

Report

No.3

Money that wins elections. Political and Campaign Finance in Moldova



Independent Anti-Corruption
Advisory Committee

Money that wins elections. Political and Campaign Finance in Moldova

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Chisinau, July 2023

The Independent Anti-Corruption Advisory Committee (CCIA) was established in June 2021 by Presidential Decree as an independent body composed jointly and equally of prominent members of Moldova's civil society and international anti-corruption and related experts. Its main purpose is to analyse systemic corruption issues that cut across Moldovan institutions and improve implementation of anti-corruption measures by appropriate stakeholders.

The Committee performs research which is made public. Its recommendations are designed to optimize the effectiveness of the efforts of the Republic of Moldova in the fight against corruption. Subsequently, the CCIA assesses the implementation of such measures by state actors and other stakeholders in subsequent periodic published reports.

The CCIA's mission is to strengthen Moldova's understanding of general and specific issues with respect to large-scale corruption and enhance the authorities' capacity to take appropriate action to reduce, and one day to eliminate the burden of the problem on the citizens of the country.

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Acronyms

APO	Anti-Corruption Prosecutor's Office
ATU	Autonomous Territorial Unit
CC	Constitutional Court
CCA	Audio-visual Council
CCIA	Independent Anti-Corruption Advisory Committee / Comitetul Consultativ Independent Anticoruptie
CEC	Central Election Commission
CEDAW	Convention for the Elimination of All Forms of Discrimination against Women
CoA	Court of Accounts
CoE	Council of Europe
CRPD	Convention on the Rights of Persons with Disabilities
c.u.	conventional unit
DEC	District Election Commission
ECHR	European Convention for the Protection of Human Rights and Fundamental Freedoms
ECtHR	European Court of Human Rights
ESDP	European Social Democratic Party
EBNOW	Electoral bloc NOW Platform DA and PAS
FSB	Federal Security Bureau of the Russian Federation
GRECO	Group of States Against Corruption
ICCPR	International Covenant on Civil and Political Rights
SIS	Service for Intelligence and Security
IDEA	Institute for Democracy and Electoral Assistance
MoI	Ministry of Interior
NAC	National Anti-Corruption Center
NBM	National Bank of Moldova
NIA	National Integrity Authority
LLC	Limited Liability Company
ODIHR	Office for Democratic Institutions and Human Rights
OFAC	U.S. Department of the Treasury's Office of Foreign Assets Control
OP	Our Party
OSCE	Organization for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PAG	People's Assembly of Gagauzia
PAS	Action and Solidarity Party
PCRM	Communist Party of the Republic of Moldova
PDM	Democratic Party of Moldova
PL	Liberal Party
PLDM	Liberal-Democratic Party of Moldova
PPPDA	Party Platform Dignity and Truth
PSRM	Party of Socialists of Moldova
SFS	State Fiscal Service
SAIS	State Automated Information System
VC	virtual currency
VL	Voters List

I. Executive summary

In June 2019, the Parliament adopted a declaration on the captured state, indicating that “all the citizens of this country are suffocated by endemic corruption”. In 2021, the Action and Solidarity Party (PAS), upon winning the parliamentary elections on a strong anti-corruption agenda, began the legislative and institutional reforms. The new approach to democratic governance has been noted by international actors, but the pervasive corruption in the government sector, links between major political figures and powerful economic interests, as well as critical deficiencies in the justice sector and the rule of law continue to hamper democratic governance. Since the Russian invasion on Ukraine in February 2022, Moldova finds itself in a fragile position, not only because of the war on its borders but also because of the intensified Russian hybrid warfare targeting Moldovan institutions and society. The operations include the exploitation of the erratic political finance system, which allows for the support of political leaders, political parties, and demonstrations of alleged social dissent. In June 2022, the European Commission recommended that Moldova be granted candidate status in the European Union, under the commitments of, inter alia, eliminating the excessive influence of vested interests in economic, political, and public life.

The third report of the Independent Anti-Corruption Advisory Committee (CCIA) seeks to identify legal, institutional and practical deficiencies in the systems of political financing in the Republic of Moldova and their impact on the functioning of a democratic state in which the Moldovan citizens enjoy governance through elected authorities free of undue influence of interest groups. Consequently, a set of recommendations is put forward whose implementation will facilitate the process of achieving the goal. The report is based on qualitative analysis of relevant legislation, documents, and literature on the subject as well as on quantitative analysis of the data from the political parties’ annual financial reports and final campaign finance reports. CCIA representatives conducted close to 30 interviews with representatives of political parties, state institutions, civil society, and experts.

Financing of political parties and electoral campaigns is regulated predominantly by the 1997 Electoral Code and 2007 Law on Political Parties. The latest package of amendments was introduced in December 2022, by which the limits for donations from private and legal persons, as well as cash donations, were decreased substantially, while the reporting of the value of in-kind donations was regulated. A number of new provisions improved the disclosure of political financing. Moreover, the new legislation prohibits donations from a number of sources, to prevent foreign influence, conflict of interest or third-party funding.

The 2015 legal reform of political finance, pursuant to which the parties can count both on public subsidies and obtain income from private sources, substantially changed the structure of party incomes. The share of public funding in the party’ budgets rose exponentially, while incomes from donations decreased. There is the notorious lack of separation between political parties and business, hence it is not that businesses donate to political parties but rather that political parties are taken over by powerful businesses. The political parties, interviewed about fundraising activities, admitted they fundraise more actively among their members in election years, especially among those who are interested in becoming candidates. Such an approach is financial gatekeeping to candidacy rather than a fundraising strategy. Furthermore, it reinforces the patron-client form of relationship between the party and the donor, in which the latter is inclined to donate to the party in power.

Since the availability of the public funding, political parties invested much more in renting offices, press and promotional materials and paid staff. Yet, the reported political party expenses for programmatic work, such as demonstrations, meetings, seminars, and training for their members remain consistently very low, which reflects the continuous low level of parties’ internal democracy. The parties are obliged to spend defined quotas of the annual state subsidy on promoting and encouraging the participation of women and youth in the political and electoral processes, yet the implementation of the obligation is very erratic.

The income of electoral competitors has also undergone significant changes. Most notably due to state subsidies available to political parties since 2016 and the systematic lowering of the donation's ceiling, which resulted in the rise of small private donors. Greater transparency of the sources of campaign financing is needed. Political parties have the right to transfer to the 'Electoral Fund' up to 70% of the received state subsidy, as long as it does not exceed the ceiling of incomes established for respective elections. However, private sources for campaign financing are commingled in the same 'Electoral Fund' account as state funds; moreover, the political parties do not reflect in the campaign finance reports the amount of public funds transferred to 'Electoral Fund'. To circumvent the donors' disclosure mechanism some political parties accumulated private donations on the party accounts to transfer them to the 'Electoral Fund' as 'own means' once registered as candidates.

The prevalence of underreported expenditures was mentioned by national and international election observation missions deployed for 2014-2021 elections. Expenses for public events, transportation, labour, communications and campaign materials, although visibly incurred, were not duly reflected in campaign finance reports. The political parties and candidates appeared to be reporting on expenses that were evident, such as media advertisement, considerably and constantly underreporting the less conspicuous costs.

The importance of regulating the financing of political parties and campaigns by third parties continues to grow due to the increasing role of social media and online campaigning as well as due to security threats Moldova is subjected to after the Russian invasion of Ukraine and in the context of hybrid warfare targeting Moldovan institutions and society. The legislation does not provide for the possibility of any legal entities, be it civil society organisations, foundations, or trade unions, to run activities which would coincide in the cause and support programmatically political parties. Consequently, any such practices are not subject to any limits or disclosure requirements, contrary to international guidelines. The current legislative gap is being exploited by some political parties, which also run foundations, undertaking activities in sync with political party agenda.

There are also concerns over possible foreign influence via social networks. The attention of the social media platforms to the Moldovan market and to cooperation with the Moldovan state institutions is limited. YouTube, which 30% of Moldovans use to stay informed, does not provide the possibility of monetization of ads. A number of specialists stated that the limitation can be circumvented by purchasing ads in neighbouring countries, Romania, Ukraine or Russia, which raises concerns over the transparency of their funding in general and the possibility of funding by foreign entities.

The legislation provides that political party and campaign incomes and expenses are done through a bank account opened in a licensed bank of the Republic of Moldova. Yet, at times banks refuse to open accounts to some parties and electoral contestants, and according to the National Bank of Moldova (NBM), they cannot be obliged to open accounts for political parties due to provisions of the Law on preventing and combating money laundering and financing of terrorism. The legal deadlock poses a major problem to the management and transparency of political parties' and campaign funds.

While the reporting obligations for political parties and electoral contestants allow for collection and presentation to the public of an ample amount of information which could provide for transparency of the parties' and campaigns' financial management, the style of reporting undermines the transparency principle. The publicly available reports are in a format which does not allow for any in-depth or comparative analysis, hindering public scrutiny and the principle of transparency.

The CEC is the primary oversight body for both political parties and campaign finance. A number of interlocutors noted that its current composition, formed in September 2021, presents a more active stance in fulfilling its mandate related to the financial oversight of political parties and campaigns. Based on the newly approved electoral rules, the CEC can clearly distinguish different types of violations and apply

different responses and sanctions. At the same time, when it comes to the application of administrative sanctions, the statute of limitations remains too short to address emerging violations. Financial sanctions for violation of political finance provisions are very low in comparison to the gravity of the crime and the volumes of the financial resources that are allegedly unreported and obtained from illegal sources, including from organised criminal groups.

The lack of continuous institutional commitment to performing oversight duties stems from the instability and frequent changes of government and of the political landscape and from porosity between party and civil service. There is little incentive to be firm on those in power and decisive in strict oversight of those in the opposition as they can easily, and often do, switch places after the next elections. For example, the Anticorruption Prosecutor's Office (APO), although established to fight high-level corruption in 2016, has been severely criticized for its role in investigating high level political corruption cases. Pursuant to the commitments under which Moldova received the EU candidate status, the Action Plan on de-oligarchisation was approved by the National Commission for European Integration on 26 May 2023. Recent legal amendments voted by the Parliament in April 2023, presumably delimit the powers of the APO's and the National Anti-Corruption Center (NAC) to investigate high-level corruption cases. While legal amendments address some of the previous CCIA recommendations, contrary to the CCIA suggestions, the list of subjects of high-level political finance crimes in respect of leadership of political parties will fall under NAC mandate as of August 2023.

II. Recommendations

Disclosure:

1. CEC should clearly stipulate who bears the burden of verifying compliance with thresholds for donations. Consideration should also be given to introducing a donor's declaration that the donated amount complies with legal provisions on thresholds, under penalty of contravention (6 months).
2. CEC should create mechanisms for verification of donors living abroad and the value of their donations (6 months).
3. Parliament should introduce the obligation of political parties to report separately on in-country and foreign travel (12 months).
4. CEC should provide rules for political parties' reporting on travel abroad (6 months).
5. CEC should introduce stricter rules concerning the oversight of travel expenses reported by political parties and electoral contestants (6 months).
6. Parliament should revise and make clear a legal framework on volunteering for political parties and campaigns, and on its value (12 months).
7. CEC should develop a methodology for verification and evaluation of reported in-kind donations (6 months).
8. CEC should provide further training to political parties, in order to strengthen their programmatic and reporting capacities related to women and youth political participation. Civil society should also be invited to assist in those efforts (9 months).
9. CEC should provide political parties and electoral contestants with a regulatory framework for monetizing and reporting on in-kind donations (6 months).
10. CEC should revise political parties and campaign finance reporting templates to ensure that the reported data is interconnected and compatible, so that the data presented in the political parties' reports matches the one presented in the campaign finance reports of political parties registering electoral contestants (6 months).
11. CEC should develop clear reporting requirements on campaign finance incomes, making a clear distinction between state and private funds transferred from political party accounts to the 'Electoral Fund' of the nominated electoral contestant (6 months).
12. Parliament should revise the legal framework to regulate the transfer of the political parties' state funds from one year to another, to ensure a level playing field over the electoral period (12 months).
13. CEC should provide a clear methodology for monitoring campaign expenses in the broadcast and online media and to increase its capacity to perform such monitoring (9 months).
14. Parliament should amend the Electoral Code to provide the possibility for the CEC to grant an extension of the deadline for submitting the final campaign finance reports, in case electoral candidates due to justifiable reasons cannot present them three days after the Election Day (12 months).

15. CEC should develop an online module which allows for financial reports of political parties and electoral contestants to be published in open-data form and launch a civic education campaign, promoting public scrutiny (9 months).
16. CEC should develop a methodology for monitoring online expenses of political parties and electoral contestants and consequently train the Political Finance Division and the District Election Commissions' Chairpersons on monitoring and evaluation of these types of expenses (9 months).
17. The Parliament should expand the Law on Political Parties to political foundations, which should be bound by the same rules related to incomes and expenditures as well as disclosure obligations as political parties (12 months).
18. Parliament should amend the Electoral Code and the Law on Political Parties to regulate third-party financing of political parties and electoral campaigns, to prevent undisclosed financial support, following a comprehensive process of consultations with civil society, so that the legal provisions do not infringe on freedom of association (12 months).
19. Parliament should amend the Electoral Code to require third parties willing to engage in electoral campaigns to register in advance with the CEC and subject them to the same campaign finance regulations as electoral contestants (12 months).
20. CEC should create a methodology for auditing political parties' financial reports (6 months).
21. CEC should certify a sufficient number of qualified political finance auditors (9 months).
22. CEC should develop a digital database of such auditors for the use of political parties (9 months).
23. CEC should develop a mechanism for verifying the amount of expenses reported by political parties and electoral competitors against the market prices of goods and services purchased (6 months).
24. CoA should develop a methodology of state funds management for political parties (6 months);

Oversight

25. CEC should start sanctioning the political parties' non-compliance with the quota of expenditures on women and youth political participation (3 months).
26. Parliament should increase sanctions for non-compliance with the disclosure requirements, in order to strengthen the transparency of financing of the political advertisements (12 months).
27. CEC should establish formal channels of communication between social media platforms and the CEC (6 months).
28. Parliament should regulate online campaign advertising, including on social media, and set clear reporting requirements for political parties and election contestants (12 months).
29. CEC and the NBM should adopt a joint interpretation of the provisions related to opening bank accounts for political parties and electoral contestants both to safeguard the freedom of association and to prevent political corruption and money laundering (6 months).
30. CEC should strengthen the mechanisms for controlling companies rewarded with public contracts after elections to avoid conflict of interest and ensure independence of political parties from undue influence (9 months).

- 31.** CEC should create a mechanism to certify treasurers and set up a digital Register of Certified Treasurers (9 months).
- 32.** Parliament should consider changing the CEC composition so that the majority of its members are nominated by non-political actors (12 months).
- 33.** Parliament should amend the Election Code to define the grounds for dismissal of CEC members (12 months).
- 34.** CEC should build the capacity of the DEC chairpersons to monitor campaign activities and evaluate the veracity of campaign finance reports (9 months).
- 35.** Parliament should amend the legislation regulating SIS activities in a way, which would enable SIS a real time and outside of criminal proceedings collection of information concerning illegal financing of political parties and campaigns that threatens state security in all (exceptional and non-exceptional) circumstances (12 months).
- 36.** CEC should establish a 'prioritising system' in which 'red flags', indicating the possible use of unreported and/or illegal cash-flows, detected in the process of the initial review of the financial report of political parties and electoral contestants, would immediately trigger further control and investigation procedures (9 months).
- 37.** E-Gov Center should institutionalise the collaboration of all state political finance oversight agencies: the CEC, the State Fiscal Service, and National Social Security Agency, to collect and present information on donors' declared incomes, facilitating the verification of the authenticity of donations (9 months).
- 38.** CEC should engage other institutions, such as the Public Service Agency, the State Procurement Agency, and the National Medical Insurance Agency, to further strengthen political finance oversight, e.g. through the interoperability of their respective databases, and using the E-Gov Center as a platform to facilitate cooperation between those institutions (12 months).
- 39.** Parliament should amend the Criminal Code to allow courts to reduce criminal sanctions for persons who:
 - a.** actively contributed to the discovery or countering of the crime by a voluntary self-disclosure,
 - b.** facilitated identification and prosecution of other persons who committed or contributed to the commission of crime,
 - c.** voluntarily surrendered the financial means that constitute the material object of the crime,
 - d.** importantly assisted the prosecution in their investigations in any other way (12 months).
- 40.** Parliament should amend the Contravention Code to extend the three-month statute of limitations for contraventions "to allow the competent authorities to effectively supervise political funding" (12 months).
- 41.** Parliament should considerably increase the gradation of sanctions based on the violation, especially in cases of undeclared, impermissible, or foreign funds and ensure that sanctions are effective, proportionate and dissuasive (12 months).
- 42.** CEC should create a mechanism of prompt and easy reporting and documenting voter corruption cases (6 months).

43. CEC in cooperation with the Government of Moldova should organise a joint training for all relevant law enforcement authorities in order to considerably enhance their diligence and capacities to effectively investigate and prosecute campaign finance crimes (9 months).
44. Parliament should amend the Electoral Code in order to allow for application of other sanctions in cases where cancelling the registration of electoral contestant is not applied despite the existence of circumstances, which might lead to it. (12 months).
45. Government of Moldova should proceed with activities eliminating the excessive influence of vested interests in economic, political, and public life (de-oligarchisation) and start implementing effective measures to reach that goal (6 months).
46. Parliament should consider the amendments to the Criminal Code, according to which illegal foreign funding of political parties and electoral contestants and illegal foreign funding intended to influence results of elections in Moldova would be sanctioned in a form of a criminal offence (12 months).
47. Government of Moldova should organise training to strengthen the capacity of the oversight institutions, including tax and customs authorities, to limit the prevalence of illegal cash in the economy (6 months).

State funding

48. Parliament should consider revising the criteria for public funding of political parties focusing on a more balanced formula of disbursement rewarding genuine and active outreach (12 months).
49. Parliament should introduce a quota of public funds to be committed to political parties' internal democracy and professionalism of their programmatic work (12 months).
50. People's Assembly of Gagauzia should expand the formula, based on which the public funding is disbursed among political parties, to the elections to the People's Assembly of Gagauzia and the bashkan election, to ensure the political pluralism in all electoral processes in Moldova (9 months).
51. Parliament should consider introducing other forms of indirect public funding to electoral competitors, such as for producing "information materials" for political parties registered as electoral competitors whose state funding constitutes less than 10% of the total declared income before the electoral period (12 months).
52. Parliament should explore and consider introducing other means of donations (e.g. directing 1% of the annual tax return to a political party of the taxpayer's choice) (12 months).

III. Introduction

Moldova's Constitution recognizes the fundamental role of elections and political parties in the democratic system, providing that the will of the people will be expressed through free elections (Art. 38.1), while political parties shall contribute to the definition and expression of the citizens' political will and take part in the election process under the rule of law (Art. 41.1). Similarly, the Council of Europe (CoE) recognizes that "political parties are a fundamental element of the democratic systems of states and are an essential tool of expression of the political will of citizens".¹ Political parties, to fulfil the constitutional role of being a broker of public opinion and to participate in elections, require financial resources for both regular activities and electoral campaigns.

As noted by the Council of Europe's Commission for Democracy Through Law ("Venice Commission"), "for decades many countries had no legislation governing the financing of political parties, which implies that the state took no interest in such matters, leaving each party entirely free to raise the funds necessary to its functioning".² Yet such an approach led to parties accumulating income and increasing their expenses to secure electoral victory, at the same time becoming increasingly dependent on those who contributed to their budgets. In such a manner, political parties turned from organisations that are established to express public will to organisations securing interests of the groups that financed them. Hence states started to regulate political financing, with the aim of both allowing the free expression of pluralist political opinion and guaranteeing equal treatment of all political parties.

The key principles that should be observed when designing the regulatory framework in the area of political financing are the freedom of association, pluralism of political opinion, level playing field, and the right of voters to make a well-informed choice. The set of tools that can be applied to regulate the financing of political parties and electoral campaigns is fairly broad, and includes provision of public funding, requirements of transparency of incomes and expenditures, and limits on donations and expenses incurred. Moreover, the implementation of the legal and regulatory framework needs to be overseen by an independent and competent body.³

The third report of the Independent Anti-Corruption Advisory Committee (CCIA) is a continuation of the research on (political) corruption in the country. Whereas Report No. 1 was a comprehensive encapsulation of the banking, financial and insurance sector corruption cases that affected Moldova's state and Report No. 2 is the thorough assessment of the institutional capacities of the state bodies with an anti-corruption mandate, this report takes a more sectoral approach, looking at corruption the areas of electoral campaign and political party financing. The Report seeks to identify legal, institutional and practical deficiencies in the systems of political financing in the Republic of Moldova and their impact on the functioning of a democratic state in which the Moldovan citizens:

- determine their leaders through transparent elections, in which a level playing field is ensured.
- are represented by political parties, which act on behalf and in the interest of their electorates, and
- enjoy governance through elected authorities free of undue influence of interest groups.

A set of recommendations is put forward whose implementation will facilitate the process of achieving the aforementioned goals.

¹ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, <https://rm.coe.int/16806cc1f1>.

² Venice Commission, *Guidelines and Report on the Financing of Political Parties*, CDL-INF(2001)8, Strasbourg, 23 March 2001, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF\(2001\)008-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF(2001)008-e).

³ For more information about the design of political and campaign finance systems see, among others: Ohman M., *Political Finance Oversight Handbook*, IFES, 19 October 2013, <https://www.ifes.org/publications/tide-political-finance-oversight-handbook>; Falguera E., Jones S., Ohman M., *Funding of Political Parties and Election Campaigns, A Handbook on Political Finance*, International IDEA, 1 April 2014 <https://www.idea.int/publications/catalogue/funding-political-parties-and-election-campaigns-handbook-political-finance?lang=en> and ODIHR, *Handbook for Observation of Campaign Finance*, 21 January 2015, <https://www.osce.org/odihr/elections/135516>.

3.1. Methodology

The authors focused on the following key processes: political party financing, election campaign financing and transparency. The analysis takes into consideration international standards, good practices, comparative politics, Moldova's experience and the current situation in the areas of focus.

The report is based on qualitative analysis of relevant legislation, documents, and literature on the subject as well as on quantitative analysis of the data from the political parties' annual financial reports and final campaign finance reports. The framework for the quantitative data was set in the following manner:

1. Not all political parties are the subject of the report's attention, but only those which at some point over the analysed period formed the government or were a leading opposition group. With the application of such parameters the political parties reviewed are the following: Our Party, the Action and Solidarity Party (PAS), the Democratic Party of Moldova (PDM), the Communist Party of the Republic of Moldova (PCRM), the Liberal Party (PL), the Liberal-Democratic Party of Moldova (PLDM), the Party of Socialists of Moldova (PSRM), the Party Platform Dignity and Truth (PPPPA), and the Shor Party – a total of 60 annual reports.⁴
2. The analysis of the political party financing encompasses the period from 2015, when political parties started to report on their annual financial management to the CEC, until 2021, the last annual reports available at the time of this writing.
3. The analysis of campaign finance encompasses the 2014, 2019, 2021 Parliamentary Elections; 2016 and 2020 Presidential Elections; and the 2015 and 2019 General Local elections for the major electoral competitors of Our Party, PAS, PDM, PCRM, PL, PLDM, PSRM, PPPPA, and the Shor Party – in total, 55 campaign finance reports.

In January-February 2023, CCIA representatives conducted close to 30 interviews with representatives of political parties, state institutions, civil society, and experts. The research was done in the form of semi-structured interviews whose main objective was to gather relevant information that could not be found in written documents and consequently to triangulate it for the veracity of findings. The CCIA would like to thank all its interlocutors for taking the time to meet and to share their views.⁵

3.2. International standards and recommendations

Moldova is party to major international and regional instruments related to the holding of democratic elections, including the 1966 International Covenant on Civil and Political Rights (ICCPR), the 1979 Convention for the Elimination of All Forms of Discrimination against Women (CEDAW), the 2006 Convention on the Rights of Persons with Disabilities (CRPD), and the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms (ECHR).

Moldova also ratified several international instruments related directly to combating political corruption. The UN Convention Against Corruption, ratified by Moldova in 2007, provides that "[e]ach State Party shall also consider taking appropriate legislative and administrative measures (...) to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties." (Art. 7.3)⁶ The Council of Europe (CoE) Criminal Law Convention on Corruption, ratified by Moldova in 2004, provides guidelines regarding combating corruption-related crimes.⁷ More specifically, the CoE Recommendation of the Committee of Ministers to Member States on common rules against corruption in the funding of political parties and electoral campaigns, outlines recommendations in the field of regulation

⁴ The PDM changed its name to the European Social Democratic Party (ESDP) following the party congress held on 20 November 2022.

⁵ The authors asked for interviews with all the political parties whose financial reports are included in the study. The PCRM, the PL, and the Shor Party did not avail themselves of the opportunity.

⁶ UN Convention against Corruption, adopted by the UN General Assembly on 31 October 2003. The Republic of Moldova ratified the UNCAC on 1 October 2007, <https://www.unodc.org/unodc/en/treaties/CAC/>.

⁷ Council of Europe, Criminal Law Convention on Corruption, Strasbourg, 27 January 1999, <https://rm.coe.int/168007f3f5>.

and oversight of political parties and campaign financing.⁸ The 2001 European Commission for Democracy through Law (the Venice Commission) Guidelines and a Report on the Financing of Political Parties as well as the 2020 Venice Commission and ODIHR Guidelines on Political Party Regulation provide the guidelines in terms of regulation of political parties and campaign financing as well as financing by third parties.⁹

Moldova has been a member state of the CoE Group of States Against Corruption (GRECO) and hence undergoes periodic evaluations including, among others, in the field of the transparency of party funding. As a participating State of the Organization for Security and Co-operation in Europe (OSCE), and in accordance with the Copenhagen Document, Moldova routinely invites election observation missions of the Office for Democratic Institutions and Human Rights (ODIHR). These assess electoral processes in terms of their compliance with national legislation, international obligations, as well as good practices in elections.¹⁰

Both GRECO and ODIHR put forward recommendations in the field of political parties and campaign finance, which put strong emphasis on, *inter alia*, transparency of reporting, regulation of in-kind donations, and transparency of third-party funding, as well as on strengthening of the capacity of the oversight body, and effectiveness of sanctions. (*For the full list of GRECO and ODIHR recommendations see Annex I*)

Following amendments to the Electoral Code and the Law on Political Parties, in 2015 GRECO concluded that all the recommendations have been implemented by the Republic of Moldova, except for a partially implemented recommendation to "...extend the limitation period for minor offences in cases of infringements of the rules on party funding in general and financing of election campaigns (second part of recommendation ix)."¹¹ At the same time, GRECO called on the Moldovan authorities to ensure that "the rules are applied in practice, notably by ensuring that the supervisory mechanism - which is now concentrated in the hands of the Central Electoral Commission - has the necessary resources to implement substantive, proactive oversight of the financing of election campaigns and of political parties in general".¹²

In 2017 the Venice Commission and ODIHR issued a Joint Opinion on Moldova's legal framework regulating funding of political parties and electoral campaigns.¹³ Among the recommendations included in the document, the Venice Commission and ODIHR emphasized the importance to:

- Enhance the supervision and enforcement of the rules on party and campaign financing of the Central Electoral Commission (CEC), as assigned body;
- Give sufficient resources, including an appropriate number of staff specialised in financial auditing, as well as a clear mandate and obligation to audit financial reports of political parties and electoral contestants, to verify the accuracy of the information submitted, initiate investigations of possible irregularities, and to make use of enhanced powers for coordination with law enforcement and other relevant bodies, and

⁸ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, <https://rm.coe.int/16806cc1f1>.

⁹ See: Venice Commission, *Guidelines and Report on the Financing of Political Parties*, CDL-INF(2001)8, Strasbourg, 23 March 2001, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF\(2001\)008-eand](https://www.venice.coe.int/webforms/documents/?pdf=CDL-INF(2001)008-eand) OSCE/ODIHR and Venice Commission *Guidelines on Political Party Regulation*, Second Edition, CDL-AD(2020)032, Strasbourg, 14 December 2020, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

¹⁰ 1990 OSCE Copenhagen Document, paragraph 8 provides that "The participating States consider that the presence of observers, both foreign and domestic, can enhance the electoral process for States in which elections are taking place. They therefore invite observers from any other CSCE participating States and any appropriate private institutions and organizations who may wish to do so, to observe the course of their national election proceedings, to the extent permitted by law. They will also endeavour to facilitate similar access for election proceedings held below the national level. Such observers will undertake not to interfere in the electoral proceedings.", <https://www.osce.org/files/f/documents/9/c/14304.pdf>.

¹¹ GRECO, *Third Evaluation Round, the Second Compliance Report on the Republic of Moldova*, adopted 27 March 2015, <https://www.coe.int/en/web/greco/evaluations/republic-of-moldova>.

¹² GRECO, *Third Evaluation Round, Addendum to the Second Compliance Report on the Republic of Moldova*, adopted on 4 December 2015, paragraph 21, <https://rm.coe.int/16806c9b08>.

¹³ Venice Commission/OSCE-ODIHR, *Joint opinion on the legal framework of the Republic of Moldova governing the funding of political parties and electoral campaigns*, CDL-AD(2017)027, Strasbourg, Warsaw, 11 December 2017, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2017\)027-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2017)027-e).

- Strengthen the regime of sanctions available for infringements of party and campaign funding rules, including by expanding parties' deprivation of public funds to violations other than the failure to execute summons by the CEC and by increasing the levels of administrative fines.

3.3. Political financing in Moldova – overcoming 'state capture'.

Over the past three decades since its 1991 Declaration of Independence, Moldova's transition to a democratic state has been marked by considerable instability and other challenges. It inherited a territorial conflict in Transnistria and a negotiated arrangement for the Autonomous Territorial Unit of Gagauzia. Both regions have been used by various forces as hindrances to Moldova's independence and are considered very susceptible to Russian influence. Moldovan domestic politics have a long tradition of both instability and susceptibility to Russian influence for a variety of reasons: the long-standing but evolving divisions within Moldovan politics over geopolitics and identity, dependency on Russian gas, and considerable Russian influence over the media in Moldova. Many of the corruption schemes that came to light were reportedly profitable not only to Moldovan, but also to Russian and Ukrainian actors.¹⁴

The country went through a painful economic transition that resulted in an increasingly high cost of living, the country remaining among the poorest in Europe. The growth model accepted by Moldova relied mainly on an unsustainable remittance-fuelled consumption, which declined in the face of the recurring political and economic crises that followed the independence. In addition, a shrinking and ageing population led to low productivity growth, and a significant part of the population became dependent on pensions and social assistance. At the same time politicians became less responsive and accountable to voters as they became closely tied to wealthy donors. The quality of political competition got distorted as access to funds became the dominant factor.¹⁵

The CCIA, in its report "Disrupting Dysfunctionality: Resetting Republic of Moldova's Anti-Corruption Institutions" recognized that "[o]ver the past thirty years, the country endured economic collapse, extensive brain drains, poverty, endless political strife and endemic corruption at all levels. Privatisation led to massive misappropriation by politicians and public officials. Bureaucrats were used by several individuals who managed to illegally appropriate state properties and grow into oligarchs."¹⁶ The problem was also noted in 2016 by the UNDP, which posited that "[o]rganised criminal groups exploit the fragility of public authorities caused by corruption, often gaining benefits and access to political power".¹⁷ In a similar tone, the Parliamentary Assembly of the Council of Europe (PACE) described the situation as "characteristic of 'state capture'" in 2019.¹⁸ State capture is "an advanced form of endemic corruption, predominantly in the top level of state power, where the interests of a narrow oligarchic group significantly influence

¹⁴ For example, Russian oligarch Alisher Usmanov owned the MMZ through his MetalInvest holding until it was transferred directly to the Transnistrian authorities in 2015. For a comprehensive overview of the various financing schemes, see To-filat S. and Parlicov V., Russian Gas and the Financing of Separatism in Moldova, Kremlin Influence's Quarterly, 14 August 2020, <https://www.4freerussia.org/russian-gas-and-the-financing-of-separatism-in-moldova/>. Through the first half of 2017 Roshen, a chocolate holding owned by Ukrainian President Petro Poroshenko, sold goods worth around EUR 3 million to Sheriff. Today, the latter and its affiliated companies dominate the economy in the Moldovan breakaway region, according to an earlier RISE Moldova report, 14 May 2019, <https://www.rise.md/english/rescuers-of-the-transnistrian-metallurgic-plant-filip-and-poroshenko-have-helped-transnistria-earn-millions>.

¹⁵ RISE Moldova, *Party donors [III]: Pecuniary interests*, 19 December 2018, <https://www.rise.md/articol/donatorii-partide-lor-iii-interese-pecuniare/>.

¹⁶ CCIA, *Disrupting Dysfunctionality: Resetting Republic of Moldova's Anti-Corruption Institutions*, November 2022, <https://ccia.md/en/reports/disrupting-dysfunctionality/>. Such syndromes of corruption were defined by Professor Michael Johnston, specialist in the impact of corruption on a state and its political system, as the 'Oligarch and Clan corruption' regime, in which the rule of law and property rights are weak, while the formal democratic procedures offer little accountability. In such a regime, according to Johnston, political and economic competition can be intense as oligarchs and their clans plunder both public and private sectors. See: Johnston, M. (2017). Reform, Rebooted: Building Long-Term Resistance to Corruption. Georgetown Journal of International Affairs, vol. 18, issue 2, pp. 3-9. See also: Johnston, M. (2005) Syndromes of corruption: Wealth, Power and Democracy, Cambridge University Press.

¹⁷ UNDP, National Human Development Report, *Inequalities and Sustainable Human Development in Moldova*, 2016, <https://www.undp.org/moldova/publications/national-human-development-report-2015/2016>.

¹⁸ Parliamentary Assembly of the Council of Europe, The functioning of democratic institutions in the Republic of Moldova, Resolution 2308 (2019), paragraph 5: 'The Assembly acknowledges the legitimate and necessary steps needed to eradicate from state institutions all aspects that are characteristic of "State capture," <http://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=28241>.

the decision-making process in the country. The ways of promoting its decisions at a first glance are not always illegal, but the capture of some state institutions in the final form leads to the capture of the entire state system".¹⁹ State capture encompasses the formation of laws, rules and decrees by a wider range of state institutions, including the executive, ministries and state agencies, legislature and the judiciary.²⁰

In June 2019, the Parliament adopted a declaration on the captured state, indicating that "all the citizens of this country are suffocated by endemic corruption, theft and (...) total control over the judiciary, exercised by the oligarchy and by the numerous attacks on civil rights and freedoms."²¹ In the endorsed declaration the parliament expressed the vote of no confidence in the Constitutional Court (CC), and posited necessary to dismiss the Prosecutor General, leadership of the Information and Security Service, members of the CEC, management of the National Anticorruption Center, members of the Audio-visual Council (CCA), leadership of the National Integrity Authority (NIA) and of the Supreme Court of Justice. Moreover, the parliament called for investigation of the 'theft of the billion' and money laundering operations ("Laundromat").²² However, "these reform efforts have also led to the politicisation of anti-corruption policy, with some political actors seeking to exploit reform policies for personal interest. This has created a reform environment that risks curtailing real progress and reinforcing corruption and distrust in the government".²³

The 2021 parliamentary elections gave PAS, which was running on an anti-corruption agenda, a strong parliamentary majority of 62% (63 seats out of 101). The new approach to democratic governance has been noted by Transparency International, which has been systematically raising Moldova's score in the Corruption Perception Index over the last three years. While in 2019 it amounted to 32 in the 0 to 100 scale, where 0 means highly corrupt and 100 means very clean, the latest score – for the year 2022 – stands at 39.²⁴ Moreover, according to the 2022 Freedom House Report, Moldova has a competitive electoral environment, and freedoms of assembly, speech, and religion are mostly protected.²⁵ Also, Moldova's legal system ranks improved in international rankings in the last three years, although the main constraints, of a selective justice and dependent judiciary system, corruption and ineffective criminal investigative system, remain.²⁶

Nonetheless, pervasive corruption in the government sector, links between major political figures and powerful economic interests, as well as critical deficiencies in the justice sector and the rule of law continue to hamper democratic governance. As economic activity continues to shrink due to shocks from the war in Ukraine and the ongoing impacts of the COVID-19 pandemic, money continues to have a significant influence in politics, altering the level playing field and, therefore, the integrity of the election process. 75% of the respondents in the Public Opinion Barometer declare being dissatisfied with what the state's leadership is doing in the field of fighting corruption.²⁷ According to the research on Corruption Perception in Moldova conducted by the National Democratic Institute (NDI) in late 2021, the government's actions on fighting corruption are still unclear to citizens. Although there is a perception of a positive shift, most cannot cite concrete actions. Anti-corruption laws are not seen as being enforced, and this contributes to

¹⁹ Transparency International-Moldova, Association for Participatory Democracy, Legal Resources Centre from Moldova and IDIS "Viitorul", *State Capture: the Case of the Republic of Moldova*, 2017, http://www.transparency.md/wp-content/uploads/2017/06/TI_Moldova_State_Capture.pdf.

²⁰ World Bank, *Anticorruption in Transition: A Contribution to the Policy Debate*, Washington D.C., 2000.

²¹ Decision of the Parliament no. 39 for the adoption of the *Declaration regarding the recognition of the captive nature of the state of the Republic of Moldova*, 8 June 2019, https://www.legis.md/cautare/getResults?doc_id=114796&lang=ro.

²² For in-depth analysis of both 'theft of the billion' and 'Landromat' see the CCIA Report "The Off-shore Republic". Review of factors leading to systemic fraud and money laundering in Moldova's banking, financial and insurance sectors, July 2022, <https://ccia.md/en/reports/the-offshore-republic/>.

²³ UNICRI, *Illicit Financial Flows and Asset Recovery in the Republic of Moldova*, Research Paper 2021, https://unicri.it/sites/default/files/2021-04/IIF_M.pdf.

²⁴ Transparency International, *Corruption Perception Index 2022. Moldova*, <https://www.transparency.org/en/cpi/2022/index/mda>.

²⁵ Freedom House, *Freedom in the World 2022*, Moldova, <https://freedomhouse.org/country/moldova/freedom-world/2022>.

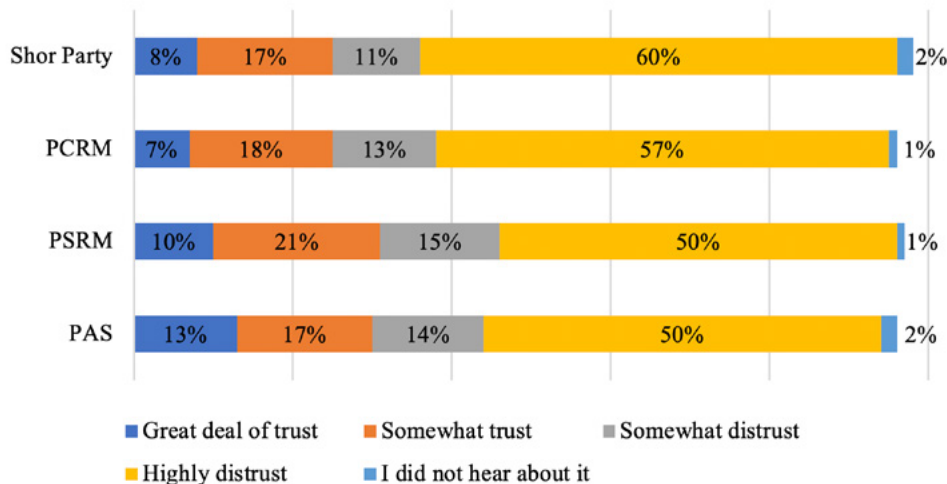
²⁶ Moldova Ranked 82nd Across 128 Countries, World Justice Project, Moldova, 2020, <https://worldjusticeproject.org/rule-of-law-index/country/2020/Moldova/>.

²⁷ Public Opinion Barometer, Question: To what extent are you satisfied with what the leadership of the Republic of Moldova is doing in the following fields ...? [fighting corruption], somewhat dissatisfied - 27%, very dissatisfied - 48% of respondents, data for November 2022, <http://bop.ipp.md/en>.

a lack of trust in the justice system, a vicious cycle that is hard to break.²⁸

The ongoing perception of the government's protracted approach to combating corruption negatively affects the public trust in the state institutions and in political parties. At least 65% of the population 'somewhat distrusts' or 'highly distrusts' the state institutions, whose composition is defined on the basis of the electoral process, i.e. the parliament, the president, and (although indirectly) the government. The mistrust towards political parties is even higher and amounts to 78%. (See Figure 1) Moreover, the trust in parliamentary political parties does not exceed 31%. (PSRM - 31% of respondents expressed 'great deal of trust', or trust the party 'somewhat', PAS - 30%, PCRM and Shor Party - each 25%).

Figure 1: Public trust in parliamentary political parties



Source: *Public Opinion Barometer*, data for November 2022

Moreover, 63.1% of the respondents believe that elections in Moldova are not free and fair.²⁹ Expert in electoral integrity issues Pippa Norris posits that “[p]erceptions of electoral integrity are expected to strengthen citizen’s feelings about the legitimacy of elected officeholders, confidence in state institutions, evaluations of the overall performance of the regime, and support for the constitutional arrangements and rules of the game, which constitute regime principles.”³⁰ In the contrary case, the perceived lack of electoral integrity leads voters to question the legitimacy of elected officials, including through protest and violence. “The feeling of anxiety, protest, and a lack of trust breaks the classical pattern of political theory, according to which the citizen replaces the bad politicians by the good ones through free elections.”³¹

Since the Russian invasion on Ukraine in February 2022, Moldova finds itself in a fragile position, not only because of the war on its borders but also because of the intensified Russian hybrid warfare targeting Moldovan institutions and society.³² In March 2023, President Maia Sandu stated that Moldova faces “hybrid operations by the Kremlin aimed at destabilizing our country.”³³ The operations include the exploitation of the erratic political finance system, which allows for the support of political leaders, political

²⁸ NDI, *Perceptions of corruption in Moldova*, Qualitative research of public opinion, 2021.

²⁹ Public Opinion Barometer, data for November 2022, <http://bop.ipp.md/en>.

³⁰ Norris P., *Why Electoral Integrity Matters*, Cambridge University Press 2014, p. 14-21.

³¹ UNDP, National Human Development Report, *Inequalities and Sustainable Human Development in Moldova*, 2016, <https://hdr.undp.org/content/national-human-development-report-2016-moldova>.

³² For more information on the Russian hybrid warfare in the context of the war in Ukraine, see *inter alia*, Watling J. and Reynolds N., *Operation Z: The Death Throes of an Imperial Delusion*, Royal United Services Institute for Defence and Security Studies (RUSI), Special Report, 22 April 2022, <https://static.rusi.org/special-report-202204-operation-z-web.pdf> and Watling J., Danylyuk O.V. and Reynolds N., *Preliminary Lessons from Russia's Unconventional Operations During the Russo-Ukrainian War, February 2022–February 2023*, RUSI, Special Report, 29 March 2023, <https://static.rusi.org/202303-SR-Unconventional-Operations-Russo-Ukrainian-War-web-final.pdf.pdf>.

³³ President Maia Sandu's speech at the second edition of the Summit for Democracy, 29 March 2023, <https://moldova1.md/p/6928/president-maia-sandu-s-speech-at-the-second-edition-of-the-summit-for-democracy>.

parties, and demonstrations of alleged social dissent. (See *Chapter VII: Identified vulnerabilities*)

Moldova's current efforts to combat political corruption fall in a broader framework of the country's candidate status in the European Union. In June 2022, the European Commission recommended that Moldova be granted candidate status, under the commitments of, *inter alia*, completing the comprehensive justice system reform, taking decisive steps towards proactive and efficient investigations, addressing shortcomings identified by ODIHR and the CoE/the Venice Commission, and implementing the commitment to "de-oligarchisation" by eliminating the excessive influence of vested interests in economic, political, and public life.³⁴

3.4. Legislative framework

Financing of political parties and electoral campaigns is regulated predominantly by the 1997 Electoral Code and 2007 Law on Political Parties.³⁵ Both acts underwent numerous legislative changes, generally aimed at strengthening the democratic character of political parties and elections, capitalizing on the experience of election administration, and implementing the recommendations of the ODIHR, the Venice Commission and GRECO, as well as those formulated by domestic observation missions. The provisions of the Law on Political Parties and the Electoral Code are further detailed in the CEC regulations that cover a broad range of matters under CEC jurisdiction.

3.4.1. Campaign and Party Finance Reform 2007-2011

The Republic of Moldova has joined the trend towards purposely reforming political and campaign finance since 2007, at least in certain areas, when the Law on Political Parties was adopted. The improvement was focused on imposing transparency rules and regulating private and public financing, establishment of income and spending limits for party finance and electoral campaigns.

Despite efforts to reform the political finance system, political corruption was worsening. The evolution of the legislative framework in party and campaign finance was slow. The initiatives covering the financing of parties and electoral campaigns, although legislated, were not implemented. The changes brought to the legislation rather reflected a compromise between the pressure coming from international organizations to adjust the domestic legislative framework to the international standards in the political finance field and the internal needs of the political class, which mimicked this compliance.³⁶ Over that time the political landscape of the country saw affluent businessmen, such as Vlad Filat, Veaceslav Platon, Vladimir Plahotniuc and Ilan Shor, joining politics and becoming leading figures.

3.4.2. Political Finance Reform 2012-2015

Since around 2011 there has been a more significant pressure on regulating political and campaign finances in Moldova, primarily due to the GRECO's Third Round evaluations of Member States.³⁷

Before 2015, the Moldovan political parties were financed solely from private sources. On 9 April 2015, the parliament adopted a number of amendments to the Law on Political Parties and Electoral Code, pursuant to which the system of political parties' financing was changed from solely private to the mixed system in which private funding is complemented by funds from the state budget. The public funds were disbursed

³⁴ European Commission, *Opinion on Moldova's application for membership of the European Union*, Brussels, 17 June 2022, https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-06/Republic_of_Moldova_Opinion_and_Annex.pdf.

³⁵ Law no.1615/1993, as of 19 October 1993, https://www.legis.md/cautare/getResults?doc_id=64848&lang=ro and Law no. 294/2007 as of 21 December 2007, https://www.legis.md/cautare/getResults?doc_id=134902&lang=ro. Other applicable laws include the 2008 Law on Assemblies, 2018 Code of Audiovisual Media Services, 2002 Criminal Code, 2008 Contravention Code, and 2018 Administrative Code.

³⁶ IDIS Viitorul, *Financing of political parties and electoral campaigns from the Republic of Moldova*, 2013, p. 4, <http://www.viitorul.org/files/13.pdf>.

³⁷ Moldova joined GRECO in 2001.

for the first time to the eligible parties on 1 January 2016. The changes introduced to the political finance legislation were welcomed by GRECO, which assessed that “Moldova now has a legal framework which aims to ensure transparency in the funding of political parties.”³⁸

The new amendments to the Electoral Code and Law on Political Parties brought more clarity to the regulations regarding private and public financing, reducing the ceiling for private donations, introduced criteria for membership subscriptions, elaborated criteria for adequate budgetary support for parties, established the obligation to publish financial reports and some data of donors, delegated competence of supervision to the CEC, introduced the first elements of sanctions for parties and electoral contestants which violating reporting provisions. Nonetheless, the provisions were not adopted by the Parliament.³⁹

Corruption continued to be highlighted as the major problem for the Republic of Moldova. The fall of three successive governments, the multiple shortcomings in the implementation of the National Anti-Corruption Strategy, the Justice Sector Reform Strategy and the Republic of Moldova - EU Association Agreement have all diminished the confidence of the population in the ability of the government – no matter how constituted – to deal with the corruption phenomenon. It was noted in the Transparency International Corruption Perceptions Index (CPI), in which Moldova’s score over the years 2012-2016 fell consistently.⁴⁰

3.4.3 Political Finance Reform 2016-2019

Since 2016, when the Association agreement between the EU and Moldova entered in force, the partners have been continuously working on its implementation, aimed at further deepening Moldova’s political association and economic integration with the EU.

One of the major impediments to wide-ranging democratic governance in Moldova has been the role of oligarchs, as stated in the both reports already issued by CCIA. These individuals have been able to capture the political process and state institutions, monopolizing the economy, blocking justice reforms, and sustaining corruption. Nevertheless, Moldova has advanced on a legislative agenda which includes party and campaign finance reform.⁴¹

The changes in political finance legislation have led to several positive trends. These entail the reduction in the thresholds for donations from legal entities and individuals to political parties and electoral campaigns, and encouraging women and youth political participation, through diversifying the criteria for the distribution of state subsidies and allowing the diaspora to donate.⁴²

In 2016, in the context of confirmation of the presidential election’s results and validation of the president’s mandate, the CC issued a number of decisions which called for amendments to the legal framework regulating political parties and electoral processes. The CC, *inter alia*, prohibited religious organizations from supporting financially or materially political parties and election campaigns, and required to shorten

³⁸ GRECO, *Third Evaluation Round*, the Second Compliance Report, *op.cit.* <https://www.coe.int/en/web/greco/evaluations/republic-of-moldova>. The public funding is also strongly advocated by the Parliamentary Assembly of the Council of Europe (PACE), see: PACE, Recommendation 1516 (2001)1, Financing of political parties, paragraph 8 a.ii., <https://pace.coe.int/en/files/16907/html>; Term of ‘political finance’ refers to financing of political parties and election campaigns.

³⁹ ODIHR, *Final Report of the Election Observation Mission* deployed to 24 February 2019 parliamentary elections in the Republic of Moldova, 22 May 2019, <https://www.osce.org/files/f/documents/8/a/420452.pdf>. The ceiling for campaign spending was approved by the CEC at MDL 22.2 million (approximately EUR 1.3 million) for each political party and electoral bloc. For independent candidates, the campaign limit was calculated based on the number of voters in their electoral districts, with spending not to exceed 0.50 Euro per vote.

⁴⁰ Transparency International, 2015 Corruptions Perceptions Index, <https://www.transparency.org/en/cpi/2015/index/mda>.

⁴¹ CCIA reports: “*The Offshore Republic. Review of factors leading to systemic fraud and money laundering in Moldova’s banking, financial and insurance sectors*”, <https://ccia.md/en/2022/07/13/the-offshore-republic-10-years-after-the-embezzlement-of-money-from-financial-banking-insurance-system-in-moldova/> and “*Disrupting Dysfunctionalities. Resetting Republic of Moldova’s Anti-Corruption Institutions*”, https://ccia.md/wp-content/uploads/2022/11/CCIA_Disrupting-Dysfunctionalities_Resetting-Republic-of-Moldovas-Anti-Corruption-Institutions.pdf.

⁴² Before the 2019 Parliamentary Elections, the threshold for donations by individuals decreased from MDL 1 million to MDL 348,750 (from approx. EUR 50,000 to EUR 17,437), and for legal entities – MDL 2 million to MDL 697,500 (from approx. EUR 100,000 to EUR 34,875). The threshold was repeatedly lowered in November 2019 reaching MDL 41,850 (approx. EUR 2,100) for individuals and MDL 83,700 (approx. EUR 4,185). See: the ODIHR Election Observation Mission Final Report, Parliamentary Election 24 February 2019, Warsaw, 22 May 2019, <https://www.osce.org/files/f/documents/8/a/420452.pdf>.

timeframes for review of complaints on broadcast media during the election campaign period.⁴³

The fundamental problem that had to be addressed was a stricter framework regarding the regulation of party and campaign financing, such as minimizing political corruption and promoting political and electoral competition on the basis of equal opportunities for all participants.

3.4.4. Political Finance Reform 2021-2022

In June 2022, Moldova received the status of EU candidate under the commitment of structural reforms and governance, justice and the rule of law, that include among others, "*reforms, notably in the area of rule of law and in particular those related to the independence and functioning of the judiciary and the fight against corruption...*"⁴⁴

Following the July 2021, early parliamentary elections, the new CEC, constituted in October 2021, initiated a comprehensive reform of electoral legislation. The legislative changes were preceded by thorough public consultations led by the CEC, with over 400 legislative proposals. In July 2022, the Parliament registered the draft new Electoral Code, which was voted in the first reading on 28 July 2022. Thereafter, a request was sent to the Venice Commission and the OSCE/ODIHR to provide a joint opinion on the draft new Electoral Code.⁴⁵ Following up on the findings of the OSCE/ODIHR the Parliament adopted the new

Electoral Code in the final reading on 1 December 2022, entering into force on 1 January 2023, less than one year prior to the next local elections planned for October 2023.

On 8 December 2022, the Parliament adopted a number of changes to the Law on Political Parties, with the new provisions entering into force from 1 January 2023. The legislature introduced a number of changes which are to prevent political corruption and an undue influence of private contributors. The limit for donations from private and legal persons has been decreased substantially, to 6 and 12 average monthly salaries, respectively. Donations in cash were decreased to one average salary, and the reporting of the value of in-kind donations was regulated. Also, there was a number of provisions to improve the disclosure of political financing, e.g. obligations to maintain and present registers of party members, provisions on limiting a party's activity in case it fails to submit the financial report in a timely manner and in an adequate form as well as the possibility to *ex-officio* delete a party from the State Register of Legal Entities in case it fails to submit annual financial reports for two consecutive years.

In line with the ODIHR Recommendation that "*parties and candidates are accountable to the citizenry, not to wealthy special interest groups*" and in order to limit the capacity of influential external political groups to buy political influence in the country, the legislation prohibits donations from a number of entities, to prevent foreign influence, conflict of interest or third-party funding.⁴⁶ (See: Table 1). Yet the prevalence of such financial influence remains a problem in Moldovan politics. (See Chapter VII: Identified vulnerabilities.)

⁴³ See: Constitutional Court Decision No. 34 from 13 December 2016 and respectively the Resolutions: No. PCC-01/139e-34/4, PCC-01/139e-34/5, and PCC-01/139e-34/6.

⁴⁴ European Council, Conclusions from the 23-24 June 2022 meeting, (EUCO 24/22), Brussels, 24 June 2022, <https://www.consilium.europa.eu/media/57442/2022-06-2324-euco-conclusions-en.pdf>.

⁴⁵ OSCE/ODIHR and Venice Commission, Joint Opinion of the Draft Electoral Code, 21-22 October 2022, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2022\)025-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2022)025-e).

⁴⁶ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 211, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

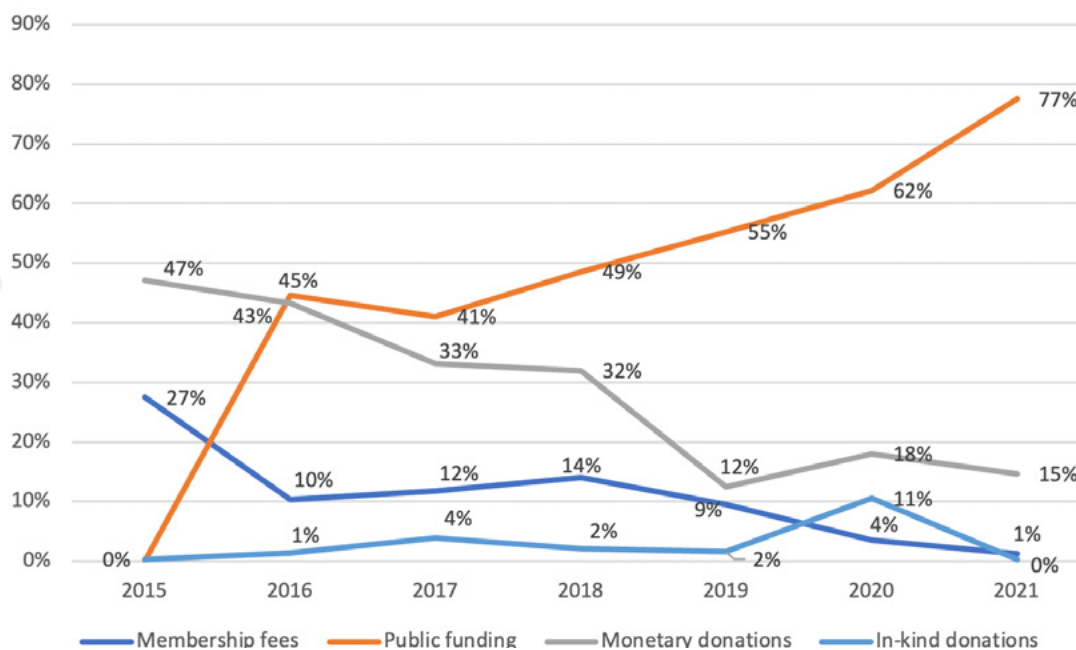
Table 1: Prohibited sources of donations	
Type of donation bans	Rationale
Foreigners	To prevent external/foreign influence
Anonymous	To increase the level of campaign finance transparency, ensure compliance with the legislation and prevent undue/foreign influence
Straw donors	To prevent channelling money through another person, acting on behalf of other individuals or corporations; to prevent circumventing the legal limits on donations
Corporations with government contracts	To reduce the risk of companies or individuals to make donations with the promise of being awarded contracts from state funds (i.e. quid pro quo donations)
State and state-owned mixed corporations	To avoid use of public funds in electoral campaigns
NGOs	To restrict channels for foreign interventions such as financial support for NGOs
Trade unions	To avoid improper influence from organized associations
Foundations & Charities	To avoid third-parties involvement in elections and to strengthen accountability and transparency of campaign finance
Foreign and mixed corporations	To prevent external and foreign pressure, ensure independence of candidates and elected officials from special interests
International organizations, including political	To limit influence from entrusted interests, ensure independence of candidates from foreign strategic influence

IV. Financing of political parties

4.1. Sources of funding

The 2015 reform, pursuant to which the parties can count both on public subsidies and obtain income from private sources, substantially changed the structure of party incomes. The share of public funding in the party' budgets rose exponentially, while incomes from donations decreased. The in-kind contributions, which were mentioned by a number of CCIA interlocutors as underreported, indeed constitute a minor share of incomes according to the reports presented by political parties. (See Figure 2).

Figure 2: Average structure of political parties' annual incomes, 2015-2021



Source: Developed on the basis of the political parties' annual financial reports [submitted to the CEC](#).⁴⁷

4.1.1. Public funding

The provision of public funding to political parties recognizes them as pivotal to democratic functioning of the state.⁴⁸ The public subsidies for political parties were to decrease the influence of affluent figures over politics as well as to contribute to the programmatic and structural development. It was believed that the availability of public funds would allow parties to develop their territorial structure, human resources and undertake regular programmatic activities.

One of the key principles of financing political parties is that the state "subsidies should be set at a meaningful level to fulfil the objective of providing support but should not be the only source of income or create conditions for over-dependence on state support".⁴⁹

The sum earmarked for political party funding amounts to 0.1% of state budget revenues, which in 2023 equals MDL 49.98 million (approx. EUR 2.5 million). The funds are transferred by the CEC to the political parties' dedicated bank accounts on a monthly basis. There is no threshold, like an electoral result or parliamentary representation, set for the eligibility for public funding. The only requirement is participation in elections, as the amount of public funding the political parties are eligible for is calculated on the basis of electoral results, pursuant the following formula:

- 30% – in proportion to performance in parliamentary elections;
- 30% – in proportion to performance in general local elections;
- 15% – in proportion to performance in presidential elections;

⁴⁷ Monetary donations are the financial means offered via bank transfers or cash by an individual or a corporation voluntarily, free of charge and unconditionally to the political party and accepted by it.

⁴⁸ According to the OSCE/ODIHR and the Venice Commission, "Political parties are critical institutions through which citizens organise themselves to participate in public life, among which they choose at elections, and through which elected officials co-operate to build and maintain the coalitions that are the hallmark of democratic politics. They are vital to the realisation of representative democracy". OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁴⁹ *Ibid*, paragraph 233.

- 7.5% – in proportion to women actually elected in parliamentary elections;
- 7.5% – in proportion to women actually elected in local elections;
- 5% – in proportion to youth actually elected in parliamentary elections;
- 5% – in proportion to youth actually elected in local elections.

Instead of election results being the only criteria for eligibility for public funding, the legislature could consider introducing other stimulative measures for political parties to increase the capacity of political parties to stay connected to their electorate, collect membership fees, and organize grassroots fundraising campaigns well in advance of elections.

Recommendations:

- *Parliament should consider revising the criteria for public funding of political parties focusing on a more balanced formula of disbursement rewarding genuine and active outreach (12 months).*
- *Parliament should introduce a quota of public funds to be committed to political parties' internal democracy and professionalism of their programmatic work (12 months).*

The formula does not take into consideration elections in the Autonomous Territorial Unit (ATU) of Gagauzia, where the legislature i.e., People's Assembly of Gagauzia (PAG) and the head of the executive, *bashkan*, are elected in direct suffrage. Lack of financial incentives for political parties to participate in the Gagauz elections leave the voters of the ATU with scarce programmatic choice (for example, in the last PAG elections over 80% of the candidates registered as independent) and an extremely fragmented legislative (24 out of 35 elected deputies, i.e. 74%, are independent), which affects the professionalism and efficiency of the Gagauz government.

Recommendation:

- *People's Assembly of Gagauzia should expand the formula, based on which the public funding is disbursed among political parties, to the elections to the People's Assembly of Gagauzia and the bashkan election, to ensure the political pluralism in all electoral processes in Moldova (9 months).*

Public funding has been available to political parties since 2016. Its share in the political party incomes have been successively increasing, to reach in 2021 on average 77% of a party's annual budget. It constituted the only source of funding for the PDM and the PLDM in 2021, for the PPPDA in 2019 and 2020, and the PL in 2017, 2018 and 2020. Some interviewees opined that public funding maintains weak parties, which otherwise would have already disappeared from the political landscape and makes it difficult for new parties to emerge. On the other hand, some stated that new parties, such as PAS or PPPDA succeeded in establishing themselves, initially without state subventions, not only because there was a public need for a political alternative, but also because they initially proved to be resourceful in fundraising.

4.1.2. Private funding

The ODIHR and the Venice Commission state that "legislation should require that all political parties be financed, at least in part, through private means as an expression of minimum support".⁵⁰ The legislation allows for private funding in the form of membership fees, donations from private persons, including Moldovan citizens living abroad, donations from legal entities, in-kind donations, and incomes generated through parties' own activities.⁵¹

The Law on Political Parties (Art 26.3) provides a ceiling for the total amount of money a party can collect via membership fees and donations per year, which equals to 0.1% of the revenues scheduled in Moldova's national budget for the respective year. This total limit on the incomes a party can receive from private

⁵⁰ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 209, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁵¹ The party's own incomes can stem from editorial activities, administration of its property, economic activities or any other, as long as reflected in the party's statute.

sources is to prevent an undue influence of affluent donors and ensure a level playing field; nonetheless it is relatively high in Moldova, which poses a question of its effectiveness. In 2023 the scheduled revenues to the national budget amount to MDL 64.8 billion, hence the ceiling for membership fees and donations is set at the level of some MDL 64.8 million (approx. EUR 3.2 million) for each party.⁵² Over the period 2015–2021, including the year 2015 when the political parties were not receiving public funding hence organised their campaigns and activities solely from private sources, the annual amount of money obtained from membership fees and donations never exceeded the stipulated ceiling, with the biggest sums of private funding amounting to MDL 52.1 million obtained in 2017 by the PDM and MDL 51.2 million obtained by the PL in 2015.⁵³

Over the analysed period, the private funding has been constituting a diminishing amount of political parties' budgets. Ever since 2019 the share of private funding is on average smaller than that of public funding. In 2021 private funding constituted on average 23% of income for the key political parties.

4.1.2.1. Party membership fee

Massive party membership, which could provide a sizable income, is hardly the case in the last decades. Over the analysed period 2015–2021, the Moldovan parties reported on average 17,500 members. The biggest number of members was reported by the Shor Party in 2020 and 2021 – 71,680 and 74,777 members, respectively, followed by the PDM, which in 2018 reported 54,728 members.

According to the Law on Political Parties, "the size and method of payment of membership fees are established in the party statute. The detailed procedure regarding the collection of contributions, their keeping and records is approved by the governing body of the party". Parties reported different approaches to collection of membership fees. Some offer a scale of fees like the PAS and the PDM/ESDP; in the PAS the level of the paid fee does not influence the members' clout in the party, whereas in the ESDP it does. The latter approach is not advisable as it can be a barrier for the less affluent to actively participate in politics.⁵⁴

Generally, membership fees rarely constitute a substantial part of political party incomes.⁵⁵ In Moldova, over the analysed period 2015–2021 the average share of membership fees in the total party budgets decreased systematically, from 27% in 2015 to 1% in 2021.⁵⁶ The membership fees amounted to the biggest share of the budget of the PSRM, according to its annual financial report for the year 2015. That year the party reported receiving from its 9,100 members fees amounting to over MDL 21.5 million, which would mean an average member paid a fee exceeding MDL 2,300 (approx. EUR 115). The PDM in 2019 and the Our Party in 2017 reported that the membership fees constituted 50% of their total incomes. For the PDM in 2019, the income of over MDL 15.6 million (approx. EUR 780,000) came from 5,385 members, which would imply an average membership fee slightly exceeding MDL 2,900 (EUR 145).

⁵² Law on State Budget for the year 2023 no. 359/2022, 22 December 2022, <https://mf.gov.md/ro/content/bugetul-de-stat-2023-0>.

⁵³ Following the 2022 amendments to the Law on Political Parties, the ceiling was lowered from 0.2% to 0.1% of the incomes.

⁵⁴ The Venice Commission and OSCE/ODIHR recognize the membership fees as legitimate source of party incomes, provided that the level of the fee is not "so high as to unduly restrict membership and be discriminatory in nature". OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e), See also: Venice Commission Code of Good Practice in the Field of Political Parties, CDL-AD(2009)002, Strasbourg, 28 January 2009, paragraph 39, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2009\)002-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2009)002-e).

⁵⁵ Funding of Political Parties and Election Campaigns. A Handbook on Political Finance. International Institute for Democracy and Electoral Assistance (IDEA), Stockholm 2014, pp. 213–215, <https://www.idea.int/sites/default/files/publications/funding-of-political-parties-and-election-campaigns.pdf>.

⁵⁶ Figure 14 with reported membership of the analyzed parties over the period of 2015–2021 available in the Annex III.

GRECO recommended taking appropriate measures to limit the risk that members' subscriptions received by parties may be used to circumvent the transparency rules applicable to donations.⁵⁷ The legal and regulatory framework requires that the payments of membership fees are recorded, including the ID number of the person, the domicile and place of employment, which allows for verification of the payor and payment. That process may prove tedious, especially for bigger parties and taking into consideration the reporting formats (*See Chapter 4.3.2.: Frequency, detail and form of reporting*). A number of CCIA interlocutors stated that the membership fees are often misused to obscure funding from other sources.

4.1.2.2. Donations

According to the Venice Commission and the ODIHR “[w]ith the exception of sources of funding that are banned by relevant legislation, all individuals should have the right to freely express their support for a political party of their choice through financial and in-kind contributions. However, reasonable limits on the total amount of contributions may be imposed and the receipt of donations should be transparent”.⁵⁸ The Moldovan legislation allows for monetary donations from private persons and legal entities as well as for in-kind donations in the form of properties, goods and services.

The law establishes the limits for donations from private persons and legal entities. An individual may donate to one or more political parties a total amount not to exceed six average monthly salaries established for the current year (MDL 59,400; approx. EUR 2,970).⁵⁹ For an individual who obtains its revenues abroad a total amount donated to one or more political parties cannot exceed three average monthly salaries for the current year (MDL 29,700 approx. EUR 1,485). For the limits of donations not to be circumvented through the membership fee, the ceiling for donations includes the membership fee in case of party members. Following the 2022 amendments to the Law on Political Parties, the donated amount cannot exceed 30% of the donor's annual income recorded in the previous calendar year. It is not clear whether the burden of verifying whether the donated amount - even if in line with the general donation limit - has not exceeded 30% of the donor's income or any other limitation provided by the law, rests on the oversight body or on the recipient of the donation.⁶⁰ The latter case could pose an excessive burden on political parties and electoral contestants, discouraging them from seeking funds from private persons altogether.

Recommendation:

- *CEC should clearly stipulate who bears the burden of verifying compliance with thresholds for donations. Consideration should also be given to introducing a donor's declaration that the donated amount complies with legal provisions on thresholds, under penalty of contravention (6 months).*

Donations made in a fiscal year by legal entities, i.e. private companies and corporations, cannot exceed 12 average salaries (MDL 118,800, approx. EUR 5,900).⁶¹ Political parties need to submit to the CEC the register of donations received from private and legal persons, so that the oversight body can verify the donations.

⁵⁷ See: GRECO, *Third Evaluation Round, Compliance Report*, 22 March 2013, <https://rm.coe.int/CoERMPublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806c9ab8> and GRECO *Second Compliance Report*, 1 April 2015, <https://rm.coe.int/CoERM-PublicCommonSearchServices/DisplayDCTMContent?documentId=09000016806c9a4c>.

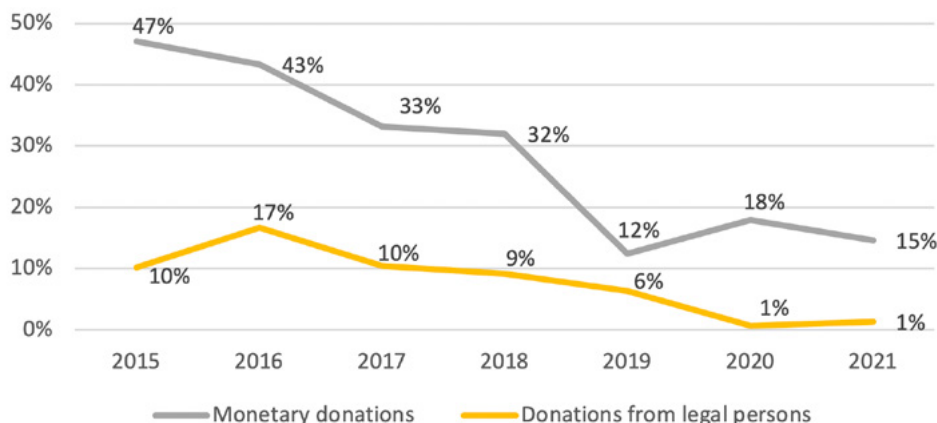
⁵⁸ OSCE/ODIHR and Venice Commission *Guidelines on Political Party Regulation*, Second Edition, CDL-AD(2020)032, paragraph 209, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁵⁹ In 2023, the average salary amounts to MDL 9,900 (approx. EUR 500).

⁶⁰ Individuals whose income arises only from scholarship or social benefits cannot donate more than one average salary. Persons with public dignity, public officials, and employees in public organizations can donate up to 10% of their annual income, provided the amount does not exceed 6 average monthly salaries for the respective year.

⁶¹ The limits on donations were substantially lowered through subsequent legislative amendments, as initially in 2015 the limits were set at 200 and 400 average monthly salaries for private individuals and legal entities, respectively.

Figure 3: Donations - % of the annual party income. Averages for 2015-2021



Source: Developed on the basis of the political parties' annual financial reports [submitted to the CEC](#).

The share of donations in the key political parties' budgets has been successively decreasing; in 2021 it amounted to 15% of total incomes. Some interlocutors pointed at donations from legal entities as the possible risk of undue influence of interest groups and affluent individuals, yet the amounts of donations the Moldovan political parties report as received from those kinds of donors is marginal. (See Figure 3) One of the reasons for such a trend is the notorious lack of separation between political parties and business, hence it is not that businesses donate to political parties but rather that political parties are taken over by powerful businesses. Usually, small parties are used by businessmen as points of entry into politics; in such a manner in 2010 Vladimir Plahotniuc took over the then relatively small PDM; similarly, in 2014 Renato Usatii took over the Republican People's Party, renaming it "Our Party". Ilan Shor entered politics in 2014 as mayor of Orhei, a year later to take over the Social-Political Movement "Equality" and rename it to the Shor Party. (See Chapter VII. Identified vulnerabilities)

The political parties, interviewed about fundraising activities, admitted they fundraise more actively among their members in election years, especially among those who are interested in becoming candidates. Such an approach is financial gatekeeping to candidacy rather than a fundraising strategy. Furthermore, it reinforces the patron-client form of relationship between the party and the donor, in which the latter is inclined to donate to the party in power.

There are media reports about various violations, such as donations from individuals exceeding the legally stipulated limits. In some instances financial contributions made by employees of public institutions as well as from employees of enterprises that won public procurement contracts also raised media attention and triggered investigations for the risk of corruption.⁶² In 2018, donations to the PDM and the PSRM came from employees of state institutions or from businessmen whose revenue came in part from works or

⁶² The Law on Political Parties prohibits donations from "public authorities, organizations, enterprises, public institutions and other legal entities financed from the public budget or with state capital" but not from the employees of the aforementioned entities. Investigations from RISE Moldova (<https://www.rise.md/articol/donatorii-partidelor-i-am-donat-si-dumnezeu-cu-dansii/>) and anticoruptie.md (<https://anticoruptie.md/ro/investigatii/bani-publici/angajati-ai-firmelor-abonate-la-bani-publici-sponsori-ai-partidelor-in-campania-electoral>) have revealed that for example, employees of several enterprises that received contracts in the public health sector later donated to the party the Minister of Health was a member of. While employees of construction companies that benefited extensively from the state contracts, donated to the party that the Minister of Regional Development and Construction was affiliated with.

services paid from the public budget.⁶³ More recently, in 2021 an investigation of a media project CU SENS, revealed sizable donations from public officials to the Shor Party as well as donations to the PAS from “several employees of a company that consistently wins contracts with the state”.⁶⁴ Moreover, prevalence of fake donors in the parties’ reports remains a problem. The Anti-Corruption Prosecutor’s Office (APO) informed the CCIA that there are attempts at hiding unreported sources of funding in donations received from individuals; the alleged donors are either unaware of being listed among a political party’s financial contributors or are deceased.

Since 2020, the right to donate to political parties and electoral contestants has been extended to Moldovan citizens living abroad. The legislation prohibits parties to open bank accounts abroad but allows receiving donations in foreign currencies to the accounts opened in the licenced banks of Moldova (LPP Art. 24.4). In 2020 and 2021 only Our Party and PAS reported receiving such donations, and not in significant amounts (the biggest reported amount was received by PAS in 2020 - MDL 442,000, approx. EUR 22,200). Still, a number of CCIA interlocutors raised the issue of authenticating such donors, especially in the context of the risk of foreign financing. According to some, it is difficult to establish whether a donated amount comes from a Moldovan living abroad or from a foreign citizen, opening the possibility for circumvention of prohibition of donations from foreigners.

Recommendation:

- *CEC should create mechanisms for verification of donors living abroad and the value of their donations (6 months).*

4.1.2.3. In-kind donations

The law allows for in-kind donations in the form of properties, goods, and free services; more favourable terms than normal commercial rates should also be reported as in-kind donations. Their value needs to be assessed and reported according to market prices and is limited by the same ceilings as monetary donations.⁶⁵ In-kind donations appear to be underreported. Out of 60 analysed political party reports, 39 state zero in-kind donations, which constitutes 65% of the analysed cases. Only in 11 reports, the reported in-kind donations exceeded MDL 100,000 (approx. EUR 5,000). (See Table 2)

Table 2: In-kind donations > MDL 100,000 (approx. EUR 5,000), reported in political parties’ annual reports 2015-2021 – in a descending order

Year	Party	Reported value of in-kind donations
2019	PLDM	MDL 886,580
2020	PAS	MDL 814,050
2020	PLDM	MDL 628,863
2018	PLDM	MDL 564,594
2017	PLDM	MDL 524,391
2017	Shor Party	MDL 448,815

⁶³ See the PSRM 2018 Annual Financial Report, https://a.cec.md/storage/ckfinder/files/Partidul_Politic_Partidul_Socialistilor_din_Moldova.pdf.

⁶⁴ Cutu D., #Anticipate2021/Facade Donors, CU SENS, 17 November 2021, <https://cusens.md/ro/investigatii/antici-pate2021-donatorii-de-fatada/>.

⁶⁵ Provisions of the Law No. 989/2002 on evaluation activity apply for establishing the value of an in-kind donation, https://www.legis.md/cautare/getResults?doc_id=108063&lang=ro.

2021	PAS	MDL 282,690
2015	PLDM	MDL 246,400
2019	Our Party	MDL 240,000
2019	PAS	MDL 202,500
2016	PLDM	MDL 154,582

Source: Annual financial reports [submitted to the CEC](#).

CCIA interlocutors reported a variety of malpractices related to in-kind donations. One example is that of materials tailored for political party/campaign purposes which are purchased by a person or legal entity and subsequently donated to the party/electoral contestant. The CEC, in the amended regulatory framework, prohibits donations of goods and services tailored specifically to political party/campaign needs.

Volunteer work is not considered as an in-kind donation, but this type of political activism appears to require further methodological guidelines to avoid malpractices.⁶⁶ For instance, in February 2023, Our Party inquired at the CEC how to report the work of volunteers and campaigners, whether there is a limit on the expenses that can be incurred on such activists (e.g. per diems, meal vouchers).

Recommendations:

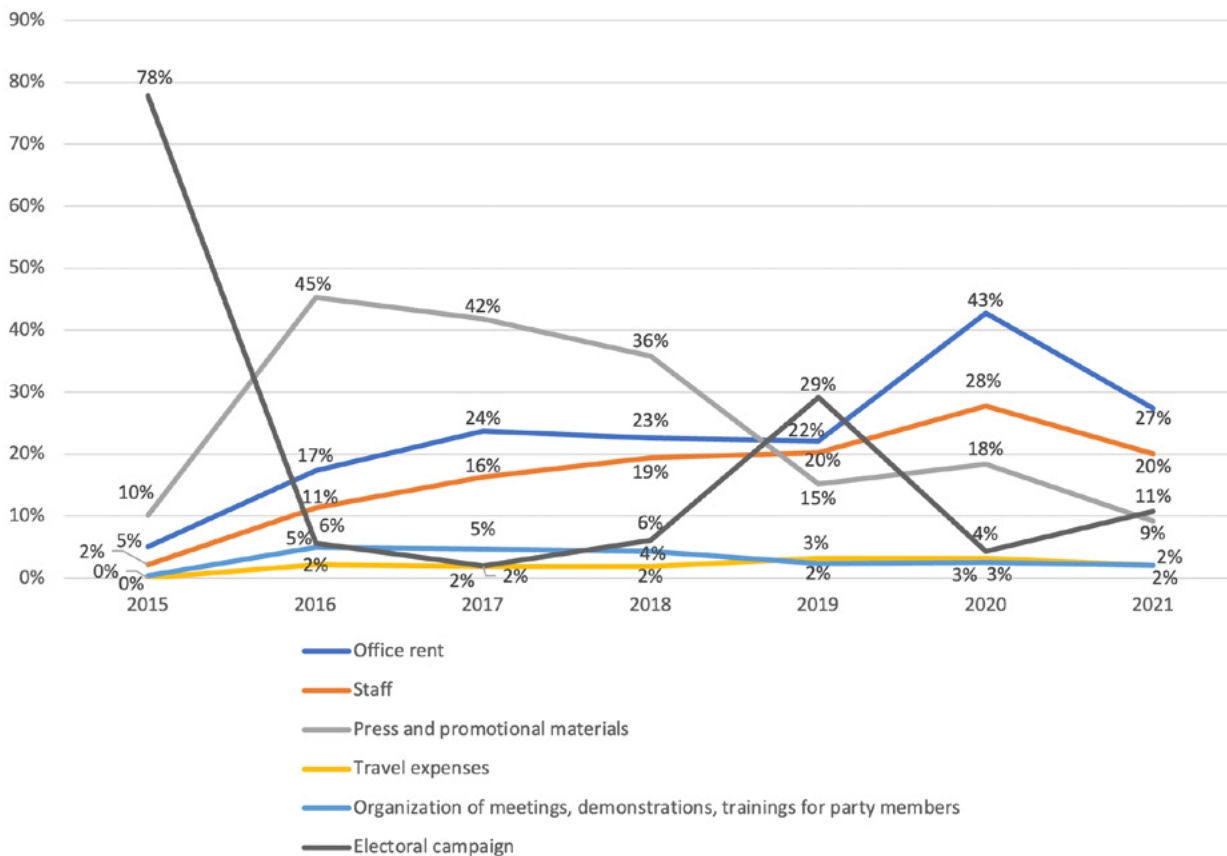
- *CEC should provide political parties and electoral contestants with a regulatory framework for monetizing and reporting on in-kind donations (6 months).*
- *CEC should develop a methodology for verification and evaluation of reported in-kind donations (6 months).*
- *Parliament should revise and make clear legal framework on volunteering for political parties and campaigns, and on its value (12 months).*

4.2. Political parties' expenditure

Revenue and payment operations of the political parties are performed "through the accounts opened in the licensed banks from the Republic of Moldova with the issuing of supporting documents" (LPP, Art. 25.4). The legislation defines which party's expenses can be covered from the state budget allowances and requires that receiving and using the allowances from the state budget are reflected separately in the bookkeeping records of the political parties.

⁶⁶ Volunteering for a political party does not fall under the scope of the Law on Volunteering no. 121/2010. OSCE/ODIHR and Venice Commission recommend that "[a] distinction might be drawn between services for which a volunteer would not be paid in the regular course of his or her business and those for which the volunteer would be paid if the service were provided to other clients. Services provided gratis or at a submarket price by individuals or legal persons for which the donor would expect to be paid by other clients should be counted as donations at their normal market value. Services voluntarily provided by those who would not normally expect to be paid might be regarded as individual political activity rather than as political contributions." OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, [https://www.venice.coe.int/web-forms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/web-forms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

Figure 4: Parties' expenses. Averages for years 2015-2021



Source: Developed on the basis of the political parties' annual financial reports [submitted to the CEC](#).

One of the key goals of the 2015 reform of political parties financing, with the introduction of public funding, was the development of political parties: their territorial structures, human resources, and professionalism. Analysis of political parties' financial reports for the years 2015-2021 shows that some of those goals have been met. In 2015 - the last year without public subsidies - political parties spent the great majority of their resources on the election campaign (on average, 78% of the expenses), to some extent invested in the press and promotional materials (on average, 10%), and spent a minimal share of their budgets (5% or less) on office rent, staff, travels and internal work, such as party meetings, seminars and trainings. The following years, with public funding available, a substantial change in the structure of their expenses occurred. Campaign expenses decreased significantly, remaining most of the years on average below 10% of total incurred costs. The only spike of campaign expenses was noted in 2019, the year of parliamentary elections, when parties' campaign expenses constituted on average 29% of expenditures. (See Figure 4)

Since the availability of the public funding, political parties invested much more in renting offices, press and promotional materials and paid staff. Yet, the analysis of the number of territorial branches of the key political parties shows no major changes over the years 2015-2021, when public funding was available.⁶⁷ Also, there were no major changes in the parties' number of salaried employees. (for the comparative of the number of employees see Table 7 in the Annex III Quantitative analysis of financing of political parties and electoral campaigns)

⁶⁷ For the information on the number of territorial offices reported by the analysed parties over the period 2015-2021 see Table 8 in Annex III.

4.2.1. Expenditure on programmatic activities and travels

The reported political party expenses for programmatic work, such as demonstrations, meetings, seminars, and training for their members, as well as on travel expenses, remain consistently very low. The trend is related to two weaknesses: continuous low level of parties' internal democracy and underreporting of travel expenses.⁶⁸

The parties' average expenses on demonstrations, seminars, trainings, and courses for their members did not surpass 5% of total expenses over the analysed period. The biggest amounts were invested by the PDM in 2018 – MDL 1.9 million (approx. EUR 95,400) and the PSRM in 2017 – MDL 1.5 million (approx. EUR 75,300). Still, even those expenses constituted 5 and 12% of the parties' annual expenses, respectively. In 37% of the analysed reports (22 out of the 60 annual financial reports) the amounts spent on internal democracy and programmatic work amounted to MDL 50,000 (approx. EUR 2,500) – or less. In 6 cases, parties reported no expenses for such activities.⁶⁹ The parties' limited expenses for programmatic work reveal their continuous weakness when it comes to the internal functioning. Political parties interviewed about the payment of membership fees and donations by party members on several occasions stated they are unwilling to approach their members for financial contributions. The situation when most parties felt confident about fundraising among their membership was when certain members were interested in running for an elective office. It shows that parties frequently see their role vis-à-vis their members as gatekeepers to a candidacy. Parties could justify and encourage fundraising among their membership and electorate if they worked systematically with both groups, reaching out to them by offering programmatic activities, trainings and other events and materials.

The underreporting of travel expenses, which should reflect the party members travel both within the country and abroad, limits the transparency of not only party expenditures but also its funding. The average expenses reported in years 2015-2021 by the parties analysed in this report ranged from 0 to 3%. In 2018, the Promo-LEX compared the travel expenses reported by political parties with its own estimates on incurred travel costs, based on the NGO's observation of parties' activities and the average travel costs. According to the Promo-LEX findings such parties as PAS, PCRM, PDM, PPPDA, and PSRM, either failed to report on travel expenses or strongly underreported these types of expenses.⁷⁰

As some of the political parties cooperate with their ideological counterparts in other countries, like Romania or Russia, they also pay visits to the respective countries. Notorious lack of reporting on expenses incurred in relation to those travels may also raise questions about their sources of funding.

Currently political parties are to report jointly the costs of travel within the country and abroad. Since programmatically those are of different character and the travels abroad can be undertaken upon an invitation, the reporting format should be revised to ensure more transparency.

Recommendations:

- *Parliament should introduce obligation of political parties to report separately on in-country and foreign travel (12 months).*
- *CEC should provide rules for political parties' reporting on travel abroad (6 months).*
- *CEC should introduce stricter rules concerning the oversight of travel expenses reported by political parties and electoral contestants (6 months).*

⁶⁸ Internal party democracy ensures that internal party processes, such as party qualifications for membership, candidacy, access to decision-making, internal promotion, access to party resources and party activities, are transparent and provide for equal participation. OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 151, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁶⁹ Those are: PDM and PL in 2015, Sor Party in 2016, Platform DA in 2020, PL and Our Party in 2021.

⁷⁰ Promo-LEX, Political Party Financing in the Republic of Moldova, 2018 Retrospective, https://promolex.md/wp-content/uploads/2019/06/raport_finantarea_partidelor_2019_EN_web.pdf.

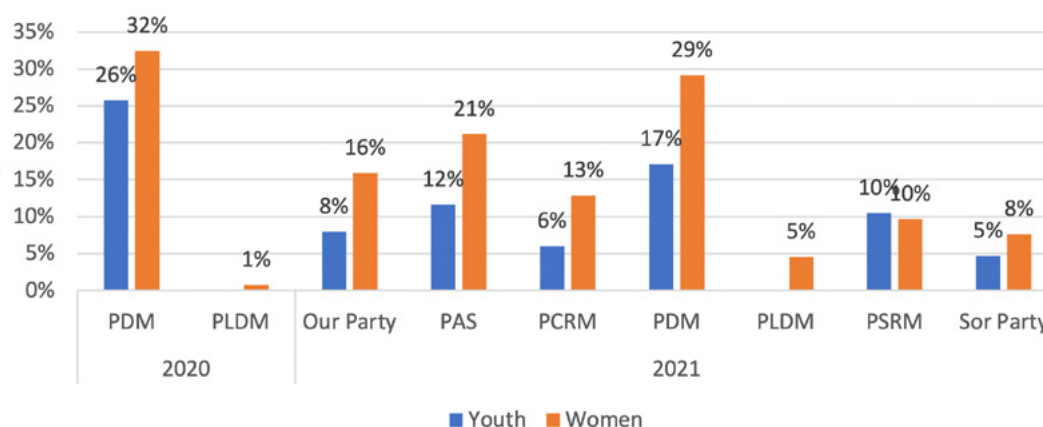
4.2.2. Expenditures on women and youth political participation

The amount of public funding a party is eligible for is based on its electoral results. 7.5% of the total amount for political parties' public funding is dedicated in proportion to the number of women elected in the parliamentary elections and another 7.5% for the number of women elected in local elections. Similarly, 5% of the state subsidy is disbursed proportionally for youth elected in parliamentary elections and another 5% in local elections. (LPP, Art. 27.1). Following the 2019 amendments to the Law on Political Parties, the parties have been obliged to spend 20% of the annual state subsidy on promoting and encouraging the participation of women in the political and electoral processes and 10% for the youth. Such an approach can not only stimulate women's and youth candidacy and the parties' support to their electoral victory, but also strengthens broader political participation of those underrepresented groups.

Given that the amendment entered into force in August 2019, it has been applied by the parties since 2020. Following the introduction of the reporting requirement, the CEC and the CoA conducted training for political parties and provided "Guidelines on reporting expenditures for promoting and encouraging the participation of women and young people in the political and electoral processes". Nonetheless, a number of parties raised the issue of separate reporting lines for expenses on women and youth participation. For smaller parties the requirement appeared difficult to meet due to overall limited resources, while the bigger ones stated that it is difficult to make clear distinctions as to which expenses are incurred specifically on activities for those groups and that sometimes the parties organize activities, which they would otherwise have found superfluous, just to meet the quota and reporting requirements.

Thus far, the implementation of the required quotas has been very erratic. In 2020 only two parties, the PDM and the PLDM, dedicated some amounts to women and youth political participation. In 2021, of the analysed parties the PPPDA and the PL reported zero expenditures on women and youth political participation, the PAS and the PDM met or exceeded the requested quotas of 20% and 10% of public funds spent on women and youth participation respectively. The rest of the parties committed some money but did not meet the required quota. (See Figure 5).⁷¹

Figure 5: Parties' reported expenditures on women and youth programs in the annual state subsidy - 2020-2021



Source: [CEC](#)

The CEC started to scrutinize political parties' compliance with the provision on quotas for women and youth political participation in 2021. Following the analysis of the 2021 annual reports, the CEC concluded that out of 29 political parties receiving public subsidies only 17 reported expenses on women and youth political

⁷¹ Table 9, with the amounts spent by the analyzed political parties on women and youth programs, available in Annex III.

participation, and of those, 4 exceeded the amount prescribed by the law, while 13 spent less than the indicated quotas.⁷² The use of public funds contrary to the legal provisions is subject to a fine of the person responsible in the amount of 120 to 300 conventional units (c.u.), i.e. MDL 6,000-15,000, and the deprivation of the right to hold certain positions or to carry out certain activities for a term of up to one year for the responsible person.⁷³ Thus far the CEC has not sanctioned any political party for non-compliance with the provision, which does not represent an effective remedy against the infringements, including corruption.

Recommendations:

- *CEC should provide further training to political parties, in order to strengthen their programmatic and reporting capacities related to women and youth political participation. Civil society should also be invited to assist in those efforts (9 months).*
- *CEC should start sanctioning the political parties' non-compliance with the quota of expenditures on women and youth political participation (3 months).*

4.2.3. Transparency of political and online advertisement

The latest amendments to the Law on Advertising, which came into force in 2023, provide that political advertising should be labelled as such, and include a disclaimer indicating the entity financing the campaign and the date and bank details of the payment. (Art. 9.2.) The responsibility for compliance with the provisions rests on the advertising producer or, in case one cannot be identified, on the advert provider/distributor (Art. 52). The maximum sanction for non-compliance amounts to MDL 15,000 (approx. EUR 750), which is very low in comparison with the value of the broadcast and outdoor campaigns, hence unlikely to deter non-compliance. According to international good practice "sanctions must bear a relationship to the violation and respect the principle of proportionality".⁷⁴

Recommendation:

- *Parliament should increase sanctions for non-compliance with the disclosure requirements, in order to strengthen the transparency of financing of the political advertisements (12 months).*

In a number of interviews, conducted for this report, the issue of the transparency of online advertising has been raised. The interlocutors underlined the lack of legislative framework, difficulties in monitoring the expenses incurred by the political parties and their tendency to underreport this type of expenditures. There were also concerns over possible foreign influence and the limited influence of the Moldovan government on such tech giants like Alphabet (Google and YouTube), Meta (Facebook and Instagram), Telegram and TikTok.

The increasing role of online political advertising has been a global trend. Moreover, the internet is becoming more often the key and most trusted source of information, hence regulating the paid political online content is increasingly important.⁷⁵ Close to 80% of Moldovans report daily use of social media and messengers to obtain information; Facebook, YouTube and Instagram are the most frequently used platforms.⁷⁶

Although the Political Parties Law does not regulate specifically the expenses incurred for the online promotion and advertisement, the new CEC Regulation on political parties financing envisions reporting of such costs.

⁷² CEC Decision No. 530, 31 May 2022, https://a.cec.md/ro/cu-privire-la-exercitarea-atributiei-de-supraveghere-a-rapoar-telor-privind-2751_101965.html.

⁷³ Contravention Code, Art. 48¹ paragraph 4, https://www.legis.md/cautare/getResults?doc_id=113262&lang=ro. A conventional until equals MDL 50 https://www.legis.md/cautare/getResults?doc_id=112878&lang=ro.

⁷⁴ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 273, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁷⁵ According to the Public Opinion Barometer of Moldova, Internet is the most important source of information for 45.2% of Moldovans and 21.6% find it the most trusted source of information. [Public Opinion Barometer](http://bop.ipp.md/en), Republic of Moldova, November 2022, <http://bop.ipp.md/en>.

⁷⁶ Public Opinion Barometer, Republic of Moldova, November 2022, <http://bop.ipp.md/en>. Figure 15 showing the social networks or messaging apps Moldovan use daily or multiple times a week to be informed available in the Annex III.

According to the current legal framework, the expenses for online advertising need to be specified in the campaign finance reports, but in the reporting of political parties on their regular activities they can be included into broader reporting lines of “expenses for press and promotional materials” or “other expenses”. The reporting obligations would not only need to be more detailed, in order to reflect the online advertising expenses, but also revised in terms of the actors that are obliged to disclose such type of information. International IDEA, in its latest study of the financing of the online electoral campaigns, proposes to extend the reporting obligations to the third parties and advertising agencies. (*for more information on third parties financing, see Chapter 7.2.*)

It remains to be seen if the current capacity of the CEC, with its newly formed Political Finance Division, is sufficient to follow expenses on online activities. The President of the CCA is adamant that the institution also does not have the capacity to include social media oversight to its mandate.⁷⁷

The Service for Information and Security informed the CCIA that the companies’ responsiveness varies, with Meta and TikTok being more responsive than Alphabet to regulatory-related requests and addressing issues of disinformation. Of the frequently used social media, Telegram is reportedly the least responsive to any initiatives aiming at transparency and moderation of the political discourse.

The attention of the social media platforms to the Moldovan market and to cooperation with the Moldovan state institutions is limited. For instance, Ilan Shor and his party continued to buy adverts on Facebook, calling for protests and uprisings against the government, after the U.S. imposed sanctions on both the businessman-turned-politician and his political party in October 2022. The advertisements were run in October 2022 and January 2023, and were taken down not because of who purchased them but for non-compliance in providing information required by the Facebook Ad Library. Ilan Shor’s expenses on the aforementioned ads amounted to some EUR 14,000, but their impact was sizable - the Library confirms the ads in question were seen millions of times before they were ultimately removed.⁷⁸

YouTube, which 30% of Moldovans use to stay informed, does not provide the possibility of monetization of ads. A number of specialists stated that the limitation can be circumvented by purchasing ads in neighbouring countries, Romania, Ukraine or Russia, which raises concerns over the transparency of their funding in general and the possibility of funding by foreign entities.

Recommendations:

- *CEC should establish formal channels of communication between social media platforms and the CEC (6 months).*
- *Parliament should regulate online campaign advertising, including on social media, and set clear reporting requirements for political parties and election contestants (12 months).*
- *CEC should develop a methodology for monitoring online expenses of political parties and electoral contestants and consequently train the Political Finance Division and the District Election Commissions’ Chairpersons on monitoring and evaluation of these types of expenses (9 months).*

⁷⁷ In April 2023, Meta offered training to the CEC on the company’s policies and tools that regulate political and electoral advertising, https://a.cec.md/ro/cec-intreprinde-pasi-siguri-pentru-consolidarea-cooperarii-cu-compania-2781_106396.html. The CCA prepared the draft of the Regulation on commercial audio-visual communications and [put it for public consultations in January 2023, https://consiliuaudiovizual.md/news/ca-a-initiat-consultari-publice-asupra-regulamentului-privind-comunicarile-comerciale-audiovizuale/](https://consiliuaudiovizual.md/news/ca-a-initiat-consultari-publice-asupra-regulamentului-privind-comunicarile-comerciale-audiovizuale/).

⁷⁸ Sanctioned Moldovan oligarch close to Putin allowed to run Facebook ads calling for political revolution, Fortune, 17 February 2023, <https://fortune.com/2023/02/17/facebook-moldova-sanctioned-oligarch-ilan-shor-putin-kremlin-political-ads/>. The Ads Library of the Ilan Shor ads available at https://www.facebook.com/ads/library/?active_status=all&ad_type=all&country=MD&q=Ilan%20Shor&search_type=keyword_unordered&media_type=all.

4.3. Disclosure

4.3.1. Transparency of the accounts

Political parties organize and keep accounting records in accordance with the 2017 Law on Accounting and Financial Reporting, with national accounting standards and with the orders of the Minister of Finance. The legislation provides that political party incomes and expenses are done through a bank account opened in a licensed bank of the Republic of Moldova. The parties eligible for public funding, need to open separate accounts for state subventions. The bank at which a political party opens a current account, or an account intended for allocations from the state budget provides the CEC information on all receipts and payments from these accounts every six months as well as upon the Commission's request.

On 23 February 2023, the CEC announced that 15 of the political parties that are entitled to public funding did not provide updated information about the leader of the party, the treasurer, and the bank account to which the funds can be transferred. In cases where the required information is not provided, the parties will not receive public funding in 2023.⁷⁹ On the other hand, the parties 'Build Europe at Home' and 'Our Budgeac' complained that banks refuse to open accounts for them.

The new CEC regulation on political parties financing stipulates [most likely endorsed by the Report's publication date] that a bank's "refusal to provide the service of opening and servicing the bank accounts to political parties, initiative groups and electoral competitors can be accepted only as an exception and only under prudential aspect, the reasons for the refusal and its prudential legal framework being clearly explained". Nonetheless, the CEC informed that according to the National Bank of Moldova (NBM), banks cannot be obliged to open accounts for political parties due to provisions of the Law on preventing and combating money laundering and financing of terrorism as per the pertinent regulatory framework.⁸⁰

The problem shows the rift between the provisions on political parties' and candidates' registration on one hand, and the legal framework based on which banks refuse their services to some potential clients on the other. Opening a bank account cannot be a prerequisite of a political party's access to public funds or of candidate registration, for it would imply that the limits of the right to association and the right to be elected are defined by the banks. At the same time the private banking sector in Moldova should be saluted for undertaking measures to prevent and combat money laundering and financing of terrorism. The current legal deadlock poses a major problem to the management and transparency of political parties' funds.

Recommendation:

- *CEC and the NBM should adopt a joint interpretation of the provisions related to opening bank accounts for political parties and electoral contestants both to safeguard the freedom of association and to prevent political corruption and money laundering (6 months).*

4.3.2. Frequency, detail and form of reporting

According to ODIHR and Venice Commission Guidelines, political parties "should be required to submit disclosure reports to the appropriate regulatory authority on at least an annual basis in the non-campaign period. These reports should require the disclosure of incoming contributions and an explanation of all expenditures".⁸¹ In Moldova, political parties should submit financial management reports every six

⁷⁹ See: CEC, Press Release, 23 February 2023, https://a.cec.md/ro/15-partide-politice-nu-au-raspuns-solicitarii-cec-de-2781_103033.html.

⁸⁰ Law No. 308/2007 and the Regulation regarding the requirement for preventing and combating the money laundering and the financing of terrorism in the activity banks, approved by the Decision of the Executive Committee of the National Bank of Moldova no. 200 of 9 August 2018.

⁸¹ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph

months of the reporting period (in July and in January of the following year) as well as annual reports by March of the following year to the CEC and the CoA, in cases of parties eligible for public funding. The reports are submitted via State Automated Information System (SAIS) Elections, an automated system for elections' management, used for, among others, voter registration, managing the data and documentation on election administration bodies, and the registration of candidates and observers. Its 'Financial Control' Module allows for submission of political parties and campaign finance reports. Moreover, the parties that obtain public subsidies submit monthly reports on the expenditures of those funds. The reports are signed by the treasurer and the leader of the political party, the two persons bearing responsibility for the correctness of the presented data as well as for the failure to report.

Apart from the reporting obligations, political parties whose incomes or expenses exceed MDL 1 million (approx. EUR 50,000) are obliged to audit their annual finances at least every three years. The audit report is submitted to the CEC, and in case of parties that benefit from public funding, also to the CoA. Of the 60 annual financial reports submitted to the CEC over the period of 2015-2021, only 6 parties submitted in total 8 audit reports.⁸²

GRECO recommended "to introduce independent auditing of party accounts by certified experts". During the CCIA interviews, the civil society organizations expressed concern about the superficial roles of the audits produced by political parties. The audit reports lack a clear methodology.

Recommendations:

- *CEC should create a methodology for auditing political parties' financial reports (6 months).*
- *CEC should certify a sufficient number of qualified political finance auditors (9 months).*
- *CEC should develop a digital database of such auditors for the use of political parties (9 months).*

Initially, when political parties submitted their annual financial reports to the Ministry of Interior (MoI), their compliance with the reporting obligation was very low; in 2012 it was as low as 27%.⁸³ Following the 2015 legislative amendments to the Law on Political Parties and the Electoral Code, the mandate to ensure the transparency of both political parties' and campaign finance reports is vested with the CEC. Since that time compliance with reporting obligations improved significantly. (See Figure 6).

Following the latest amendments of the Law on Political Parties, the CEC can initiate an *ex-officio* deletion of a political party from the State Register of Legal Entities in case the party fails to submit the annual financial reports for two consecutive years.

The reporting obligations include an aggregate of incomes and expenses for the given period as well as:

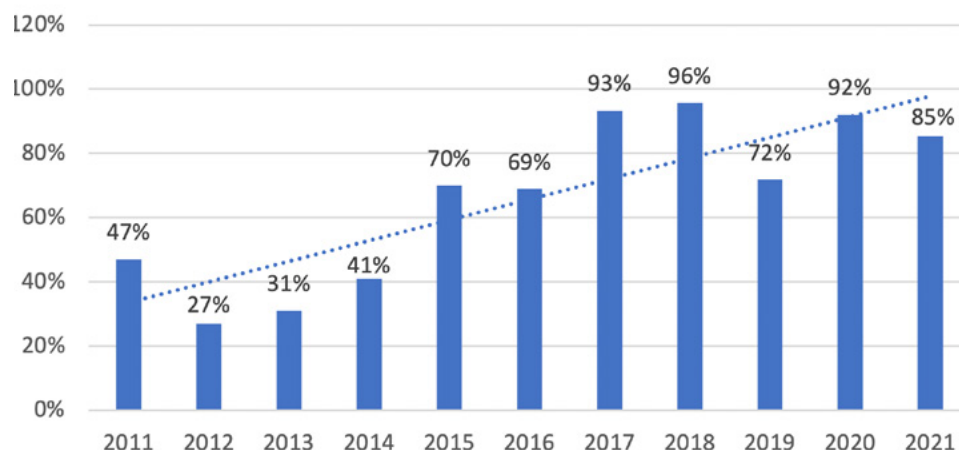
- a list reflecting payments of membership fees,
- two separate lists of donors, for the natural and legal persons, identified by their ID number, domicile and place of employment,
- the register of in-kind donations (goods, free services, discounts)
- list of party properties and their values.

265, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

⁸² Those are: Our Party in 2017 and 2019, PAS in 2019 and 2020, PDM in 2019, PLDM in 2019, PSRM in 2019, and the Shor Party 2019.

⁸³ Promo-LEX, Study: Strategies, practices and tools for financing political parties in Moldova, 2016, https://issuu.com/promo-lex/docs/doc_1459254551.

Figure 6: Political parties' reporting compliance
2011-2021



Source: CEC and [Promo-LEX](#)

Starting from the annual financial management reports for the year 2023, the reports will have to be presented together with all the monthly bank statements regarding the turnover from the account related to the reporting period. The copies of the supporting documents related to the income obtained and the expenses incurred, i.e., receipts of donations, contracts and invoices for purchased goods and services, are to be presented in electronic format at the request of the CEC. Moreover, in order to verify the correctness and truthfulness of the reported data, the CEC may request information from economic agents and private legal entities; the requested documentation needs to be submitted within 14 days.

While the reporting obligations allow the collection and presentation to the public of an ample amount of information which could provide for transparency of the parties' financial management, the style of reporting undermines the transparency principle. From 2015 to 2019, political parties have been submitting to the CEC hardcopies of the reports, filled in electronically or manually, hence the publicly available documents are reports' scans of varying digital quality. Parties must submit their reports via SAIS Election - 'Financial Control' Module and on paper. The publicly available reports are in a format which does not allow for any in-depth or comparative analysis, hindering public scrutiny and the principle of transparency.

V. Financing of election campaigns

5.1. Changes in Moldova's electoral system

Comparative political research studies have shown a correlation between the features of an electoral system and a propensity to corruption. In an electoral system with electoral districts of smaller magnitude the electoral contestants are more likely to resort to corrupt practices to win votes. The most vulnerable in that respect are elections conducted under majoritarian systems in which the winner of a single-mandate district needs to win either plurality (first-past-the-post) or absolute majority (50%+1 vote) of votes. Furthermore, majoritarian systems more often lead to patron-client relationships between the incumbent and the electorate, which can manifest in the misuse of administrative resources by the elected official to secure interests of particular parts of the constituency in exchange for their votes and/or financial support.⁸⁴

Since the country's independence Moldovans elected their parliament under the proportional system from closed lists of candidates registered by political parties; in that electoral system the whole country was one electoral district. Yet in 2017, the parliament introduced changes to the Electoral Code, pursuant to which

⁸⁴ Johnson J. W., *Electoral Systems and Campaign Finance*, in: Herron E.S., Pekkanen R.J., Shugart M.S. (Ed.) *The Oxford Handbook of the Electoral Systems*, Oxford University Press 2018.

50 of the 101 parliamentary seats were to be elected under the unchanged proportional system, while the remaining 51 deputies were to be elected on the basis of the first-past-the-post system - in which seats are won in single mandate constituencies by the candidate who obtained the biggest number of votes. The Venice Commission and ODIHR opined in 2017 that the change of electoral system "is not advisable at this time" due to significant concerns regarding the then prevailing political context and because the introduction of a majoritarian component could allow for undue influence over and manipulation of election stakeholders by well-resourced local businesspeople or other actors who promote their own interests.⁸⁵

ODIHR observers reported that "[p]olitical parties and civil society representatives alleged widespread misuse of state resources by PDM and, to a lesser extent, by PSRM" during the campaign preceding the 2019 parliamentary elections. Moreover, "ODIHR EOM received a high number of reports of vote buying through provision of gifts and goods supplied by candidates or charities associated with them".⁸⁶ The mixed electoral system, allowed the PDM and PSRM to win 30 and 35 seats respectively, but the Democrats and Socialists failed to form a coalition. The subsequent political events led in June 2019 to the transition of power and the PDM leader Vladimir Plahotniuc absconding Moldova. The changes of the electoral system were repealed in August 2019 and the early 2021 parliamentary elections were held once again pursuant to the previous proportional system.

5.2. Sources of funding

According to the Electoral Code, electoral contestants have a wide range of income from own funds accumulated in the political party's accounts by the date of the beginning of electoral period (membership fees, donations, allowances, other incomes provided by the law), donations and interest-free loans from the state.

5.2.1. Public funding

5.2.1.1. Direct Public Funding

The state support to financing election campaigns includes the already discussed state subsidies for political parties, free broadcasting time, interest-free loans and "other forms provided for by legislation".⁸⁷

According to numerous CCIA interlocutors, political parties eligible for state subsidies benefit from these funds over the election campaign period as the Electoral Code allows political parties that registered electoral contestants to transfer their public subsidies to the 'Electoral Funds' (Art. 57.3)

According to the CoA and Promo-LEX representatives, the procedure of accumulating the state funds for the purpose of electoral campaigns is vague and creates ambiguities. Private sources for campaign financing are commingled in the same 'Electoral Fund' account as state funds; moreover, the political parties do not reflect in the campaign finance reports the amount of public funds transferred to 'Electoral Fund', although in their annual financial reports they do state how much was spent on campaigns and how much of such expenditures came from state subsidies.

Following the latest amendments to the Electoral Code, Art 51 p (10), political parties entitled to receive allocations from the State budget, have the right to transfer to the "Electoral Fund" up to 70% of the received state subsidy, as long as it does not lead to exceeding the ceiling of incomes established for respective elections (Art. 51 p.(10)).

⁸⁵ OSCE/ODIHR-Venice Commission, Joint Opinion on the Draft Laws on Amending and Completing Certain Legislative Acts of Moldova (Electoral System for the Election of the Parliament), CDL-AD(2017)012, Strasbourg/Warsaw, 20 June 2017, <https://www.osce.org/odihr/elections/moldova/324356>.

⁸⁶ ODIHR, Final Report of the Election Observation Mission, Parliamentary Elections 24 February 2019, Warsaw, 22 May 2019, <https://www.osce.org/files/f/documents/8/a/420452.pdf>.

⁸⁷ Electoral Code, Art. 51. For political parties financing see Electoral Code, Chapter IV.

Recommendations:

- *CEC should revise political parties and campaign finance reporting templates to ensure that the reported data is interconnected and compatible, so that the data presented in the political parties' reports matches the one presented in the campaign finance reports of political parties registering electoral contestants (6 months).*
- *CEC should develop clear reporting requirements on campaign finance incomes, making a clear distinction between state and private funds transferred from political party accounts to the 'Electoral Fund' of the nominated electoral contestant (6 months).*

Unlike other state-funded entities, political parties are not obliged to return unspent funds to the state budget at the end of the year. Capitalizing on such lack of limitations, some political parties spent little during the non-electoral years, to then increase their activities during the election period. Such an approach may affect a level playing field and would need to be further regulated.

Recommendation:

- *Parliament should revise the legal framework to regulate the transfer of the political parties' state funds from one year to another, to ensure a level playing field over the electoral period (12 months).*

5.2.1.2. Indirect Public Funding

Some 90% of European countries provide some kind of indirect support to campaign financing. In Moldova the most important is the free access to public broadcast and print media in the campaigns preceding presidential and parliamentary elections as well as country-wide referenda. Public broadcasters shall grant for electoral advertising one minute of airtime per day to each registered electoral contestant or participant in the referendum. The cost of such advertising is covered from the State Budget (Electoral Code, Art. 90.8).

Electoral contestants, such as political parties, electoral blocs, and independent candidates, are eligible for interest-free loans to support all types of electoral campaigns, except for referenda. The amount of such loans is set by the CEC. Given previous ODIHR recommendations, a more detailed process of accessing the interest-free loans has been introduced in the new Electoral Code. In fact, no electoral contestant has ever accessed this form of financing, due to the limited amount of funds available (up to MDL 50,000; approx. EUR 2,500) and a burdensome application procedure.

Recommendation:

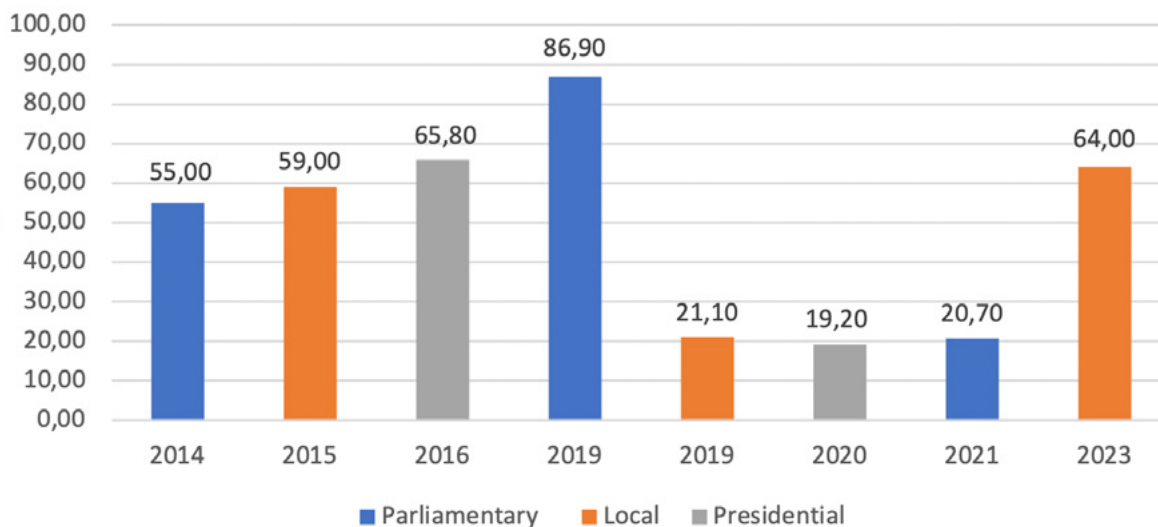
- *Parliament should consider introducing other forms of indirect public funding to electoral competitors, such as for producing "information materials" for political parties registered as electoral competitors whose state funding constitutes less than 10% of the total declared income before the electoral period (12 months).*

5.2.2. Private funding

The CoE the Committee of Ministers recommends to member states that "...states should ensure that any support from the state and/or citizens does not interfere with the independence of political parties..."⁸⁸ Although private financing is an essential source of funding for electoral campaigns, measures need to be undertaken to prevent undue influence and corruption. One of the tools is a legally imposed limit on the amount of contribution to the 'Electoral Fund', the so-called 'threshold effect'. In Moldova such a limit is set at level of 0.1% of the state revenues provided for by the Law on the State budget for the given year.

⁸⁸ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, <https://rm.coe.int/16806cc1f1>.

Figure 7: Ceiling of "Electoral Fund" 2014-2023 elections
(in million MDL)



Source: 2014-2021 *Campaign Finance Reports* submitted to the CEC

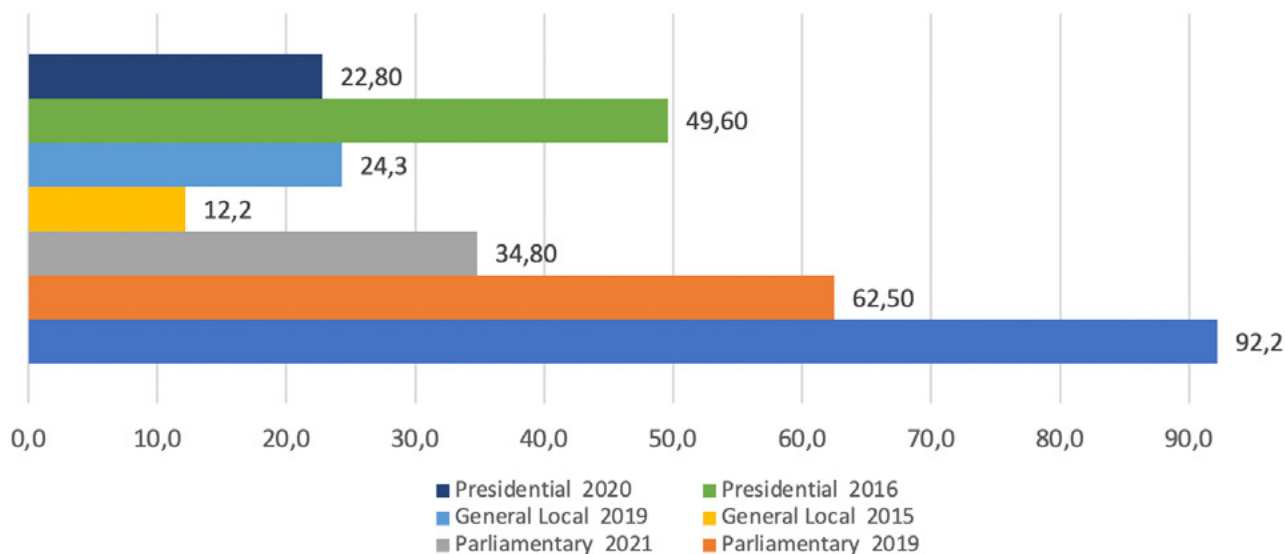
In the period of 2014-2019 the ceiling for campaign incomes, calculated by the CEC, was gradually increasing as various formulas for establishing the ceiling were applied.⁸⁹ From the general local elections of 2019 onwards the general ceiling of funds that can be transferred to the 'Electoral Fund' amounted to 0.05% of state budget revenues of the years when elections took place. The average general ceiling dropped significantly from MDL 86.9 million to an average of MDL 20.3 million (from approx. EUR 4.4 million to EUR 1 million) (See *Figure 8*) The latest amendments lowered the ceiling further to 0.1% of the projected state revenues.

Analysis of 2014-2021 campaign finance reports shows that campaign incomes of even the most affluent parties were always substantially below the stipulated ceiling. In the 2014 parliamentary elections, with the ceiling set at MDL 55 million (approx. EUR 2.7 million), the highest incomes were reported by the PDLM - MDL 36,9 million and the PDM - MDL 35 million (approx. EUR 1.8 million and EUR 1.7 million, respectively). In the 2019 Parliamentary elections the PDM registered the highest revenue of MDL 30.2 million (approx. EUR 1.5 million), far below the ceiling set at MDL 86.8 million (approx. EUR 4.3 million). In the parliamentary elections of 2021, with the ceiling at the level of MDL 20.7 million, "Our Party" registered the highest revenue of MDL 13.7 million (approx. EUR 1 million and EUR 690,000).⁹⁰

⁸⁹ Over the years the general ceiling for electoral competitors has varied depending on the method of calculation: from a fixed amount to a formula linked to a percentage of the average salary per year multiplied by total number of voters, to a percentage of the state budget revenues for the year when elections take place. In 2023 the projected ceiling would amount to MDL 64 million (approx. EUR. 3.2 million).

⁹⁰ The CEC established the total ceiling for Electoral Fund for early Parliamentary Elections 2021, https://a.cec.md/ro/cec-a-stabilit-plafonul-mijloacelor-financiare-ce-pot-fi-2781_99325.html.

Figure 8: Total revenues in 2014-2021 Elections (in million MDL)



Source: [Campaign Finance Reports](#) submitted to the CEC

Since elections are organized in a limited timeframe, electoral contestants are under pressure to search for financial means for their electoral campaigns. Political participation and civic engagement are reinforced more by small private donations than by state subsidies. At the same time, competition for private donations entails potentially risks of corruption, especially in connection with large private donations (especially when unreported).

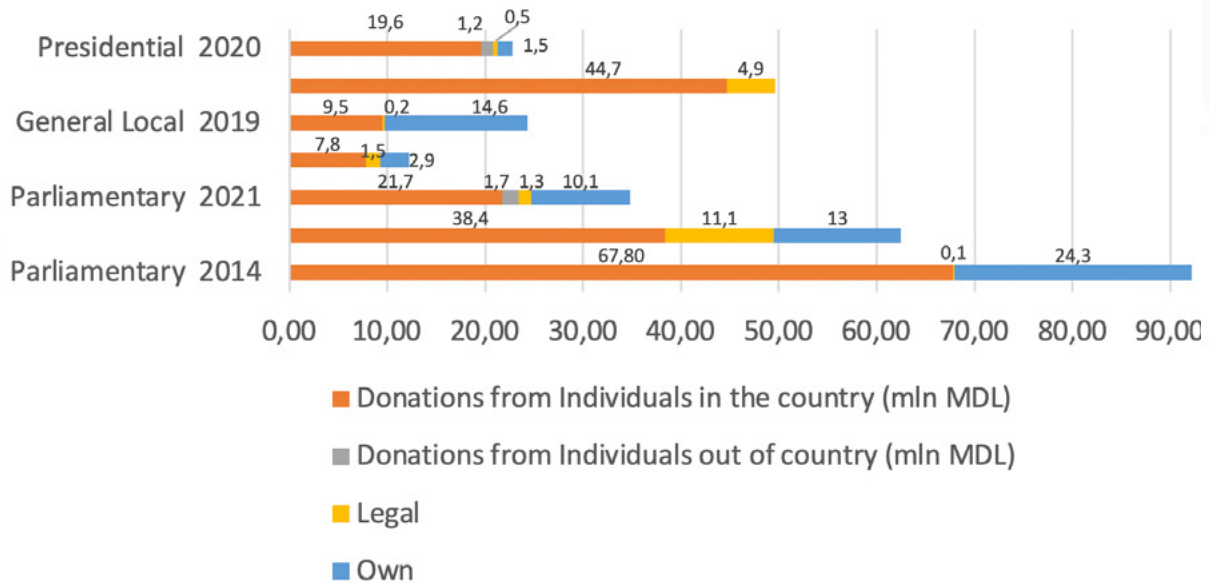
Analysis of the 2014-2021 campaign finance reports shows that some 63% of electoral campaign incomes come from individual private donors. The second most important source of income in the last seven electoral exercises was political parties' funds that were transferred to the "Electoral Fund".⁹¹ (See Figure 9).

Successive lowering of the ceiling on electoral campaigns' incomes has had a positive effect on reducing the overall reported income and expenses in electoral campaigns in line with the Venice Commission and ODIHR Joint Opinion that it is important to maintain the absolute or relative sums at a reasonable level.⁹² However, the legal provision, if not supported by robust oversight, allows for a variety of malpractices, such as underreporting of donations or cash donations and transactions, to circumvent the general ceiling.

⁹¹ During the 2021 presidential elections, campaigns were financed from public and private sources. Parties and blocs received annual public funding based on past election performance and the number of women and youth elected. Contestants' own contributions were unlimited within the effective spending limit.

⁹² OSCE/ODIHR and Venice Commission Joint Opinion on Draft Legislation of the Republic of Moldova pertaining to Financial Political Parties and Election Campaigns, CDL-AD(2013)002, Strasbourg, 11 March 2013, page 5, <https://www.osce.org/files/f/documents/5/7/100077.pdf>.

Figure 9: Private donations per types of donors 2014-2021 elections
(million MDL)



Source: Campaign Finance Reports 2014-2021 presented to the CEC

5.2.2.1 Donations from private persons

"Donation means any deliberate act to bestow advantage, economic or otherwise, on a political party".⁹³ Following the GRECO Recommendation "...on establishing the donation ceiling for private and legal entities, limitation of donation in cash..." and CoE recommendation "to consider the possibility of introducing rules limiting the value of donations to political parties..." Moldova has considerably reduced the limits of campaign donations from private persons from 500 average monthly salaries in 2014 parliamentary elections to up to 6 average salaries in 2021 parliamentary elections.

Journalist investigations have profiled donors over the period under review. For example, in 2014, the media noted that the PDM reported 1,227 donations from private persons for a total value of more than MDL 35 million (approx. EUR 1.7 million) an average of MDL 28,500 (approx. EUR 1,425).⁹⁴ Furthermore, many donations came from employees of state institutions or public companies headed by a PDM nominee and were of identical amounts. For instance, in S.A. Termocom approximately 30 individuals each donated exactly MDL 5,000 (approx. EUR 250); in State Enterprise "Registru" employees donated MDL 10,000 (approx. EUR 500) each; 12 individuals in the office of the mayor of Nisporeni rayon each donated MDL 5,000 (approx. EUR 250).⁹⁵ Similarly the PLDM reported only 318 individual donations that amounted to almost MDL 37 million, with an average donation of MDL 110,000 or (approx. EUR 5,500); the highest donation amounted to MDL 474,000 (approx. EUR 23,700).⁹⁶

In 2014, the incomes of persons who donated to electoral contestants less than MDL 100,000 (approx. EUR 5,000) were not checked by the Fiscal Inspectorate. Therefore, electoral competitors, such as the abovementioned PDM and the PLDM reported a number of donations from private persons not exceeding MDL 99,000 (approx. EUR 4,950).

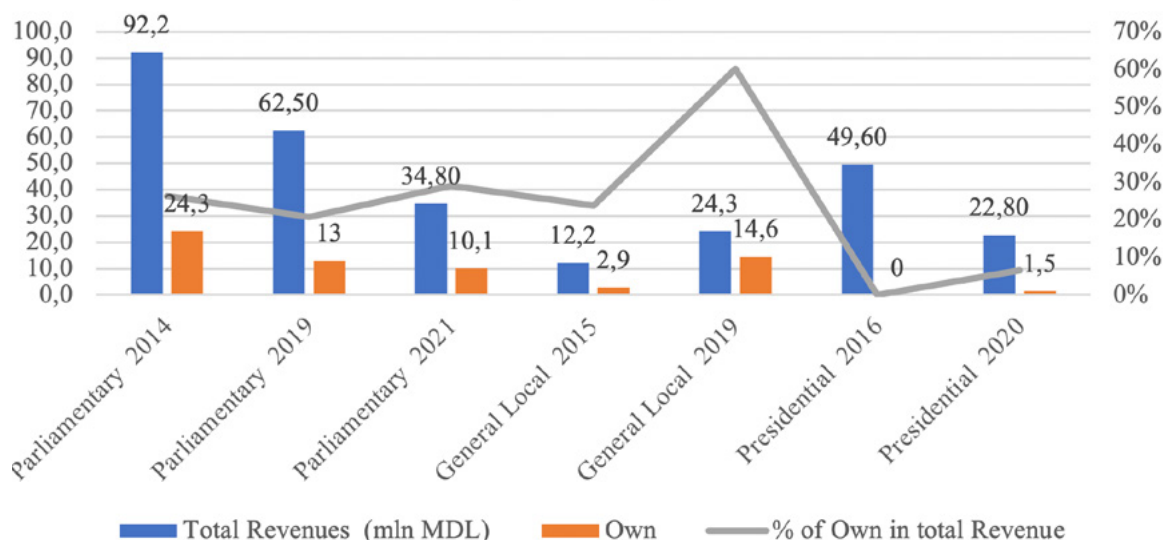
⁹³ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, <https://rm.coe.int/16806cc1f1>.

⁹⁴ The donations ranged from MDL 5,000 (approx. EUR 250) to MDL 960,000 (approx. EUR 48,000) from Vladimir Plahotniuc.

⁹⁵ Rayon is a territorial administrative unit of the Republic of Moldova.

⁹⁶ Ziarul de Gardă, *Who finances political parties in R. Moldova?* 21 November 2014, <https://www.zdg.md/investigatii/ancheta/cine-finanteaza-partidele-politice-din-r-moldova/>.

Figure XX: Total revenue vs own financial means 2014-2021 elections
(in million MDL)



Source: Campaign Finance Reports 2014-2021 presented to the CEC

To circumvent the donors' disclosure mechanism some political parties accumulated private donations on the party accounts to transfer them to the 'Electoral Fund' as 'own means' once registered as candidates. The campaign oversight rules were less rigid on the campaign incomes coming from the party's 'own means'. Allegedly, parties also reported 'fake donors', distributing cash to individuals who later donated it to a political party. Thereafter the funds were transferred from a political party account to the "Electoral Fund" of the candidate nominated by the party.

The financial management reports of political parties that intended to participate as electoral competitors in the Parliamentary Elections of 2019 presented to the CEC at the beginning of the electoral period demonstrate how political parties were allegedly using party accounts to accumulate donations and membership fees from legal entities and individuals in cash, thereafter, transferring the accumulated funds to 'Election Fund' account:

- the Shor Party a year prior to the 2019 Parliamentary Elections accumulated more than MDL 10 million (approx. EUR 500,000) from legal entities whose real owner was Ilan Shor: Dufremol LLC, Aerofood LLC, Aeroport Catering LLC and DFM LLC⁹⁷. The PSRM, in the same period of 2018-2019, preceding the 2019 Parliamentary Elections, reported to the CEC cash donations from individuals for the total amount of MDL 4.6 million (approx. EUR 230,500). The CEC did not verify the suspiciously high volume of cash donations, since each of the donated amounts was below the threshold which would legally require the Fiscal Authority verification, i.e., below MDL 75,000 (approx. EUR 3,750)
- the PDM, in the year of the 2019 Parliamentary Elections, reported in its annual report that most

⁹⁷ Dufremol LLC was a network of 12 duty-free shops controlled by the Shor family (RISE Moldova, 28 July 2022, <https://www.rise.md/articol/duty-free-de-la-sor-la-un-bancher-rus-din-israel/>) that was among the first assets that the law enforcement officers seized in June 2019, immediately after the fall of the PDM government. The seizure of assets lasted only six months and once it was lifted, the legal ownership of the duty-free network changed several times. The state company "Aeroport Catering" (Jurnal.md, 20 April 2016, <https://www.jurnal.md/ro/economic/2016/4/20/compania-de-stat-aeroport-catering-vanduta-la-jumatate-de-pret-a-ajuns-in-mainile-unor-persoane-apropiate-lui-ilan-sor/>) the enterprise that delivered food to aeroplanes and owned a restaurant in the airport was sold by the state and became property of Ilan Shor close allies.

of the registered donations received by the party in 2018 were made in cash.⁹⁸ Reportedly, 2,395 donors donated MDL 19.5 million (approx. EUR 980,000), with 81% of the donations made in cash. Consequently, the PDM transferred its 'own means to the 'Electoral Fund'.⁹⁹

The amended Electoral Code sets considerably lower donation limits (Art. 54.5 and 57.4) for party and electoral campaigns aiming to avoid electoral contestant dependency on wealthy interests and prevent buying political favours through campaign donations. Yet the successively lower limits on donations might endanger the electoral contestants' and political parties' ability to raise funds from citizens and the freedom of citizens to donate as a form of civic engagement and democratic participation.¹⁰⁰

As in the case of donations to political parties, the decline of campaign donations from individuals is also evident (*See Figure 9*). The trend is worrying and needs to be addressed, without calling into question the general approach of recent reforms to increase transparency in political financing.

During the early parliamentary election campaign of 2021, the CEC submitted to the National Fiscal Service the list of all donors to verify whether they declared income in the last three years (2018-2020). As a result, it was found that 354 individual donations came from persons that either did not declare any income or had, in the period 2018-2020, a declared income lower than the donated amount. The CEC recognized that at that time it did not have sufficient instruments to run an in-depth verification of the sources of income of all 354 cases and no sanctions were imposed on the donors in question.

At the same time, several CCIA interlocutors considered lowering the ceiling of private donations as detrimental to the political parties' fundraising, arguing that the political culture of collecting genuine small donations for parties and electoral contestants is still very low in Moldova. Therefore, parties with modest results in previous elections, as well as new parties, feel disadvantaged compared with parties represented in the parliament or at the local level, since the latter have direct state financial support. Large parties that benefit from substantial amounts of state funds admitted that public funding decreases the pressure to search for campaign donors. Other countries have developed new private donations possibilities for political parties.

Recommendation:

- Parliament should explore and consider introducing other means of donations (e.g. directing 1% of the annual tax return to a political party of the taxpayer's choice) (12 months).

Following the ODIHR recommendations "...to address the ban on donations from out-of-country income..." the authorities have amended the Electoral Code allowing Moldovan citizens living abroad to donate to electoral campaigns and political parties.¹⁰¹ In an electoral context, it was applied for the first time in the 2020 presidential elections and later in the 2021 early parliamentary elections. In the 2020 presidential elections, up to 22% of the income of the campaign of candidate, now President Maia Sandu came from that source of funding; for all other electoral contestants the donations from Moldovan citizens living abroad constituted cumulatively 4%.

5.2.2.2. Donations from legal entities

In Moldova legal entities are allowed to donate to parties and electoral campaigns. However, the number of reported donations from legal entities to electoral contestants is in decline, mainly due to the lowering

⁹⁸ At that time a simple declaration of cash donation from a private person was sufficient, even if *de facto* no contribution was made. RISE Moldova, 26 December 2018, <https://www.rise.md/articol/video-numaratoarea/>.

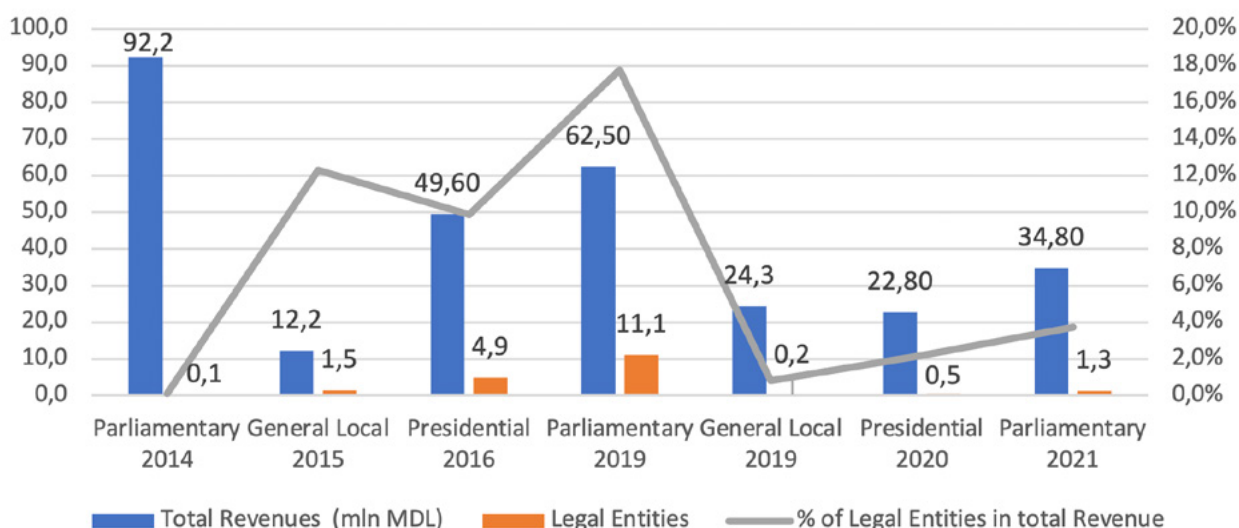
⁹⁹ PDM, Annual Financial Management Report, 2018, [https://a.cec.md/storage/ckfinder/files/Partidul Democrat din Moldova\(5\).pdf](https://a.cec.md/storage/ckfinder/files/Partidul_Democrat_din_Moldova(5).pdf).

¹⁰⁰ Venice Commission and OSCE/ODIHR, Joint Opinion on the Draft Electoral Code, CDL-AD(2022)025, Strasbourg/Warsaw, 20 October 2022, <https://shorturl.at/rsvDH>.

¹⁰¹ ODIHR, Final Report of the Election Observation Mission, Parliamentary Elections 24 February 2019, Warsaw, 22 May 2019, <https://www.osce.org/files/f/documents/8/a/420452.pdf>.

of the ceiling for such legal entities' donations, enforcing the rules for reporting and better oversight, and introduction of state subventions for parties and campaigns (see Figure 11).

Figure 11: Legal entities in total revenues 2014-2021 elections
(in million MDL)



Source: Developed on the basis of the campaign finance reports [submitted to the CEC](#).

Moldova transitioned from donation ceilings from legal entities set at the level of up to 1,000 average monthly salaries or MDL 4.2 million (approx. EUR 211,000 in 2013 to 12 average monthly salaries or MDL 94,374 (approx. EUR 4,770) today.¹⁰² In the 2021 early parliamentary elections, eight electoral contestants benefited from donations from legal entities that officially did not exceed the legal threshold established in the Electoral Code.¹⁰³

In the past, the donations from legal entities were often connected to kickbacks. For example, there is a known case of former President of Moldova, Igor Dodon, who was associated with a secretive Russian-linked-offshore corporation that appears to have funnelled at least MDL 30 million (about EUR 1.5 million) into the PSRM from 2013-2016.¹⁰⁴ The criminal investigations are underway (See: 'Bahamas case').

Analysis of the pertinent legislation in the European countries shows that out of 44 countries 18 (i.e. 40.9%) decided to ban corporate donations to political parties.¹⁰⁵ Some CCIA interlocutors objected to the idea of banning donations from companies, claiming that the existence of "wealthy parties" is not a problem *per se* for party democracy or the country. On the contrary, they asserted that such contributions bring an entrepreneurial mindset and hence improve the effectiveness of the state institutions where members of these parties serve. The strict regulatory framework limits democratic freedoms and political competition. Consequently, wealthy individuals should be allowed to start their own political projects, for the local and national benefit, under the condition that it would not lead to governmental favouritism for specific economic activities and endemic corruption.

¹⁰² Average monthly salary in 2013 amounted to MDL 4,225 (approx. EUR 212). According to the Electoral Code Art 54 (4) p.2, legal entities can make donations to the account marked "Electoral Fund" cumulatively up to 12 average monthly salaries only by transfer and accompanied by an affidavit regarding the absence of the restrictions prescribed in Article 54 (5) lit. d), f) and (g) of the Electoral Code and a certificate provided by the State Tax Service concerning the lack of arrears with the state budget.

¹⁰³ Art. 41 paragraph (2) lit. e) of Electoral Code.

¹⁰⁴ RISE Moldova, *Russian-linked offshore helps fund socialist campaign*, 28 September 2016, <https://www.rise.md/english/russian-linked-offshore-helps-fund-socialist-campaigns/>.

¹⁰⁵ International IDEA, Political Finance database, <https://www.idea.int/data-tools/question-countries-view/529/Europe/cnt>.

In line with the CoE recommendation that "*states governing donations to political parties should provide specific rules to avoid conflict of interest and ensure independence of political parties from undue influence.*", the current Electoral Code (Art. 54.5) explicitly prohibits financing in any form of electoral campaigns by:

- legal persons which, during the three years preceding the start of the electoral period, have concluded public procurement;
- non-commercial organizations, trade unions, associations or foundations, charity or religious organizations;
- public authorities financed from the national public budget;
- foreign legal persons, including with foreign or mixed capital;
- other States or international organizations, including international political organizations.¹⁰⁶

To ensure the parties' and candidates' compliance with the aforementioned provisions, in the 2021 early parliamentary elections, the CEC collaborated with the Public Procurement Agency. The joint oversight determined that seven donations were made by legal entities which had public procurement contracts in the last three years. The CEC issued a warning to the electoral contestants and six donations were returned to the legal entities, while one donation was transferred to the state budget.¹⁰⁷

One CCIA interlocutor mentioned that the provision on banning donations from legal entities that had contracts with the government in the last three years is unnecessary and difficult to implement. The main arguments were that the big private companies tend to have state contracts, but they would like to financially support some candidates. The interlocutor reasoned that in practice, the financial interests of the wealthy could be channelled through different legal entities, obscuring the original source of funding.¹⁰⁸

Recommendation:

- *CEC should strengthen the mechanisms for controlling companies rewarded with public contracts after elections to avoid conflict of interest and ensure independence of political parties from undue influence (9 months).*

5.2.2.3. In-kind donations

The Electoral Code allows in-kind donations to electoral competitors in the form of properties, goods, merchandise, objects, or services offered free of charge or on more advantageous terms than the commercial or market value. It means *de facto* that there is a limit on the professional services that can be given to political parties or candidates. Such donations must be reflected in the electoral campaign reports at the market value and should not exceed the legal limit of donations (up to 6 average salaries per year for private persons and 12 for a legal entity).

Analysis of the in-kind donations reported in the 2020 presidential elections shows that candidates received in-kind donations not only from corporations and individuals, but also from the political parties that nominated them. Parties transferred the in-kind donations registered on their regular accounts to the 'Electoral Funds' as part of the 'own funds'.

¹⁰⁶ See the Council of Europe, Committee of Ministers Recommendation 2003(4) on common rules against corruption in the funding of political parties and electoral campaigns, Art. 3, <https://rm.coe.int/16806cc1f1>.

¹⁰⁷ CEC, *Report on Political Finance*, 2021, page 70, https://a.cec.md/storage/ckfinder/files/Parlamentare_Anticipate_11.07.2021/Declaratii_avere/C2_RAPORT_fin_PP_01_06_22.pdf and CEC Decision nr 5160, 14 July 2021, https://a.cec.md/ro/cu-pri-vire-la-rapoartele-privind-veniturile-si-cheltuielile-concurentilor-electo-2751_99902.html.

¹⁰⁸ Council of Europe, Committee of Ministers Recommendation 2003(4) *op.cit* Art. 3, <https://rm.coe.int/16806cc1f1>.

Candidate	The value of in-kind donation received from Political Parties MDL	Political Party	Total value of in-kind donation received in Presidential Elections in MDL
Renato Usatîi	30 015,47	OP	275 437,47
Andrei Năstase	8 000,00	PPPDA	31 600,00
Tudor Deliu	49 927,50	PLDM	63 839,91
Maia Sandu	997 057,02	PAS	1 083 125,55
Igor Dodon	2 000,00	PSRM	17 000,00
Violeta Ivanov	93 900,00	SP	1 289 895,00

Source: CEC Party and Campaign Finance Report 2020

Most candidates reported transport services rentals as in-kind donations. The PAS Financial Management Report submitted to the CEC before the 2020 presidential elections, included 153 contracts for vehicle rentals reported as in-kind donations. The PLDM reported 14 contracts, each with the same value of MDL 34,999 (approx. EUR 1,750) for services under more advantageous than market conditions.¹⁰⁹

In 2022, during the local by-elections organized in 10 districts of Moldova, private banks refused to open 'Electoral Fund' accounts for the Shor Party, according to party management.¹¹⁰ In order to exercise its fundamental electoral rights, the CEC allowed, in good faith, the financing of the party's electoral campaign through in-kind donations, with the preconditions of correctly carrying out financial operations and reflecting incomes and expenses at average market prices. Nonetheless, after carrying out a thorough inspection of the campaign finance reports, the CEC concluded that the Shor Party candidate abused these privileges, concealing the real cost of promotional materials and trying to mislead the oversight body. As a result, the electoral competitor was excluded from the race.

5.3. Media presence as an asset

Media presence is an asset in itself for both political parties and electoral contestants. Hence problems such as the lack of a level playing field in access to media during the campaign and the lack of transparency in media advertisement or in media ownership are directly linked to political corruption. Biased media coverage distorts and can manipulate public opinion. Moreover, outlets with opaque ownership obscure the financial and political interests of their owners and donors and can also pose the risk of media collusion with foreign actors.

Improper media ownership practices can limit the freedom of expression. To avoid allegations of the media acting as an arm of the administration and a vehicle for propaganda, the state must ensure equal access to all electoral competitors to a mix of private and public media with a wide diversity of ownership enforced through strong anti-trust laws.

¹⁰⁹ At that time, rules on donation from political parties to candidates in presidential elections were not well defined, thus CEC considered such a case as a legal deadlock and abstained from providing legal clarifications. The CEC asked the parliament to intervene and give its interpretation for this and future such cases.

¹¹⁰ The CEC Decision nr 549, 7 June 2022, https://a.cec.md/ro/cu-privire-la-controlul-reflectarii-veniturilor-si-cheltuielilor-concurentilor-e-2751_101981.html.

5.3.1. Free airtime and access to public debates

Biased distribution of free media airtime can undermine the anti-corruption efforts of the country. As one of the main sources of information in electoral campaigns, free airtime offered to the electoral competitors provides the public with the critical capacity to hold those in power accountable and is especially important for voters in determining their choice during elections. Media coverage of elections, electoral debates and airtime for candidates should be clearly regulated.

In Moldova, media outlets (with the exception of those funded by political parties) can reflect all aspects of the electoral campaign and provide airtime or space for electoral advertising to electoral competitors under equal and non-discriminatory conditions.¹¹¹ The state offers to all registered candidates one minute of free airtime in all public broadcasters.

National media outlets private and public, registered by the Audiovisual Council (CCA), the media oversight body, must grant, free of charge, 5 minutes of TV airtime and 10 minutes of radio airtime to each registered electoral competitor.¹¹² Moreover, to ensure the principle of equal opportunity, all media service providers offer each electoral competitor a maximum of 2 minutes per day for paid electoral advertising. The charge for electoral advertising may not exceed that of commercial advertising applied during the period 6 months prior to the Election Day.

While it is commonly agreed that parties and candidates should have direct access to public broadcast media, some CCIA interlocutors expressed concern about uneven access of the small and non-parliamentary political parties and their candidates to the public broadcast media, claiming a bias towards the incumbent parties.

In line with the ODIHR recommendation, the newly introduced provisions of the Electoral Code (Art. 90) provide, among others, for a better management of electoral debates and improves the editorial policy that must be submitted to the CCA by the media service providers. The legal provisions cover the electoral campaign, as well as the procedures for monitoring, reporting and presentation of the coverage of the electoral campaign by the CCA.

5.3.2. Transparency of the campaign advertisement

Media institutions are required to respect fairness, balance, and impartiality principles in election coverage. For the purposes of transparency and disclosure, each printed or broadcasted political advertisement should include a disclaimer informing which political party, bloc or candidate paid for it.

In Moldova, the numerous broadcast and online media outlets operate and share a limited advertising market. Media outlets must provide airtime or space for electoral advertising under equal and non-discriminatory conditions to all registered competitors, without preference based on social status or position.

¹¹¹ According to Article 89 of Electoral Code, the General principles on Media coverage of the elections, CEC Regulation no. 405, 4 May 2022, https://www.legis.md/cautare/getResults?doc_id=130981&lang=ro and international conventions to which the Republic of Moldova is a party.

¹¹² These airtimes must be fully granted during the first 15 days after the start of the electoral campaign and cannot be used for the purpose of broadcasting electoral advertising.

The case of PDM dominance in the media market

In 2018, four broadcasters (Pro TV, TV8, RTR-Moldova and Jurnal TV) filed a complaint with the Competition Council with respect to two advertising houses, 'Casa Media,' affiliated with former PDM leader Mr. Plahotniuc, and 'Exclusiv Sales House' affiliated to the PSRM. The broadcasters claimed collusion and anti-competitive practices. The two advertising houses were accused of offering discounts to clients who placed advertising exclusively through them, at the rate of 80% for Media House and 20% for Exclusiv Sales House. The sales houses denied the allegations. According to the Competition Council report 'Casa Media' was selling the advertising to television stations Prime, Canal 2, Canal 3, Publika TV, N4, Ren Moldova, STS Moldova, Familia Domashniy, Noroc TV, Vocea Basarabiei, all affiliated with former PDM leader Vladimir Plahotniuc and 'Exclusiv Sales House' – to Accent TV, NTV-Moldova and Exclusive TV, affiliated to the PSRM.

The period investigated was from 2017 to the first half of 2019, when television stations affiliated to PDM had a dominant position in the media advertising market, according to the findings of the Competition Council.

In an interview with CCIA, the CCA President stated that one of the priorities for the CCA appointed in 2021 was to amend the Code of Media Services and bring clarity to long standing principles of transparency of beneficial ownership – an individual who controls, either directly or indirectly through affiliated persons, a media service provider or media service distributor.

Also, the new law on advertising aims to increase transparency on political and campaign advertising, targeting political parties and electoral competition and service providers. Moreover, despite the considerable amount of unregulated online campaigning and advertising on internet platforms and social media, the legislation regulates electoral campaigns and political advertising in the online environment only to an extent. The provisions remain vague, and lack clarity on oversight and sanctions in case of violations. Positively, some social media companies have voluntarily introduced measures to improve transparency for voters by marking paid political advertisements and providing voters with information about who paid for the ad.

According to the CEC representative, a "*Regulation on the political, electoral and public interest broadcasting means*" is currently drafted. It is to regulate electoral advertising in press and online, television and radio, outdoor media, via mail and telephone, and with respect to printed and promotional materials. Also, it regulates the broadcast of messages of public interest during the electoral period.

5.3.3. Role of media bias in election campaigns

5.3.3.1. Media monitoring

Democratic elections depend largely on the ability and the willingness of the media to work in an impartial and professional manner during electoral campaigns. The failure of the media to provide impartial information about electoral campaigns and contestants is still one of the most frequent shortcomings arising during elections. The European Convention on Human Rights emphasises the close relationship between the right to free elections and freedom of expression.¹¹³

¹¹³ The European Court of Human Rights has found in a number of cases that these rights, particularly freedom of political debate, together form the bedrock of any democratic system. For instance, in case *Orlovskaya Iskra v. Russia* (42911/08, <https://hudoc.echr.coe.int/eng#%7B%22appno%22:%5B%2242911/08%22%5D%7D>) the ECtHR stated that "print media should be subjected to rigorous requirements of impartiality, neutrality and equality of treatment during an election period", whereas in case *Haider v. Austria* (25060/94, <https://hudoc.echr.coe.int/eng#%7B%22itemid%22:%5B%22001-2361%22%5D%7D>), it recalled that "freedom

The role of CCA as the oversight body for broadcast media is an important step in implementing the Electoral Code and promoting free, equal, and fair access to broadcast media. Its media monitoring allows for following media performance over the campaign period, though its technical and human resources capacity to fulfil that mandate improved only recently. The CCA President informed the CCIA that the CCA has been building its monitoring capacity based on the French model. In May 2023, a regulation on monitoring hate speech¹¹⁴ was adopted. The CCA staff is to be trained to have a uniform media monitoring approach ahead of the 2023 local elections. The methodology applicable to media monitoring in electoral campaigns will also be used for monitoring media outlets on other important issues such as hate speech, plurality of opinion and freedom of speech.

The coverage of elections in Moldova was also monitored by the Association of Independent Press (API) and the Center for Independent Journalism (CIJ) under the auspices of the Civic Coalition of Free and Fair Elections. The CIJ and the AIP have been following the issues of media bias and the transparency of media ownership in the electoral context. The AIP also runs the “StopFals” civic education campaign on how to identify and protect oneself from propaganda, manipulation and fake news, also during election campaigns.¹¹⁵

5.3.3.2. Media ownership

A number of the CCIA interlocutors raised the issue of the transparency of media ownership. During the 2014–2019 electoral campaigns, the bias of major media outlets due to their political affiliation weakened media safeguards on political pluralism, while the CCA did not adequately enforce provisions on impartial coverage during the campaign. The legal provisions did not prevent concentration of media ownership, and private media remained financially and editorially dependent on affiliated businesses and political groups. Media concentration was considered a problem by Freedom House.¹¹⁶ Even currently, it is difficult to determine the real owner of a media outlet, although since 2017 televisions were obliged to declare the beneficial owner. In some cases, the legislation is being constantly circumvented by using affiliated persons or intermediaries.

The Case of PSRM links with Russian Federation media

The PSRM deputy Mr. Corneliu Furculita is the only politician officially registered as beneficial owner of two TV stations, NTV Moldova and Exclusiv TV. The company „Exclusiv Media” LLC, the holder of the licence for both TV stations, was administered by Mr. Furculita’s spouse, Ms. Ludmila Furculiță. The company „Exclusiv Media” LLC also owns the Russian Language periodical “Аргументы и Факты в Молдове”. Investigative journalists found the same company involved in the so-called “Bahamas case,” where a Russian national funnelled funds via indirect channels to the 2016 presidential campaign of PSRM leader Igor Dodon.¹¹⁷

of political debate is at the very core of the concept of a democratic society which prevails throughout the Convention. The limits of acceptable criticism are accordingly wider with regard to a politician acting in his public capacity than in relation to a private individual”. The two rights are interrelated and operate to reinforce each other: for example, freedom of expression is one of the “conditions” necessary to “ensure the free expression of the opinion of the people in the choice of the legislature”. For this reason, it is particularly important in the period preceding an election for opinions and information of all kinds to be permitted to circulate freely.

¹¹⁴ Methodology on monitoring hate speech, adopted by CCA on 26 May 2023, <https://consiliuaudiovizual.md/news/ca-a-apro-bat-metodologia-de-monitorizare-a-discursului-de-ura/>

¹¹⁵ In the 2021 parliamentary election, when two political forces competed, on the right-wing PAS and the PSRM and Shor Parties on the left wing, according to the journalists from “StopFals” there were two large scale campaigns with the most fake information that influenced public opinion.

¹¹⁶ World Press Freedom Index. In 2018 Moldova ranked position no. 81, while in 2022 ranked position no. 40, <https://rsf.org/en/index?year=2018>.

¹¹⁷ The RISE Investigation revealed EUR 1.5 million sponsorship that “Exclusiv Media” received from a Bahamas-based company controlled by a Russian businessman. Later, the money was funnelled to finance the PSRM leader, Igor Dodon’s 2016 presidential election campaign. RISE, 28 September 2016, <https://www.rise.md/english/russian-linked-offshore-helps-fund-socialist-campaigns/>.

The TV stations “Primul în Moldova” and “Accent TV” changed owners during the parliamentary elections of 2021. The stations no longer belong to the son of the former Prosecutor General of Russia, Igor Chayka, business partner of the brother of the former president Igor Dodon, Alexandru Dodon. Now the two channels are owned by the company “Telesistem TV” LLC, which, in turn, is founded by a company from the Russian Federation, “Медиа Invest Servis”.¹¹⁸

- “RTR Moldova” is owned by the company “TV-Comunicatii Grup” LLC. It is 50% owned by an NGO from Russia. The NGO, in turn, was founded by the largest Russian state banks, Sberbank, Vnesheconombank, and the Russian State Radio and Television Company (VGTRK).¹¹⁹
- The two TV stations “PRIME” and “Publika” TV are officially owned by Vladimir Plahotniuc via the “General Media Group Corp” company. The latter’s legal address is shared with two other TV stations, “Canal 2” and “Canal 3”, that broadcast the same content, and are owned by the company „GMG Production,” also affiliated with Mr. Plahotniuc.
- Two TV stations close to the Shor Party, TV6 and Orhei TV, are both owned by the company, “Media Resource” LLC, managed by Dumitru Chitoroagă. The company is, in turn, founded by another company with links to individuals related to the ‘Theft of the Billion’.¹²⁰

The lack of transparency in media ownership can lead to excessive media concentration and preferential promotion of the economic and personal interests of the owners, thereby exacerbating corruption vulnerabilities. At the proposal of the CCA, new provisions for transparency in media ownership were adopted which should prevent/eliminate such media-related risks as outside’ interference that can disrupt the audio-visual field and affect state security.¹²¹ In December 2022, the CCA suspended the licences of seven TV stations, among them those linked to the PSRM and the Shor Party, citing regular violations of legal provisions, despite numerous sanctions and warnings.¹²²

5.3.3.3. Online campaign monitoring

The information environment has changed significantly in recent years, particularly because of new trends and developments, including the increased role of social media networks. The evolution of digital technologies brought new actors and practices to the media market in Moldova. Recent shifts in the media landscape and legal amendments have changed how the press interacts with candidates, campaigns, and the voting public. Potential candidates used social media as a platform to introduce their political and electoral messages and discussion topics.

¹¹⁸ Currently, beneficial owners of the company are two citizens of the Russian Federation, Samvel Grigorean and Natalia Ermilova, from Saint Petersburg, who took over the company “Медиа Инвест Сервис”, through another company “Объединенные Ресурсы”, during the 2021 early parliamentary elections.

¹¹⁹ After Russia’s invasion of Ukraine, Sberbank was subject to sanctions by the United States, Canada, United Kingdom and the European Union, as part of the seventh package of sanctions imposed in July 2022. The Masters of Television: What (hasn’t) changed three years after Plahotniuc and Șor left the Republic of Moldova, Ziarul de Gardă, 12 May 2022, <https://www.zdg.md/investigatii/ancheta/video-stapanii-televiziunilor-ce-nu-s-a-schimbata-la-trei-ani-dupa-ce-plahotniuc-si-sor-au-plecat-din-r-moldova/>.

¹²⁰ In 2014, the so-called ‘Theft of the Billion’ was revealed, in which one billion US dollars was taken from three banks in Moldova and transferred into a network of offshore companies. The money disappeared leaving taxpayers with an enormous debt and an almost collapsed banking sector. The money was laundered through European banks and ended up as essential tools in supporting some political parties and elections campaigns since 2014. The main beneficiary is considered Ilan Shor, chairman of the Shor Party. He was previously arrested on money laundering and embezzlement charges and is currently on the run from Moldovan authorities. Moreover, a substantial part of that money reportedly benefited oligarchs connected to the Russian defence industry. For more, see: Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, 2 April 2015, https://watch.cpr.md/wp-content/uploads/2018/08/Kroll_Project_1-02.04.15.pdf.

¹²¹ Article 21 and 28 of the Audio-visual Code, https://www.legis.md/cautare/getResults?doc_id=134918&lang=ro.

¹²² The Commission for Exceptional Situations proposed to the Audio-visual Council the suspension of seven TV stations during the state of emergency. TV stations were sanctioned as follows: 22 times in case of “NTV Moldova”, 17 times in case of “Primul în Moldova”; 14 times in case of “RTR Moldova”, “Accent TV” 5 times and 13 times each of Shor party affiliated TV stations.

The Electoral Code does not regulate online campaigning. Campaigning via online media is categorized as election message distribution via mass media or another method of communication. The use of online media poses new challenges to principles of fair and clean electoral campaigns. In the absence of clear and direct regulations in the Electoral Code and the Law on Political Parties, social media campaigning becomes tricky in terms of tracking down the money poured into online media campaigning by political parties and their candidates, and as such represents another corruption-related vulnerability within the electoral process.

Recommendation:

- *CEC should provide clear methodology for monitoring campaign expenses in the broadcast and online media and to increase its capacity to perform such monitoring (9 months).*

5.4. Election campaigns expenditure

Competitors in elections conduct electoral campaigns through traditional and online media, leafleting, campaign stands in public areas, door-to-door campaigns, gatherings, and billboard advertisements. Most contestants used social networks intensively, in particular to present campaign activity and political views. Also, large scale rallies are being used as a campaign technique.

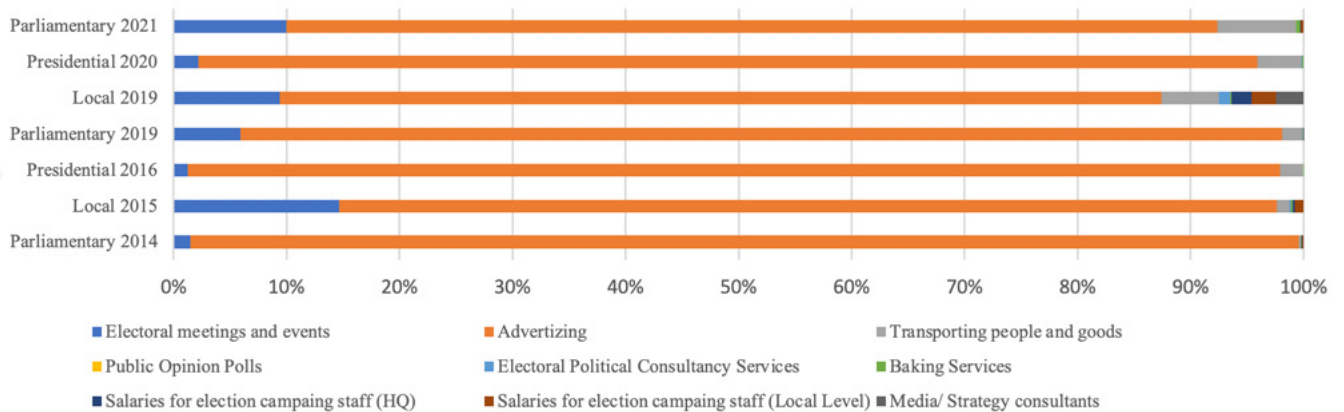
5.4.1. Reported expenditures

The CEC received campaign reports from all contestants that opened bank accounts. Analysis of the declared campaign expenses included in the (bi)-weekly electoral campaign reports, shows that not all activities are reflected in the expenses. (*See Figure 12*)

In the period of 2014-2021, with seven national electoral campaigns, the structure of the reported expenses did not essentially change. The largest share of declared expenses was for advertising, on average 81%, followed by promotional materials, on average 11.3%, transporting of goods and people, 1.9%, personnel expenses, 0.36%, and expenses for electoral and political consultancy, 0.1%. Such important expenses as costs for opinion polls or remuneration of media/strategy consultants are either non-existent or insignificant in the campaign reports. For example, the only registered expense for media/strategy consultants was reported by the PLDM in the 2019 local general elections, in the amount of MDL 425,000 (approx. EUR 21,250). In general, over time reported campaign expenses decreased substantially from approx. MDL 56 million (approx. EUR 2.8 million) reported in the 2014 parliamentary elections by the PDM and the PLDM, to MDL 13.6 million (approx. EUR 685,000) reported in the 2021 parliamentary elections by Our Party and PAS.

The PDM reported that advertising constituted over 90% of their expenses in the 2014-2019 parliamentary elections and Local General elections of 2015-2019. In the parliamentary elections of 2021, the share of advertising in the campaign expenses was less substantial, although still leading. (*See Figure 12*).

Figure 12: Reported electoral campaign expenses 2014-2021 elections

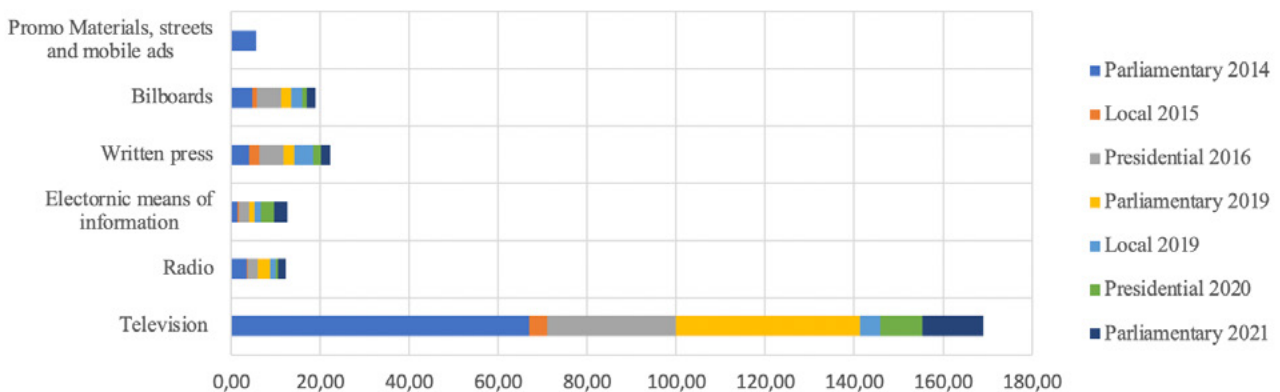


Source: [Campaign Finance Reports](#) submitted to the CEC 2014-2021 Elections

An analysis of the campaign finance allocation for the advertising sub-categories shows that TV advertising costs were the highest and most reported; that may be due to the legal provision for media to report the editorial policy, including the price per minute offered to candidates in elections (*See Figure 13*). Political finance policies implemented over the years have reduced declared expenses on television by 80% over the last seven years, but remain the key expense reflected in campaign finance reports.

The reporting of the remuneration of candidates' campaign staff at the central and local level was registered in eight instances among six political parties, with PLDM leading the chart for the 2019 local general elections. The total amount of reported expenses on campaign staff remuneration was MDL 1.7 million (approx. EUR 83,500), while the total reported expenses amounted to MDL 298 million (approx. EUR 14.8 million) for the 2014-2021 Elections.

Figure 13: Types of advertizing expenses 2014-2021 elections million MDL



Source: [Campaign Finance Reports](#) 2014-2021 Elections, submitted to the CEC

5.4.2. Unreported expenditure

The prevalence of underreported expenditures was mentioned by national and international election observation missions deployed for 2014-2021 elections.¹²³ Expenses for public events, transportation, labour, communications and campaign materials, although visibly incurred, were not duly reflected in campaign finance reports.

The Association Promo-LEX observation mission reports for the period state that all selected political parties and electoral candidates have unreported expenses. Political parties and candidates selectively declared income and expenditures for campaign events, rental of campaign venues, remuneration of electoral staff, etc. The amount of estimated unreported expenditures of at least MDL 44.6 million (approx. EUR 2,2 million) shows a low degree of transparency in this domain. (See Table 4)

Table 4: Reported vs. unreported expenses for selected political parties and candidates 2014-2021 Elections according to Promo-LEX observation mission reports.

Election	Reported million MDL	Underreported million MDL
Parliamentary 2014	85,90	14,1
Local General 2015	8,20	4,1
Presidential 2016	44,30	7,4
Parliamentary 2019	50,40	4,0
Local General 2019	13,40	6,1
Presidential 2020	16,10	5,2
Parliamentary 2021	22,20	3,7

Source: [CEC Campaign finance Reports](#) and [Promo-LEX Observation Mission Reports](#) for 2014-2021 major elections

According to Promo-LEX estimations:

- the PDM did not declare approximately 70% (MDL 9,6 million appr. EUR 480,000) of total expenses for the 2014 parliamentary elections.
- "Ravnopravie (Shor) Party" underreported MDL 1,4 million (appr. EUR 70,000) or 34% of its expenses in the 2015 local elections.
- Former President Igor Dodon underreported 47% of the expenses incurred in 2016 presidential elections.
- the PSRM and the Shor Party did not declare, respectively, 26% and 24% of the expenses incurred in the 2021 parliamentary elections.¹²⁴

Since Moldovan legislation does not provide campaign spending limits but establishes a ceiling of incomes on the 'Electoral Fund' account, which is to limit the amount dedicated to the campaign. Over the analysed period, the political parties and candidates appeared to be reporting on expenses that were evident, such as media advertisement, considerably and constantly underreporting the less conspicuous expenditures.

¹²³ See the ODIHR Elections Observation Missions' Reports on Moldova, <https://www.osce.org/odihr/elections/moldova> and the Promo-LEX Observation Mission Monitoring Reports, <https://promolex.md/category/alegeri/parlamentare/?lang=en>.

¹²⁴ Promo-LEX, Final Report, Observation Mission for the 11 July 2021 Early Parliamentary Elections, 15 September 2021, page 65, https://promolex.md/wp-content/uploads/2021/09/raport_APA_2021_engcop.pdf.

Recommendation:

- CEC should develop a mechanism for verifying the amount of expenses reported by political parties and electoral competitors against the market prices of goods and services purchased (6 months).

5.4.3. Online advertising

Most electoral candidates advertise online, mainly through Facebook and Google. According to legislation, online ads need to follow the same disclosure requirements as print media. The new legal provisions define political and online advertising, political advertising providers, and election-period political advertising, including reporting and transparency standards.¹²⁵ The CEC has been tasked to bring its regulatory framework in compliance with the new laws within six months, i.e. by July 2023.

The importance of third parties continues to grow due to the increasing role of social media and online campaigning and due to security threats to which Moldovan society is subject after the Russian invasion of Ukraine and in the context of hybrid warfare targeting Moldovan institutions and society. The International IDEA defines third-party campaigning as “electoral campaigning undertaken by individuals and/or organizations other than political parties or candidates. These third parties may campaign for or against specific parties, candidates or issues”.¹²⁶ ODIHR, using a very similar definition, noted recently that “the availability of these communication tools may further have impacted the respective role of political parties and third parties during and in-between elections”.¹²⁷ For instance, in July 2021, the Security and Information Service uncovered on Facebook a ‘troll farm’ that for more than two months promoted the image of the controversial businessman Veaceslav Platon, as well as actively denigrated selected electoral competitors during the 2021 early parliamentary elections.¹²⁸

5.5. Disclosure

5.5.1. Transparency of the accounts

5.5.1.1. Campaign Finance accounts

Disclosure of candidates’ incomes and expenses is a foundation of effective oversight for the overall electoral process. Moreover, public disclosure of the contestants’ sources of funding, allows voters to make a well-informed choice on election day. It also serves as an impediment to corruption and undue influence of wealthy individuals and foreign interests.

In accordance with the Electoral Code, campaign incomes and expenses need to be processed through the dedicated bank account, as per ODIHR recommendations.¹²⁹ Moreover, following the 2022 amendments to the Electoral Code, all campaign finance reports will have to be accompanied by supporting accounting documentation. The provision will enable the CEC Political Finance Division to examine and implement the in-depth control of all campaign finance reports.

5.5.1.2. Campaign Treasurers

At the same time as the electoral contestant submits her/his campaign registration files, she/he must appoint and register at the CEC the person in charge of campaign funding, the treasurer. That person

¹²⁵ The new rules on conducting political advertising according to Art 9-11 of the 2022 [Law no. 62](#) on advertising, came into force in January 2023, stipulating that “political advertising, in any form of dissemination, including online advertising, must contain the heading ‘Political advertising; the identification data of the person who paid for its dissemination, the date and number of the bank order for payment for the dissemination of political advertising’”; https://www.legis.md/cautare/getResults?doc_id=134924&lang=ro.

¹²⁶ International IDEA, *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance*, 2014, page 395, <https://www.idea.int/sites/default/files/publications/funding-of-political-parties-and-election-campaigns.pdf>.

¹²⁷ OSCE/ODIHR, *Note on Third Party Regulations in the OSCE Region*, POLIT/372/2020, Warsaw, 20 April 2020, page 5, <https://www.osce.org/files/f/documents/d/b/452731.pdf>.

¹²⁸ SIS uncovered a “troll farm” that would promote the image of Veaceslav Platon, Radio Free Europe - Moldova, 9 July 2021, <https://moldova.europalibera.org/a/sis-deconspira-troli-platon/31350901.html>.

¹²⁹ OSCE/ODIHR, *Final Report, Early Parliamentary Elections* 11 July 2021, Warsaw, 22 December 2021, page 15, <https://www.osce.org/files/f/documents/0/5/508979.pdf>.

needs to have a background in economics or accounting and cannot hold any public position. The treasurer, together with the party leader, are financially and legally liable for official campaign documentation.¹³⁰ During CCIA interviews, some interlocutors mentioned that often it is difficult for medium and small political parties and for candidates to find a campaign treasurer, who would be capable of managing the complex campaign finance compliance rules and regulations. Therefore, parties and candidates seek help from specialized accounting companies, while nomination of a treasurer is a formality. However, pursuant to the current legal framework, neither internal nor external treasurers need to be certified.

Recommendation:

- *CEC should create a mechanism to certify treasurers and set up a digital Register of Certified Treasurers (9 months).*

5.5.2. Frequency, details and form of reporting

The new Electoral Code provisions improved campaign reporting procedures, requiring electoral competitors to submit online campaign financial reports as follows:

- on a weekly basis, according to the timetable approved by the CEC¹³¹
- within 3 days after the Election Day (Wednesday) for the entire electoral campaign (final report).¹³²

Campaign finance reports must be presented online through the IT module 'Financial Control', part of the SAIS "Elections".¹³³ In case of an incomplete report, the missing information must be presented not later than 48 hours from the date of the CEC's additional request. The latest legal amendments, in line with ODIHR recommendation, will "enable the CEC Campaign Finance department to check the accuracy of the presented campaign finance reports and apply a wide range of sanctions for violating the campaign finance reporting regime."

GRECO recommended "to explore the possibilities of consolidating political parties' annual reports and campaign funding reports so as to include entities which are directly or indirectly related to them or otherwise under their control". Currently, for instance, the legislation allows political parties to transfer the money from their accounts to the 'Electoral Fund' account. The reporting template for campaign finance reflects that income as the party's 'own sources', without specifying how much public funding and how much money from private sources was transferred to the 'Electoral Fund'. Such information can be obtained from the political parties' annual financial management reports. Still, the political finance reporting does not need to coincide with the electoral period, hence transparency and public scrutiny is limited, which undermines efforts to enhance financial transparency and accountability and root out corrupt practices.

The 2022 amendments to the Electoral Code aim at creating uniformity for reporting procedures. The campaign finance reports and political party's annual reports starting with 2023 will have the same structure. This will assist political parties participating in elections to improve their internal financial management and the CEC to exercise monitoring and control and facilitate public oversight.

The structure of campaign finance reports greatly improved, by detailing the types of incurred expenses (See: *Annex II: Campaign Finance Report Template*), the format of reporting remains a problem. The reports are published in a user-unfriendly format that does not allow for in depth analysis and thorough public scrutiny. (*The problem relates to both political parties' financial management reports and campaign reports; see Chapter: 6.1.1.*)

¹³⁰ For instance, in 2022 the Treasurer of the Shor Party was detained on charges of falsifying the party's financial reports. Pislar P, Shor party accountant arrested for 30 days on charges of falsifying the party's financial reports, Nokta, 15 August 2022 [in Russian], <https://nokta.md/buhgaltera-partii-shor-arestovali-na-30-sutok-po-delu-v-falsifikatsii-finansovyh-otchetov-partii/>.

¹³¹ Previously the electoral competitors submitted bi-weekly campaign finance reports on paper either to the CEC or DEC level.

¹³² The new provision is expected to grant electoral campaigns sufficient time to comply with all reporting requirements. Before 2023, all reports had to be submitted on Fridays, two days before the Election Day traditionally organised on Sundays.

¹³³ At the request of the Central Electoral Commission campaign finance reports could be presented on paper.

The campaign finance reports must contain information on accrued incomes, declaring donor's first name and surname, state identification number (IDNP), domicile address, date of birth, place of work, position (occupation/activity field), if the case, the membership in the electoral party, donors' revenue or financing source for natural persons, or the name and state identification number (IDNO) for legal persons. Copies of all related primary documents must be attached to the reports (*See Annex II: Campaign Finance Report template*).¹³⁴ Due to personal data protection provisions, only part of the information is made public.¹³⁵ Some investigative journalists and civil society organizations posited in the past that the data protection provisions were misused by the CEC to detract from transparency of campaign finances.¹³⁶

According to the new amendments, the final campaign finance report is due three days after Election Day, which is partially in line with the OSCE/ODIHR recommendation to report "in a timely manner, but with a reasonable deadline that allows parties to compile data, invoices, information on reimbursements of loans, etc".¹³⁷ The CEC could consider extending the deadline for the purpose of creating a better reporting practice, respecting the interests of transparency and accountability. Still, the deadline should be kept within the reasonable timeframe before the Constitutional Court validates the election results.

Recommendation:

- *Parliament should amend the Electoral Code to provide the possibility for the CEC to grant an extension of the deadline for submitting the final campaign finance reports, in case electoral candidates due to justifiable reasons cannot present them three days after the Election Day (12 months).*

VI. Oversight

The Venice Commission Code of Good Practice in the Field of Political Parties states that "[e]very political party should include in its statutes mechanisms for audits of its accounts at the national level and for supervising accounting on any regional and local levels".¹³⁸ Consequently, the Law on Political Parties (Article 13.1.n) requires political parties to stipulate in their statutes the modality for carrying out internal financial control. The internal party control includes such tools as: keeping complete and accurate records of financial activities, submitting reports about financial activity to the relevant bodies, approving all contributions for compliance with legal restrictions as well as following accepted accounting procedures in performing record-keeping and reporting duties.¹³⁹

6.1. Oversight bodies

6.1.1. Central Electoral Commission

The CEC is the primary oversight body for both political parties and campaign finance. Its composition, with 4 members appointed by the Parliament, while the President, the Superior Council of Magistracy, and the Government nominate one member each, is not immune to perceptions of political bias.¹⁴⁰ Hence the

¹³⁴ The model of reports and the procedure for their filling and submission shall be approved by the Central Electoral Commission.

¹³⁵ The 2011 Law No. 133 on personal data protection stipulates that personal data shall be "collected for specified, explicit and legitimate purposes and not further processed in a way incompatible with those purposes"; https://www.legis.md/cautare/getResults?doc_id=10607&lang=ro.

¹³⁶ "The reports of at least two candidates in the Presidential campaign of 2016, lacked transparency on the sources of donors." ODIHR Election Observation Mission Final Report, 30 October and 13 November 2016 Presidential Elections, Warsaw, 15 February 2017, https://www.osce.org/files/f/documents/2/5/300016_0.pdf.

¹³⁷ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 259, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

¹³⁸ Venice Commission Code of Good Practice in the Field of Political Parties, CDL-AD(2009)002, paragraph 44, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2009\)002-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2009)002-e).

¹³⁹ IFES, Walecki M., *Challenging the Norms and Standards of Election Administration: Political Finance*, in: *Challenging the Norms and Standards of Election Administration*, 2007.

¹⁴⁰ Electoral Code, Art. 20.1. The members of the Central Electoral Commission shall be appointed as follows: a. one member is appointed by the President of the Republic of Moldova; b. one member is appointed by the Superior Council of Magistracy; c.

performance of the oversight duties may always be challenged as politically motivated.

Recommendation:

- *Parliament should consider changing the CEC composition so that the majority of its members are nominated by non-political actors (12 months).*

The importance of the political finance oversight body, which would be independent and provided with the capacity to conduct investigations, was flagged both by GRECO and ODIHR. Currently, a CEC member can be dismissed by the authority which decided about her/his appointment, with no specification as to grounds. (Electoral Code, Art. 23.3) The difficulty lies in finding a system where the CEC members are confident that even in cases when campaign or party finance decisions are not accepted by the leading politicians or ruling parties, their positions will not be threatened, while at the same time allowing for the removal of commissioners who prove incompetent or unethical.

Recommendation:

- *Parliament should amend the Election Code to define the grounds for dismissal of CEC members (12 months).*

The current composition of the CEC was formed in September 2021. A number of interlocutors noted its more active stance in fulfilling its mandate related to the financial oversight of political parties and campaigns. The degree to which the CEC should be engaged in the control of political parties and campaign financing was a subject of concern during the interviews. The CEC needs to be proactive and forceful in fulfilling its political finance oversight mandate and needs to gain the trust and confidence of the public, but the risks of misunderstanding and accusations of political bias are high. A number of CCIA interlocutors stated that equipping the CEC, essentially an election management body, with a strong financial oversight mandate can lead to a decrease of trust in the institution and consequently in the integrity of elections.

Oversight	Control
Receive reports	Perform planned or spontaneous, complex, or thematic controls covering general and specific area
Check in advance the completeness of information and compliance with reporting requirements	Verify financial reports, including at the campaign office
Publish reports on CEC website	Corroborate accounting and any other relevant supporting documents
Examine the incomes and expenditures for compliance with the regulatory framework	Carry out on-the-spot verifications of electoral campaigning activities
Monitor campaign resources, including public websites, online digital resources*	Cooperate with state and private entities

one member is appointed by Government, on the proposal of the Ministry of Internal Affairs; d. four members are appointed by the Parliament as follows: two members proposed by the parliamentary majority; a member proposed by the parliamentary opposition, and one member proposed by civil society organisations, representative for the electoral field.

In the control of the financial reports submitted by political parties, the CEC is guided by such principles as:

- legality - compliance with legal provisions;
- equality - no discrimination in access to the funding;
- transparency of incomes and expenses;
- independence from donors;
- integrity of activities.

The current version of the SAIS Elections - 'Financial Control' module allows the submission of incomplete reports. Upon CEC request the parties must correct the reports within 5 working days, whereas in case of campaign finance reports, within 48 hours. The corrected financial reports are submitted in hard copies only as the SAIS Elections - 'Financial Control' module does not have the option to submit and save a corrected report.

The volume of work related to oversight is substantial as the current electronic system does not allow for automatic verification of data. It makes it difficult to monitor the prevalence of such problems as fake donors, inflated membership fees or under-reporting of in-kind donations and incurred expenses.

The National Integrity and Anti-corruption Strategy for the years 2017-2023 stipulates that in order to increase the transparency of political and campaign financing, the CEC should develop on its webpage an electronic module which would allow for publishing the financial reports in an open-data form.¹⁴¹ Moreover, according to its Strategic Plan 2020-2023, as a voter-centric organisation the CEC assumed responsibility to use technology to create better electronic electoral services for citizens.¹⁴² The CEC informed CCIA that the SAIS Election - 'Financial Module' is being reformed to respond to the needs of better oversight and public access to the open data.

The control of the CEC can have a planned character or can be undertaken either *ex officio* or upon a complaint.¹⁴³ The scope of the control can also vary and can range from a holistic control of party finances to a sectoral control of incomes or expenses. As the oversight body, the CEC can request primary documentation, conduct field monitoring, and investigate potential violations, as its political finance oversight mandate was expanded in 2019 by an important function of establishing contraventions and applying sanctions to political parties and electoral competitors, in accordance with the Contravention Code.

Recommendation:

- *CEC should develop an online module which allows for financial reports of political parties and electoral contestants to be published in open-data form and launch a civic education campaign, promoting public scrutiny (9 months).*

CEC's capacities related to oversight of political financing were the subject of GRECO and ODIHR recommendations.¹⁴⁴ To ensure the practical implementation of the oversight provisions, the Venice Commission and the OSCE/ODIHR recommended that "...the oversight body should be given sufficient

¹⁴¹ National Integrity and Anti-Corruption Strategy for the years 2017-2020; Parliament Decision No. 56, 30 March 2017, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=370789>. The Strategy's tenure was extended to 2023, by the Parliament Decision No. 241, 24 December 2021, https://www.legis.md/cautare/getResults?doc_id=129663&lang=ru.

¹⁴² According to the OSCE/ODIHR and Venice Commission "[d]igitalizing information and submitting it to the regulatory body in its digitalized, easily searchable and reusable form can facilitate oversight and therefore minimize the need for paper-based procedures". OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 258, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

¹⁴³ Control may be repeated as warranted by new information or other circumstances.

¹⁴⁴ GRECO: to mandate an independent central body, endowed with sufficient powers and resources and assisted by other authorities where necessary, so as to allow the exercise of effective supervision, the conduct of investigations and the implementation of the regulations on political funding; ODIHR Final report 2021 EOM Early Parliamentary elections: to enhance transparency and accountability of campaign finance, the oversight body should be equipped with adequate authority, resources, and technical expertise to exercise its functions effectively.

resources, including an appropriate number of staff specialised in financial auditing.¹⁴⁵ Initially the CEC lacked a proactive oversight approach due to limited human resources and only verified the formal compliance of political party and campaign finance reports with legislative and regulatory frameworks and conducted inquiries in response to complaints.

In July 2022, its Secretariat was reformed and the new Division of Supervision and Control of the Financing of Political Parties and Electoral Campaigns (henceforth, "CEC Political Finance Division") was created.¹⁴⁶ According to the organigram, it is to have eight people in the CEC HQ of which five were employed as of January 2023.¹⁴⁷ Following the latest amendments to the Electoral Code, the 35 second-level District Electoral Councils (DEC) will act on a permanent basis, and their chairpersons will have the status of civil servants. The latter will also be performing political finance oversight duties. According to the CEC Chairwoman, the number of staff is sufficient to keep campaign candidates and political parties accountable for campaign finance infringements, applying sanctions according to the Contravention Code based on the conclusion of the oversight and control reports.

The currently drafted CEC Regulations on political party financing and on campaign financing lay the legal foundations to make the CEC's control more incisive and proactive. The success of oversight activity will depend also on the human and material resources and capacities of the CEC ahead of the 2023 local elections. Furthermore, the CEC, in cooperation with the CoE, is in the process of developing methodologies on oversight and control of political financing of political parties and election campaigns. These will allow a consistent approach to the verification of the information provided by political parties and candidates and at the same time will protect the CEC from accusations of political bias in fulfilling its oversight mandate.

Recommendation:

- *CEC should build the capacity of the DEC chairpersons to monitor campaign activities and evaluate the veracity of campaign finance reports (9 months).*

In the event of suspicions of a criminal offence, the CEC refers the case to the prosecution authorities. In general, the CEC has been progressing in its oversight functions and has been restoring public confidence. There are cases of non-compliance with the political finance provisions which test the CEC capacities, however, the most notorious being the Shor Party in which the CEC exhausted campaign finance sanctions provided under the Electoral Code. Shor Party candidates received administrative sanctions, and four candidates were deregistered because of the use of undeclared campaign funds and for incurring expenses above the ceiling applicable for electoral funds; the CEC also decided to suspend the party's public funding in the first semester of 2023.¹⁴⁸ (For more details see description of the case in the Chapter: 6.3.2.)

The APO uses party financial reports as a base for verifying the financial transactions of political parties under investigation. For instance, in cases of suspicion of undocumented inflows of cash, the APO verifies

¹⁴⁵ Venice Commission/OSCE-ODIHR, Joint opinion on the legal framework of the Republic of Moldova governing the funding of political parties and electoral campaigns, adopted on 11 December 2017 (CDL-AD(2017)027), paragraph 15, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2017\)027-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2017)027-e).

¹⁴⁶ CEC Decision No. 261 from 30 December 2021 (regarding the approval of the staff limit, the organizational structure and the organizational chart of the Central Electoral Commission), https://a.cec.md/ro/cu-privire-la-aprobarea-efectivului-limita-structurii-organizatorice-si-organigr-2751_101057.html.

¹⁴⁷ Apart from the head and deputy head of the Division, it is to have two civil servants with a legal background, two with a finance education, an IT specialist and a person delegated to deal with court appeals to CEC decisions.

¹⁴⁸ Central Electoral Commission Decision CEC no. 435/2016 from 19 October 2016, https://a.cec.md/ro/cu-privire-la-contestatia-nr-cec-1027-din-19-octom-2751_85737.html; CEC no. 3791/2020 from 4 March 2020, https://a.cec.md/ro/cu-privire-la-sesizarea-nr-cec-76985-din-3-2751_96209.html; CEC no. 3779/2020 from 4 March 2020, https://a.cec.md/ro/cu-privire-la-rapoar-tele-financiare-ale-grupurilor-de-initiativa-constituite-2751_96196.html; CEC no. 205/2021 from 8 December 2021, https://a.cec.md/ro/privind-executarea-punctului-2-din-hotararea-nr-1902021-cu-2751_100951.html; CEC no. 188/2021 from 1 December 2021, https://a.cec.md/ro/cu-privire-la-controlul-reflectarii-veniturilor-si-cheltuielilor-concurentului-e-2751_100902.html; CEC no. 169/2021 from 20 November 2021, https://a.cec.md/ro/cu-privire-la-controlul-reflectarii-veniturilor-si-cheltuielilor-concurentului-e-2751_100850.html; CEC no.157/2021 from 20 November 2021, https://a.cec.md/ro/cu-privire-la-supravegherea-veniturilor-si-cheltuielilor-concurentilor-electoral-2751_100838.html; CEC no. 549 from 7 January 2022, https://a.cec.md/ro/cu-privire-la-controlul-reflectarii-veniturilor-si-cheltuielilor-concurentilor-e-2751_101981.html.

an accumulation of private donations, which were made to a party within the given period. Often the persons stated that the donors deny having donated any money to a political party. There are also cases of the deceased being listed among party donors.

Since May 2021, pursuant to the Decision of the Commission for Exceptional Circumstances, the Service for Intelligence and Security (SIS) collects data on risks of illegal financing of political parties and electoral campaigns. Also, the Decision allowed SIS, within the scope of its mandate, to operate outside the criminal proceedings for preventive purposes to protect the national security of the country.¹⁴⁹ However, in the legislative framework regulating non-exceptional circumstances, according to the Criminal Procedure Code, the SIS can carry out special investigation measures meant to manage information of illegal activities only within criminal proceedings. The SIS argues that it would be more effective in fulfilling its mandate, if the legislation is amended to allow for operating outside of criminal proceedings.

Recommendation:

- *Parliament should amend the legislation regulating SIS activities in a way, which would enable SIS a real time and outside of criminal proceedings collection of information concerning illegal financing of political parties and campaigns that threatens state security in all (exceptional and non-exceptional) circumstances (12 months).*

When exercising its campaign finance oversight role, the CEC cooperates with the following state bodies:

- Public Service Agency – for checking private donations from individuals against the provided restrictions (Art. 54 (5) lit. a) b) c) of the Electoral Code);
- State Procurement Agency – for checking private corporate donations against the provided restrictions (Art. 54 (5) lit. d), f) and g) of the Electoral Code)
- State Fiscal Service, National Social Security Service, and National Medical Insurance Agency – for checking individual private and corporate donations against the provided restrictions (Art. 57 (1) a) of Electoral Code and Art. 26 (5) e) of the Law on Political Parties).

Recommendation:

- *CEC should establish a 'prioritising system' in which 'red flags,' indicating the possible use of unreported and/or illegal cash-flows, detected in the process of the initial review of the financial report of political parties and electoral contestants, would immediately trigger further control and investigation procedures (9 months).*

Such an approach could ensure prompt response to detected violations and combat more effectively illicit financing.

In 2010, the E-Government (E-Gov) Center was established to support the government's e-transformation agenda. The institution focuses on the technical modernisation of the public sector to create a more efficient, transparent, and connected government service.¹⁵⁰ At the heart of the E-Government Center of Moldova's technical modernisation efforts is MConnect, an interoperability platform designed to facilitate the exchange of data between government entities. MConnect serves as the core of the process for re-engineering Moldova's public services. It enables the streamlined delivery of public services both for citizens and businesses, as well as optimised internal governmental administrative processes, including the integration of SAIS Elections.¹⁵¹

Recommendations:

- *E-Gov Center should institutionalise the collaboration of all state political finance oversight agencies: the CEC, the State Fiscal Service, and National Social Security Agency, to collect and present information on donors' declared incomes, facilitating the verification of the authenticity of donations (9 months).*

¹⁴⁹ Art 7 and 8 of the Law no. 753 regarding the Service of Information and Security of the Republic of Moldova, 23 December 1999, https://www.legis.md/cautare/getResults?doc_id=121235&lang=ro.

¹⁵⁰ The E-Gov Center has worked in partnership with the World Bank, United States Agency for International Development (US-AID), United Nations Development Program (UNDP), private sector, civil society, and public officials of the Republic of Moldova.

¹⁵¹ MConnect interoperability platform is based on several products that are cloud enabled and fully multi-tenant. It is a 100% open source WSO2 enterprise middleware platform, that allows government entities to exchange data securely and easily and ensures high availability for users, <https://www.egov.md/ro/content/platforma-guvernamentala-de-interoperabilitate>.

- *CEC should engage other institutions, such as the Public Service Agency, the State Procurement Agency, and the National Medical Insurance Agency, to further strengthen political finance oversight, e.g. through the interoperability of their respective databases, and using the E-Gov Center as a platform to facilitate cooperation between those institutions (12 months).*

6.1.2. Court of Accounts

Pursuant the Venice Commission recommendation that “...the funding of political parties from public funds must be accompanied by the supervision of the parties’ accounts by specific bodies” the CoA was vested with the mandate of oversight over state subsidies for political parties.¹⁵² In case the CoA determines that public funding was used for purposes other than those provided by law, the amount of money spent contrary to the provisions must be returned to the state budget.

The CoA has been critical of its role as a designated oversight institution for political financing. According to the CoA:

- the partial review of parties’ expenditures, limited to public fundings, has little added value, as it misses a bigger picture of political finance dynamics;
- political parties are diligent and careful in how they spend public funding, for they fear the need to return it to the state budget;
- the CoA has the political finance oversight mandate, but no additional funding to carry it out. It thus carries an extra burden on already fully engaged existing human resources.

According to the CoA, the CEC should be the only oversight body, with the possibility of obtaining support from other institutions to determine the veracity of the reporting and to refer the criminal offences to the Prosecutor’s Office. UNDP Moldova drew the same conclusions. In 2022, it conducted a gap analysis and prepared the “Roadmap for Reorganisation” of the CEC Finance and Economics Department. According to the UNDP assessment, the function of the CoA in receiving financial reports of the political parties could be limited to confirmation of the findings of the CEC and application of contraventions.

At the same time, the CEC does not have a methodology for oversight of the state funds’ expenditure and believes that as far as the oversight of public funding is concerned, the CoA should remain the responsible authority, with the CEC role limited to distributing the subsidies to political parties according to the current formula. Indeed, the CoA oversight role allows for a comprehensive scrutiny of the public money dedicated to political parties.

Recommendation:

- *CoA should develop a methodology of state funds management for political parties (6 months).*

6.1.3. Anticorruption Prosecutor’s Office

The CCIA, in its assessment of the anti-corruption institutions in Moldova, concluded that the Anticorruption Prosecutor’s Office (APO), although established to fight high-level corruption in 2016, „has long diverted much if not most of its limited resources to petty corruption. Its track record in high level corruption is scandalously poor”.¹⁵³ At the same time, the legislation does not provide a clear definition of “high-level corruption”, the term which is oftentimes used as a synonym for political corruption, with involvement of

¹⁵² Compilation of Venice Commission opinions and reports concerning political parties, adopted on 18 December 2021 (CDL-PI(2021)016rev), Chapter VII Financing of political parties, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-PI\(2021\)016rev-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-PI(2021)016rev-e).

¹⁵³ CCIA Report, Disrupting Dysfunctionality, *op. cit.* https://ccia.md/wp-content/uploads/2022/11/CCIA_Disrupting-Dysfunctionality_Resetting-Republic-of-Moldovas-Anti-Corruption-Institutions.pdf.

illicit financing of political parties and electoral campaigns.¹⁵⁴ Before April 2023, political party leaders and electoral candidates fell under the criminal investigation of the APO in cases when the value of misused finances, donations, allocations from state budget or from the electoral funds exceeds MDL 250,000 (approx. EUR 12,820).¹⁵⁵

CCIA, in the course of its previous studies, recommended that the Parliament should provide APO with the mandate to conduct criminal investigations on such crimes as:

- corruption of voters, violation of the management of political parties' or campaign funds and the illegal financing of political parties, initiative groups, electoral competitors or the participants in the referendum (Criminal Code, Articles 181¹- 181³)
- deficient or fraudulent management of a bank, investment company, insurance company (Criminal Code, Article 239¹)
- misuse of internal borrowings or foreign funds (Criminal Code, Article 240)
- money laundering (Criminal Code, Article 243)
- passive corruption, active corruption, misuse of influence, performance of duties in the public sector in a situation of conflict of interest, abuse of power or position, and excess of power or exceeding mandate (Criminal Code, Articles 324–328)
- illicit enrichment (Criminal Code, Article 330²)
- official forgery, fraudulent receipt of external funds, appropriation of funds from external funds, taking bribe, giving bribe, abuse of an official position (Criminal Code, Articles 332–335).

In April 2023, the Parliament voted to delimit the powers of the APO's and the NAC to investigate high-level corruption cases.¹⁵⁶ While legal amendments address some of the above mentioned CCIA recommendations, contrary to CCIA suggestions, as of August 2023, it is for NAC to conduct criminal investigations of political parties' leadership, no monetary threshold is imposed. The APO will be conducting the criminal investigations in respect of high officials.¹⁵⁷

The Chief Anticorruption Prosecutor proposed further amendment of the Art 181² in a manner which would allow for releasing from criminal liability the persons, who although guilty of such crimes as falsification of reports, misuse of administrative resources, extortion of donations, misuse of public funding or accepting money from organised criminal groups, actively contributed to the discovery or countering of the crime by self-denunciation, by denouncing and facilitating the prosecution of other persons who committed or contributed to the commission of the crime, by voluntarily surrendering of the financial means that constitute the material object of the crime, by indicating the source of origin of these financial means.¹⁵⁸

In terms of institutional capacity, the APO reported that it requires more resources and tools to speed up investigations. Moreover, strong, and unwavering support from the legislature is needed to introduce amendments which would allow for more effective prosecution of corruption cases. The main challenges

¹⁵⁴ "With the purpose of continuity and systemic approach to reforming the anti-corruption legal system in Moldova, a "high-level corruption" is considered (i) large in scale, (ii) takes place at the policy formulation end of politics, (iii) where policies and rules may be unjustly influenced involving top officials and political decision-makers, (iv) who exploit their positions (v) to extract bribes, tailor regulations or embezzle sums of money, (vi) often in great amounts (vii) to benefit their interests and (viii) causes serious and widespread harm to individuals and society. It often goes unpunished. CCIA Report, *Disrupting Dysfunctionalities. Resetting Republic of Moldova's Anti-Corruption Institutions*, page 16, https://ccia.md/wp-content/uploads/2022/11/CCIA_Disrupting-Dysfunctionality_Resetting-Republic-of-Moldovas-Anti-Corruption-Institutions.pdf.

¹⁵⁵ Criminal Code (Art. 181¹ – 181³), https://www.legis.md/cautare/getResults?doc_id=135678&lang=ro.

¹⁵⁶ Law no. 83 on modifying the Code of Criminal Procedures, 14 April 2023, https://www.legis.md/cautare/getResults?doc_id=136756&lang=ro.

¹⁵⁷ CCIA Report, *Disrupting Dysfunctionalities. Resetting Republic of Moldova's Anti-Corruption Institutions*, https://ccia.md/wp-content/uploads/2022/11/CCIA_Disrupting-Dysfunctionality_Resetting-Republic-of-Moldovas-Anti-Corruption-Institutions.pdf.

¹⁵⁸ On 14 April 2023 the Parliament adopted the following amendment to the Criminal Code: "If the defendant admitted to committing the crimes provided by art. 181(1)–182, 239–240, 242(1), 242(2), 256, 324–335(1), 370 and requested that the judgement be made on the basis of the evidence administered during the criminal investigation phase, he/she benefits from the reduction by a quarter only of the maximum penalty limit provided in the Special Part of this code (Criminal Procedure Code) in the case of punishment with a fine, unpaid community work or imprisonment"

in investigating election campaign-related political corruption cases identified by the APO is the complexity of the types of crimes, which requires engagement of appropriate and substantial financial, human and legal resources, and the statutes of limitation within which such work must contend.¹⁵⁹

The Anticorruption Prosecutor is of the opinion that the restrictions on making public the information related to the case until the court's adjudication should be reconsidered. In political corruption cases, the current restrictions deprive the public of crucial information about the indicted political leaders and elected officials. The Anticorruption Prosecutor argues that in the case of prolongation of the criminal investigation, there is a serious risk that illegally financed political parties may continue their activity without hindrance and even come to power using the illegal means that are subject of investigation.

Sharing the information about the nature and gravity of crimes a person is accused of would also allow the APO to avoid accusations of political bias.

Recommendation:

- *Parliament should amend the Criminal Code to allow courts to reduce criminal sanctions for persons who:*
 - a) actively contributed to the discovery or countering of the crime by a voluntary self-disclosure,*
 - b) facilitated identification and prosecution of other persons who committed or contributed to the commission of crime,*
 - c) voluntarily surrendered the financial means that constitute the material object of the crime,*
 - d) importantly assisted the prosecution in their investigations in any other way (12 months).*

6.1.4. National Integrity Authority

In 2017, the Moldovan government introduced the requirement of an Integrity Certificate to be obtained from the National Integrity Authority (NIA), to increase the credibility of the elected officials. The thoroughness and validity of NIA's verification process were questioned when in 2019 it issued a positive certificate to Ilan Shor.

As stated in the CCIA's second report, the NIA has an ambiguous and limited role in preventing suspicious candidates from participating in elections. Therefore, as recommended by CCIA the provisions on Integrity Certificates have been recently abolished, for they "failed as legitimate filters of integrity, and many candidates with doubtful integrity entered Parliament. Instead, the introduction of integrity certificates created additional workload and distracted the inspectors from the verification of public officials' assets and conflicts of interests".¹⁶⁰

6.1.5. General public oversight

Civil society and media play a pivotal role in the oversight of political financing, taking an active stance in investigations and legislative processes. The Electoral Code provides extended rights for domestic and international observation. Accredited observers are entitled to follow all stages of the electoral process, but their access to the data on campaign donors raised concerns, for a donor's place of employment is qualified by the CEC as protected personal data.¹⁶¹ During 2014 parliamentary elections, journalistic

¹⁵⁹ At the request of the CCIA, the APO presented the information regarding the examination of referrals and criminal cases of illegal financing of political parties and electoral campaigns initiated in 2014–2023. According to the data from the Forensic and Criminological Information Register (RICC) of the Information Technology Service of the Mol and the information presented by the NAC out of 39 cases registered, 18 cases were dismissed on the grounds of refusal to initiate criminal investigations (2014–2021), 17 cases are under investigation (2020–2023), three cases are referred to the Mol according to its competences (2019–2022) and one case is examined by the Supreme Court of Justice (2022).

¹⁶⁰ Recommendation no. 33. Parliament should abolish the integrity certificates introduced by Article 311 of Law no. 82 on integrity in 2018. (6 months). CCIA, *Disrupting Dysfunctionalities. Resetting Republic of Moldova's Anti-Corruption Institutions*, page 54, https://ccia.md/wp-content/uploads/2022/11/CCIA_Disrupting-Dysfunctionalities_Resetting-Republic-of-Moldovas-Anti-Corruption-Institutions.pdf.

¹⁶¹ According to the law, personal data means any information that could lead, directly or indirectly, to an identified or identifiable individual. Art. 3 of the Law on Personal Data Protection No. 133 as of 08 July 2011, https://www.legis.md/cautare/getResults?doc_id=133182&lang=ro.

investigations revealed large donations coming from employees of companies that had state contracts and of public entities.¹⁶² Hence the donor's place of employment, it is a valuable source of information which allows for an in-depth verification of sources of funding.

Of civil society organizations, Promo-LEX is the key watch-dog of political finance. The NGO developed a monitoring methodology to track campaign spending, and its assessments of expenditure make it more difficult for parties and candidates to spend beyond the legal limits or misuse administrative resources.¹⁶³

Investigative journalism allowed for revealing many corruption cases which otherwise would have remained unknown, given the collaboration of the state institutions of that time with the culprits. It is thanks to, among others, the Association of Investigative Reporters and Editorial Security of Moldova (RISE Moldova) and the investigative newspaper Ziarul de Garda that numerous cases of political corruption came to light.¹⁶⁴

ECtHR: RISE Moldova and Sanduta v. the Republic of Moldova

Investigative journalism of political corruption has not always been welcomed by Moldovan political parties and state authorities. RISE Moldova, following its publication, "Dodon's Bahamas Money" ("Banii lui Dodon din Bahamas"), which revealed the case of foreign illicit funding of the PSRM 2016 presidential candidate, was sued by PSRM for defamation. The Socialists posited no State body had found any illegalities in the financing of the party and its victorious presidential candidate. The court found the article as defamatory and ordered RISE Moldova to publicly admit the published information was not true. RISE Moldova appealed the verdict to the European Court of Human Rights (ECtHR). Following the standard procedure, once the ECtHR communicated the case to the Government of Moldova, the Chişinău Court of Appeal acknowledged a breach of the freedom to communicate information and dismissed the defamation action.¹⁶⁵

6.2. Legal consequences of political financing violations

GRECO recommended that "*all infringements of financing of political parties electoral campaigns are clearly defined and made subject to effective, proportionate and dissuasive sanctions*", while the limitation periods are extended to allow the competent authorities effectively to supervise political funding..."

Current legislation provides for three types of sanctions:

- administrative, such as depriving the party of public funding, or *ex officio* removal from the state register of political parties,
- as in the Contravention Code, such as a warning, a fine, and/or deprivation of the right to hold certain positions or to carry out certain activities,
- as in the Criminal Code, "Violations of the financial management of political parties or electoral campaigns", Art. 181² and "Illegal financing of political parties, initiative groups, electoral competitors or participants at the referendum," Art. 181³. (See Table 7).

¹⁶² Center for Investigative Journalism, *Employees of companies subscribed to public money, party sponsors in the electoral campaign*, 30 January 2015, <https://www.investigatii.md/ro/investigatii/banii-publici/angajati-ai-firmelor-abonate-la-banii-publici-sponsori-ai-partidelor-in-campania-electorala>.

¹⁶³ Promo-LEX, *Final Report, Observation Mission for the Parliamentary Elections of 24 February 2019*, page 8, https://promolex.md/wp-content/uploads/2019/04/Raportul_final_alegeri_parlamentare_2019_Eng.pdf.

¹⁶⁴ RISE Moldova article on the Russian FSB's role in Moldovan politics has been recognized as one of the Best Investigative Stories in Russian and Ukrainian of 2022 by the Global Investigative Journalism Network. See: Simanovych O., 2022's Best Investigative Stories in Russian and Ukrainian, Global Investigative Journalism Network, 4 January 2023, <https://gijn.org/2023/01/04/2022s-best-investigative-stories-in-russian-and-ukrainian/>.

¹⁶⁵ ECtHR, *Association of Investigative Reporters and Editorial Security of Moldova and Sanduta v. the Republic of Moldova*, (4358/19), Strasbourg, 12 January 2022, [https://hudoc.echr.coe.int/eng#{%22appno%22:\[%224358/19%22\]}](https://hudoc.echr.coe.int/eng#{%22appno%22:[%224358/19%22]}).

The sanctions for contravention of financing political parties and electoral campaigns do not exceed 25,000 MDL (approx. EUR 1,250) and up to one year of deprivation of the right to hold certain positions for a responsible person. (See Annex IV) Contravention cases are very few. Often the cases are closed due to the expiration of the statute of limitations. GRECO, during its Third Evaluation Round, recommended that “the limitation periods applicable to these offences are sufficiently long to allow the competent authorities effectively to supervise political funding.” Currently, the Contravention Code provides a three-month limitation period.

According to CEC information, in 2021 the court examined eight contravention cases initiated in 2020, in respect of seven persons with official positions. The court adjudicated financial fines in four cases, in two cases the contravention proceedings were terminated due to the expiration of the statute of limitations, and in two cases the persons were found guilty but without any sanctions applied also due to the expiration of the statute of limitations.

As far as contravention cases in 2021, the court examined 20 contravention files. The results were:

- Fines in nine cases
- In three cases, persons were found guilty but without sanctions being applied, due to the expiry of the statute of limitations
- In one instance the contravention case was discontinued due to the lack of violation
- Two cases, are in the process of re-examination in the first instance in another court panel
- Five cases are being examined by the Court of Appeal.

Based on the newly approved electoral rules, the CEC can clearly distinguish different types of violations and apply different responses and sanctions. However, the Electoral Code must provide more detailed gradation of sanctions according to the seriousness of violation, setting the amounts of fines or in determining the amounts of public funds to be reduced. When it comes to the application of administrative sanctions, clearly the statute of limitations remains too short to address emerging violations.

For campaign finance violations, the CEC or DEC, *ex officio* or at the request of the contestants, in compliance with the principle of proportionality, may apply to the electoral competitors the following administrative and financial sanctions. (For the comprehensive overview of the sanctions for violations of political finance provisions, see Annex IV)

The political finance legislation of the Republic of Moldova has made clear progress in recent years in the evolution of the sanctions system for campaign finance violations. (See Table 6)

Table 6: Evolution of the sanctioning system for campaign finance violations 2014-2021

2014 Parliamentary Elections

- Three complaints of alleged non-disclosure of funds and overspending were filed with the CEC after the final financial reports, and their merits were not considered. The CEC forwarded them to the APO, the Prosecutor General Office, and tax and police authorities, since it had no means to verify the evidence. The Prosecutor General’s office opened investigations, but no results were reported. The complaints were included for adjudication by the Constitutional Court before it approved the election results, but their merits were not reviewed.
- One candidate was de-registered for allegedly using foreign funds in the electoral campaign.

2016 Presidential Election

- The CEC issued a warning to two candidates for financial campaign misreporting. It requested clarification on possible unreported spending from one candidate and requested the State Tax Inspectorate to verify the origin of donations exceeding MDL 75,000 (approx. EUR 3,800).
- One candidate was de-registered for using undeclared funds which was widely reported as a case of vote-buying.¹⁶⁶
- Two other cases considered by the CEC were related to an alleged involvement of foreign citizens in campaigning.

2019 Parliamentary Elections

- With elections held under the mixed electoral system, the CEC examined campaign finance reports of 15 political parties registered as candidates on the national constituency and 57 independent candidates on the single member constituency.
- Out of 15 political parties registered as electoral contestants, 14 presented reports. The CEC requested the State Tax Inspectorate to verify the origin of donations exceeding MDL 75,000 (approx. EUR 3,800) of the PDM and of an independent candidate.
- Out of 57 independent candidates, 17 did not present reports. Candidates were warned for missing the deadline or misreporting the expenses.
- One candidate was de-registered for using undeclared funds which was widely reported as a case of vote-buying.

2020 Presidential Election

- The main issues that were the subject of appeals were: involvement of foreign citizens and other states in the electoral campaign, the use of administrative resources, the use of undeclared financial resources, vote-buying and organized transportation of voters to polling stations.
- The CEC issued only one Decision, three cases were referred to the police and the Prosecutor General.¹⁶⁷

2021 Parliamentary Elections

- The CEC issued a warning to two candidates for misreporting. It requested clarification on possible unreported spending from one candidate and requested the State Tax Inspectorate to verify the origin of donations exceeding MDL 75,000 (approx. EUR 3,800).
- Two competitors were obliged to pay into the state budget the value of donations that exceed the ceiling provided for donations from individuals.
- Warnings were issued in 12 cases.
- One candidate was de-registered for using undeclared funds which was widely reported as a case of vote-buying.

In 2022, the CEC referred to law enforcement bodies two cases of violation of provisions on financing of political party and electoral campaigns. The cases concerned the use of funds and undeclared materials by the Shor Party during the electoral campaign preceding the local by-elections of May 2022 and the examination of the financing methods of the Shor Party over the first semester of 2022. In both cases the information was referred to the APO.¹⁶⁸

¹⁶⁶ Complaint no. CEC-10/27 of 19 October 2016 requesting de-registration of electoral competitor Inna Popenco (Social-Political Movement "Ravnoprave" on grounds of vote-buying and using undeclared funds. Inna Popenco organized an event where store discount cards were distributed among voters. The Chisinau Court of Appeal cancelled the registration of that competitor, https://a.cec.md/ro/cu-privire-la-contestatia-nr-cec-1027-din-19-octom-2751_85737.html.

¹⁶⁷ CEC Decision no. 4427/2020, 25 October 2020, https://a.cec.md/ro/cu-privire-la-contestatia-nr-cec-10apr3-din-21-2751_98050.html.

¹⁶⁸ See: CEC Decisions No. 678 from 9 September 2022, https://a.cec.md/ro/cu-privire-la-controlul-reflectarii-veniturilor-si-cheltuielilor-concurentului-e-2751_102627.html and No. 821 from 15 December 2022, https://a.cec.md/ro/cu-privire-la-exercitarea-atributiei-de-supraveghere-a-rapoartelor-regarding-2751_102887.html.

Contrary to ODIHR recommendations, financial sanctions are very low in comparison to the gravity of the crime and the volumes of the financial resources that are allegedly unreported and obtained from illegal sources, including from organised criminal groups.¹⁶⁹ The ODIHR and Venice Commission recommended the range of sanctions that can be applied for non-compliance with political finance provisions which go from administrative sanctions, to forfeiture to the state treasury of undue financial support, to loss of registration.¹⁷⁰

Recommendation:

- *Parliament should amend the Contravention Code to extend the three-month statute of limitations for contraventions “to allow the competent authorities to effectively supervise political funding” (12 months).*
- *Parliament should considerably increase the gradation of sanctions based on the violation, especially in cases of undeclared, impermissible, or foreign funds and ensure that sanctions are effective, proportionate and dissuasive (12 months).*

6.3. Cases of insufficient/biased oversight

Even when legal provisions include presentation of campaign finance accounts and some sanctions for non-compliance, as was the case of Moldova between 2007-2021, the framework is often insufficient and improperly enforced, which creates the perception of corruption and biased electoral justice.

According to observers of Moldovan politics, the lack of continuous institutional commitment to performing oversight duties stems from the instability and frequent changes of government and of the political landscape and from porosity between party and civil service. Hence there is little incentive to be firm on those in power and decisive in strict oversight of those in the opposition as they can easily, and often do, switch places after the next election.

A number of key figures, allegedly involved in large scale corruption cases, fled the country, making it impossible to hold them accountable for alleged crimes, e.g.

- Vladimir Plahotniuc, the PDM leader has been charged *in absentia* with forming an organized criminal group, extortion. Since he fled the country in 2019 and continues to abscond and evade justice, it has been impossible thus far to hold him accountable for the aforementioned charges.¹⁷¹ Parliament has recently adopted improvements to the criminal-procedural legislation to allow trials of the cases in the defendant’s absence when the person evades prosecution or participation in the trial.¹⁷²
- Veaceslav Platon, the businessman accused in connection with the “Laundromat case” was sentenced in 2017 to 18 years in jail over embezzlement and money laundering but the Supreme Court of Justice overturned his conviction and ordered a retrial, citing procedural violations during the initial trial. Mr. Platon was released from custody in 2019 and in 2021 fled to the UK, from where he announced his intention to engage in Moldovan politics soon.
- Ilan Shor, also accused of, *inter alia*, involvement in the ‘Laundromat case’, fled to Israel in 2019. Although not physically present in the country, this did not prevent him from being a successful candidate in the parliamentary elections in 2019 and 2021. Although unreachable by the Moldovan justice system, Ilan Shor continues to exert substantial influence on Moldova’s politics.

¹⁶⁹ According to OSCE/ODIHR and Venice Commission Guidelines proportionality of sanctions “should include a consideration of the amount of money involved, whether there were attempts to hide the violation, and whether the violation is of a recurring nature”, OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 280, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

¹⁷⁰ For the full range of sanctions for non-compliance with political finance provisions, recommended by ODIHR/Venice Commission, see *ibid*, paragraph 274.

¹⁷¹ Speech of the Prosecutor General charging Vladimir Plahotniuc with forming an organized criminal group available at <http://procuratura.md/md/news/st/1211/1/8322/>.

¹⁷² The amendments of the Criminal Procedure Code of the Republic of Moldova were adopted on 26 July 2022- Art. 41, 52, 64, etc.; Law no. 198/2007 regarding legal assistance guaranteed by the state - art. 19. https://www.legis.md/cautare/get-Results?doc_id=132546&lang=ro#.

Even in the case of the politicians, who continue residing in Moldova, and face corruption-related charges, the Prosecutor's Office often appears to be toothless. Often the arrested are released from custody and files are closed due to insufficiency of collected evidence:

- On 26 May 2022, the Prosecutor's Office decided to place Igor Dodon, the former President and long-time leader of the PSRM, under house arrest for thirty days. Dodon was charged on four counts: bribery, acceptance of criminal funds for political purposes, illicit enrichment, and treason.¹⁷³ The decision was related to the recordings made with the use of a hidden camera, revealed in 2019, which recorded a meeting between Mr. Dodon and Vladimir Plahotniuc, in which Mr. Dodon admits he received financial support from Russia. The recording also shows Igor Dodon receiving a plastic bag (allegedly with cash) from Vladimir Plahotniuc. Despite the gravity of charges and the video-recording, Igor Dodon was released from custody for the lack of sufficient evidence. Nonetheless the investigation is ongoing. Mr. Dodon is not allowed to leave Moldova.
- In January 2023, the Prosecutor General closed the file of so-called "corrupt MPs" due to lack of evidence and the death of the main witness in the case.¹⁷⁴ The case concerned 14 former MPs who allegedly received amounts between MDL 4-6 million (EUR 200,000-300,000) in November-December 2015 for leaving the PCRM and joining the ranks of the PDM. The deed would have been prosecuted on the basis of the Criminal Code, which qualifies such practices as "corruption of assets in particularly large proportions" and "regarding a person with a position of public dignity". (Art. 325.3 a) and a1)).¹⁷⁵
- Marina Tauber, an MP affiliated with the Shor Party, was charged in July 2022 with knowingly accepting illegal financing for the party from an organized criminal group and with falsifying the party's financial report for the first half of 2022, with the intention of withholding actual incomes and expenses. Ms. Tauber is under judicial control. The investigation is ongoing.

At various points, CCIA interlocutors raised questions not only on institutional capacity, but also on political will to investigate and prosecute those cases of political corruption. Some opine that the institutional inefficiency results from a "combination of PAS appointees' lack of experience, high levels of distrust inside the party among its members and towards all other political forces, and a strong drive to 'quickly clean up' democratic institutions could have longer-term negative effects for the independence of these institutions, as well as for political pluralism and democratic consolidation in Moldova".¹⁷⁶

¹⁷³ A copy of Igor Dodon's indictment available at <https://cazuldodon.com/rechizitoriul/>.

¹⁷⁴ Prosecutor General of the Republic of Moldova, The file called "deputies who defected" closed after three years of investigation, Press Release, 25 January 2023, <http://procuratura.md/md/newslist/1211/1/9478/>.

¹⁷⁵ For more information about the practice of 'buying' MPs see: Cozonac C., Colun M., Party Switchers: Who buys deputies in Moldova, Anticoruptie.md, 30 October 2020, <https://anticoruptie.md/en/investigations/integrity/party-switchers-who-buys-deputies-in-moldova>.

¹⁷⁶ Deen B., Zweers W., Walking the tightrope towards the EU. Moldova's vulnerabilities amid war in Ukraine, Clingendael Report, September 2022, <https://www.clingendael.org/sites/default/files/2022-10/walking-the-tightrope-towards-the-eu.pdf>.

Gagauzia – A case of insufficient institutional coordination of campaign finance oversight

The Autonomous Territorial Unit of Gagauzia is governed pursuant to the Constitution, the Law on the Special Legal Status of Gagauzia (Autonomy Law) and the Legal Code (*ulozhenie*). The legislature of the Autonomous Unit, the PAG, and the head of the executive, *bashkan*, are elected through popular vote. Gagauzia's elections are organized pursuant to its own Electoral Code and its own CEC, which is not subordinated in any way to the CEC of Moldova. The Gagauzia CEC is the campaign finance oversight body to which the electoral contestants need to submit weekly financial reports over the campaign period. The local CEC should examine the information provided in the financial reports for its comprehensiveness, asking the candidates to provide additional information if necessary.

According to election observation missions deployed to the 2019 *bashkan* elections and 2021 PA elections by the local NGO, Pilgrim-Demo, the CEC does not have sufficient human resources to perform fully the tasks prescribed by the Electoral Code. For instance, in the 2019, *bashkan* elections the CEC did undertake scrutiny of submitted financial reports, finding them sufficiently detailed and thorough. At the same time, the reported campaign expenses of the incumbent Irina Vlah, MDL 273,758 (approx. EUR 13,500 according to the InfoEuro rates for 2019), were very low by comparison with the intensity, diversity and quantity of the campaign tools used by the incumbent. These observations call into question, campaign expenditures (e.g., costs of online ads, internet merchandise, direct mail). A number of the Pilgrim-Demo interlocutors assessed that some of the costs were under-reported, especially those related to the production of campaign spots and billboard rent.¹⁷⁷

Gagauzia is inhabited primarily by a Russian-speaking, pro-Russian population. The latest *bashkan* elections, conducted on 30 April and 14 May 2023, took place in a legislative and institutional framework which does not allow for sufficient scrutiny of sources of campaign funding of the candidates for *bashkan*. On 14 May 2023, a candidate of the Shor Party, Evghenia Gutul, won the *bashkan* elections in the second round. According to presented campaign finance reports, her campaign incomes amounted to an unprecedented MDL 2.45 million (approx. EUR 128,000), of which 98% constituted monetary donations from private persons. At the same time, her main rival, Grigorii Uzun from the PSRM, with whom Ms. Gutul competed in the second round, reported over seven times smaller the campaign incomes, i.e., MDL 324,000 (approx. EUR 16,900).

The concerns about underreporting of funds for campaign and foreign funding are legitimate. The *Bashkan* is not only the head of Gagauzia, but also an *ex officio* member of the Moldovan Government, and a representative of Gagauzia abroad.

6.3.1. Vote Buying

'Vote buying', although a criminal offence, has been quite frequently observed in Moldovan elections. The voters have been enticed with various electoral "incentives" (money, goods, services, etc.) to support a certain candidate. The 2016 presidential elections, held against a backdrop of overall public distrust in state institutions, were marred by voter corruption practices and misuse of administrative resources, according to ODIHR and Promo-LEX observers. The transportation of voters was organized from Transnistria.¹⁷⁸ Consequently, the Constitutional Court ruled that "...organization of illegal transportation of voters, corruption

¹⁷⁷ See Pilgrim-Demo Final Reports of the Elections Observation Missions deployed for the 2019 Bashkan Elections (<http://alegeri.md/images/2/28/Raport-interimar-pilgrim-demo-bascan-2019-ru.pdf>) and 2021 Elections to the People's Assembly of Gagauzia, <https://shorturl.at/muyK9>.

¹⁷⁸ Promo-LEX, Final Report Observation Mission for the Presidential Election on 30 October 2016, page 12, https://promolex.md/wp-content/uploads/2017/01/raport-electoral-final-2016_EN_.pdf.

of voters and the involvement of religious cults in elections..." should be criminalized.¹⁷⁹ Nonetheless, the practice continued in the following elections. For instance, during the 2019 parliamentary elections, the National Police Inspectorate registered eight cases of reasonable suspicion of voter corruption. The materials were sent to APO for investigation.¹⁸⁰ At the same time, Promo-LEX observers reported at least 188 cases that could be qualified as gift offering.¹⁸¹

Voter corruption was included in the Criminal Code in 2011, but there are no completed cases or convictions involving this crime. While some CCIA interlocutors have mentioned that the main challenges in the investigation of cases of voter corruption are complex criminal procedures, from collecting evidence to granting the right to appeal, others believe the main challenge remains law enforcement's reluctance to effectively and timely prosecute such crimes as with other corruption cases involving political actors.

The Shor Party candidate in 2016 presidential elections, Inna Popenco failed to declare the cost of the distributed among voters membership cards to "social stores".¹⁸² Although her actions were considered by the CEC "corruption of voters", she was not prosecuted for the Criminal Code at that time did not criminalize vote-buying during the presidential election, although it did provide for criminal liability for vote-buying during parliamentary and local elections and referendums. For the lack of any other sanction, the CEC decided to de-register the candidate.

The Electoral Code was recently amended to prohibit planning and organizing transportation of voters on Election Day (Art. 70.5) Additionally, the Ministry of Infrastructure and Regional Development has been mandated to engage in "preventing, countering and detecting infringements" related to the transportation of voters. (Art. 28.2. (d))

Recommendation:

- *CEC should create a mechanism of prompt and easy reporting and documenting voter corruption cases (6 months).*
- *CEC in cooperation with the Government of Moldova should organise a joint training for all relevant law enforcement authorities in order to considerably enhance their diligence and capacities to effectively investigate and prosecute campaign finance crimes (9 months).*

6.3.2. Candidate and party de-registration

The key feature which distinguishes political parties from other organisations is their purpose: to gain power through the electoral process. Sanctions targeting their right to stand in elections can be highly discouraging of malpractice. In fact, however, there are few violations for which sanctions have the necessary deterrent effect. ODIHR and the Venice Commission recommend that the *"...de-registration of electoral contestants as a sanction applied by the election administration, ... should be a measure of last resort, applied only for the most serious violations, and subject to effective judicial oversight, in line with international standards and good practice"*.¹⁸³ Moreover, prior to eliminating the candidate from the electoral race, *"the party should have the opportunity to request that the final decision regarding sanctions should be made by the*

¹⁷⁹ Constitutional Court Ruling no. PCC-01/139e-34/4, 13 December 2016, <https://www.constcourt.md/ccdocview.php?l=ro&tip=adrese&docid=103>.

¹⁸⁰ General Police Inspectorate, Press release: Statistics of electoral violations, 21 February 2019, <https://politia.md/ro/content/comunicat-de-pres-a-statistica-incalcarilor-electorale>.

¹⁸¹ Promo-LEX, Final Report Observation Mission for the Parliamentary Elections of 24 February 2019, page 55, https://promolex.md/wp-content/uploads/2019/04/Raportul_final_alegeri_parlamentare_2019_Eng.pdf.

¹⁸² Social stores are shops where goods can be bought at discounted prices; in Moldova they were created by Ilan Shor to allegedly support the economically vulnerable.

¹⁸³ Paragraph 7.6 of the 1990 OSCE Copenhagen Document calls on OSCE participating States to ensure that contestants are able *"[...] to compete with each other on the basis of equal treatment before the law and by the authorities"*; <https://www.osce.org/odihr/elections/14304> Venice Commission Code of Good Practice in Electoral Matters, CDL-AD(2002)23, paragraph I.2.3.a, states that "Equality of opportunity must be guaranteed for parties and candidates alike"; <https://rm.coe.int/090000168092af01>.

appropriate judicial body in accordance with judicial principles.”¹⁸⁴

The Case of Political Party “Patria” v. the Republic of Moldova at the ECtHR

In a 2020 decision related to de-registration of a political party, Patria, from the 2014 parliamentary elections in Moldova, the ECtHR found that de-registration powers were abused and that there was no effective judicial oversight.¹⁸⁵ Three days before the elections, the chief of the general police inspectorate wrote to the CEC that Patria had breached the provisions of the Contravention Code and requested the cancellation of its registration in the upcoming elections, since the Electoral Code did not provide any administrative or criminal sanctions for candidates.

The ECtHR concluded that the disqualification of Patria from participating in the elections was not based on sufficient and relevant evidence; the procedures of the electoral commission and the domestic courts did not afford the applicant party sufficient guarantees against arbitrariness; and the domestic authorities’ decisions lacked reasoning and were thus arbitrary.¹⁸⁶

Following the ODIHR recommendations, the recent amendments to the Electoral Code outline the following circumstances in which cancelling registration of electoral contestants can be considered:

- a) use of undeclared funds exceeding 1% of the maximum “Electoral Fund” ceiling;
- b) exceeding the ceiling of the “Electoral Fund”;
- c) use of foreign funds, except for donations from Moldovan citizens with income obtained abroad;
- d) failure of public servants seeking election to take a leave of absence from his/her duties for the electoral period.

De-registration of a contestant should be a last resort sanction after serious or repeated breaches of the law. However, the Electoral Code does not provide for intermediate sanctions for violations when de-registration might be applied, which might lead to the situation that the contestant will not be sanctioned at all, if the mentioned last resort sanction will not be applied.

Recommendation:

- *Parliament should amend the Electoral Code in order to allow for application of other sanctions in cases where cancelling the registration of electoral contestant is not applied despite the existence of circumstances, which might lead to it. (12 months).*

¹⁸⁴ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, page 45, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

¹⁸⁵ European Court of Human Rights, Case of Political Party “Patria” and Others v. the Republic of Moldova, (5113/15) Strasbourg, 4 August 2020 [https://hudoc.echr.coe.int/fre#{%22itemid%22:\[%22001-203826%22\]}](https://hudoc.echr.coe.int/fre#{%22itemid%22:[%22001-203826%22]}).

¹⁸⁶ European Court of Human Rights, Guide on Article 3 of Protocol No. 1 to the European Convention on Human Rights, Rights for free Elections, 31 August 2022, https://www.echr.coe.int/Documents/Guide_Art_3_Protocol_1_ENG.pdf.

Shor Party - Testing current legal and institutional limits

The most flagrant case of state response to the illicit funding of a political party is the case of the Shor Party, in which all applied sanctions failed to have any corrective effect and the country's last resort appears to be declaring the party unconstitutional.

The Shor Party, active on the Moldovan political landscape since 2015, has been notorious in violation of provisions of electoral campaign laws as well as other legal provisions. In 2019 the CEC ordered the party to return to the state budget over MDL 2 million (approx. EUR 100,000) received, contrary to legal provisions, from a legal entity, which a year prior to the beginning of the electoral period, carried out activities financed or paid from the public means. In 2021, the CEC deregistered Marina Tauber, the Shor Party candidate for the position of mayor of Balti, in the local by-elections owing to her use of undeclared financial and in-kind contributions and consequently for exceeding the established ceiling for 'Electoral Fund' incomes. In 2022, for the same reason, the CEC suspended the party's public funding in the first semester of 2023.¹⁸⁷

The misdeeds of the Shor Party and its members have been going well beyond the electoral legal framework. On 1 December 2021, the APO initiated a criminal investigation of the party's financing sources, on the basis of a reasonable suspicion of falsification of financial reports with the intention to obfuscate the sources of incomes and expenses.¹⁸⁸ Financial investigations are carried out in order to identify suspect sources of money laundering, specifically the source/origin of the funds, with a description of the route of these transactions. In addition, the state authorities investigated several individuals who participated in the illegal financing of the party. Meanwhile, organizations affiliated to the Shor Party ran (and continue to run) activities targeting state security by mass destabilization, regularly organizing anti-government protests, the source of financing of which is unclear.¹⁸⁹ President Maia Sandu alleged this is all part of a Russian plot relying on "internal forces" such as the Shor Party and has called for enacting tougher security legislation.¹⁹⁰

On 11 November 2022, the Government lodged an application with the Constitutional Court of Moldova to verify the constitutionality of the Shor Party in light of the constitutional provision that "[p]arties and other socio-political organisations, whose objectives or activities are the engagement in fighting against political pluralism, the principles of the rule of law, sovereignty, independence, and territorial integrity of the Republic of Moldova are declared unconstitutional." (Art. 41.4)¹⁹¹ According to the Government, the verification of the constitutionality of the Shor Party is justified due to alleged criminality of the party founder, members of parliament representing the Shor Party and its members; repeated irregularities related to political party financing sanctioned by the CEC; and exhaustion of other legal mechanisms to correct the behaviour of the "Shor Party".¹⁹²

The Venice Commission recognizes "the right of the state authorities, under certain conditions, to prohibit, dissolve or impose analogous restrictive measures against political parties".¹⁹³ Still, pronouncing a political party unconstitutional and dissolving it is an extraordinary measure, which nonetheless may not bring the desired results. The Legal Resources Centre from Moldova warned that the Government application for declaring the Shor Party unconstitutional may expand its electorate in the next elections, while application of such a measure may prove unsustainable as in place of the deregistered Shor Party a similar one can be established. The case reveals the huge deficiencies of the legal and institutional framework, which allowed for the entry into politics of a beneficiary of the 2014 money laundering scheme, involved in "one USD billion theft" from Moldovan banks.¹⁹⁴

The CC scheduled hearings in the case of the Shor's Party constitutionality for 10 to 17 May 2023. The Magistrates of the Court announced on 17 May an interruption until 12 June 2023 for the preparation and presentation of the final pleadings by the lawyers.

¹⁸⁷ See, respectively, CEC Decision No. 2444 from 4 September 2019, https://a.cec.md/ro/cu-privire-la-sesizarea-nrcec-71746-din-20-2751_92792.html, CEC Decision No. 188 from 1 December 2021, <https://shorturl.at/dCKUW> and CEC Decision No. 678 from 9 September 2022, <https://shorturl.at/kBHO2>.

¹⁸⁸ Ilan Shor is a justice fugitive, already sentenced to a prison term by a first instance court for crimes related to deception, abuse of trust and money laundering in large proportions. Marina Tauber, an MP for the Shor Party, is undergoing criminal charges for alleged illegal financing of the party by an organised criminal group.

¹⁸⁹ New searches in the illegal funding file of the Shor Party, before the protest announced for Sunday. Eight people were detained, Ziarul de Gardă, 18 February 2023, <https://www.zdg.md/stiri/stiri-justitie/noi-perchezitii-in-dosarul-de-finantare-ilegala-a-partidului-sor-inainte-de-protestul-anuntat-pentru-duminica-opt-persoane-au-fost-retinute/>.

¹⁹⁰ Moldova wary of protests fanned by pro-Russian party, BBC, 20 February 2023, <https://www.bbc.com/news/world-europe-64700590>.

¹⁹¹ Government appeal to the Constitutional Court for verification of the Shor Party constitutionality, 11 November 2022, https://constcourt.md/public/ccdoc/sesizari/184h_2022.11.11.pdf.

¹⁹² See: Venice Commission, *Amicus Curiae* Brief for the Constitutional Court of the Republic of Moldova on Declaring a Political Party Unconstitutional, CDL-AD(2022)051, Strasbourg, 19 December 2022 [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2022\)051-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2022)051-e).

¹⁹³ *Ibid*, paragraph 33, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2022\)051-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2022)051-e).

¹⁹⁴ For more see: Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, 2 April 2015, https://watch.cpr.md/wp-content/uploads/2018/08/Kroll_Project_1-02.04.15.pdf.

VII. Identified vulnerabilities

7.1. Undue influence of interest groups and affluent individuals

There is no *de facto* distinction between political parties and interest groups in Moldova. According to UNICRI, Moldova has faced large-scale political disorder and polarization in recent years, and there is a high concentration of political power among a small group of individuals.¹⁹⁵ Numerous CCIA interlocutors “admitted that it is difficult in Moldova to draw a line between politics and the interest groups – as those are very much intertwined. (...) Important players included Vladimir Plahotniuc, who has the ownership of several key banks after gaining influence in the mid-2000s during the presidency of the PCRM President, Vladimir Voronin, and wielded significant control of important government institutions (...), and Vladimir Filat, who served as Prime Minister of Moldova from 2009 - 2013 and was a central figure in the battle for control of key banks of which Moldova was a significant shareholder.”¹⁹⁶

Furthermore, according to the Criminal Code, there is a division between political parties and electoral contestants and the organised criminal groups and organisations which finance them. The APO pointed to the fact that in Moldova, there are cases when the political party forms a part of an organised criminal group. People who are members of criminal groups and schemes become members of political parties. The attorneys of persons facing such charges can argue that those types of crimes are currently not envisioned in the Criminal Code.

Among the commitments under which Moldova received EU candidate status is to “de-oligarchise,” eliminating the excessive influence of vested interests in economic, political, and public life.¹⁹⁷ Consequently, the Action Plan on Limiting Excessive Influence over Economic, Political and Life on De-oligarchisation was drafted and recently adopted.¹⁹⁸ It contains under Chapter VII - Measures regarding rules in the political field the drafting of a report on the financing of political parties and electoral campaigns and/or initiative groups to be presented annually by the CEC to the Parliament with a June 2023 deadline for the first document.¹⁹⁹

Foreign countries have taken an active stance in sanctioning Moldovan oligarchs alleged to operate in cooperation with Russia to manipulate Moldovan politics. On 26 October 2022 the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) imposed sanctions on, *inter alia*, Vladimir Plahotniuc and Ilan Shor for capturing and corrupting Moldova’s political and economic institutions.²⁰⁰ The individuals’ assets were frozen and they were banned from entry into the US.

¹⁹⁵ UNICRI, *Illicit Financial Flows and Asset Recovery in the Republic of Moldova*, Research Paper 2021, https://unicri.it/sites/default/files/2021-04/IIF_M.pdf.

¹⁹⁶ CCIA Report, “*The Offshore Republic. Review of factors leading to systemic fraud and money laundering in Moldova’s banking, financial and insurance sectors*”, <https://ccia.md/en/2022/07/13/the-offshore-republic-10-years-after-the-embezzlement-of-money-from-financial-banking-insurance-system-in-moldova/>.

¹⁹⁷ European Commission, *Opinion on Moldova’s application for membership of the European Union*, Brussels, 17 June 2022, https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-06/Republic_of_Moldova_Opinion_and_Annex.pdf.

¹⁹⁸ Venice Commission, *Draft Law on Limiting Excessive Economic and Political Influence in Public Life (de-oligarchisation)*, CDL-REF(2023)011, Strasbourg, 15 February 2023, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-REF\(2023\)011-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-REF(2023)011-e).

¹⁹⁹ Plan of measures to limit the excessive influence of private interests on economic, political and public life (de-oligarchisation), approved by the National Commission for European Integration on 26 May 2023 https://presedinte.md/app/webroot/uploaded/plan_CNIE_en_08.06.2023.pdf

²⁰⁰ The sanctions were imposed pursuant the 2016 Global Magnitsky Human Rights Accountability Act, which allows for sanctioning human rights violators and corrupt officials by freezing their assets and banning entry to the U.S. Both Vladimir Plahotniuc and Ilan Shor can be subjected to such sanctions as the Act applies to government officials that are “responsible for or complicit in, ordering or otherwise directing acts of significant corruption, including the expropriation of private or public assets for personal gain, corruption related to government contracts or the extraction of natural resources, bribery, or the facilitation or transfer of the proceeds of corruption to foreign jurisdictions”. U.S. Congress, S.284 - An Act to impose sanctions with respect to foreign persons responsible for gross violations of internationally recognized human rights, and for other purposes (Global Magnitsky Human Rights Accountability Act), 18 April 2016.

According to the OFAC statement “Plahotniuc controlled the judicial system and used Moldovan courts to manipulate and invalidate the June 2018 mayoral election in Chisinau. In a separate occurrence, Plahotniuc closed voting stations in areas where his party was not expected to do well”, whereas Ilan Shor colluded with Russia in advance of 2021 early parliamentary elections to undermine President Maia Sandu and return Moldova to Russia’s sphere of influence. As of June 2022, Ilan Shor had received Russian support and the Shor Party was coordinating with representatives of other oligarchs to create political unrest in Moldova.²⁰¹

On 28 April 2023, the EU adopted a new sanctions framework targeting actions of persons responsible for supporting or implementing actions which undermine or threaten the sovereignty and independence of the Republic of Moldova, as well as the country’s democracy, the rule of law, stability and security. It will allow the EU “to target individuals who obstruct or undermine the democratic political process, including the holding of elections, or attempt to overthrow the constitutional order, including through acts of violence. Future restrictive measures could also target individuals who engage in serious financial misconduct concerning public funds.”²⁰²

Recommendation:

- *Government of Moldova should proceed with activities eliminating the excessive influence of vested interests in economic, political, and public life (de-oligarchisation) and start implementing effective measures to reach that goal (6 months).*

7.2. Unregulated third-party funding

There is ongoing confusion, both among the political parties and experts in the field, between undeclared in-kind donations and third-party funding. For instance, some CCIA interlocutors mentioned cases of construction companies financing the political party through unreported cash, and referred to the case as ‘third-party financing’ rather than undisclosed donations. The Venice Commission and ODIHR define third parties as “individuals and organisations who are not legally tied to, or acting in co-ordination with, any candidate or political party, but who nonetheless act with the aim of influencing the electoral result” and provides that “laws should set proportionate and reasonable limits to the amount that third parties can spend on promoting candidates or parties, ideally by applying existing ceilings for donations to political parties to these actors as well.”²⁰³

Third-party financing is not regulated; the legislation does not provide for the possibility of any legal entities, be it civil society organisations, foundations, or trade unions, to run activities which would coincide in the cause and support programmatically political parties. Consequently, any such practices are not subject to any limits or disclosure requirements, contrary to international guidelines. The current legislative gap is being exploited by some political parties, which also run foundations, undertaking activities in sync with political party agenda.

The post-2009 transformation of the Moldovan political landscape, despite being widely welcomed as pro-European, saw the entry into politics of a number of wealthy businessmen, such as Vlad Filat, the leader of the PLDM, Vladimir Plahotniuc, who took over the PDM, Renato Usatii, who put himself at the helm of “Our Party”, and Ilan Shor, who founded his own party on the basis of the Socio-Political Movement “Equality”. Except Vlad Filat, each of those businessmen-turned-politicians had his own foundation, implementing charity activities which had an ultimate political agenda.

²⁰¹ U.S. Department of the Treasury, Treasury Targets Corruption and the Kremlin’s Malign Influence Operations in Moldova, 26 October 2022, <https://home.treasury.gov/news/press-releases/jy1049>. See also: U.S. Department of State, Response to Corruption and Election Interference in Moldova, Press Statement of the Secretary of State Anthony J. Blinken, 26 October 2022, <http://state.gov/response-to-corruption-and-election-interference-in-moldova/>.

²⁰² Council of the European Union new framework for targeted restrictive measures, Press Release, 28 April 2023, <https://www.consilium.europa.eu/en/press/press-releases/2023/04/28/republic-of-moldova-eu-adopts-framework-for-targeted-sanctions-to-counter-actions-destabilising-the-country/>.

²⁰³ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraphs 2018 and 2020, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

The entry of Vladimir Plahotniuc into politics in 2010 was preceded by a number of charity campaigns implemented by his foundation and widely publicized in his media outlets. He registered as a PDM candidate in the last days of candidate registration, but all the activities undertaken by his foundation were *de facto* inseparable from his campaign. Such, expenditures were not included in the PDM campaign reporting.

In 2018, Promo-LEX recorded activities of charity foundations and Limited Liability Companies (LLCs) that were *de facto* promotions of the PDM, PSRM, and Shor Party for an estimated joint value of MDL 10.3 million (approx. EUR 520,000).²⁰⁴

In the 2019 parliamentary elections, charities associated with the PDM, the PSRM and the Shor Party were at the front lines of the electoral campaigns.²⁰⁵ According to the Mol, a case was submitted to the APO concerning the involvement of the Charity Foundation "From the Soul," headed by the wife of Igor Dodon, in that election campaign.²⁰⁶ The prevalence of "*foundations affiliated with political parties running in the elections, involved in funding through donations and events*" was noted by the ODIHR observers in 2019, when Vladimir Plahotniuc acted in the capacity of both the founder of Charity Foundation "Edelweiss" and the PDM President.²⁰⁷

In July 2020, the Shor Party was informed that discounts ranging from 15 to 100% would be available to some 500,000 card holders of 'Merisor', a network of social shops owned by Ilan Shor.²⁰⁸ The system may equate to vote buying, as voters may feel obliged to vote in favour of a party which provides access to shops with discounted goods.

The law does not allow for candidates to finance their own campaigns, a fact very much criticized by the leader of "Our Party". Mr. Usatii himself also has a charitable foundation and he openly admits that he hopes some of the foundation's beneficiaries would donate money to the party. Such an arrangement gives room for *quid pro quo* corruption, where the favours provided by political leaders are expected to be reciprocated at some point.

The Council of Europe recommends that, "rules concerning donations to political parties [...] should also apply, as appropriate, to all entities which are related directly or indirectly to a political party or are otherwise under the control of a political party."²⁰⁹ The Venice Commission and ODIHR expands that recommendation, providing that "[i]f political foundations exist in the respective state, they should be included within the same supervisory legislation and be bound by those requirements to which political parties must adhere."²¹⁰

Recommendations:

- *Parliament should expand the Law on Political Parties to political foundations, which should be bound by the same rules related to incomes and expenditures as well as disclosure obligations as political parties (12 months).*

²⁰⁴ Promo-LEX, *Political Party Financing in the Republic of Moldova*, 2018 Retrospective, https://promolex.md/wp-content/uploads/2019/06/raport_finantarea_partidelor_2019_EN_web.pdf.

²⁰⁵ ODIHR Election Observation Mission, Final Report, Parliamentary Elections 24 February 2019, Warsaw, 22 May 2019, <https://www.osce.org/files/f/documents/8/a/420452.pdf>.

²⁰⁶ The police recorded 129 violations of the law since the beginning of the electoral campaign.

²⁰⁷ Complaint nr. CEC-10AP/10 as of 15.01.2019 was filed with the CEC by Electoral Bloc ACUM, but was later rejected by the CEC. The oversight body decided it was an activity of a charitable foundation and did not concern election campaign finance, and that it did not have jurisdiction over a complaint against a candidate.

²⁰⁸ See: While the government makes shows, we will help people. Bread at just two lei and big discounts in "Merisor" shops starting with Monday, announces Ilan Shor, Shor Party, 21 July 2022.

²⁰⁹ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, Article 6, <https://rm.coe.int/16806cc1f1>.

²¹⁰ OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation, Second Edition, CDL-AD(2020)032, paragraph 222, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2020\)032-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2020)032-e).

- *Parliament should amend the Electoral Code and the Law on Political Parties to regulate third-party financing of political parties and electoral campaigns, to prevent undisclosed financial support, following a comprehensive process of consultations with civil society, so that the legal provisions do not infringe on freedom of association (12 months).*
- *Parliament should amend the Electoral Code to require third parties willing to engage in electoral campaigns to register in advance with the CEC and subject them to the same campaign finance regulations as electoral contestants (12 months).*

The legislation forbids anonymous donations and donations done on behalf of a third party, done on behalf of another individual or corporation, which can be used to conceal the identity of the original donor.²¹¹ Such practice is often described as 'false' or 'straw' donations. 'Straw donors' may be used to donate to a political party or 'Electoral Fund' funds which they previously received from wealthy businessmen. False donations into electoral campaigns run the risk of eroding public confidence in the political and electoral system, state institutions with its elected officials and may thereby undermine the legitimacy of the elected.

7.3. Foreign funding and its influence

There are numerous examples of legitimate and constructive forms of foreign political support transparently, to enhance democratic process since its independence, however, Moldova has been subject to the influence of foreign political parties and elites in opaque and menacing manner. Elections and referenda in Transnistria and Gagauzia, for instance, are systematically influenced by covert foreign donations and influence.

Various cases imply the involvement of the Russian Federation in the Moldovan political landscape. According to the Netherlands Institute of International Relations 'Clingendael', "there is a risk of collusion between the interests of Russia to keep Moldova out of the EU's geopolitical orbit and those of various political and oligarchic factions within Moldova whose positions are threatened by the anti-corruption reforms of PAS, including those of Vladimir Plahotniuc, Veaceslav Platon and Ilan Shor."²¹²

²¹¹ ODIHR, Note on Third Party Regulations in the OSCE Region, Warsaw, 20 April 2020, page 11, <https://www.osce.org/files/f/documents/d/b/452731.pdf>.

²¹² Deen B., Zweers W., *Walking the tightrope towards the EU. Moldova's vulnerabilities amid war in Ukraine*, Clingendael Institute, September 2022, <https://www.clingendael.org/sites/default/files/2022-10/walking-the-tightrope-towards-the-eu.pdf>.

'Bahamas' case

One most prominent of the cases of alleged foreign financing of Moldovan political parties is the so-called 'Bahamas case'. In February 2016, a Bahamas based offshore company, Westerby Limited, transferred on the basis of a loan agreement MDL 30 million (approx. EUR 1.5 million) to a Moldovan company, Exclusiv Media LLC. The offshore company in question appeared to have close links with the Russian Federation, and the loan agreement between the companies provided that Russian legislation and a Russia-base court of arbitration would be applicable in case of any disputes. The Exclusiv Media LLC. was headed by Corneliu Furculița, a PSRM MP personally close to Igor Dodon. The majority of the transferred money was withdrawn in cash and given to a number of persons close to the PSRM in the form of interest-free loans ranging between MDL 300,000 and 500,000 (approx. EUR 15,000-25,000). The loan beneficiaries donated to the PSRM amounts of money which exceeded their annual incomes.²¹³ Such a substantial rise of financial resources is believed to have greatly helped to secure Dodon's victory in the autumn 2016 presidential election.²¹⁴

Criminal proceedings regarding the allegations of offshore financing of the PSRM were initiated in June 2016. Yet because the PSRM-ACUM bloc took power the very same month, the APO refused to initiate the relevant investigation. Eventually, a case was opened in December 2019 on the basis of Criminal Code Art. 181²(1), but more than three years later the investigation has not been completed.²¹⁵ Until 2020, the lack of progress in the case could have been blamed on the bias of the Prosecutor General's Office. Yet even with the arrival of a new Prosecutor General in 2020 not much has changed.

The United Nations appealed *"to all States to refrain from financing or providing, directly or indirectly, any other form of overt or covert support for political parties or groups and from taking actions to undermine the electoral processes in any country."*²¹⁶ The CoE recommends that *"...States should specifically limit, prohibit or otherwise regulate donations from foreign donors."*²¹⁷ Although the Electoral Code prohibits foreigners from involvement in any form in electoral campaigns, there were and remain real cases of such interference.

²¹³ RISE Moldova, *Dodon's Money from the Bahamas*, 29 September 2016, <https://www.rise.md/articol/banii-lui-dodon-din-bahamas/>.

²¹⁴ RISE Moldova, *Russian-Linked Offshore Helps Fund Socialist Campaigns*, 28 September 2016, <https://www.rise.md/english/russian-linked-offshore-helps-fund-socialist-campaigns/>.

²¹⁵ Rata M., Tarna C., *Monitoring the Selectivity of Criminal Justice*, Report 2020-2021, Freedom House and Lawyers for Human Rights Association, https://freedomhouse.org/sites/default/files/2021-11/fh-Moldova_Report-Selective-Justice-2021_v2-Eng.pdf.

²¹⁶ UN General Assembly Resolution 46/130, art. 6 (December 1991).

²¹⁷ Council of Europe, Recommendation Rec(2003)4 of the Committee of Ministers to member states on common rules against corruption in the funding of political parties and electoral campaigns, Art 7, <https://rm.coe.int/16806cc1f1>.

'Open Dialog' case

In 2018 a Polish foundation, "Open Dialog," was the subject of a Parliamentary Inquiry Committee. The Committee found that the foundation was involved in money laundering, as it obtained financial resources from, *inter alia*, military enterprises in the Russian Federation which are facing international sanctions, delivery of military equipment to states involved in regional conflicts, and payments from off-shore funds. According to the Committee, "Open Dialog" and its leader, Ludmila Kozłowska, were allegedly working to tarnish the image of Moldova in the international arena, supported the interests of Veaceslav Platon and his affiliates, and rendered financial support to (opposition at that time) parties: the PAS and the Dignity and Truth Platform.²¹⁸ Kozłowska as well as the leaders of the political parties in question denied the Committee's allegations.

On 2 February 2023, Parliament abrogated the previously adopted decision regarding „Open Dialogue,” concluding that the 2018 decision was pronounced on political grounds and for the harassment of opposition political parties'.²¹⁹ Moreover the Prosecution Office for Combating Organized Crime and Special Cases discontinued the investigation following the 2019 Parliament Decision regarding the recognition of the captive character of the Republic of Moldova.²²⁰

Cases like the ones involving "Open Dialogue" and the "Moldovan-Russian Business Union" (see below) affect the public perception of civil society. According to the Public Opinion Barometer, fewer than 24% of Moldovans have 'a great deal of trust' or 'somewhat trust' NGOs, whereas over 55% distrust NGOs (18.4% 'somewhat distrusts' and 36.8% 'highly distrusts').²²¹ There are a number of reasons for such a negative perception of civil society, which are directly linked to political corruption.

²¹⁸ The report of the Inquiry Committee, from 16 November 2018, is available at https://www.legis.md/cautare/getResults?doc_id=109992&lang=ro and <https://www.parlament.md/LegislationDocument.aspx?id=033b35b1-475d-4d2c-970c-a108ba25b43f>. More regarding the work of the Inquiry Committee can be read in: Dulgher M., *An outline of the 'Open Dialog' scandal. PAS and DTPP in the gunsight of the Moldovan Parliament*, Moldova.org, 13 November 2018, <https://www.moldova.org/en/outline-open-dialog-scandal-pas-dtpp-gunsight-moldovan-parliament/>.

²¹⁹ Parliament Decision No. 20 from 2 February 2023, to repeal Parliament Decision no. 251/2018 regarding the report of the Commission of Inquiry for the clarification of the factual and legal circumstances regarding the interference of the "Otwarty Dialog" (Open Dialogue) Foundation and its founder Ludmila Kozłowska in the internal affairs of the Republic of Moldova and regarding the financing of some political parties from the Republic of Moldova, available at https://www.legis.md/cautare/getResults?doc_id=135540&lang=ro. Report of the Legislative Commission from 1 February 2023 available at <https://www.parlament.md/LegislationDocument.aspx?id=8d879640-3cbd-4996-94a0-11943715f82e>.

²²⁰ Parliament Decision 39/2019, on the adoption of the Declaration regarding the recognition of the captive nature of the state of the Republic of Moldova, 8 June 2019, https://www.legis.md/cautare/getResults?doc_id=114796&lang=ro.

²²¹ Public Opinion Barometer, Republic of Moldova, November 2022, <http://bop.ipp.md/en>.

'Moldovan-Russian Business Union' case

In July 2021, Igor Dodon became chairman of an NGO, 'Moldovan-Russian Business Union', officially established to defend the rights and legal interests of entrepreneurs in Russia and Moldova. Teams of RISE Moldova and the Dossier Center, following journalistic investigation, reported the Union was funded by a Russian enterprise, *Delovaya Rossiya*, represented by Igor Chayka, a son of Yuri Chayka, Russia's prosecutor-general from 2006–2020. The investigation found that between October 2021 and April 2022 *Delovaya Rossiya* transferred to the bank account of the "Moldovan-Russian Business Union" some MDL 5 million (approx. EUR 250,000). Moreover, the transfers reportedly coincide with Mr. Dodon's anti-Western statements, among others about international [Western] funding as a threat to state security, while at the same time his remuneration was larger than the amount earmarked for charity.²²² In October 2022, the U.S. imposed sanctions on Igor Chayka under the Global Magnitsky Human Rights Accountability Act, positing the Russian Federation "used Chayka's companies as a front to funnel money to the collaborating political parties in Moldova. Some of these illicit campaign funds were earmarked for bribes and electoral fraud".²²³

The possibility of foreign influence through civil society organizations is eminent, yet such measures of addressing the issue like limitations on the amount of foreign financing an NGO can accept or labelling domestic NGOs which accept foreign funding as 'foreign agents' are politicized tools infringing on freedom of association. The UN Special Rapporteur on the right to freedom of peaceful assembly and of association underscored that the "legal framework and policies related to resources have a significant impact on the freedom of association; they can strengthen the effectiveness and facilitate the sustainability of associations or, alternatively, subjugate associations to a dependent and weak position".²²⁴

According to the Council of Europe "the only limitation on donations coming from outside the country should be the generally applicable law on customs, foreign exchange and money laundering, as well as those on the funding of elections and political parties."²²⁵ The Venice Commission recognized that prevention of terrorism financing or money laundering are legitimate aims, „that can justify oversight of funding of associations and other entities from foreign sources" but, "...a distinction should be made between foreign States and international organisations".²²⁶

²²² RISE Moldova, *Russian Money for Dodon*, 10 November 2022, <https://www.rise.md/english/russian-money-for-dodon/>.

²²³ U.S. Department of the Treasury, *Treasury Targets Corruption and the Kremlin's Malign Influence Operations in Moldova*, 26 October 2022, <https://home.treasury.gov/news/press-releases/jy1049>.

²²⁴ UN Doc. A/HRC/23/39, *Report of the Special Rapporteur on the rights to freedom of peaceful assembly and of association*, Maina Kiai, 24 April 2013.

²²⁵ Recommendation CM/Rec(2007)14 of the Council of Europe Committee of Ministers to member states on the legal status of non-governmental organisations in Europe, 10 October 2007, Explanatory Note, paragraph 101.

²²⁶ Venice Commission, *Report on Funding of Associations*, CDL-AD(2019)002, Strasbourg, 18 March 2019, paragraphs 88 and 98 respectively, [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2019\)002-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2019)002-e). See also Venice Commission, *Hungary - Opinion on the Draft Law on the Transparency of Organisations receiving support from abroad*, CDL-AD(2017)015, Strasbourg, 20 June 2017, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2017\)015-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2017)015-e).

Case of FSB “experts” advising Moldovan political parties on “political technologies”

The RISE Moldova and Dossier Center team has been undertaking a series of investigations into the involvement of the Federal Security Bureau (FSB) of the Russian Federation and the Moldovan presidential administration in the country’s electoral campaigns since 2016.²²⁷ According to the investigation, Russian experts in so-called political technologies were involved in four electoral campaigns on behalf of PSRM candidates: in 2019 local elections, the 2020 presidential election, the 2021 parliamentary elections, and the election of the Balti city mayor in 2021. Reportedly, the political technologies experts have been submitting PSRM electoral strategies for review by Russian General Dmitry Milyutin, FSB’s Deputy Head of the “Operative Intelligence Department of Directorate 5.”²²⁸ Three out of four ‘political technologist experts’ who worked with the PSRM and aided Igor Dodon in the 2020 presidential election were sanctioned by the U.S. Department of the Treasury’s OFAC for malign operations in Moldova.²²⁹ Moreover, the same ‘political technologists’ allegedly advised the PSRM candidate elected for the mayor of Chisinau and worked with the campaign staffers of Ilan Shor during the 2020 presidential election and the 2021 parliamentary elections.²³⁰

Recommendation:

- *Parliament should consider the amendments to the Criminal Code, according to which illegal foreign funding of political parties and electoral contestants and illegal foreign funding intended to influence results of elections in Moldova would be sanctioned in a form of a criminal offence (12 months).*

7.4. Prevalence of cash transactions in political parties’ financial management

The legislation allows for cash transactions in payment of membership fees and donations from private persons. Incomes received in cash must be transferred to the appropriate bank account within 5 working days, and recorded through corresponding documentation, as outlined in CEC regulations. Cash donations from private persons to political parties are allowed, provided per year they do not exceed one average monthly salary, i.e., MDL 9,900 (approx. EUR 500).²³¹ CCIA interlocutors posited that banning cash donations or limiting them further would negatively impact political parties’ fundraising.

The lowering of the ceiling for cash donations from three to one average salary is a response to the political parties’ practices to raise funds in cash. For instance, in 2018 a thousand donors contributed to the PDM in cash a total amount of MDL 5.6 million (approx. EUR 280,000). Candidate Zinaida Greceanii raised in cash almost MDL 3 million (approx. EUR 150,000) from 200 people.²³²

Legal provisions notwithstanding, CCIA interlocutors spoke about the problem of cash operations in political finance. Underreporting of both incomes and expenses allows for a significant part of the transactions to be done with circumvention of the disclosure requirements. For instance, one interlocutor posited that the

²²⁷ RISE Moldova, *Kremlinovici*, 10 October 2020, <https://www.rise.md/rusa/%D0%BA%D1%80%D0%B5%D0%BC%D0%B-%D0%B8%D0%BD%D0%BE%D0%B2%D0%B8%D1%87/>.

²²⁸ The reports filed by Directorate 5, were reportedly used by the Kremlin to take the decision to invade Ukraine. See: Who in FSB oversees Moldova, Dossier Center 2022, <https://fsb.dossier.center/mld-en/>.

²²⁹ RISE Moldova, *Russia’s Strategic objectives in political, defence, technical-military, and security spheres of Moldova*, 17 March 2023, <https://www.rise.md/english/kremlins-plan-for-moldova/>; RISE Moldova, *Russian „siloviki” to influence electoral processes in Moldova*, 2 November 2022, <https://www.rise.md/english/fsb-agents-in-charge-of-moldova/>.

²³⁰ During the 2020 Presidential campaign the number of people around the Socialist Party who occasionally or frequently met with the Russian political consultants has grown. RISE Moldova, *Kremlinovinci*, 17 November 2020, <https://www.rise.md/english/kremlinovici-deployment/>.

²³¹ See: Moldova Statistical Databank, Monthly gross and net average earnings by economic activities, sectors and sex, 2013-2021, https://statbank.statistica.md/PxWeb/pxweb/en/30Statisticasociala/30Statisticasociala_03FM_SAL010_serianuale/SAL010100.px/?rxid=5aad211e-2f63-43c6-9796-f49f4cefe6cf.

²³² RISE Moldova, *Parties’ Donors (I): We donated and God with them*, 26 November 2018, <https://www.rise.md/articol/donatorii-partidelor-i-am-donat-si-dumnezeu-cu-dansii/>.

Shor Party runs 21 different Facebook pages, which allegedly cost some MDL 4–6 million (approx. EUR 200,000–300,000). As long as there is no robust oversight methodology, that would go beyond checking the veracity of the reported data and draw on information on incurred expenses also from other, outside sources, the disparity between the reported and the actual finances of political parties, money in and money out, will continue.

The Service for Information and Security flagged the flow of cash from abroad as problematic. EUR 10,000 is the upper limit of cash that can be imported undeclared, which according to the agency allows for a substantial in-flow of cash from abroad.²³³ Moreover, the legal limit on cash transactions amounts to MDL 100,000 (approx. EUR 5,000).²³⁴ Such a regulatory framework allows for the high prevalence of cash and diminishes the transparency of transactions. Still, the CEC advised that the only cash allowed for political parties is acceptance of membership fees and donations in amounts no higher than one average monthly salary. The received cash needs to be subsequently put in the designated bank account. All other transactions need to be done via bank transfers.

Moreover, in extreme instances illegal cash financing of political parties can endanger state security. Moldova has recent experience in this regard, when such financing paid for recurrent public disorder to undermine the government. In October 2022, following searches in multiple locations of the country, APO seized MDL 3.5 million (approx. EUR 176,000) in cash from Shor Party organisers who were paid to foment weekly anti-government rallies.²³⁵ The UN Interregional Crime and Justice Research Institute (UNICRI) assesses that huge illegal cash-flows have a corrupting influence on the Moldovan economy and on the Moldovan political system.²³⁶

Recommendation:

- *Government of Moldova should organise a training to strengthen the capacity of the oversight institutions, including tax and customs authorities, to limit the prevalence of illegal cash in the economy (6 months).*

7.5. Use of cryptocurrency in political finance

In March 2023, Parliament introduced a package of amendments to regulate the use of virtual currencies (VC) in Moldova.²³⁷ The newly adopted legal amendments are necessary in the context of the evolution of cryptocurrency at a rapid pace and the risk of misuse of virtual currencies for the purpose of money laundering and financing of terrorism. Thus far, cryptocurrencies had not been regulated and hence their issuance and transactions had not been subject to state supervision. On 25 October 2022 the Emergency Situation Commission adopted several measures to address the energy crisis, including the ban on the mining of cryptocurrencies in the country, as well as on the import of equipment for it. Consequently, the police closed down a number of large and medium-size crypto mining farms.

The increasing prevalence of cryptocurrencies globally will inevitably create the need for regulating that sector, also in relation to political and campaign finance. In general, the use of cryptocurrencies in political

²³³ Law No. 1568 from 20 December 2002 on imports and export of goods from the Republic of Moldova by the natural persons Art. 3¹, https://www.legis.md/cautare/getResults?doc_id=127867&lang=ro.

²³⁴ Law No. 845 from 3 January 1992 on entrepreneurship and enterprises, Art 6, https://www.legis.md/cautare/getResults?doc_id=135032&lang=ro.

²³⁵ IPN Press Agency, *Prosecutors seize MDL 3.5 million in cash from Shor Party rally organizers*, 20 October 2022, https://www.ipn.md/en/prosecutors-seize-35-million-lei-in-cash-from-shor-7967_1092892.html; Protesters to rent. ZdG undercover investigation: We infiltrated Shor's protesters and now show you, from the inside, how people brought to Chisinau are paid and how the protest machine works, Ziarul de Gardă, 3 October 2022, <https://www.zdg.md/en/?p=9680>.

²³⁶ UNICRI, *Illicit Financial Flows and Asset Recovery in the Republic of Moldova*, Research Paper 2021, https://unicri.it/sites/default/files/2021-04/IIF_M.pdf.

²³⁷ The Law no. 308 of 22 December 2017 on preventing and combating money laundering and terrorist financing, https://www.legis.md/cautare/getResults?doc_id=133298&lang=ro. The Law no. 74 of 21 May 2020 on the procedure for finding violations in the field of prevention of money laundering and terrorist financing and how to apply sanctions.

party finance and electoral campaigns can raise questions about transparency and accountability, as cryptocurrencies, opaque as such transactions are, offer a high degree of anonymity. Some governments develop regulations around the use of cryptocurrencies in political campaigns, such as limits on campaign contributions made in cryptocurrencies and requirements for disclosure of the sources of such contributions.²³⁸

The law introduces new concepts such as "virtual currency" and "virtual currency service provider" and has articles targeting beneficial owners, politically exposed persons and measures applied with respect to high-risk countries/jurisdictions under monitoring of the Financial Action Task Force.²³⁹ It remains to be seen how effective the provisions will be in prevention of political corruption.

APO informed that they do not have evidence of widespread use of cryptocurrencies in fraudulent practices related to political parties and campaign financing, but the SIS included cryptocurrency transactions, done through Romania or Transnistria, as a key issue with respect to political corruption. Some CCIA interlocutors stated that although cryptocurrencies are not widely used in Moldova, they serve as the intermediary phase of financial transfers, also from abroad, which can obscure the identity of the donor.²⁴⁰ For instance, journalists' investigations of illicit funding of the Shor Party include allegations that the party received funds from foreign transfers and conversions, including cryptocurrency.²⁴¹

The fact that Transnistria legalized cryptocurrency mining in January 2018, following the adoption of the Law on the Development of Blockchain Technology, increases Moldova's vulnerability to illicit foreign funding in the form of VC, extended also to political parties and electoral contestants. The mining of blockchains, which requires substantial amounts of energy, is especially cheap in Transnistria, which does not pay for gas supplied by Russia. Cryptocurrency investors are thus allegedly offered very competitive rates for electricity. Among foreign investors, media reports indicate the involvement of the previously mentioned Russian enterprise, *Delovaya Rossiya*.

²³⁸ For instance in the United States, the Federal Election Commission issued guidance that allows political campaigns to accept donations in cryptocurrencies, but requires that such donations be reported as in-kind contributions, disclose the sources of the contributions, and comply with other campaign finance laws. Political donations in cryptocurrencies are also regulated in Canada, France, Japan, and South Korea, <https://www.fec.gov/help-candidates-and-committees/filing-reports/bitcoin-contributions/>. For more information see: Cryptocurrencies and Political Finance, International IDEA, Discussion Paper 2/2019, <https://www.idea.int/sites/default/files/publications/cryptocurrencies-and-political-finance.pdf>.

²³⁹ The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.

²⁴⁰ See *inter alia*: Production of cryptocurrencies in the Transnistrian region: subjects and beneficiaries involved, Expert Group - of Independent Analysis, 5 April 2019, <https://www.expert-grup.org/ro/biblioteca/item/1764-produc%C8%9Bia-de-crip-tomenede-%C3%AEn-regiunea-trasnistrean%C4%83-subiec%C8%9Bii-%C8%99i-beneficiarii-implica%C8%9Bj>; Necsutu M., *With Cheap Energy, Transnistria Taps Cryptocurrency Potential*, Balkan Insight, 12 February 2019, <https://balkaninsight.com/2019/02/12/with-cheap-energy-transnistria-taps-cryptocurrency-potential/>; Grau L., *The Transnistrian region and the cryptocurrency "mines" that some Russians will "dig" into*, Radio Free Europe - Moldova, 2 February 2018, <https://moldova.eu-ropalibera.org/a/regiunea-trasnistreana-bitcoin-lina-grau/29015333.html>.

²⁴¹ Moldpress, *Moldovan anticorruption prosecutors find out more episodes of Shor Party's illegal financing*, 21 July 2022, <https://www.moldpres.md/en/news/2022/07/21/22005439>.

Annex I: GRECO & ODIHR recommendations in the field of political finance

GRECO Phase III recommendations to Moldova in the area of political financing²⁴²

1. to make it obligatory for political parties' annual financial reports destined for publication and submission to the supervisory authorities to include more precise information, guaranteeing a full overview of the party's assets and its income and expenditure;
2. to require that all donations received by political parties outside election campaigns that exceed a given amount, as well as the identity of the donors, are disclosed to the supervisory authorities and are made public;
3. to take appropriate measures to limit the risk that members' subscriptions received by parties may be used to circumvent the transparency rules applicable to donations;
4. to take appropriate measures
 - a. to ensure that all donations and services provided to parties or candidates in kind or on advantageous terms are properly identified and recorded in full, at their market value, in both parties' annual reports and campaign funding reports; and
 - b. to clarify the legal situation regarding loans;
5. to promote the use of means of payment for donations to political parties and for political party spending involving, notably, recourse to the banking system in order to make them traceable;
6. to explore the possibilities of consolidating political parties' annual reports and campaign funding reports so as to include entities which are directly or indirectly related to them or otherwise under their control;
7. to introduce independent auditing of party accounts by certified experts;
8. to mandate an independent central body, endowed with sufficient powers and resources and assisted by other authorities where necessary, so as to allow the exercise of effective supervision, the conduct of investigations and the implementation of the regulations on political funding;
9. to ensure that
 - a. all infringements of the rules on party funding in general and financing of election campaigns are clearly defined and made subject to effective, proportionate and dissuasive sanctions, which can, if necessary, be imposed after the Constitutional Court has validated the elections; and
 - b. the limitation periods applicable to these offences are sufficiently long to allow the competent authorities effectively to supervise political funding.

²⁴² Republic of Moldova, Group of States against Corruption (coe.int), <https://www.coe.int/en/web/greco/evaluations/republic-of-moldova>.

ODIHR recommendations – the last parliamentary, presidential and local elections

<p>2021 EOM Early Parliamentary elections</p>	<ul style="list-style-type: none"> - To enhance transparency and accountability of campaign finance, the oversight body should be equipped with adequate authority, resources, and technical expertise to exercise its functions effectively. To deter violations, proportionate sanctions should be applied for established breaches of regulations. - The legal framework for campaign finance should provide the oversight body the capacity to investigate sources of donations and potential discrepancies between actual and reported spending. Consideration should be given to introducing the legal requirement that donors declare that donations are in compliance with the law, subject to an established penalty. As previously recommended, the legislation should address third-party financing.
<p>2020 LEOM Presidential election</p>	<ul style="list-style-type: none"> - The legal framework for campaign financing should be further strengthened and regulate candidates' own contributions and the limits of donations from political parties, valuation of in-kind contributions and the involvement of third-parties in the election campaigns. To protect political pluralism, consideration could also be given to simplify the regulations related to eligibility for donations by individuals. - The framework for campaign finance oversight should be revised to provide for an effective mechanism of monitoring incomes and expenditures and verifying the completeness and accuracy of reporting. The CEC should be equipped with adequate resources and capacities including rules and procedures for meaningful oversight. - To enhance transparency and the effectiveness of disclosure, final reports should be detailed and accompanied by the supporting financial documents. Consideration could be given to allowing more time for the submission of a complete final report.
<p>2019 EOM Parliamentary elections</p>	<ul style="list-style-type: none"> - As previously recommended, should the CEC remain the competent oversight body, it should be given sufficient authority, human and technical resources to conduct effective campaign finance oversight. - To ensure that independent candidates are awarded equitable treatment in the allocation of state resources they could be entitled for public funding. - In line with previous recommendations, to enhance the transparency and oversight of campaign finance, previously identified gaps and shortcomings in legislation, including those concerning regulating third-party activities and the ban on donations from out-of-country income, should be addressed. - The law and practice could be reviewed to prescribe gradual, timely and proportionate sanctions for campaign finance violations aimed at increasing transparency of campaign finance and improving accountability.

<p>2016 EOM Presidential election</p>	<ul style="list-style-type: none"> - To enhance the transparency and oversight of campaign finances, previous OSCE/ODIHR, Venice Commission and GRECO recommendations should be addressed. A body with adequate capacity, technical expertise and independence to exercise its functions effectively should be empowered for such oversight. Should the CEC remain the competent oversight body, it should be given sufficient authority and resources to conduct effective campaign finance oversight. The law could prescribe graduated and proportionate sanctions for campaign finance violations. - The campaign finance legal framework would benefit from further improvement to address identified gaps in its regulation and to further enhance transparency and accountability. Consideration could be given to consolidating all campaign finance legislation in a single law. To further enhance transparency and accountability, it is recommended that the oversight body be required to publish results and conclusions of its audit in a timely manner. Consideration could be given to introducing shorter reporting deadlines to allow for a more effective audit.
<p>2015 LEOM Local elections</p>	<ul style="list-style-type: none"> - The oversight of campaign finance could be further enhanced. Should the CEC remain the competent oversight body, its resources should be increased. CEC timely access to relevant information and cooperation with other authorities should be clearly regulated. - The ban on donations on out-of-country income could be reviewed. - To facilitate CEC oversight, the law could prescribe the same date for all candidates to submit financial reports. Final reports could be submitted after election day in order to include all income and expenditures incurred up to and including election day.

Annex II: CEC templates for reporting of political parties and campaign finance

Template of a political party financial management report

The cash balance at the beginning of the management period	
Funding sources, total, including:	
Subsidies from the state budget	
Party membership fees	
Donations, in money, total:	
	from party members
	from other individuals in the country
	from other individuals outside the country
	from legal entities
Revenues obtained by the party as a result of the economic activities carried out, total:	
	from the editorial activity
	from the activity directly related to the administration of its property
	from other economic activities that result directly from the purpose provided for in the statute
	other incomes
Donations in other forms, total:	
	in the form of properties
	goods
	free services or under more favourable conditions than the commercial value
	payment of goods or services used by the party
Payments for the following destinations, total, including:	
Expenses for the maintenance and/or lease of premises	
Staff expenditure	
Expenses for press and promotional materials	

Travel expenses in the country and abroad	
Expenses for telecommunications	
Expenses for receiving delegations from abroad	
Payment of membership fees in international organizations of which the party is a member	
Investments in movable and immovable goods necessary for the party's activity	
Office expenses, bank commission	
Audit expenses (external/mandatory)	
Expenses for the organization of meetings, public demonstrations, seminars and other training courses for party members, held throughout the country	
Spending on youth and women's programs, total	
	for youth
	for women
Other expenses, total:	
	a)
	b)
Expenditures in the electoral campaign	
The balance of funds at the end of the management period	

Template of a campaign finance report

The cash balance at the beginning of the period

Revenues in the electoral campaign - total, including:

Funds received from donations from individuals in the country

Funds received from donations from individuals outside the country

Funds received from donations of legal entities

Own financial means

Expenses in the electoral campaign - total, including:

The cost of electoral meetings and events - total, including:

rent, including related expenses (electricity, sanitation)

stage

stage performances (including fees)

sound

stands, posters, etc.

protocol expenses

security

media coverage of the event

Advertising expenses – total, including:

television

radio

electronic means of information

written press

billboards

other street or mobile boards

Expenses for promotional materials - total, including:

the electoral program of the party

other promotional items (posters, flags, t-shirts, hats, notebooks, pens, posters, flyers, etc.)

Expenses for transporting people and goods – total, including

transport services

gasoline

maintenance of means of transport

remuneration of temporarily employed drivers

The cost of public opinion polling services

Additional maintenance costs - total, including:

the rental of some goods for electoral purposes (the rent of temporary rooms, including territorial ones, the rent of means of transport, the rent of other immovables and objects of low value and short duration)

salaries of staff temporarily employed for electoral purposes

Costs of delegation or secondment of persons (including remuneration/per diems of observers and volunteers)

Electoral and political consultancy expenses

electoral and political consultancy (elaboration of electoral strategies, etc.)

legal assistance and notary services

Other expenses, including:

banking services

communication services (fixed telephony, mobile telephony, Internet, etc.)

materials (OMVSD, office supplies, etc., necessary for activity in the electoral campaign)

rent of permanent rooms, including territorial ones, communal services related to rented rooms

remuneration of personnel from the central electoral staff

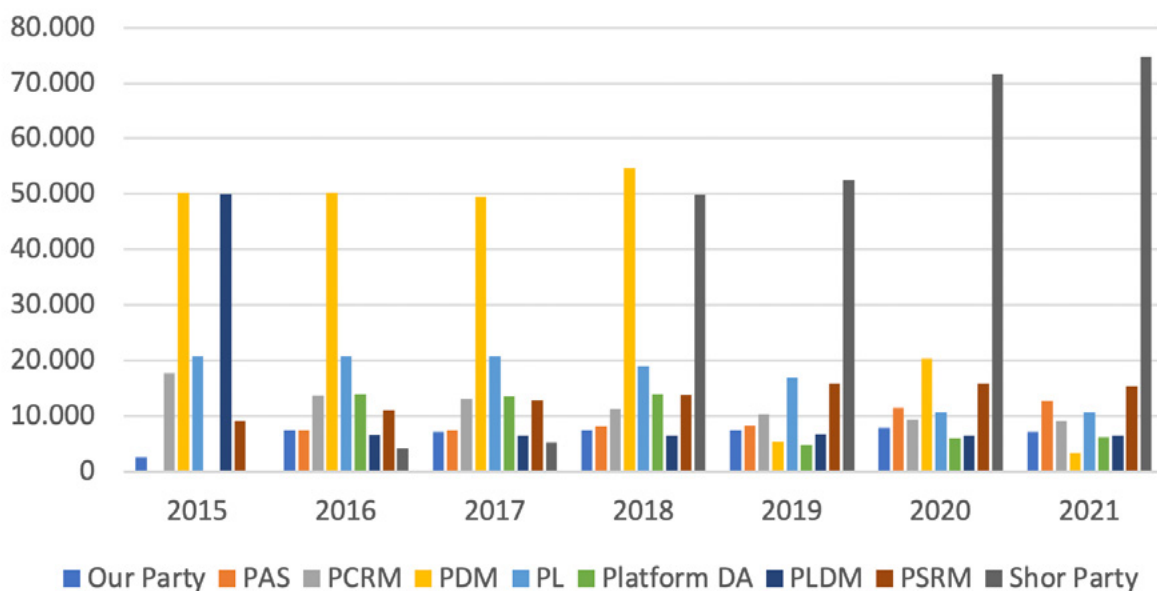
remuneration of personnel from the local (territorial) electoral staff

remuneration of media/strategy consultants

Cash balance at the end of the period

Annex III: Quantitative analysis of financing of political parties and electoral campaigns

Figure 14: Parties' reported membership. 2015-2021



Source: Political parties' annual financial reports [submitted to the CEC](#).

Table 7: Number of employees

	Our Party	PAS	PCRM	PDM	PL	PPPDA	PLDM	PSRM	Shor Party	Average
2015	1		31	0	0		2	28		10
2016	1	0	22	11	0	0	19	23	0	8
2017	2	0	23	10	0	0	30	34	33	15
2018	3	0	29	25	53	0	37	36	86	30
2019	2	0	27	61	19	0	38	24	32	23
2020	2	37	23	58	8	0	28	29	56	27
2021	2	58	23	10	1	0	3	30	40	19
Average	2	16	25	25	12	0	22	29	41	

Source: Political parties' annual financial reports [submitted to the CEC](#).

Table 8: Number of territorial branches reported by political parties in 2015-2021

	Our Party	PAS	PCRM	PDM	PL	Platform DA	PLDM	PSRM	Shor Party	Average
2015	32		41	41	39		0	38		32
2016	32	21	41	41	39	33	21	41	18	32
2017	33	21	41	41	39	36	21	44	24	33
2018	28	21	41	46	39	36	23	44	55	37
2019	28	26	41	34	39	0	24	44	46	31
2020	28	31	36	35	15	0	23	45	46	29
2021	28	32	36	30	15	18	23	44	46	30

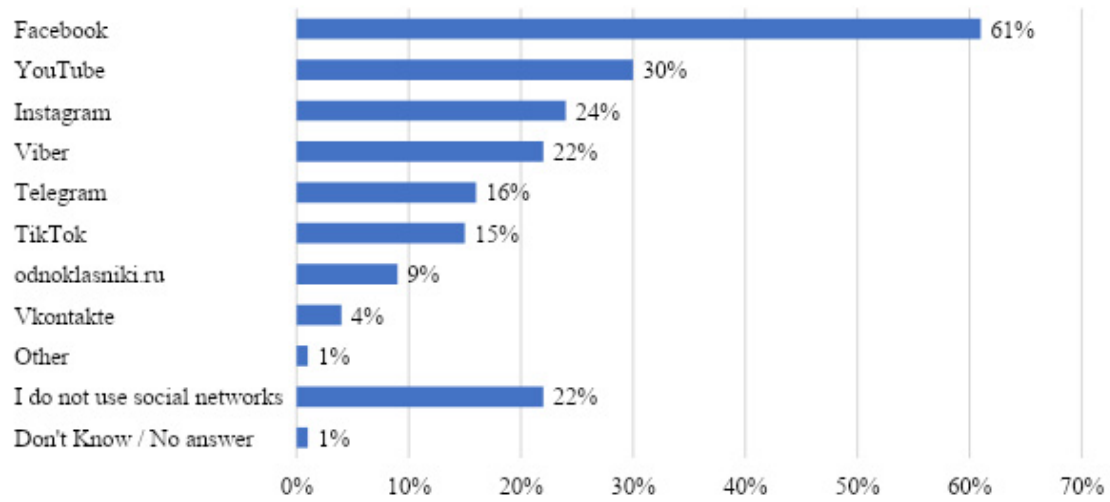
Source: Political parties' annual financial reports [submitted to the CEC](#).

Table 9: Amounts spent by the analysed political parties on women and youth programs, 2020-2021, in MDL

Reporting Year	Party	Total	Youth	Women
2020	PDM	3 493 678	1 544 784	1 948 893
	PLDM	5 400		5 400
2021	Our Party	532 797	177 599	355 198
	PAS	2 991 894	1 058 813	1 933 081
	PCRM	206 268	65 404	140 854
	PDM	2 411 058	891 007	1 520 050
	PLDM	40 430		40 430
	PSRM	2 570 228	817 800	752 428
	Shor Party	242 733	92 031	150 702

Source: [CEC](#)

Figure 15: What social networks or messaging apps do you use daily or multiple times a week to be informed?



Source: [Public Opinion Barometer](#), data for November 2022.

Annex IV: Sanctions for violation of political parties' provisions

Violation	Sanction
Administrative	
<ul style="list-style-type: none"> • Party's actions that cause serious damages to the political pluralism or to the fundamental democratic principles • Failure to submit the financial report in a timely manner and in an adequate form 	<ul style="list-style-type: none"> • Limiting party's activity (caesurae of party's activities) • Loss of public funding for the whole period of limitation of activity
Failure of a political party to submit annual financial reports for two consecutive years.	CEC <i>ex-officio</i> deletion of the party from the State Register of Legal Entities
Receiving donations in violation of the legal provisions, including the cases of receiving donations that exceed the established ceiling	Transfer of the questioned incomes to the State Budget, voluntarily or upon CEC summons
Repetition of contraventions and criminal offences within the period of one year	Depriving the political party of the right to allocations from the state budget for a period of 2 months to one year.
Breaches of the Electoral Code for all types of elections	Warning
Breaches of the Electoral Code - no specific violation is mentioned	Deprivation of free / paid airtime (for 24/ 48 hours)
Repetition of warnings applied during an electoral period for offences on the financing of the initiative groups and/or the electoral campaign	Deprivation of the political party registered as electoral competitors of the right to allocations from the state budget for a period of 2 months to one year.
<ul style="list-style-type: none"> • Use of undeclared financial and material funds 1% over the maximum ceiling of the "Electoral Fund" • Exceeding the maximum ceiling of the electoral fund. • Use of foreign funds. • Failure to suspend from his/her official duties 	De-registration of electoral contestants

Contraventions	
Use of undeclared, impermissible or foreign funds	A fine of 50-150 c.u. for individuals or a fine of 300-500 c.u. for an individual with a responsible position; (MDL 2,500-7,500; approx. EUR 125-380 and MDL 15,000-25,000; approx. EUR 750-1,250, respectively) - with the obligation to forfeit the money to the state budget
Violation of the record and use of assets of political parties and from electoral fund, including not presenting identification data of the donor	A fine of 100-300 c.u. (MDL 5,000-15,000; approx. EUR 250-750) for the person with a responsible position
Untimely or inaccurate reporting on political party or campaign finance	A fine of 100-150 c.u. for a candidate and 300-500 c.u. for a person with a responsible position (MDL 5,000-7,500; approx. EUR 250-380) and MDL 15,000-25,000; approx. EUR 750-1,250, respectively).
Erroneous use of public or electoral funds	A fine of 200-500 c.u. (MDL 10,000-25,000; approx. EUR 500-1,250) for a responsible person and deprivation of the right to hold certain positions or engaging in certain activities for a period of up to one year
Misuse of administrative resources	A fine of 150-400 c.u. (MDL 7,000-20,000; approx. EUR 350-1,000) for a responsible person and deprivation of the right to hold certain positions or engaging in certain activities for a period of up to one year
Failure to comply with CEC summons	A fine of 300-500 c.u. (MDL 15,000-25,000; approx. EUR 750-1,250) for the responsible person and deprivation of the right to hold certain positions for a period of 3 months to a year)
Using false information in campaign finance reports	A fine of 90- 240 c.u. (MDL 4,500-12,000; approx. EUR 226-600) for a responsible person or legal entity.
Missing deadline/not presenting campaign finance report	A fine of 90- 300 c.u. (MDL 4,500-15,000; approx. EUR 226-750)
Premeditated false and/or hidden, incomplete presentation or untruthful information in campaign finance reports (donors included)	A fine of 60- 240 c.u. (MDL 3,000-12,000; approx. EUR 150-600)
Illegal use of administrative resources or consenting to the illegal use of administrative resources, during election periods	A fine of 90-300 c.u. (MDL 4,500- 15,000; approx. EUR 226-750) for a responsible person and deprivation of the right to hold certain positions for a period of 3 months to a year)

Criminal offences	
<ul style="list-style-type: none"> Falsification of reports with the intent to substitute or hide a donors' identity, the volume of received or spent resources, or receiving non-compliant funds Extortion and extorting donations for political parties and campaigns. 	<ul style="list-style-type: none"> A fine of 750 to 1150 c.u. (MDL 37,500-57,500; approx. EUR 1,880-2,880) or up to 5 years of imprisonment for a private person A fine of 6,000 to 8,000 c.u. (MDL 300,000-400,000; approx. EUR 15,000-20,000) with the deprivation of the right to exercise a certain activity or with the liquidation for the legal entity.
<p>When large amounts of damage were caused by such practices as:</p> <ul style="list-style-type: none"> misuse of administrative resources, the wrongful use of state subsidies for political parties or by means of the electoral fund. 	<ul style="list-style-type: none"> A fine of 6,000 to 8,000 c.u. (MDL 300,000-400,000; approx. EUR 15,000-20,000) or imprisonment of up to 5 years for a private person A fine of 13,000 to 15,000 c.u. (MDL 650,000-750,000; approx. EUR 32,600-37,600) with the deprivation of the right to exercise a certain activity or with the liquidation of the legal person.
<p>Accepting financing from an organised criminal group or a criminal organisation (association) by a political party or an electoral competitor</p>	<ul style="list-style-type: none"> A fine of 1,150 to 1,850 c.u. (MDL 57,500-92,500; approx. EUR 2,900-4,600) or imprisonment from 2 to 7 years for a private person, A fine of 5,000 to 9,000 c.u. (MDL 250,000-450,000; approx. EUR 12,500-22,600) with the deprivation of the right to exercise a certain activity or with the liquidation of a legal person.
<p>Corruption of voters (i.e., offering or giving money, goods, services or other benefits for the purpose of determining the voter's electoral choice).</p>	<ul style="list-style-type: none"> A fine of up to 1,350 c.u. (MDL 67,500; approx. EUR 3,375) or up to five years of imprisonment for an individual, A fine of 13,000 c.u. (MDL 650,000; approx. EUR 132,500) with the deprivation of the right to exercise a certain activity or with the liquidation of the legal entity.



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