

# Promo-LEX Warning: Party Financing in 2019 has the lowest level of reporting to the CEC compared to 2014-2018

The civic monitoring of political party financing in 2019, carried out by the Promo-LEX Association, revealed unsettled legislative loopholes, unreported expenses amounting to about 19.02 million lei, as well as a low level of financial reporting to the CEC.



Promo-LEX warns about parties' low level of financial reporting

This year, for the first time since 2014, Promo-LEX found the lowest rate of party financial management annual reporting to the CEC. As of May 7, 2020, 19 political parties (43%) managed to submit the reporting in time, one party submitted it with a delay and 26 political parties failed to submit any reporting at all.

It should be mentioned that the Promo-LEX Association took

account of the specificity of the state of emergency instituted in the Republic of Moldova. However, the Association found that the CEC did not have a proactive and transparent attitude in settling the issue, disregarding the necessity to remind the parties of their reporting obligation, as well as to present, receive and publish the financial reports under exceptional circumstances.

### **Revolutionary amendments made to legal framework still leave legal loopholes**

In 2019, the legal framework for party financing underwent extensive changes ensuring its improvement, including reduction of the amount of donations from natural and legal persons from 200 and 400 average annual salaries to 6 and 12 for the respective year; donations in the amount of three average annual salaries from nationals residing abroad have been allowed; a special ceiling has been set at a maximum of 10% of annual income for civil servants and persons holding public dignity offices, etc.

Despite these substantial legislative improvements, there are unsettled legislative loopholes that arise our concern. In particular, we refer to the lack of transparency due to the absence of obligation to publish primary information on political party donors and the vulnerabilities caused by hiding these data. Another vulnerable issue is CEC's insufficient control and supervision of the financing of political parties.

Reported revenues and expenses



According to the annual reports submitted to the CEC, out of 20 political parties concerned, 16 indicated revenues in the amount of 70,028,301 lei and a total initial balance in the party account of 33,453,572 lei as of January 1, 2019. The amount of reported expenses being 94,119,778 lei, with a final balance of 9,362,096 lei as of December 31, 2019. The other 4 parties that submitted their financial statements did not indicate any revenues and expenses.

Regarding the structure of declared revenues, the CEC found that the subsidies from the state budget represented the main source of party funding in 2019 (39%). Other important revenue sources include membership fees (32%), donations from individuals (18%) and donations from legal entities (11%).

### **Charitable foundations continue to promote political parties and their leaders**

The civic monitoring, carried out by Promo-LEX in 2019, found that 17 political parties, visible in the public space implemented at least 2,936 promotional activities and events.

In 2019, charitable foundations did not hesitate to engage in promotional activities. Thus, the monitors found three charitable foundations, and a limited liability company, through which indirect political promotion was made, these are: "EDELWEISS" Foundation associated with Vladimir Plahotniuc and the PDM, "Din Suflet" Charity Foundation associated with the PSRM and President Igor Dodon, as well as Social Stores LLC / "For Orhei" Association connected with Shor Party and "Renato Usatii" Foundation associated with the PN.

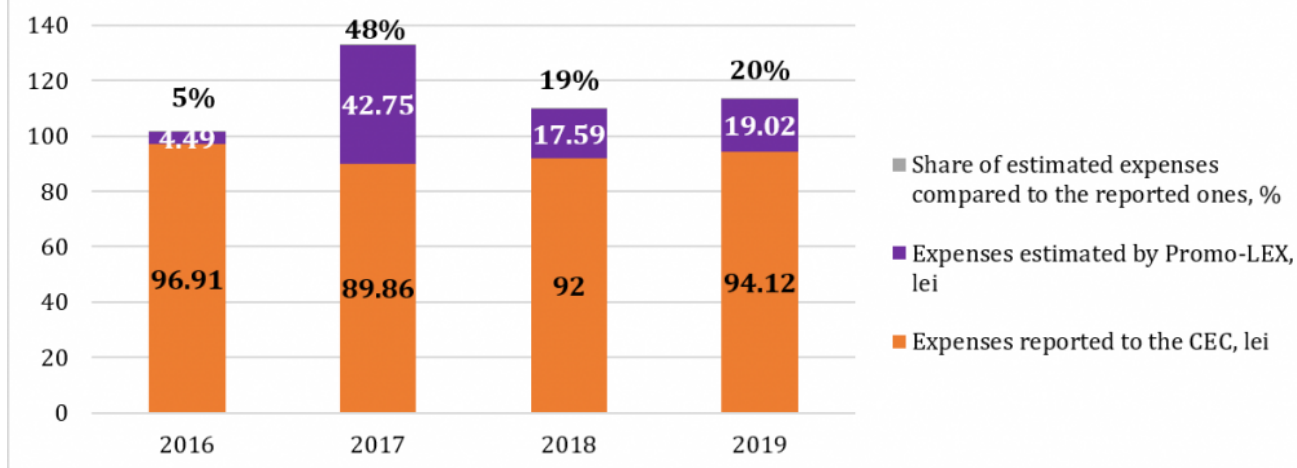
The expenses estimated for these activities amount to at least 2,701,460 lei. However, none of the parties associated with the 4 entities mentioned above reported promotion expenses for charity activities.

### **Estimation of unreported expenses**

The Promo-LEX Association found that 17 political parties failed to report a total amount of 19,021,373 lei. Traditionally, the most untransparent category of expenses is that of public events (9,044,424 lei).

Estimates of expenses for maintenance of headquarters and staff also revealed discrepancies, therefore, we emphasize the urgent need to verify the annual / semi-annual reports on financial management of political parties to ensure the correspondence of the reported financial situation to the real situation.

### Dynamics of expenses estimated by Promo-LEX vs expenses reported to the CEC in 2016 - 2019, mln. lei /%



Civic monitoring carried out by Promo-LEX in the period of 2016- 2019 revealed large discrepancies between the financial statements reported to the CEC and the estimates of the Association. Thus, in 2016, unreported expenses amounted to 4.49 million lei, in 2017 to 42.75 million lei, in 2018 to 17.59 million lei and in 2019 to 19.02 million lei. It should be mentioned that compared to the expenses officially reported to the CEC ((94,12 million lei), the level of estimated expenses (19,02 million lei) reaches 20%. The highest share of undeclared expenses was reached in 2017, when it amounted to 48%. For more details, see the chart below.

The full report can be found [here](#).

*\* The Report "Financing of Political Parties in the Republic of Moldova. 2019 Retrospective" has been produced as part of the "Democracy, Transparency and Accountability" Program funded by the United States Agency for International Development (USAID). The views expressed in the Report are those of the authors and do not necessarily reflect the views of the funders.*

#### **For more information, contact:**

Inga Stegarescu, Press Officer of the Promo-LEX Association;  
GSM: 069 26 96 84;

E-mail: [inga.stegarescu@promolex.md](mailto:inga.stegarescu@promolex.md)