of them were reported by the PAS (39%), the PSRM (20%), the ESDP (10%), the OP (8%) and the DTPPP (7%). Thus, 84% of the total expenses were reported by 5 parties, and the other 16% were reported by 28 formations. As to destination of the expenses, most accounted for the programs for young people and women (24%), for the electoral campaign (21%), labor remuneration (19%), and for acquiring and maintaining the premises (13%).

According to the Promo-LEX monitoring results, in 2023, at least 2502 political promotion activities organized by 24 parties were registered. The most frequently observed activities were distribution of political information materials (31%), statutory activities of the parties (19%), and travels in the territory of the country (14%). As to organizers/beneficiaries of the registered events, most of them were reported for the PAS (35%), the PSRM (17%), the ex-SPP/Ilan Sor Team (8%), and the RP and the CUW (7% each).

On the basis of the registered activities, unreported expenses of 24 parties and the formation which has no legal status, i.e. the ex-SPP/Ilan Sor Team accounting for at least **20.3 million lei**, were estimated. Most of them are related to the ex-SPP/Ilan Sor Team (73%), followed by the PSRM (10%), the RP (6%), and the CHANCE (3%).

As to destination of the expenses estimated as unreported, most of them were intended for organizing political promotion events (46%), for press and promotional materials (20%), and for renting/maintaining premises (18%).

RECOMMENDATIONS²

To the Parliament of the Republic of Moldova

- 1) Including the income accumulated from other sources (allocations from the state budget and economic activity) in the upper limit of the income accumulated by political parties, in addition to contributions and donations.
- 2) Amending the legal framework in order to stipulate proportionate and dissuasive sanctions for cases of political parties practicing philanthropic and sponsorship activities.
- 3) Replacing the term “charity activities” with “philanthropic activities” in the Law on Political Parties, as it is used in the Law on Philanthropy and Sponsorship (for standardize the notions applied within the legal framework).
- 4) Identifying and implementing the tools required to monitor and to control donations/contributions from donors with income obtained abroad (e.g. information sharing partnerships with other states, etc.).
- 5) Identifying and implementing the tools required to provide a reasonable balance between public and private financing of political parties.
- 6) Regulating the limit of contributions which can be collected by political parties in cash from a party member by means of establishing a cumulative upper limit of donations and contributions to be collected in cash (up to an average salary per economy).
- 7) Comprehensive regulation of the provisions regarding the income accumulated the parties from practicing economic activity (in particular, those which involve purchasing tickets/seats at various events), so that the record of the entity paying for the goods/services is kept in order to ensure including the payments made by it within the limit stipulated for donations by the legal framework.
- 8) Regulating the limits regarding the income accumulated by political parties from material donations to be used as a complementary source of political financing within the legal framework.
- 9) Ex-post legal/impact assessment of the new legal framework relevant to financing political parties and electoral campaigns.
- 10) Considering the opportunity to complete the Criminal Code and the Contravention Code with the provision on sanctioning for abusive use of administrative resources for political promotion of political parties (both during the electoral period and outside the elections).
- 11) Regulating the activity of political blocs consisting of at least two political parties during the pre-election period from the perspective of financial reporting regarding expenses incurred jointly.
- 12) Regulating political and electoral funding by third parties.

To the Central Electoral Commission

- 13) Enhancing the CEC’s efforts to involve all the resources provided within the legal framework for efficient monitoring and control of political and electoral financing.
- 14) Ensuring functionality of the “Financial Control” ISS and its interconnection with the relevant state registers.

² The list of recommendations provided also includes some relevant recommendations from the previous reports by the Promo-LEX Association on monitoring political party financing.

- 15) Adopting detailed working methodologies/instructions on drafting financial reports for political parties/initiative groups/electoral competitors, including the procedure for reporting expenditures intended for programs focused on young people and women.
- 16) Systematic publication of the information regarding the results of contraventional processes initiated while exercising the monitoring and control attributions related to political party financing by the CEC.
- 17) Adjusting the “Financial Control” module to extend the options for examining and processing the reports of political parties for interested parties, which includes those related to report publication according to the open data principles.
- 18) Amending the legal framework which specifically involves developing information systems in useful terms, so that all the parties involved are given sufficient time to ensure timely adaptation of the tools to be used according to the new normative provisions.
- 19) Extending the criteria which will serve as the basis for verifying donations in support of political parties (not only donations exceeding 3 average salaries per economy).

To the Court of Accounts

- 20) Intensification of the authority's efforts regarding the verification of the way the parties use the sources from the state budget allocations, including the initiation of contravention procedures, where appropriate.

To the political parties

- 21) Increasing party members' involvement in the political party's activities, including by means of collecting membership fees.
- 22) Improving the process of collecting donations and contributions, including by means of diversifying collection methods (online, at the territorial level, etc.).
- 23) The political parties' active cooperation with the interested parties while monitoring political party financing.

ABBREVIATIONS

PSA – Public Services Agency
STS – State Tax Service
Art. – article
para. – paragraph
CEC – Central Electoral Commission
NAC – National Anticorruption Center
CO – central organization of a political party
TO – territorial organization of a political party
ALDE – Alliance of Liberals and Democrats for Europe Political Party
AUR – Alliance for the Union of Romanians Political Party
CA – Common Action Political Party – Civil Congress
CUW – Coalition for Unity and Welfare Political Party
AFMS – Alternative Force for Moldova’s Salvation Political Party
LTC – League of Towns and Communes Political Party
NAM – National Alternative Movement Political Party
MPHN – Movement of Professionals “Hope – Nadezhda”
MRM – Respect Moldova Movement Political Party
SPMR – Social-Political Movement of the Roma from the Republic of Moldova
SRM – Social Reform Movement Political Party
NOI – Noua Opțiune Istorică (New Historical Option) Political Party
P. Reg. – Party of Regions of Moldova
PACE – Partidul Acasă Construim Europa (We Build Europe at Home Party) Political Party
APM – Agrarian Party of Moldova Political Party
PAS – Partidul Acțiune și Solidaritate (Action and Solidarity Party) Political Party
CP – Conservative Party
PCRM – Party of Communists of the Republic of Moldova
PDCM – Party of Development and Consolidation of Moldova Political Party
MDPM – Modern Democratic Party of Moldova Political Party
EP – European Party
LP – Liberal Party
PLJ – Party of Law and Justice Political Party
LDPM – Liberal Democratic Party of Moldova
MUEMP – Moldova Unită – Единая Молдова (United Moldova) Party
OP – Partidul Nostru (Our Party) Political Party
NLP – National Liberal Party
NMP – National Moldavian Party Political Party
LPP – Partidul Oamenilor Muncii (Labor People’s Party) Political Party
FPNA – Pentru Oameni, Natură și Animale (For People, Nature, and Animals) Political Party
CDPP – Christian-Democratic People’s Party
DHPP – Democrația Acasă (Democracy at Home) Political Party
DPPM – Democratic Peoples’ Party of Moldova Political Party
DFPP – Forța Diasporei (Diaspora’s Force) Political Party
PMP – Patrioții Moldovei (Patriots of Moldova) Party
GMPP – Moldova Mare (Great Moldova) Political Party
NPP – Noi (We) Political Party
PPP – Patria (Motherland) Political Party
DTPPP – Platforma Demnitate și Adevăr (Dignity and Truth Platform) Political Party
PPPP – Puterea Oamenilor (People’s Power) Political Party
NPPPP – Partidul Progresului Național (National Progress Party) Political Party
PPRM – People’s Party of the Republic of Moldova Political Party
RUPP – Republica Unirii (Republic of the Union) Political Party
PSPM – People’s Socialist Party of Moldova
SPP – Sor Political Party

VPP – Victorie (Victory) Political Party
PFFM – Partidul pentru Viitorul Moldovei (Party for the Future of Moldova) Political Party
WPPP – Voința Poporului (Will of the People) Political Party
RP– Renaștere (Revival) Party Political Party
RPM – Republican Party of Moldova
RSPM – Russian-Slavic Party of Moldova Political Party
PC – Partidul Schimbării (Party of Change) Political Party
SDP – Social Democratic Party
ESDP – European Social Democratic Party
PEL – Party of the European Left Political Party
SPM – Socialist Party of Moldova
PSP – Progressive Society Party Political Party
PSRM – Party of Socialists of the Republic of Moldova Political Party
GEP – Ecologist Green Party Political Party
CHANCE – Șansă (Chance) Political Party
CUoM – Centrist Union of Moldova Political Party
CSUM – Christian Social Union of Moldova Political Party

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