

Promo-LEX: Political Parties Make Progresses in Submitting Financial Statements to CEC, But Are Still Hiding Their Actual Expenses



Promo-LEX Association analysed the political parties' financial statements for the 1st semester of 2017, submitted to the Central Electoral Commission, and conducted the civic monitoring of political parties funding for the same reporting period. At the round table on 'Political party funds in the first half of 2017. Progress, regress or stagnation?', held on Thursday 28 September 2017, Promo-LEX experts mentioned the conclusions from the ***'Monitoring of Political Party Funding in the First Half of 2017' Report.***

Though experts have found that the legal framework on the funding of political parties did not change during the reporting period, meaning that it did not improve, certain positive aspects can be highlighted: the ceilings of donations made by individuals and legal entities in election campaigns decreased, volunteering will be reflected in the financial statements during the election period, the parties will be able to transfer money to the account of the election candidate once they specify their primary donors in their financial statements.

The concerns of national and international observers regarding the funding of political parties and of election campaigns, stipulated in the Joint Opinion of the Venice Commission, were

ignored. In this context, Promo-LEX found that the Parliament of the Republic of Moldova did not settle the legal shortcomings raised in the formal letters filed by the Constitutional Court within the term provided by law – by 13 March 2017, nor by 30 June 2017.

Financial Reporting by Political Parties in the First Half of 2017

The Promo-LEX Association found that political parties made progresses in submitting financial statements. Thus, 35 of 45 political parties submitted their financial statements for the Ist semester of 2017 to the Central Electoral Commission (CEC), which constituted 78% of the total number of political parties registered with the Ministry of Justice.

However, 10 political parties (PSM, PPUM, PNOI, PE, PPDM, PPM, PSM, PPPR, PSP, PRM) did not submit their semi-annual financial statements, except a party (PPP), the statement of which was uploaded on the website of CEC without CEC's seal with the assigned number and the entry date. Therefore, the date of submission to CEC could not be identified. According to CEC official website, 3 political parties (PCRM, PLR, PFSM) did not submit all the mandatory financial documents.

Political Parties' Funding Sources in the First Half of 2017

Donations are the main source of funds for political parties in the Ist semester of 2017, amounting to a total of MDL **30 864 016**. The next funding sources are: **revenue obtained from property management activity** – amounting to MDL 26 009 229, followed by **state budget subsidies** – amounting to MDL 19 966 551 and **membership fees** – amounting to MDL 4 125 299.

The Promo-LEX Association emphasizes that **PCRM, PAS and PDM are those 3 political parties that obtained revenue from economic activities**. However, the highest revenue of MDL

26 000 000 was registered by PCRM from sales of assets.

Revenues and Expenses of Political Parties in the Ist Semester of 2017

According to the financial statements submitted to CEC, **23 of 35 political parties reported revenues amounting to MDL 81 317 206.** At the same time, **they spent MDL 48 682 937 in the first half of 2017.**

The expert, Cornelia Calin, has stated that: 'PDM had the highest revenue in the Ist semester of 2017 – MDL 35 156 846, which accounts for 76% of its revenue collected during 2016. The rest of the parties accumulated the following revenue, in the reporting period: PPDA – MDL 298 952, PAS – MDL 201 694, PAD – MDL 365 005, MPA – MDL 218 875, PSRM – MDL 4 337 012, PVE – MDL 19 393, PDA – MDL 41 789, PPPN – MDL 2 323 158, PPRM – MDL 140 33, PPEM – MDL 62 750, PCRM – MDL 2 933 5856, PLDM – MDL 4 573 217, PLR – MDL 521 671, PNL – MDL 102 659, PPS – MDL 694 897, PL – MDL 2 263 548, PSD – MDL 194 201, PReg – MDL 194 825, PPCNM – MDL 17 269, PPUCM – MDL 39 992, PPCD – MDL 80 463, PUN – MDL 133 000.'

Traditionally, **most of the expenses were made for print media and promotional materials – MDL 36 041 664 (74% of the total expenses)**; followed by expenses for party offices and their maintenance – MDL 4 345 568 (9%); staff expenses – MDL 3 504 581 (7%) – expenses for meetings and public events – MDL 2 217 465 (5%). Expenses for national and international trips, expenses for telecommunications, payment of membership fees in international organisations, expenses for bank commission/office supplies constituted 1% each.

Civic Monitoring of Political Party Funding and Estimation of the Unreported Expenses

As the results of the monitoring carried out by Promo-LEX in the Ist semester of 2017 show, **12 political parties did not**

report fully their expenses, the total amount of which was estimated at MDL 21 120 510 (PDM – MDL 18 817 703, PN – MDL 521 718, PSRM – MDL 496 390, PL – MDL 623 184, PCRM – MDL 282 363, PPEM – MDL 222 670, PPDA – MDL 59 892, PAS – MDL 48 213, PPS – MDL 23 517, PLDM – MDL 13 628, PVE – MDL 9 000, PNL – MDL 2 232).

Thanks to the monitoring of both central offices and territorial branches of political parties, Promo-LEX found that **15 political parties managed 201 offices, 226 employees and 2 private vehicles**. Thus, the experts found that **the following parties did not report all of their rented offices: PDM – 24 offices, PPDA – 8 offices, PCRM – 2 offices, PN – 1 office, PPEM – 3 offices**. In addition, those 15 political parties monitored at territorial/district and central level had volunteers that conducted several party activities *pro bono*. **Experts estimate that these political parties did not report at least 123 employees**.

The Promo-LEX Report also shows that **15 political parties conducted 1 441 promotional activities and events**. According to the data provided by Promo-LEX observers, for purposes of the 1 441 events, at least 167 056 km were travelled across the country and at least 21 trips were made abroad in the interest of the party. At least 6 political parties (PSRM, PN, PPEM, PL, PPDA, PPS) did not report an amount of MDL 224 372 for national trips and 5 parties (PDM, PSRM, PCRM, PAS, PPDA) avoided to report an amount of MDL 18 435 051.

According to the Promo-LEX findings, 5 political parties used administrative resources during the Ist semester of 2017 (**PSRM – 3 cases, PDM – 13 cases, PN – 1 case, PL – 4 cases, PCRM – 3 cases**). The abuses consisted in using the Government vehicle, using public spaces and material resources (LPS facilities), using human resources during working hours, providing public spaces for free.

The Promo-LEX observers reported about **the practice of**

transferring the image through promotional activities conducted by philanthropic organisations associated to politicians or by limited companies associated to parties. Through its activities, the foundations or institutions, the names of which contain names of politicians or which are associated with certain politicians (political parties) get indirectly involved in political promotion activities. Promo-LEX observers identified three such foundations: 'EDELWEISS' Foundation of Vlad Plahotniuc, 'Renato Usatii' Foundation and 'Solutia' charitable foundation, which had 14 activities and a total donation amount of MDL 1 555 500. Also, a business entity was identified – 'Magazine Sociale' SRL ['Social shops' Ltd.], which opened 11 social shops for pensioners – via which a party was advertising itself politically without incurring any costs for it (PPS).

To conclude, Promo-LEX found that the quality of reporting is still imperfect in the first half of 2017. At the same time, the model of financial statement proposed by CEC does not grant full access to the financial information of political parties. The lack of certain expense categories ('political consultancy', 'financial rewards for volunteers and electioneers'), as well as the lack in the statements of certain fields ('expenses for street billboards', 'expenses for electronic advertising', 'expenses for promotional advertising', 'written media') allow the subjects of reporting to generalize data, minimizing thus the transparency of expenses incurred under the above-mentioned categories.

To find out more details about political party funding in the Ist semester of 2017, please check out the Report on <https://promolex.md/category/publicatii/>.

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