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NEWSLETTER

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Synthesis and Foreign Policy Debates

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The last period was marked by a series of important events for the Republic of Moldova.



The European Union announced on December 21 that it has provided the Republic of Moldova with 36.3 million euros as budget support, following the results of 5 programmes, including the implementation of the free trade area, police and public finances reform. A statement released by the EU delegation to Chisinau says the Moldovan authorities have agreed to use the money to support the five programmes, including the implementation of the liberalized visa regime, agriculture and rural development. The statement says that the amount of the financial support is smaller than that requested by the government in the amount of € 47 million.



The leadership of the International Monetary Fund approved a new loan instalment for Moldova of more than \$22 million, following the government "consolidation of macroeconomic and financial stability" efforts. At its meeting with December 20th in Washington, the IMF Executive Board of Directors concluded that the Moldovan authorities respect 'in general' the terms of the bilateral cooperation programme, but "sustained efforts are needed to promote reforms, accelerate economic growth and improve the living conditions of the population."



The government led by Pavel Filip was reshuffled on December 19, the changes being announced by the President of the Democratic Party, Vlad Plahotniuc. The reason put forward was the need for a more efficient and less politically affiliated executive. Only four ministers have retained their portfolios. The seven new ministers are known names, some of them resuming their old ministries. President Igor Dodon said he would sign the resignation of the ministers dismissed from office, but would not accept the new nominations proposed by the ruling coalition. The former Prime Ministers Iurie Leanca and Chiril Gaburici, the former Justice Minister and President of the Constitutional Court, Alexandru Tanase are among the seven new ministers.



The National Bank of Moldova has made public what it calls a "detailed synthesis" of the investigation into the theft of the billion, of the so-called Kroll 2 Report. In a press release of the NBM it is said that the 57-page summary reveals how the money was stolen, as well as the countries through which it has circulated or arrived, through the group of companies of Ilan Shor who is currently the mayor of Orhei.



The Barometer of Public Opinion (BOP) shows that the EU is growing in citizens' preferences. For the first time in the last several years, the percentage of voters who would support EU membership is higher than that of supporters of the Eurasian Union. The ratio is 38 to 32 percent in favour of the European Union. According to BOP, the confidence in Igor Dodon fell from 32% in April to 20% in November. At the same time, the number of those who say they don't trust anyone had doubled, reaching almost 50 percent.

Financing of political parties – where does the Republic of Moldova stand?

A conference on the topic "Financing of Political Parties in the Republic of Moldova: Lessons Learned in the Eastern Partnership" was held recently in Chisinau. The conference aimed at exchanging lessons learned and good practices in ensuring level playing field concerning the rules of and access to party financing, effective monitoring of party financing and oversight over financing of political parties and pre-election campaigns among national partners. In particular, areas of party financing and political finance monitoring that require further reforms have been discussed, as well as practical recommendations on how to ensure level playing field, transparency and accountability.

The conference was organized within the framework of the



Partnership for Good Governance Program, co-funded by the European Union and the Council of Europe, in partnership with Friedrich-Ebert-Stiftung, Konrad-Adenauer-Stiftung, the IDEA Electoral Democracy and Electoral Institute and the Central Electoral Commission of the Republic of Moldova.

According to some data presented at the opening of the conference

by the director of ADEPT, Igor Botan, in 2016, in the Republic of Moldova there were registered 40 political parties. 23 of them reported revenues of 96 million MDL or 5 million Euros of which 40 million MDL or about 2 million Euros was allocated from the state budget, which represents 0.12% of the budget revenues.

The largest beneficiaries of the party spending, according to Igor Botan, are the media holdings affiliated to the Democratic Party and the Party of Socialists, and namely the four broadcasters with the largest audience subordinated to the Democrats and the three TV stations of the Socialists. Other major beneficiaries of party money are charitable organizations - one affiliated to the Democratic Party and two - to the Socialists.



Christoph Speckbacher: Discussions about the transparency of party funding are limiting the risk of state capture



Christoph Speckbacher, expert at the Group of States against Corruption (GRECO), a Council of Europe body, says the issue of party financing is in the attention of international bodies and the transparency in this area is one of the key factors of democracy.

■ **Christoph Speckbacher:** I'm working for the group of states against corruption which is one of the bodies of the Council of Europe dealing with political financing and namely with monitoring. We evaluate the countries and in that context, a third evaluation of the countries was developed in the period of 2007-2011 on the subject of supervision and finance of political parties. The reason why this subject was chosen was that at that time, when you looked at the opinion polls- and the situation has not changed very

much today- the political institutions including parties, are among the top two the least trusted institutions in Europe and possibly in the world. They are competing for the first place with the law enforcement agencies which is also a matter of concern as we are dealing here with core institutions and the functioning of the state.

We are now following up with the recommendations given in that period. We have at the moment 14 countries for which the procedures are not closed and just to place the situation of Moldova in the overall perspective, there are still countries that have no rules or regulations on political financing and this is our main source of concern at the moment. The procedure with regard to Moldova was closed in 2015, Moldova having

managed to implement almost all the recommendations, which means that the basic prerequisites are in place nowadays and that there are rules that ensure a certain level of transparency on incomes and expenditures of parties but also in relation to campaigns. There is also a supervision mechanism and an enforcement mechanism. Now the thing is that because of this procedure, GRECO has decided to review its working efforts and has introduced the so-called *Rule 34* which will allow in future to look at any situation that arises ad-hoc and we are starting to use this procedure now, especially with regard to Romania and Poland.

As to the substance of discussions- the risks of money in politics – when the CoE started working on this subject in the 1990s, there were two reasons basically for that. First, because there is a grey area around the phenomenon of bribery. And we have many countries where we did case analyses- cases taken to the courts for suspected bribery concerning elected officials- and often it was said that the money was not for the pocket of electoral official, but it was for the party or for financing of the political campaign. It was as if that was kind of exemption from liability although it was not. We must recognize there is a phenomenon of political corruption whether you support a politician with certain expectations in return or whether you finance a political party with certain expectations and even in the USA nowadays a number of academics are looking into the subject and how the

financial race has led to a situation that we can refer to as political corruption.

As regards to ensuring a level playing field, we have in the Recommendation of the Committee of Ministers on Common Rules against Corruption in the Funding of Political Parties and Election Campaigns from 2003 which was the main text adopted internationally in this area and which contains a series of guidelines and principles in there. The main idea is that there should be a balance between public and private funding which means that the beneficiaries should not depend either on private funding or public funding. We have a variety of situations in Europe when parties are excessively dependent on public subsidies or where they are completely dependent on private support. This is not acceptable and we need to find a proper balance.

An interesting solution answering a remark that was made by Mr Botan how to find an incentive for private support- I think Germany has an interesting solution in this matter where part of public support is proportional or conditioned by provision of private support. So for every Euro that a political party receives as private donation, the state adds one Euro. This has also beneficial effects for transparency as obviously, as you understand, the beneficiaries will have an additional incentive to disclose private support.

As regards the limits of the framework, you can have the best legal framework in place, but if you don't have adequate supervision and enforcement, it's completely useless. What we observe at the moment and this is from GRECO perspective, the countries revert back sometimes to certain improvements they've made in the previous years and sometimes- I must say this is my personal opinion-there is a couple

of countries which seem to even play cats and mice with international bodies. That is one thing and another phenomenon that we've observed is the time which it takes for the supervisory body to really become effective. We often refer to the means and adequate staffing etc., but I think it has a lot also to do with the legal means, the powers and the capacities. So when you have the capacities to check on the incomes of parties and electoral candidates, you should also be able to look at the expenses. For me, when I visit a country, something which is absolutely crucial is the accountability of the control body. You should ask and you should expect from a supervisory body to produce and to show that it is effective. It should produce an annual report that doesn't just refer to the number of trips and national events that have been organized, but also that gives figures and concrete information about the outcome and so on and so forth. And that's how nowadays every public institution is held accountable.

Obviously, in that area, a number of other players should also contribute, starting with the supreme public institution of the country because it supervises the use of public resources which cannot be misused for electoral purposes in particular, but we also have a number of other institutions that should contribute to a greater supervision in that area.

My last series of remarks are concerning political financing in a wider context. Because of the concerns that political institutions are among the least trusted nowadays, we need to change the situation, it being understood that the negative perception can also dissimulate certain positive aspects. This perception is often based on the volume of cases and scandals that appear in the media. We should also look at this as a positive thing, because this means that people

are aware, that the media is active, that the supervisors are probably active as well and that there is a political battle which prevents precisely a kind of political nomenclature from taking over the political financing and that would limit risks of what we call nowadays, the state capture.

But it is obvious that you cannot treat the financing of political parties as an independent subject. You also have to expect from the members of the executive and the members of parliament a set of integrity rules when it comes to their own transparency, when it comes to the capacity of receiving additional support in the form of sponsoring or direct contributions and support, when it comes also to the contacts they may have not just with lobbyists but also with other third parties. We see nowadays in a world of globalization also cross-border political influences and we have a couple of scandals which clearly show that kind of stories. I refer to the 'Kazakh gate' and if you google 'Kazakh gate', you will see what countries are involved at the moment with ramifications in the private sector.

My last message would be that we need to mobilize more the academic sector, media and civil society into this area. It is a relatively new policy area of less than twenty years compare, for instance, to human rights policies which started after the World War II. It is young and still newground and we, unfortunately, have limited contacts with ground organizations, including NGOs, because of the technicalities of this area. It's not enough to say "Yes, we have corruption", "Yes, we have problems in the area of political financing". In the next stage we need to understand where the problems are, why they are there so that we can address the recommendations for improvements.

Jacopo Leone: There exist loopholes in the Moldovan legislation when it comes to transparency and disclosure

Another speaker in the conference on the financing of political parties in the Republic of Moldova was Jacopo Leone, Democratic Governance Officer at the OSCE Office for Democratic Institutions and Human Rights, OSCE/ODIHR. Jacopo Leone draws the attention to the fact that in the Republic of Moldova the ceiling on donations by individuals and legal entities is exaggerated and says that the key word when it comes to the limit over the spending and donations is 'reasonable'. The limits have to be in line with the current context and the social and economic situation of the country.

Jacopo Leone: The way in which money affects our democracy nowadays, the role of financing of politics is probably the key point that we need to address. This has to do with the lack of trust in public institutions that was mentioned before by my colleague from GRECO. The role of money in politics has a huge responsibility in a sense over the lack of trust that we are developing for our political parties, our parliaments and democratic institutions in general. But at the same time, the role of money has an impact on the perception of corruption that we have vis-a-vis these bodies.

I will start with the quote of the US Supreme Court Judge who said "We must make our choice. We may have democracy or we may have wealth concentrated into the hands of a few or we can have both." I think this is especially true when it comes to Central and Eastern European countries. In this region we have been seeing a progressive deterioration of some key elements of good governance when it comes to political pluralism, separation of powers, and accountability of democratic institutions. These are becoming issues in this region that have to do with the concentration of wealth. We have few very powerful individuals not only



concentrating the wealth of the country, but at the same time, using the political process to get access to public resources through the establishment of political parties which are sometimes empty shells without political content but which are just being used as vehicles of access to public resources. In a sense, I think, we can call this process a kind of state capture from within- instead of having powerful businesses outside, the powerful business are getting inside the political game.

So we see this increasing approach to politics as a business model, as a business venture. We have powerful oligarchs, powerful concentration of wealth and rich individuals establishing political parties in order to get access to the resources of the state, to the public resources through elections that are tried to be controlled and manipulated to a certain extent and once this control over public resources has been achieved, the resources are distributed back to friendly businesses, to family members, to their own companies for person enrichment, also through passing of key legislation, regulations and reforms like privatisation and tax reforms. And this comes back- the system of

patronage, in a sense, comes back to the political parties and powerful individuals and leaders that are at the top of these parties in the form of donations, bribes, and political recognition.

So we are all familiar with this circle, I think, and we all know that it's very hard to break it. But one of the elements and instruments that we have been developing over the last twenty years, as my colleague from GRECO was mentioning, is indeed the adoption of a sound and solid legislation dealing with political party financing. So how do we regulate to a certain extent the role of money in our political processes? According to a research that was done earlier this year, we see an exponential growth of normative legislation adopted to deal with political party financing not just in Europe, but in other regions of the world as well. So there is a trend of adopting new legislation on this issue.

Without disclosure and proper transparency as who is donating the money, where the money is spent, it is really hard to implement all the other measures in the legislation.

The first point and sets of measures that the national legislation should adopt when it comes to regulating the money in politics has to do with transparency and disclosure. This is probably the main point- the transparency and disclosure requirements are indeed required for other regulations to be implemented effectively. So in a sense, when we talk about transparency and disclosure, we are talking about the funding blocks of the legislation on party financing. Without disclosure and proper transparency as who is donating the money, where the money is spent, it is really hard to implement all the other measures that we can have in the legislation.

Regarding Moldova, there are some loopholes that should be addressed when it comes to transparency and disclosure. If we look at the recent election observation mission report of OSCE/ODIHR on the presidential elections in 2016, the report recommends 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. The civil society is pushing for the same recommendations so this is definitely an area that the Moldovan institutions should look at and try to improve.

The key word when it comes to the limits over spending and donations is 'reasonable'. The limits have to be in line with the current context and the social and economic situation of the country.

The second set of measures has to do with controlling the costs of politics and of the political processes in the country and the introduction of limits over the spending and donations to the political parties. This is also the key area addressed by the Joint Opinion of the Venice Commission and ODIHR. Overall, I think, the key word that we need to keep in mind when we talk about limits over spending and donations is *'reasonable'*. They have to be reasonable to be effective.

There are a number of countries that

are adopting such limits. If we look at the International IDEA database on political financing, we can see that in Europe, about 50 percent of countries are adopting some kind of spending limits, but when it comes to the case of Moldova there are some loopholes there- these limits are too high and as a consequence they are scarcely effective in controlling the overall spending of the political process.

If we look at the Venice Commission/ ODIHR opinion, they recommend that in the light of current context, to further reduce the annual ceilings for private donations to political parties and electoral contestants. The opinion also mentions that the draft amendments are in light of Moldova's current social and economic situation. That's the key point to make these limits reasonable- they have to be in line with the current context and the social and economic situation of the country. And at the moment, I think, it's quite visible that there is a disparity there.

When we talk about sanctions the key word is 'proportionate'.

The third point, we talk about effective proportionate and dissuasive sanctions. If the key word in the case of limits of donations and expenditures was *'reasonable'*, when we talk about sanctions is *'proportionate'*. Sanctions should be proportionate in order to be effective and to dissuade political parties and electoral candidates from breaking the rules. Again the situation in Moldova is quite problematic when it comes to sanctions. This is what the joint opinion of the Venice Commission/ ODIHR is pointing out. It actually says that strengthening of the regime of sanctions available for infringements of party and campaign funding rules, including expanding parties' deprivation of public funds to violation other than the failure to execute someone from the CEC by increasing the level of administrative fines. So the scope of the sanctions should be expanded in the context of Moldova, not just looking at criminal sanctions but also reinforcing the administrative sanctions available.

The fourth and the last point, which is probably one of the main issues, at least from our side as OSCE/ODIHR, is the strong and independent enforcement of the legislation in place. We have been engaging with the Moldovan authorities and institutions over the issue of political party financing for more than 15 years now, I think, and what we would like to see at this point is an enforcement of the legislation that has been adopted, which is important in order to get credibility from the people. So the OSCE/ODIHR and Venice Commission joint opinion is urging the institutions in Moldova to significantly enhance the supervision and enforcement of the rules in party and campaign financing. In this regard, the role of the Central Electoral Commission is a key role and the CEC as the assigned body should be given sufficient resources, including appropriate number of staff specialised in financial auditing. This, as we understand it, is not the case now- there is a very low level of professionalization within the CEC of the people working on the auditing of the party financial reports. The team is too small and there might be an issue of independence of the body from the political power. These elements are important and should be in place in order to have an effective enforcement of the rules.

A sound legislation in place is not enough. What we need to do is to expand the pool of people and responsible bodies looking at how we use money in our political processes, starting from the role of civil society organisations. In this regard, we are seeing worrying trends throughout the OSCE region and I think that it's important that our governments instead of trying to hinder the work of the CSOs in the monitoring efforts, should support them. At the same time, the investigative journalism should be protected and encouraged in their independence as they do an important work when it comes to exposing the role of money in politics and the accountability of the overall system. At the same time, the voters- all of us- have the responsibility to hold our political processes accountable. We can do this through voting, through negative

voting for certain candidates who are not perceived as clean and transparent, but also through small donations. Of course, the legislative systems can favour this behaviour of small donations for political parties as to compensate the influx of big donations of big donors and their influence on the political process. But at the same time, it is a signal of active participation that we probably need to rediscover in our countries.

The last point refers to political parties. I think there is a growing awareness that the political parties have to play a stronger role when it comes to the internal democratic rules that they adopt for themselves. It shouldn't be left just on the CEC or the regulatory bodies to do the auditing of the financing of expenditures of the political parties during the campaign and in-between campaigns. The political parties should be themselves proactive in checking their finances, in making

sure where the money is coming from, in disclosing their expenditures on their websites. There are very good examples of political parties that are trying to embrace transparency platforms, also in order to get votes, adopting internal codes of integrity and transparency when it comes to the donations and expenditures. So these are elements of the same effort –of keeping a stronger control over the financing of political parties.

Pavel Postică: The political parties in the Republic of Moldova fail to report all their spending



The Programme Director at Promo-Lex, Pavel Postică, says that the situation regarding the financing of political parties in the Republic of Moldova has improved over the last few years, though not enough, and many parties, mostly those in government, fail to report part of the spending.

■ **Pavel Postică:** I will start with the 2009 parliamentary elections, when about 30 electoral contestants entered the electoral race. And the question is how much these competitors reported for the transport and labor remuneration costs? The answer is NONE.

In the 2016 presidential election the situation was slightly better - a large part of the electoral contestants reported the transport and labor remuneration costs, they declared even their own cars that were used for free in the election campaigns. Obviously, this is not about the parties in government. But things have changed for the better anyway.

The question is whether we are pleased with all these changes. Of course, not, because we still have a situation in which many parties, mostly those in power, in their financial reports, fail to report part of their spending. As civil society, we have until now been able to find out spending

which is not declared and which is visible to the naked eye. What should we do? There are a few basic pillars on which the reform of a good system of political party funding should be based.

The first pillar and the main one is the pressure put by the international community. We wouldn't have obtained the results in the reformation of internal regulations on the funding of political parties if we were not under the control of GRECO, the Council of Europe, the Venice Commission, and the OSCE/ODIHR. Missions of these organizations have pointed out to certain gaps and made recommendations. We have to admit that due to the criticisms of our politicians, the latter are succumbing little by little.

We have to admit also that the Central Electoral Commission has been a promoter of the transparency of political party funding. We all know that it was the Ministry of Justice that controlled the funding of political parties, while the Electoral Commission was dealing with the financing of electoral campaigns. While at the level of political party funding there was no progress, there was a visible progress in the funding of electoral campaigns, at least in terms of regulation.

Another pillar is civic monitoring. We are talking here about the role of civil society that has made efforts to this end. We

have started with the monitoring of the financing of electoral campaigns, after which we have focused on the monitoring of the financing of political parties. The idea was to put some pressure on the political parties, because we would like to see them transparent not just when it comes to managing their own funds, but also the public funds. And if we don't trust them that they can manage their own funds fairly and transparently, we can also have doubts about the management of public funds.

There are still good things about civic monitoring - we can still act, they haven't completely shut our mouth yet, and we have technical support from our development partners. But there are also less pleasant things. With few exceptions, what we recommend is not yet taken into account by the decision-makers. Recently, the civil society organizations have been subject to discrediting and denigration campaigns on the grounds that we are involved in political affairs. Yes, obviously, we are involved in political matters, because we are monitoring the funding of political parties. Is this a political issue? Obviously it is.

Another important issue is journalistic investigations. I believe that we wouldn't have obtained what we have in terms of transparency of party funding if it hadn't been for the journalistic investigations. It is the investigative journalists that found out how the state employees benefited from bonuses which they after donated to parties. The journalists have also identified and revealed the funding schemes from offshore or overseas of the electoral contestants as well as donations higher than the annual income of a civil servant.

The bad thing about the parties is that following these investigations, they have started hiding behind such values such as the protection of personal data. We must admit that these values are truly democratic, but here comes the logical question - what is of higher priority: personal data protection or the protection of the public interest, transparency? The last two pillars were less developed. We are talking, first and foremost, about

mutual control of candidates, competitors and parties. They have to monitor each other and file appeals.

In addition, we have shortcomings in the application of sanctions. The progress we have made over the last years- from zero MDL to the large-scale declaration of spending- has practically been made without sanctions.

And I would also like to refer to the challenges that exist at the moment. First of all, it is about the influence of the business community on politics. The Venice Commission in its spring statement made it very clear that one of the main problems that the transition to the mixed system can bring is the influence of business groups on politicians, on candidates. And if you think this is not true, look at one of the latest draft laws initiated by the current leadership on the decriminalization of economic crimes. So, here's another proof of the use of administrative resources.

Another challenge is the deliberate weakening or annihilation of certain authorities that ought to be in charge of controlling the funding of political parties and of their integrity. We have lots of examples here. One of them is the Central Electoral Commission which has two technical functions- it has to check not only the funding of political parties and of electoral campaigns, but, as a main task, to manage the Commission financially. And this, in my view, is a kind of use of administrative resources.

Regarding the influence of money from governments and external actors, the main role here should be played by the control authorities, because we, as a civil society, no matter how many investigations we make, we don't have the capacities and possibilities that the state control bodies have.

Another challenge is the priority that is given to the protection of personal data over the public interest and the transparency of funding. We should have a very clear decision on this. The international regulations are good, but

they have to be applied in every country, starting from the realities of that country.

Another major challenge, especially for the Republic of Moldova, but also for many other countries, is the political party switching. We can talk a lot about preventing corruption, but if we continue to have situations of switching from one party to another, especially after the MP has been elected, and no sanctions are applied for that, I think we will not move any further.

Last but not least, we should keep a balance between regulations, sanctions and their toughness. Because even if we impose very tough restrictions, but the sanctions are not tough enough, we can get to the situation where the parties or electoral competitors will simply neglect everything and continue to violate all the rules.

In the end, I want to mention that we, as civil society, are undergoing a public, sometimes more masked, discrediting campaign. The political parties accuse NGOs of being corrupt and doing money laundering etc. But let's look at such an interesting situation. The political parties in the Republic of Moldova benefit from donations since the adoption of the Law on Political Parties. Until now, the maximum number of donors for a party reached 5,000 individuals.

On the other hand, only starting from this year, the Moldovan Government has made available the indirect mechanism of redirecting an amount of the income tax to non-governmental organizations. And even in the first year of implementation of this mechanism, nearly 21,000 people filed requests for the 2 percent of their income to be redirected to NGOs. 10,000 people went to the tax office even though they were not required to file financial reports in order to redirect these resources to non-governmental organizations. So we can talk a lot about who is more transparent, but in the end we must be in good faith and show mutual respect.

Philip Dimitrov: The administrative capacity of the Central Electoral Commission should be increased

Recently, the Venice Commission and the OSCE Office for Democratic Institutions and Human Rights, OSCE /ODIHR, made public their Joint Opinion of on the legal framework for funding political parties and electoral campaigns.

The Joint Opinion highlighted several weaknesses in the system of financing of political parties in Moldova. Four of the most important recommendations in this regard refer to the creation of conditions that would allow for the financing of political parties by citizens working abroad and to the identification of a viable mechanism in this respect; reducing of the ceilings on private donations to political parties; strengthening of technical capacities of the Central Electoral Commission; and increasing the number and types of sanctions for the illegalities committed by political parties.

Philip Dimitrov, a member of the Venice Commission, who spoke at the conference on the financing of political parties underlined that it is essential for the Republic of Moldova to increase the administrative capacity and independence of the Central Electoral Commission.

Philip Dimitrov: My first advice is whatever you do try not to discourage people to run for elections. There is a number of bad people in every society. In a representative democracy it's normal to have a few bad people in the representative institutions. One cannot avoid this, but the point is not to discourage the good people to run for office. If you manage to convince them that politics is always dirty and that everything is bad in it, the good people may not run and it's you who will be the losers.

The second piece of advice-don't discourage the voters to vote. If you manage to convince them that everything



is pre-decided and that big donors and oligarchs have bought everything, the people will not go to vote and your chances to win elections will diminish.

The third advice – don't try to be perfect. If you try to be perfect, first of all they will find faults with you and what is even worse you'll not be able to accomplish the good ideas you have and to fulfil the good regulations that have been put down. So be realistic.

Going back to the joint opinion, I would like to give you an example of one issue which was raised when we paid a visit to your country-it was about the possibilities for the people to donate from the revenues they've got from abroad. I understand the reason- every government wants to tax revenues and people may try to avoid taxation. The people have to declare the revenue from abroad and pay taxes which they don't want to do. But realistically speaking, this is the job of the Finance Ministry. If you maintain such a regulation, you will not get the taxes and you will also lose the contributions that can be important for the normal development of parties.

Another issue was about volunteers. There was a proposal to have the volunteer work calculated as a donation. I understand very well that there will be a number of cases in which people will pretend to be volunteers and get paid by black money. This happens in real life. However, you will not block this, but you

will create the impression that people don't volunteer and that volunteering for a party with all your heart is not a good idea. And this being the case, how can you expect the people to make contributions from their hearts in elections?

Another issue is the ceiling on donations. This is something which every country has to decide –but donations should be reasonable. You shouldn't discourage people who can donate small sums of money, because other people will make more significant contributions. On the other hand, being wealthy is not a crime per se. The tendency to declare every person who has money a criminal is a communist tendency. In some cases it is valid, but only in some cases. So there should be a reasonable limit here too.

And of course, we had a number of other recommendations, but I would like to point out one more-it is about sanctions. Shame and fear of punishment are reasonable arguments for doing good things. That has been in the last 7-8 thousand years and I don't know how it

will be in future. So punishment should be tangible and another recommendation of ours was that sanctions should be clarified and imposed in such a way that they can be fair.

The largest part of the recommendations was connected to the Central Electoral Committee. The idea to increase its administrative capacity is a good idea. In the conference we heard questions and answers of what they can do and cannot do. In fact, they have the right to demand

quite a number of things but the problem is whether they will get a reasonable answer. But they will be able to verify only if they have sufficient administrative capacity. There were fears that if they represent political parties this is bad. However, in quite a number of the EU countries the practice is to appoint people from different parties represented in parliament. And after all, in all countries it is very difficult to find people who are absolutely politically unbiased. You would rather have a balance. But one thing is

absolutely important- the parties which delegate their representatives should find people of character, of integrity and honour, because otherwise it may backfire. Someone who would cheat for you, tomorrow may cheat on you. Someone who would give in to you today, tomorrow may give in to somebody else. And I can tell you from my experience: whenever somebody tries to cheat by appointing the right people to the right position, in the end that person loses the game.

Sergiu Lipcean: The parties in the Republic of Moldova are not interested in the transparency of funding

Sergiu Lipcean, an expert with IDIS Viitorul, says the issue of financing of political parties is important because non-transparent funding leads to abuse and distortion of the democratic processes.

Lina Grâu: Why is so much discussion about political party funding? Why should this issue be of interest?

Sergiu Lipcean: Money in politics has always been an important topic for the simple reason that in a democratic system it can undermine the fundamental principle of the equality of vote - *one person - one vote*. When certain people can influence the decision-making through substantial contributions, the equal suffrage principle is violated. That is why it is believed that the people who contribute substantially to electoral campaigns can undermine the democratic process.

On the other hand, the people are entitled to contribute to the funding of campaigns and of political parties, a contribution which is in fact a form of political association which is one of the fundamental rights that should be respected in a democratic society. The issue is always about how much should this contribution be without



distorting the electoral competition and consequently the decision-making process?

The interference in the decision-making process could distort the choice the people make if donors who contribute substantial resources to electoral campaigns can later benefit from certain privileges, state facilities, service, and public contracts. This is distorting not just the democratic process, but also the economic competition, contributing

to the establishment of monopolies, oligopolies, which ultimately affects the citizens' daily lives - through higher services, more expensive and lower quality goods. And that's because, through political contributions, some companies end up benefiting from certain state facilities.

Against this background, regulating contributions and particularly the financing of electoral campaigns is an

important issue.

■ **Lina Grău:** In this context, it was mentioned at the conference on the financing of political parties that the ceiling on donations in Moldova is still very high.

■ **Sergiu Lipcean:** Why is this ceiling high? Individuals can contribute 200 average salaries per year, while the legal entities - 400 average salaries. That means an individual can donate almost 100 thousand euros a year to the budget of a political party, while a legal entity - almost 200 thousand euros. For reference, the average monthly salary in Moldova is 250 Euros.

In such circumstances, it is obvious that such donations are disproportionate, especially given the fact that the Republic of Moldova is one of the poorest countries with a high level of corruption. Such legal ceilings offer companies the opportunity to donate generous amounts, and it is obvious that they don't do it for ideological reasons. They do it in order to get certain benefits in return that will ultimately affect negatively all citizens.

The initial idea of setting ceilings was to make the electoral process fair, cleaner, and subject to various influences, not just from large donors who distort the electoral process. In the context of electoral reform, these ceilings have diminished. But one of the existing problems which has been highlighted by the Venice Commission and OSCE in their joint opinion is that such high ceilings contribute to the creation of dependencies of local candidates on vested interests.

The Moldovan legislator has lowered these ceilings, but they remain relatively permissive, especially in the context of single-mandate constituencies, for the simple reason that it allows for

the candidate who will compete in a constituency to collect the money relatively easy- only from a few donors. He or she doesn't need not make much effort to accumulate financial resources for the campaign from a large number of people who would actually reflect the support of potential voters for his/her campaign. He/she can get the money from a handful of people. Obviously, this candidate will have to provide certain benefits to these donors and thus jeopardize the public interest.

■ **Lina Grău:** What is your recommendation in this situation? What would be the optimal solution so that as many citizens as possible could participate in the public life?

■ **Sergiu Lipcean:** Under the conditions of the Republic of Moldova it is difficult to set a reasonable ceiling that would allow for a balance between the ability of many people to contribute without creating dependency of the candidates on donors. This is always a political subject which depends on a political decision.

But the way these ceilings have been fixed in the Republic of Moldova so far speaks for the fact that the political parties are interested in raising money from a very small number of people, without depending on a large number of donors. Generally, in order to accumulate financial resources from a big number of people, in the situation of low ceilings, you have to make a lot of effort. Respectively, political parties and candidates are not interested in making this effort, especially that they have now been given money from the state budget.

■ **Lina Grău:** What does this party behaviour betray from your point of view?

■ **Sergiu Lipcean:** This behaviour betrays the unwillingness of the political class to democratize and accept broader political

participation. They want that only a narrow circle of people benefit from public resources.

■ **Lina Grău:** You mentioned about the public funding. Why is it necessary in a democratic state that parties get finance from the state budget and to what extent is this mechanism properly used in the Republic of Moldova?

■ **Sergiu Lipcean:** Two rational justify the public funding. First, it is the fact that parties are democratic institutions that promote public interest. Respectively, in order to reduce political corruption and party dependence on large donors, the parties are provided with budget support so that they can use the money for training, expansion of their infrastructure, political activity, communication with citizens, etc. The provision of public money to parties is justified by the above-mentioned rational. It has not always been so, but this idea is now increasingly accepted - that the parties would become less dependent on private money and would be more accountable and more inclined to respect the public interest.

In the Republic of Moldova, there is a paradox. Since the implementation of budget subsidies when the parties were provided with public money, the rules on private donations have also been changed. Until recently, the parties could accumulate 0.2 percent of budget revenue from donations, but in 2016 that ceiling was raised to 0.3 percent. So on the one hand, the parties get money from the budget and on the other hand, they are given the opportunity to attract even more private donations. This is disproportionate to me.

The idea was to give money from the state budget to parties in order to reduce their dependence on private donations. There is a paradox in the situation of the Republic of Moldova where the money offered by the state budget doesn't

contribute to reducing the dependency of the parties on private interests and on the money coming from certain companies.

■ **Lina Grău:** You said that parties are not interested in working for the society in the sense that they are not interested in contacting as many people as possible. One of the speakers in the conference today said that this phenomenon is present not just in the Republic of Moldova- when politicians come to power as a business in order to gain resources and control power in their own interest. How can one get out of this situation?

■ **Sergiu Lipcean:** In a way it's a vicious circle. The situation in which political elites are detached from the public interest is not specific only to the Republic of Moldova. In the neighboring countries - Romania, Ukraine - we are witnessing a similar phenomenon. However, there are examples where the politicians or certain parties that are perceived to be highly corrupt are being punished in elections, but also through broader social mobilization, protests and by putting pressure on the politicians.

These examples are not so many, but there exist success stories, including in the post-soviet space. When the parties

act as predators wanting to accumulate as much as possible and exploit the state and public resources, the citizens mobilize and respond to these parties.

Unfortunately, we cannot see such a social mobilization in the Republic of Moldova for several reasons. It is not just financing that contributes to creating a favorable environment for citizens to mobilize. It is important, for instance, how media works.

Respectively, in the case of the Republic of Moldova, it is difficult at the moment to generate such a critical mass in order to respond to such a behaviour. This behavior derives from the normative framework that is quite permissive, but also from the behavior of the parties, from the practices that have been used for a very long time. So the parties cannot adjust to the normative framework which is becoming more restrictive. Parties are used to operate in the old style when there was no control and restrictions.

The regulatory framework alone cannot solve such problems immediately. From 2008 until now, there have been some improvements, but when it comes to certain critical issues such as transparency, we see that parties do react when the civil society is getting mobilized. For instance, in the case of

investigative journalists who have shown very often that large amounts of money accumulated by parties are not clean, the reaction of the Moldovan parties was to limit the access to information and introduce various restrictions, under certain pretexts.

For example, the parties invoke protection of personal data. This may be justified in certain circumstances, but it needs to be clarified when, how and why the secret nature of these data can be invoked.

However, in the context in which the parties benefit from public funding and each year receive enough money per vote in order to secure their political survival and be able to carry out their statutory activities, I believe, these parties should pay a higher price in terms of transparency and control of funding, especially on the use of public money. They should report on how the public money was spent and for what purposes.

For the time being, we have no control over how this money is used in Moldova, because it is the Court of Accounts that has to oversee how parties spend public money and at the moment there is no institution that can monitor this process effectively.

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