

SUMMARY REPORT

Financing of political parties in the Republic of Moldova

2021 Retrospective



Author: Mariana Focşa

With the contribution: Nicolae Panfil, Igor Bucataru

Grafic design: Marina Bejenari

Promo-LEX Association

23/13 Mitropolit Petru Movila Street, Chisinau, Moldova

tel./fax: (+373 22) 45 00 24, 44 96 26

info@promolex.md

www.promolex.md

Promo - LEX

Advancing democracy and human rights

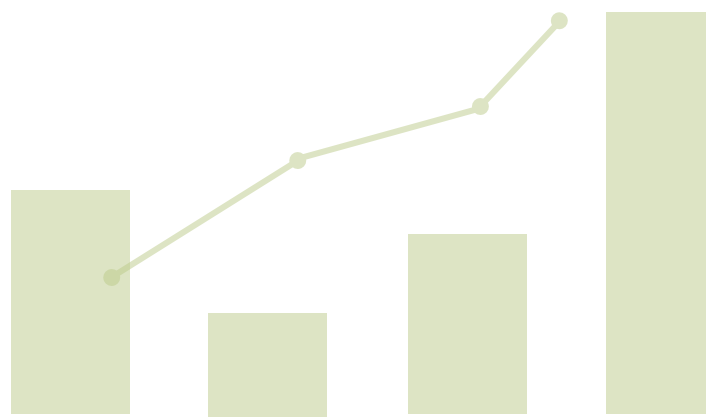
DISTRIBUTED FREE OF CHARGE

All rights reserved. The content of this Report may be used and reproduced for non-profit purposes without the preliminary consent of Promo-LEX Association provided that the source of information is acknowledged. The content of this Report may be subject to editorial review.

The Report has been produced as part of the “Democracy, Transparency and Accountability” Program funded by the United States Agency for International Development (USAID).



The opinions expressed in the Report belong to the authors and do not necessarily reflect the positions of the donor. If there are any discrepancies between the text in Romanian language and its translation in another language, the Romanian version of the Report will prevail.



EXECUTIVE SUMMARY

The legal framework for the financing of political parties has undergone changes which, in the opinion of Promo-LEX, will increase the accountability of political parties. Thus, the legislator raised the amount of fines that can be applied for violation of legal provisions regarding political and electoral financing; provided for criminal sanctions (instead of contraventional ones) for illegal financing of parties and electoral campaigns; obliged political parties to transfer to the state budget the donations collected contrary to legal provisions, and provided for new possibilities for depriving political parties of state budget subsidies in case of repeated errors in reporting.

At the same time, significant changes to the Electoral Code were initiated at the end of 2021, provisions on the financing of initiative groups and electoral contestants were included, but these changes relate to the financing of political parties to a lesser degree. Therefore, in order to unify the legal framework, we consider it necessary to initiate the amendment of the Law on Political Parties.

Following the oversight and control of political party financing in 2021, until June 6, 2022, the Central Election Commission (CEC) ordered the transfer to the state budget of donations that were collected by parties contrary to legal provisions (193 thousand lei); applied 88 warnings for violations admitted by political parties in the financial reportings; and ordered the initiation of 40 contravention proceedings for violations in the reportings or for failure to submit financial reports.

Compared to the previous periods, the number of warnings issued and contravention proceedings initiated by the CEC for violations in the financial reportings has significantly increased. However, given the lack of official statistics on the results of previously applied sanctions, we consider it necessary for the authority to systematically publish the information on the results of the initiation of infringement proceedings in the exercise of oversight and control of political party funding.

Only 4 parties (the PAS, PDM, PSRM and PN) out of 9 that, according to the legal framework, were obliged to carry out audits of their financial management reports, submitted the audit reports for the period of 2019 - 2021. In the case of the other 5 parties, the CEC extended the deadline for submission of audit reports until July 1, 2022.

With regard to submitted audit reports, it can be mentioned that although they appear to be prepared in the same format, in line with international auditing standards, their more detailed analysis revealed that irrelevant legal provisions had been used in the audit process; data sets used to develop audit conclusions had been superficially or incompletely verified and / or analyzed; the methods used to verify the information had been unevenly applied. In this context, Promo-LEX considers it necessary for the CEC to develop and approve a methodology / instruction, based on international auditing and quality control standards, detailing all mandatory aspects to be audited.

As for the submission of political party financial reports, according to the information available on the official website of the CEC, 83% of parties submitted their reports for the first semester of 2021, while not a single party submitted such reports for the second semester (continuing the practice of previous years), and the annual financial reports were submitted by 87% of the parties, which reveals a slight decrease compared to 2020, when the annual reports were submitted by 90% of the parties.

Due to the fact that in the last two years the number of registered parties in the Republic of Moldova has increased from 46 in 2019 to 55 in 2021, this year, political parties have also reported an increase in the number of party members. Compared to 2019, the number of party members doubled: from 152,640 in 2019 to 304,713 in 2021. At the same time, the number of reported territorial party organizations increased, as apposed to the number of party headquarters or staff which, compared to 2020, has insignificantly decreased.

The PPS declared the biggest number of party members (74,777 members), followed by the PACE (20,000 members), the PSRM (15,399 members), the PPPDA (14,000 members) and the PAS (12,648 members). Compared to 2020, the largest increase in the number of party members was reported by the PPS (+3,097 members), the Party of Regions (+1,873 members) and the PAS (+999 members). On the other hand, parties that reported a significant decrease in the number of party members are the PDM (-17,000), the PNL (-1,936) and AUR (-885).

Regarding the revenues accumulated by political parties in 2021, an amount of approximately 47 million lei was reported, of which 90% was reported by 8 political parties that recorded revenues of over 1 million lei each, and only 8% by the other 25 political parties. The sources of party income include: state budget subsidies (70%), financial donations (27%), party membership fees (3%), revenues from economic activity (2%) and material donations (1%). Most revenues were reported by the PAS - 25%, the PSRM - 19% and the PN - 12%, respectively.

Compared to previous periods, we noticed an alarmingly steady increase in the financial dependence of political parties on state budget subsidies (in 2020, state subsidy revenues accounted for 62%, and in 2019 for 39%), which means a significant decrease of citizens' direct involvement and support of party activities. According to Promo-LEX, political parties must make a concerted effort to collect party fees to increase the accountability and financial involvement of party members, as well as to motivate the financial involvement of citizens in the activity of parties by making voluntary donations.

Although sources of income from membership fees were reported, they were insignificant compared to previous periods (for example, in 2018, they accounted for 25% of income, in 2019 for 32%, in 2020 for only 5%, and in 2021 for only 3%). This situation is confusing, given the growing number of members declared by parties, as well as considering the fact that most political parties have stipulated in the party statute the obligation to pay membership fees.

In this context, we believe that party leaders should establish mechanisms for controlling the process of paying membership fees. However, in the situation, where in 9 out of 25 political parties with such reported revenues, party fees and / or donations were not paid / made even by party leaders, we find that collecting membership fees is difficult for political parties (especially considering that, in most cases, the value of the fee is a symbolic one - thus, for example, the PPS, which has established an annual fee of only one leu).

With regard to financial donations, we identified three cases of donations that appear to be contrary to legal provisions (the PPM, PL and the PN). In addition to the cases mentioned above, the CEC identified, based on the reports submitted in the first semester and the annual ones, total donations amounting to over 193 thousand lei, collected by 6 political parties contrary to the legal provisions; the electoral authority ordered the transfer of these amounts to the state budget.

Total expenditures amounting to over 51 million lei were reported by 33 political parties, of which 92% were reported by 9 political parties that recorded expenditures of over one million lei each, and 8% by 24 political parties. Most expenditures were reported by the PAS and the PSRM (21% each), the PDM (14%), the PN and the PPS (10% each). With regard to the destination of expenses reported to the CEC, 24% were incurred for the maintenance and / or lease of headquarters, 22% for election campaigns, 19% for staff remuneration, 14% for press and promotional materials, as well as 12% for programs aimed at the young and women.

To verify the accuracy of the information reported to the CEC, Promo-LEX monitored and estimated the expenses incurred for promotion activities, carried out during the inter-election period (1808 activities observed¹); for headquarters used (at least 161); as well as for the staff involved (at least 240 people). As a result, an amount of almost 4 million lei was estimated as expenses not reported by 18 political parties, of which 42% account for the PSRM, 31% for the PPS, 9% for the PACE and, respectively, 6% for AUR. With regard to the destination of expenses estimated as unreported, most account for staff remuneration (50%), lease and / or maintenance of offices (18%), organization of public events (17%), press and promotional materials (10%) and travel in the country and abroad (4%).

¹ Meetings with citizens, organization of public events, inauguration activities, business trips, charity activities, sanitation events, etc.

RECOMMENDATIONS

To the Parliament of the Republic of Moldova:

1. Modify art. 26, para. (3) of Law no. 294/2007 on Political Parties by introducing the phrase „and state subsidies” after the phrase „from membership fees and donations”.
2. Exclude from the Law on Political Parties the prohibition of financing abroad trips by other states / international organizations provided that party representatives are invited to participate in events abroad, travel expenses being borne by the organizers.
3. Examine the opportunity to supplement the Criminal Code and the Contravention Code with the provision on sanctioning the misuse of administrative resources for the purpose of political promotion by political parties (both during the election and outside the election periods).
4. Regulate the activity of political blocs, consisting of two or more political parties, in the pre-election period, in terms of financial reporting of joint expenditures.

To the Government of the Republic of Moldova:

1. Consolidate the capacities of the CEC by allocating the necessary resources (financial, material, human, etc.) in order to exercise the powers of oversight and control of political party funding.

To the Central Election Commission:

1. Streamline the control mechanism of the financing of political parties by consolidating the capacities of the institution in order to establish a mechanism for verifying / estimating undeclared expenses.
2. Automate the process of oversight and financial control of political parties by interconnecting the „Elections” module of SIAS with the relevant state registers, in collaboration with the state authorities holding the respective registers.
3. Adopt detailed working methodologies / instructions with regard to the preparation of financial reports by political parties / initiative groups / electoral contestants.
4. Approve a normative act that regulates in detail the manner, in which the control of information reflected in the financial statements is ensured.
5. Extend the category of public data on donors and contributors to political parties / initiative groups / electoral contestants (name and surname, last four digits of personal code or other unique code assigned in the provisional ID card, place of work and public office or public dignity held if applicable, as well as the date of donation, the amount donated and the mode of donating).
6. Publish systematically information regarding the results of the initiation of contravention procedures in the exercise of oversight and control of the finances of political parties.
7. Develop and approve a regulation / instruction, based on international auditing and quality control standards, detailing all mandatory aspects to be verified and / or analyzed in the context of auditing reports on the financial management of political parties.

8. Collect financial reports in line with the provisions of art. 29 of the Law on Political Parties (semi-annually, until the 15th day of the last month of the reporting period, and annually, until March 31).
9. Collect and publish annual reports on the management of political parties, including information compiled for all 12 months of the management year; all compartments included in the report, including the list/ register of material donations.
10. Modify the form of the financial report on the financial management of political parties by separating the category of travel expenses in the country and trips abroad into two distinct budget lines.
11. Adjust the „Financial Control” module in order to extend the options for viewing and processing political party reports for stakeholders by:
 - including three new categories in the “Financial Control” module, both for the financing of political parties and for the financing of electoral campaigns, which should show cumulatively:
 - political parties that have submitted reports in time;
 - political parties that have submitted overdue reports;
 - political parties that have not submitted reports;
 - including the options “Date of submission of the report” and “Date of publication of the report” in the annex of the Report on financial management;
 - changing the format of the attachments downloaded from the module so that they are in processable and reusable formats, for example, CSV or Excel formats.

To the Public Services Agency:

1. In collaboration with the CEC, update the official information on political parties (address, contact details, etc.).

To Political Parties:

1. Consolidate the financing of political parties by organizing and developing the process of collecting membership fees.
2. Encourage donors / contributors to make appropriate payments to the party account.
3. Ensure active collaboration of political parties with stakeholders in the process of monitoring the financing of political parties.

LIST OF ABBREVIATIONS

LPA	Local Public Authorities
PSA	Public Services Agency
Art.	Article
para.	paragraph
CEC	Central Electoral Commission
CNPDCP	National Center for Personal Data Protection
CCM	Cash and Control Machine
CO	Central Organization of political party
TO	Territorial Organization of political party
STS	State Tax Service
CNAM	National Medical Insurance Company
CNAS	National Social Insurance House
AUR	Political Party Alliance for the Union of Romanians
CC	Political Party Common Action Party - Civic Congress
MPA	Antimafia People's Movement, Political Party
MPSN	Movement of Professionals "Speranta-Nadezda" (Hope), Political Party
MSPRRM	Social-Political Movement of Roma in the Republic of Moldova, Political Party
PNOI	New Historical Option, Political Party
P.Reg.	Party of Regions of Moldova
PEACE	Building Europe at Home, Political Party
PPDA	Democracy at Home, Political Party
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 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
PPMM	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	Political Party for People, Nature and Animals
PPCD	Christian Democratic People's Party
PPDA	Partidul Politic Democrația Acasă
PPDM	Political Party People's Democratic Party of Moldova
PPM	Patriots of Moldova, Political Party
PPEM	Political Party European People's Party of Moldova

PPN	„NOI” Political Party
PPP	PATRIA Political Party
PPPDA	Platform of Dignity and Truth, Political Party
PPPM	PRO Moldova Political Party
POM	Moldovan Workers’ Party
PPPN	Political Party National Progress Party
PPRM	Political Party People’s Party of the Republic of Moldova
PPSM	Socialist People’s Party of Moldova
PPS	Political Party of SOR
PPVP	The People’s Will Party
PR	RENASTERE, Political Party
PRM	Republican Party of Moldova
PRSM	The Russian-Slavic Party of Moldova
PS	Political Party 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
PUCM	Centrist Union of Moldova
UCSM	Political Party Christian-Social Union of Moldova
USB	Union Save Bessarabia

