

# Money Rules: Parties, Oligarchs and Funding Regulation in Post-Soviet Countries

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## Chapter 1

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### Against the Mainstream?

The Impact of Party Regulation on  
Political Competition in Moldova

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# 1 Against the Mainstream?

## The Impact of Party Regulation on Political Competition in Moldova

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### Introduction

As in many post-communist regimes, in Moldova, party and campaign funding regulation is a sensitive issue. Moldovan parties and politicians resembled their fellows across the region by deploying similar strategies in designing the rules to their advantage at the expense of political opponents. Despite this commonality, however, Moldovan parties succeeded in keeping their finances away from public scrutiny for much longer due to permissive and blurry regulations.

The country's political financing regime / Political Financing Regulations (PFR) stands out among post-communist polities for at least two reasons. First, it survived for more than 15 years without substantive changes from the outset of democratisation. Second, it did not provide direct public funding (DPF) to political parties for even longer. Unlike most post-communist regimes, political parties gained access to the DPF only after 25 years of independence. This fact suggests that key political actors faced more profound disagreements over the size, access and distribution rules regarding DPF than elsewhere. While other factors affecting the nature and dynamics of party competition, such as registration requirements or the electoral threshold, were frequently amended, the PFR has remained frozen in time for roughly two decades.

This state by no means implies a regulatory standstill or a lack of attempts to alter the status quo. Conversely, the evolution of PFR was similar to other post-communist cases, that is, from *laissez-faire* towards more complex and less ambiguous regulations (Casal Bértoa and Biezen, 2018; Enyedi, 2006; Ikstens et al., 2002; Lewis, 1998; Roper and Ikstens, 2008; Smilov and Toplak, 2007). Nevertheless, regulatory loopholes left following the amendment of PFR impeded a qualitative shift in regulations. Consequently, political parties had considerable leeway in managing their financial inflows and outflows, with little scrutiny from society and oversight institutions.

In this chapter, we shed light on the development of party and campaign funding in Moldova and its potential effects on party system development and political competition. It consists of four sections. First, we provide a brief overview of the party system development. Second, we explore the intricacies of PFR evolution from the outset of the transition until the last amendments passed in 2022. Third, we analyse the current PFR across the key regulatory dimensions. Fourth, we assess the effects of regulations on the party and party system development.

### **Party system development in Moldova**

Since its independence, Moldova has had a multiparty system featuring a more or less balanced support distribution among a few parties. Political competition revolved around ethnolinguistic and geopolitical issues that ultimately led to the formation of two broad camps: filo-Russian and pro-European. Based on actors' configuration and institutional rearrangements, party development in Moldova can be conventionally divided into four periods.

During the first period (1990: first semi-free parliamentary contest – 1994: founding democratic elections), two critical processes affected party development. Firstly, the newly established parties reflected the fragmentation of the political elite elected under Soviet rules, namely the hardliner and reformed Communists and the moderate and radical pan-Romanian wings of the Popular Front. In other words, parties were 'shaped by parliamentary and internal politics rather than by popular demands' (Birch, 2000: 14). Secondly, the four-year parliamentary term was sufficient for political elites to reflect on their institutional preferences. Yet some critical factors, such as the Transnistrian war, affected the electoral system design (proportional representation (PR)).

The second period (1994–2001 snap elections) was marked by political struggle within the ruling Agrarian Party, which obtained a landslide victory in the 1994 elections but failed to enter the parliament in 1998. Internal bickering contributed to its disintegration and increased party system fragmentation. Furthermore, the conflict between the legislative and the president over presidential powers led to a constitutional amendment that transformed Moldova into a parliamentary republic in 2000.<sup>1</sup> Yet the method of presidential election requiring a three-fifths parliamentary majority for three consecutive attempts was a crucial institutional factor affecting political calculations. The outcome of these conflicts was the Communist Party's (PCRM's) overwhelming victory in the 2001 snap elections following a triple-failed attempt to elect the president. The 2001 electoral outcomes laid the foundation for the PCRM's electoral dominance until the 2014 parliamentary contest. Additionally, most of the previous ruling elite was dispersed in various formations and marginalised, albeit it has not entirely disappeared. Through mergers and other organisational changes, it survived and, as was the case with the pro-presidential For Democratic and Prosperous Moldova movement, transformed into the Democratic Party of Moldova (PDM).

The third period (2001–2009) was marked by the dominance of a mono-party government established by the PCRM. To a large extent, the PCRM's hegemony was augmented by the votes-seats redistribution formula that allowed it to gain more seats at the expense of those contestants that failed to enter the parliament. Yet if the results of the 2001 elections (71 out of 101 seats) allowed PCRM to rule unconstrained, the results of the 2005 elections (56 seats) forced them to make some concessions to the opposition in exchange for its support to elect the president (61 votes needed).

Finally, the fourth period starts with the loss of power by PCRM in 2009. Although the PCRM obtained a landslide victory (60 out of 101 seats) in April 2009,

it could not elect the president. Unlike the 2005 elections, the opposition stayed united and forced the PCRM to hold snap elections in less than four months, given the failure to elect the president. The July 2009 elections produced a combined victory for the opposition and set the stage for a turbulent period that reshaped the structure of political competition for the next decade. This period was also marked by the intensifying rivalry between PLDM (Liberal Democratic Party of Moldova) and PDM, two parties led by oligarchs Vlad Filat and Vlad Plahotniuc, respectively. Their fighting culminated with the arrest and imprisonment of Vlad Filat (prime minister 2009–2013) on corruption charges in 2015. The elimination of Filat allowed Plahotniuc to monopolise power and transform Moldova into a captured state.

Meanwhile, in the background of this struggle, a new pro-Russian party was gaining a foothold – PSRM. Although it was not entirely new,<sup>2</sup> the defection of several former top communist MPs that joined it provided a sufficient boost to break into parliament and obtain the largest seat share following the 2014 elections. Nevertheless, PSRM was left in opposition. Only after the defeat of PLDM and the increasing control of PDM over state apparatus, judiciary, and local administration, PSRM was coopted by PDM to support its decisions. Although tacit, this co-optation and mutual collaboration aimed at counterbalancing new challengers, namely PAS (Action and Solidarity Party) and PPDA (Christian Democratic People’s Party) – two parties with a strong anti-oligarchic and anti-corruption discourse. Their critique forced PDM to pass several institutional reforms – the return to direct presidential elections (albeit not accompanied by an increase of powers) in 2016; the replacement of proportional representation with the mixed system (PR and First Past the Post (FPTP)) in 2019, and the effective disbursement of state funding since 2016. Yet not all of them were in the opposition’s favour. For instance, the transition to the mixed electoral system allowed the highly unpopular PDM to perform very well, particularly in SMD (Single Member District). Notwithstanding, following the 2019 parliamentary contest, ACUM (Now Electoral Block) and PSRM created a coalition government by ousting PDM from office. This move triggered a constitutional crisis manifested by a short period of power duopoly, given the PDM’s refusal to accept the agreement. Although PDM was forced to concede under external pressure (Kingsley, 2019), profound differences between ACUM and PSRM triggered early parliamentary elections (July 2021). The outcome was a landslide victory for PAS with 52.8% – the largest vote share obtained by a political party in Moldova. Figure 1.1 summarises the electoral results from the beginning of the democratic transition until the last parliamentary contest.

### **The evolution of party and campaign funding regulations**

As in other post-Soviet republics, PFR was poorly regulated at the outset of transition. This situation was largely due to a blurry distinction between parties and other organisations competing for power, originating in the Soviet law ‘On public associations’ (Ведомости Съезда народных депутатов СССР, 1990, № 42, ст. 839, 1990). The law only occasionally made a clear distinction between political

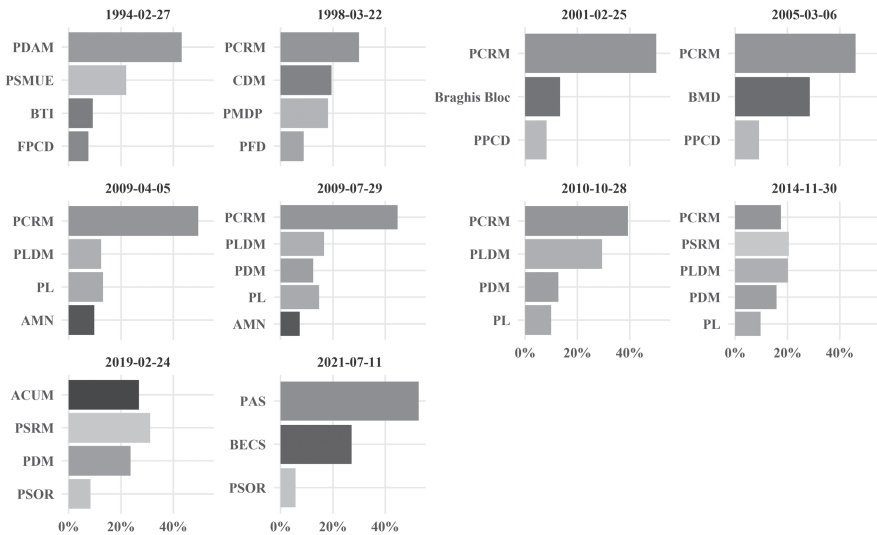


Figure 1.1 Summary of election results in Moldova, 1994–2019

Source: Own elaboration based on official election results

*parties and other organisations. Moreover, it was overly generic to confine their fundraising and spending behaviour (Art. 18). Unlike other polities that amended the Soviet law early, Moldova followed suit much later. Despite amending the 1991 LPOSP in 1993, the new restrictions on party funding (Art. 12, 22–24, 27) were superficial, thus allowing political parties to exploit regulatory loopholes. The ban on donations from state bodies, mixed enterprises, foreign entities and anonymous sources was not strengthened by imposing contribution limits (Art. 12). Likewise, blurry transparency obligations (Art. 24) combined with weak oversight and toothless sanctions (Art. 27) rendered the control mechanism almost inexistent.*

The persistence of such a liberal regime is explained by the failure of Moldovan politicians to uproot the existing framework despite a few trials. The first two attempts to amend it in 2000 and 2005 failed (Grosu, 2007). Only from the third attempt did political parties manage to adopt a new PFR. This outcome represented a bargain between the PCRPM and the opposition. The opposition supported electing Vladimir Voronin as president for the second term in 2005, while the PCRPM promised to adopt a new party law, including new financing regulations and public funding. However, the PCRPM reneged on its initial promises, which sparked a conflict between incumbents and some opposition parties. While top PCRPM and PPCD (Christian Democratic People’s Party) officials acknowledged that party funding required clearer, fairer and more transparent rules (Parliamentary minutes, 2006c, 2006d), the opposition questioned their fairness, especially regarding the allocation of DPF (Parliamentary minutes, 2006a, 2006b, 2006e). The opposition’s concern proved justified since several amendments on private and public funding, mainly hurting opposition

parties, were sneaked into the bill by communists without preliminary debates in the second reading (Parliamentary minutes, 2007a).<sup>3</sup> The opposition also questioned the oversight mechanism, fearing potential harassment on financial grounds (Parliamentary minutes, 2007b, 2007c, 2007d). Hence, the lack of political consensus over the size, access and distribution of public funding delayed its implementation for roughly a decade.

While the new Law on political parties (LPP) strengthened PFR, it had several flaws. Unlike election funding, the LPP had not foreseen donation disclosure. Likewise, the range of sanctions for financial breaches was only incrementally expanded, which rendered the monitoring of unaccounted campaign spending and shady donations problematic (Ciurea, 2010, 2011; Cozonac, 2010; Lipcean, 2010b; Moşneag, 2010). Furthermore, strengthening party funding control was challenging because of conflicting preferences within the Alliance for European Integration (PLDM, PDM, PL (Liberal Party)). In a nutshell, PDM's preferences for permissive rules resulted in a ten-fold difference in donation caps on physical and legal entities foreseen in the draft law submitted for review to the Venice Commission and OSCE (Organization for Security and Cooperation in Europe)/ODIHR (Office for Democratic Institutions and Human Rights) and the bill that reached the parliamentary floor (Parliamentary minutes, 2014b; Venice Commission and OSCE/ODIHR, 2013).<sup>4</sup> Likewise, PDM insisted on increasing the threshold on the total annual income accrued from private sources from 0.25% to 0.3% of the budgetary revenue (Legal Committee for Appointments and Immunities, 2015).

Accordingly, different preferences for donation caps pitted PDM against PLDM and PL. While the former claimed that generous donations do not represent a problem if the contributors' income is legal (Parliamentary minutes, 2014c), the latter considered them excessively permissive (Parliamentary minutes, 2014a). PL underscored that such permissive limits distort the spirit of the law by enabling donors to influence party decisions and obstruct their liberation from oligarchic influence (Parliamentary minutes, 2015).

Although draft amendments complied with Group of States against Corruption recommendations (GRECO, 2015a, 2015b),<sup>5</sup> electoral system reform that replaced proportional representation with a mixed system considerably weakened many provisions. Despite repeated warnings that it will increase the role of money and the influence of non-elected stakeholders over the electoral process (Venice Commission and OSCE/ODIHR, 2014: 8, 2017: 9–10), PDM and PSRM ignored them (Monitorul Oficial Nr. 253–264/422, 2017; Parliamentary minutes, 2017). Moreover, the electoral system change opened Pandora's box of campaign funding. Except for the lowering of donation caps to 50 Average Monthly Wages (AMW) (\$13.6 thousand) and 100 AMW (\$27.2 thousand) for individuals and businesses during the electoral period, transparency, control and enforcement became more inconsistent and ambiguous (Lipcean, 2017).

The last substantial change of PFR concerns the cancellation of the mixed system and return to proportional representation, which radically affected campaign funding regulation (Monitorul Oficial Nr. 260/361, 2019). This turnaround occurred following the 2019 parliamentary elections and represented a push from



*Figure 1.2* The milestones of party funding regulation in Moldova

*Source:* Own elaboration based on Law on political parties and party funding provisions from Electoral, Contravention and Criminal Codes

the ACUM block to reduce the role of unaccounted political funding. Figure 1.2 provides an overview of the party funding regulation over three decades.

### The current regime of political financing

#### *Public funding (direct and indirect)*

*Direct public funding* (DPF) was introduced by the LPP in 2007. However, it was not implemented as initially foreseen. While its implementation was planned after the 2009 parliamentary elections, the LPP was twice amended by postponing the provision of DPF, which was effectively earmarked only in the third quarter of 2016 (see Figure 1.2). The LPP addressed four aspects of the DPF mechanism: amount, eligibility and allocation rules and spending. All four dimensions of the DPF mechanism were subject to further amendments that reflected the changing power balance between parties willing to shape the rules to their advantage.

Initially, the LPP set the level of funding at a maximum of 0.2% of the budgetary revenue forecasted for the respective year, which amounted to approximately MDL 40 million (≈€2 million). In 2018, the cap was removed, and the DPF level was determined by the annual budget law (Monitorul Oficial Nr. 321–332 art. 529, 2018). Following the 2019 parliamentary elections, it was reintroduced at 0.1% of the budgetary revenue (Monitorul Oficial Nr. 260 art. 361, 2019). In 2020, the total state funding granted to parties amounted to MDL 38.2 million (≈€1.93 million). Yet given the economic crisis triggered by COVID-19, it was scaled down to MDL 31.2 million (≈€1.58 million).

Unlike the DPF size, the eligibility threshold and allocation formula were more contentious issues. Initially, the LPP foresaw very restrictive eligibility rules; namely, only parties that cleared the 6% electoral threshold in parliamentary

elections and obtained at least 50 seats in councils at the district level in local election results were entitled to DPF. These thresholds were precisely the critical aspects of the bill criticised by the opposition. Some observers claimed that PCRM designed the DPF mechanism to stifle political competition (Cernencu and Boţan, 2009: 48). Nevertheless, the eligibility rules, as designed by the PCRM, remained on the paper because of the DPF postponement. The realignment of political forces after the communists' loss of power in 2009 resulted in a radical solution – the pay-out thresholds were abolished in 2015. Accordingly, regardless of electoral performance in elections, parties were entitled to state funds.<sup>6</sup>

The amendments to the DPF provisions reflect the power struggle between different parties to secure larger subsidy shares. The initial access and distribution rules, by which half of the subsidies were to be split by parliamentary parties based on their seat share, while another half by parties gaining no less than 50 councillor seats in local elections, reflected PCRM's preferences. However, the DPF scheme became highly inclusive by abolishing the pay-out threshold.

In 2018, due to the electoral system change, distribution criteria were expanded by accounting for the women's inclusion on the party list, women effectively elected in SMD and youth effectively elected in local and parliamentary elections. However, it is unclear whether these amendments reflected PDM's and PSRM's actual preferences or were designed to mitigate the negative feedback over the electoral system change from the national and international actors.

Following the 2019 parliamentary contest, PAS and PDA pushed for another overhaul of allocation rules, which reflected their parliamentary strength, electoral performance in presidential elections (mainly PAS) and the parties' internal structure. Consequently, performance in presidential elections became an allocation criterion (15%), while the weight of women and youth became heavier in the distribution of DPF (25%). Table 1.1 depicts the reshuffle of the allocation formula and the weight of each criterion in the structure of total subsidy over time.

Table 1.1 Allocation criteria for the distribution of public funding – % from the total subsidy

Allocation criteria of DPF ↓ Year→	2007	2018	2019
Performance in parliamentary elections	50*	40	30
Performance in local elections	50	40	30
Performance in presidential elections			15
Women inclusion on party list (at least 40%)		10	
Women effectively elected in SMD		5	
Women effectively elected in parliamentary elections			7.5
Women effectively elected in local elections			7.5
Youth effectively elected in parliamentary and local elections		5	
Youth effectively elected in parliamentary elections			5
Youth effectively elected in local elections			5

Source: Own elaboration based on Law on political parties.

Note: \* Refers to the seat share as a distribution criterion, while in other cases, to votes.

In sum, by lowering the pay-out threshold and diversifying the allocation criteria, the DPF mechanism became more inclusive. However, these developments also show that electoral competition is the driving force behind its reshaping. The electoral strength of new parties gave them an edge over their competitors and forced them to adjust if they wished to obtain a larger subsidy share.

Political parties benefit from *indirect public funding*, mostly during elections, such as interest-free state loans, free public transport for candidates and free advertising on public broadcasting. Generally, loans are unpopular solutions to address campaign funding issues. Given their low value (€2500 in 2019), they are unattractive for big parties and risky for small ones in case of poor electoral performance.<sup>7</sup>

Media access remains the most valuable means of indirect funding. Electoral competitors benefit from subsidised media in two ways: free slots on public broadcasters and electoral debates. For the last four parliamentary contests, the Electoral Code (EC) entitled each registered party list to benefit from 5 to 10 minutes on public TV and Radio to present their manifestos in the first three days of the campaign. Likewise, public broadcasters provided one minute daily to air political advertisements for free (Monitorul Oficial Nr. 108–109, art. 332, 2010). Finally, the law compels public broadcasters to organise electoral debates, thus increasing the free airtime granted to parties. Outside elections, however, the LPP does not provide substantial indirect assistance such as tax deductions of private contributions.

### ***Private funding***

Political parties may receive private funding from membership fees, donations and revenues from authorised commercial activities. Currently, the limits for party membership fees are identical to donations. Furthermore, the annual income of a political party amassed from private sources should not exceed 0.1% of the state budget for the respective year.<sup>8</sup> Political parties can freely establish the membership fee value in their statute (Art. 25). The LPP allows contributions to be paid in cash or by wire transfer. It also prohibits anonymous membership fees and donations. Accordingly, parties must provide detailed information about their contributing members, including name, birth date, address, occupation, source of income and date. The information on membership fees and donations is reflected separately in the party's accounting records. While such transparency measures are designed to prevent and minimise illicit funding, they proved ineffective. Parties found various ways to circumvent the law by collecting bogus membership fees and contributions.<sup>9</sup>

Unlike party statutory funding, campaign donations are regulated in more detail. All donations must be lodged directly in a special electoral account. Before the 2019 amendments, the difference between annual donation limits (200 and 400 AMW for individuals and legal entities, respectively) and campaign limits (50 and 100 AMW) made enforcement almost impossible. Investigative journalists discovered numerous cases of generous donations lodged by individuals with low income or employees of legal entities with governmental contracts that lavishly

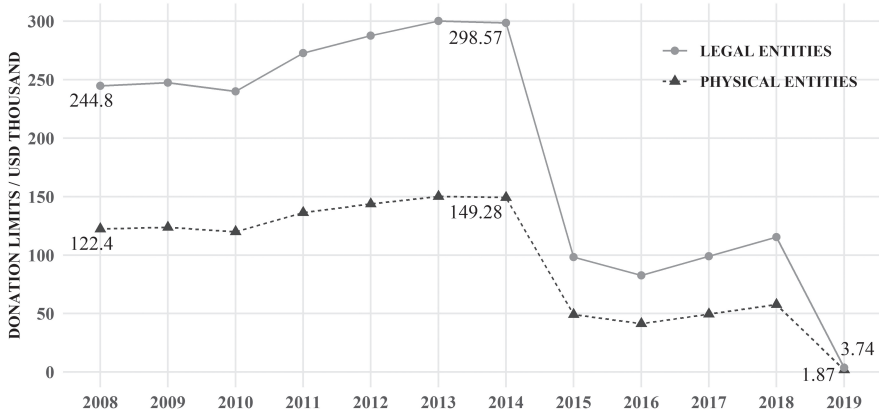


Figure 1.3 Evolution of contribution limits on physical and legal entities, 2008–2019

Source: Own elaboration based on average wage and annual exchange rates

contributed to party coffers before the campaign (Rise Moldova, 2018a, 2018c). Recent amendments drastically lowered donation caps and lifted the ban on contributions from citizens residing abroad. As of August 2019, the annual (and campaign) contribution limit to one or more political parties made by an individual, a citizen residing abroad and a legal entity should not exceed six, three and twelve AMW, respectively. Likewise, public officials cannot donate more than 10% of their annual income but not more than six AMW. Crucially, all donations above three AMW must be lodged only by bank transfer. Figure 1.3 summarises these developments since the enactment of LPP in 2007.

Besides quantitative restrictions, the current PFR also prohibits donations from foreign citizens, citizens under 18 years, public authorities and state companies, companies with 60 days' overdue debts to state budget or social and medical insurances budgets, companies that were awarded governmental contracts within the past three years, foreign companies or companies with mixed capital, NGOs, trade unions, charitable and religious organisations.

### **Party funding control: Oversight and sanctions**

#### *Oversight*

Oversight of party and campaign funding is one of the most problematic dimensions of PFR. The minimal conditions for an effective oversight must include three ingredients: political autonomy of the oversight body, an encompassing legal mandate to perform its duties and sufficient resources. If a single element is missing from this formula, the control mechanism will be severely undermined. This is precisely Moldova's case, where none of these criteria was fully met. Accordingly, since the Central Electoral Commission (CEC) enjoyed limited autonomy, powers and capacity to control party financial flows, it struggled to enforce compliance.

Interestingly, the autonomy of the CEC gradually shrank along with the expansion of its powers. While formally independent, the CEC membership became more politicised due to the amendment of the nomination procedure. If between 1997 and 2005, the composition of the CEC was decided by the Executive, the Legislative and the Superior Council of the Judiciary (each nominating one-third of CEC members), by 2010, eight of the CEC members were nominated by the parliamentary parties and one by the president (Monitorul Oficial Nr. 108–109, Art. 332, 29.06.2010). Political partisanship of the CEC has always raised concerns over its credibility and impartiality in adopting decisions, but in recent years it was particularly salient due to the adoption of several controversial decisions related to campaign funding by excluding some electoral competitors from the electoral race based on financing-related violations.

Besides autonomy, supervisory powers of the CEC regarding party and campaign funding remained extremely limited for roughly 25 years since independence. Despite the recently extended powers, including the right to request information from the relevant entities, to draw up protocols for financing-related violations and to apply a broader range of sanctions (Monitorul Oficial Nr. 93, Art. 134, 14.04.2015), the CEC focuses mainly on procedural aspects by verifying the accuracy and completeness of financial reports, the types of reported expenses and donations. It cannot carry out ‘dirty’ tasks such as checking the lawfulness and sources of campaign income or spending destination. For such interventions, it relies on other institutions, including the Tax Inspectorate and law enforcement bodies, which are under the direct control of the executive, hence not independent. This, in turn, casts even more doubts over the CEC’s capacity to act independently and adopt unbiased decisions. In a nutshell, the CEC still lacks substantive investigative powers to trace the route of potentially illicit money. In such cases, it must approach either the State Tax Inspectorate to trace the origin of contributions or enforcement bodies for investigation of alleged cases of illegal funding. As a rule, CEC proceeded with such inquiries only following the complaints lodged by electoral competitors. It usually refrained from punishing the violations committed by ruling parties, which undermined the confidence of opposition parties in its integrity.

The CEC’s weakness and limited capacity to ensure compliance also stem from the lack of human and material resources and expertise to capitalise on its expanded powers. Various monitoring reports underscored the need to strengthen its capacity to engage more actively and conduct more effective supervision of campaign funding (GRECO, 2011, 2015a; OSCE/ODIHR, 2015, 2017, 2019). This deadlock might be overcome by the recent creation of a CEC-specialised department to supervise and control party and campaign funding (Comisia Electorală Centrală, 2021). The department aims to engage in more thorough political financing control, but it is not yet operational.

### *Sanctions*

Along with the weak oversight, the lack of dissuasive and proportional sanctions for party and campaign funding breaches further hindered party funding control. For a long time, the weakness of sanctioning mechanism was due to the rudimentary

nature of PFR. For instance, until 2008, the gamut of sanctions was confined to the seizure of unlawful funds, the cancellation of registration for undeclared expenses and the use of foreign funds. In 2008, the arsenal of penalties was expanded by authorising CEC to issue warnings related to uncovered offences (Monitorul Oficial Nr. 83, art 283, 07.05.2008). While this entailed more flexibility, it contributed to the overuse of reprimands, which became the preferred tool employed by the CEC in dealing with offenders, regardless of the gravity of financial breaches. This behaviour did not go unnoticed by the GRECO’s experts, who pointed out ‘that no sanctions (apart from warnings) have been imposed on parties or election candidates’ (GRECO, 2011: 17). The range of sanctions diversified following several amendments of EC and LPP initiated in 2010 and expanded in 2015 and 2022. Currently, the violation of financial rules is subject to reprimands, fines, prison, loss of the right to hold public office, total or partial loss of state subsidies, forfeiture of illegally acquired funds and the deregistration of electoral contestants. Despite the considerable diversification and harshening after the 2015 amendments, political funding-related sanctions remain somewhat confusing, given their scattering across different laws and regulations, including LPP, Electoral, Contravention and Criminal codes. Table 1.2 provides a summary of sanctions for various violations stipulated by LPP.

Table 1.2 Party funding-related violations and sanctions foreseen by Party Law

Violations	Sanctions			
	Step 1	Step 2	Step 3	Step 4
Illegal donations (including exceeding donation limits)	Forfeiture – the party is obliged to pay unlawful funds to the state budget	If it fails to pay, CEC notifies it to comply	If it fails to comply with the CEC warning, it is sanctioned based on Contravention Code	If it repeatedly commits the same breach – loss of public funding from 6 to 12 months
Failure to provide donors’ identity data			Fines: USD 250–650 Contravention Code	If it repeatedly commits the same breach – loss of public funding from 3 to 12 months
Failure of political parties to present financial reports in due time and required format			Fines: USD 250–400 Contravention Code	Same as above
Misuse of budgetary funds			Fines: USD 500–820 Contravention Code	Same as above

Source: Own elaboration based on Law on political parties and party funding provisions from Electoral and Contravention Codes.

Additionally, EC prescribes the deregistration of electoral contestants for using foreign and undeclared funds and exceeding spending limits. It also envisages the loss of state funding for financing violations but does not specify for which ones. Instead, it enables the CEC to withdraw it following two reprimands during the same elections. Furthermore, enforcement is difficult because of the overlapping monetary and non-monetary (prison) penalties for the same breaches stipulated by Contravention and Criminal Codes.

Despite the diversification of sanctions, in some cases, political parties incur a relatively small cost for violating even some basic obligations. For instance, in 2021, there were seven court rulings, all regarding the failure to present financial management reports for 2019 and 2020. In four cases, the court applied the same fine of MDL 9000 (USD 500) to the party leader, while in the other three, its proceedings ceased due to a limitation period (Comisia Electorală Centrală, 2022c).

During elections, applying harsher sanctions, including the deregistration of electoral competitors, became a more frequently deployed tool to discipline electoral contestants. Although the CEC was suspected of political partisanship and applying double standards in excluding some competitors from the electoral race,<sup>10</sup> it nevertheless started to motivate its decisions more thoroughly. Leaving aside the fact that, in most cases, the burden of proof was borne by political opponents, the CEC used its powers to sanction the most blatant violations during elections. Some notable cases include the deregistration of the ‘Ravnopravie’ Movement presidential candidate in the 2016 elections for failing to declare financial resources used for event organisation and vote-buying (Comisia Electorală Centrală, 2016) or of the ‘ŞOR’ Party mayoral candidate in the 2018 general local elections in Chişinău for undeclared foreign funds (Comisia Electorală Centrală, 2018). More recently, the CEC has become more active in using its powers by depriving offenders of state subsidies due to campaign spending violations (Comisia Electorală Centrală, 2022a, 2022b). These developments mark a shift in the right direction. However, heretofore, most sanctions targeted only marginal parties. A notable exception is the ‘ŞOR’ Party, which has repeatedly been stripped of subsidies for using income from undeclared sources (Comisia Electorală Centrală, 2022a).

### **The impact of party regulation on party system development**

The relationship between the nature of PFR and party system development is intricate, which makes it difficult to disentangle the effect of financing regulations from other institutional factors. In Moldova, this assessment is complicated by different degrees of stringency across regulatory dimensions. For instance, before the LPP enactment, rules on private funding, transparency and control were very permissive, while on spending and state funding – quite restrictive given low spending caps and no state funding. However, since 2008 the trend has reversed following the introduction of contribution limits, more demanding transparency obligations and better control. Likewise, the increase in spending caps allowed electoral contestants to spend more, which reflects an increasing demand for funding.

Accordingly, these contrasting developments hinder the accurate assessment of the effects of PFR at the systemic level, particularly accounting for other factors usually credited to affect party system development, such as representation formula, electoral threshold or registration requirements. In Moldova's case, the assessment is even more problematic given the short time since the enactment of tighter financing rules and even less from the provision of DPF. Despite these difficulties, the following two sections investigate the effect of private and public funding on party development.

### ***Private funding and party development***

The quasi-regulatory void concerning PFR, manifested by the absence of public funding, weak transparency and enforcement for roughly 25 years since the outset of transition, makes the poorly regulated private funding the centrepiece of the PFR. However, the lack of information on party donors for electoral and statutory activities until 2009 and 2015 implies that party funding operated chiefly in the dark. Therefore, it is problematic to analyse the impact of private funding on party competition until very recently. Still, one may assume that Moldovan parties could not rely on grass-root financing in a resource-scarce environment. Accordingly, they had to turn to affluent contributors and businesses. As a rule, party sponsors remained unknown to society. Even after the strengthening of transparency requirements that obliged parties to disclose their sponsors as of the 2009 elections, the general public had limited knowledge about the actual donors hidden behind the curtain.

Given the lack of transparency, it is impossible to precisely determine the dominant interaction pattern between parties and their business sponsors. Some scholars have claimed that, while business financing of Moldovan parties represented an essential income source, it would be wrong to talk about the business capture of political parties and their transformation into transmission belts of business interests and policy preferences. On the contrary, the formation and the relative consolidation of the party system before the emergence of powerful business actors in the late 1990s have 'allowed parties to negotiate with the emerging business groups from a position of relative strength and to secure, as a rule, financing from more than one business source' (Protsyk and Osoian, 2008: 110).

The relative strength of political parties in bargaining with business actors during the early and mid-1990s in terms of providing preferential treatment in exchange for campaign/party donations is confirmed by the state capture index constructed by World Bank and EBRD (Anderson et al., 2000; Hellman et al., 2000). Although Moldova lagged behind Azerbaijan in the aggregate score of state capture, it had the highest score of indicators directly related to party funding: the highest proportion of businesses making unofficial payments to political parties and legislators in exchange for preferential treatment and favourable regulations (Hellman et al., 2000: 11). Hence, during the first decade of transition, Moldova's parties learned how to negotiate with business actors by providing favourable legislation in exchange for campaign donations. However, this mutually dependent relationship was regarded as a dangerous feature of the PFR that could amplify

clientelistic linkages between parties and their sponsors at the expense of public interest (Protsyk et al., 2008: 152).

Indeed, the increasing demand for resources, spurred by a more competitive political environment after ousting the communists from office in 2009, amplified party dependence on private funding. However, the lack of data on donations for party electoral and statutory activities before 2009 and 2015 makes it challenging to determine when this shift occurred and altered the balance of power in favour of private interests. Despite these limitations, one may identify a few trends even based on official campaign funding reports. The analysis of campaign contributions (about 4500 donors) declared by the wealthiest political parties during four parliamentary contests held between 2009 and 2014 provides few insights regarding private party fundraising. The summary of self-declared contributions (Figure 1.4) displays a negative relationship between the size of the donor network and the average contribution; the larger the donor network, the lower the average donation to the election fund. Although one must treat these numbers with a pinch of salt, given low reliability, they still provide a glimpse into party fundraising.

Yet, despite the existing variation, the data reveal that Moldovan parties rely on plutocratic funding (Nassmacher, 2003: 8, 2009: 239–240). This applies even to parties that reached more donors and recorded a lower donation average. As data illustrate, the average campaign donation is rather high considering the contribution potential of ordinary citizens. Moreover, in some cases, such as PCRM and PDM, the relatively low average donation relative to other parties disguises enormous differences. For instance, in the 2009 April elections, the communists (incumbents at the time) received the largest private donations of MDL 1.5 million

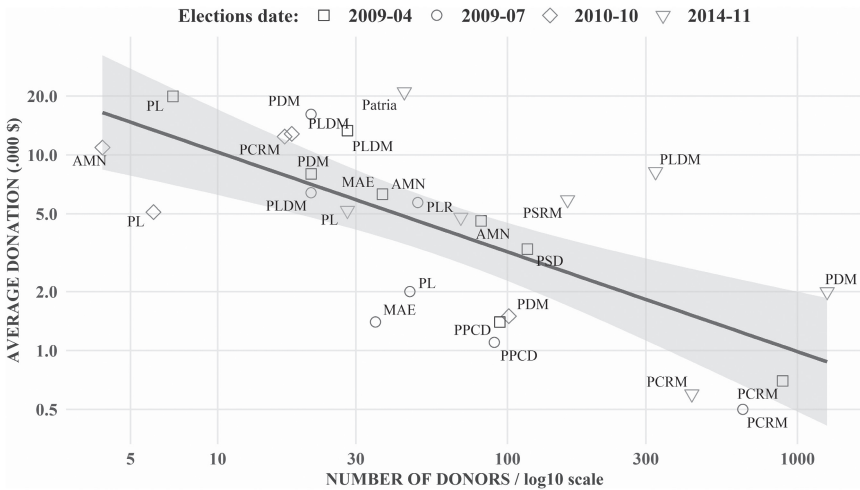


Figure 1.4 Relationship between the size of the party donor network and the average party donation for the parliamentary campaigns, 2009–2014

Source: Own elaboration based on party campaign declarations

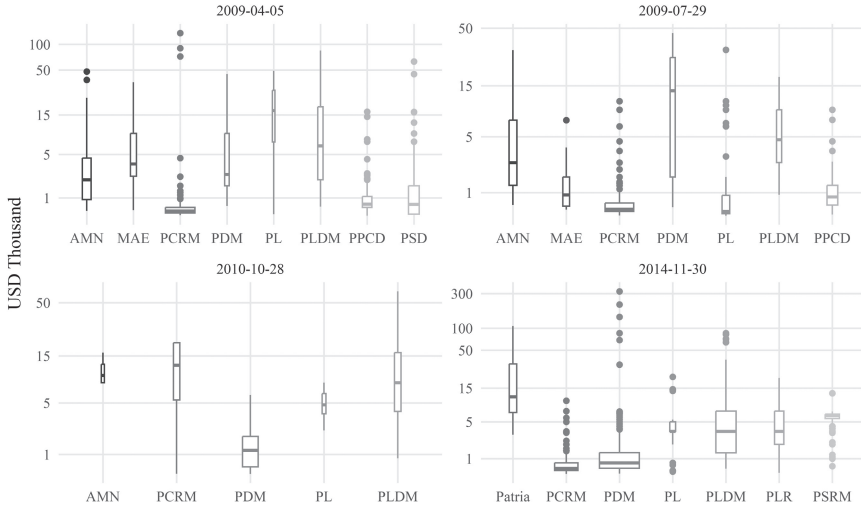


Figure 1.5 Variation in donations across parties that spent most in four parliamentary contests

Source: Own elaboration based on party campaign declarations

Note: The width of the boxplot reflects the number of donors; the wider the boxplot, the larger the donors' network.

(\$135 thousand) and MDL 1 million (\$90 thousand) from two businesses, amounting to about 37% of their campaign fund. In 2014, PDM received a donation of almost MDL 1 million (\$68 thousand) from a top party official. Moreover, the party itself transferred to its election fund about MDL 11 million (\$780 thousand) in several instalments. The origin of money remained unknown since, at the time, the law did not foresee disclosing the donors' identity outside election campaigns. Figure 1.5 shows that, in most cases, the breadth of the donors' network for individual parties is narrow.

Note, however, that regardless of the considerable variation in donations across parties, the burden of campaign spending was usually incurred by much fewer contributors.<sup>11</sup> Furthermore, in light of journalistic investigations about the off-shore funding of PSRM and the recent scandal on the PDM's bogus contributors (*Jurnal de Chişinău*, 2010; *JurnalTV.md*, 2018a; *Rise Moldova*, 2016, 2018a, 2018b, 2018c), one may assume that the roster of the actual financial backers is much shorter. Even a general overview of campaign funding reports shows that mainstream parties have received lavish donations from unemployed and retired persons and other social categories with questionable contribution potential. Perhaps the most striking example is illustrated again by the PDM's financial records for the 2010 parliamentary campaign, which turned out to be crowded with unemployed and pensioners representing roughly 10.3% of donors with an aggregated contribution to election fund of about 11.5% and an average donation of MDL 44,700 (\$3600) (Lipcean, 2010a). Communists and socialists could not

justify, alike, the origin of large chunks of money poured into their campaign coffers either due to the unawareness of some donors about their generous contributions or lavish donations of party and public officials exceeding considerably their legally declared income (Centrul de Investigații Jurnalistice, 2014; Ziarul de Gardă, 2010).

The above examples are just the ‘tip of the iceberg’, in Gel’man’s (1998) words, but they show an increasing role of money in deciding the fate of electoral battles. More importantly, the growing role of private funding in Moldovan politics has affected the equilibrium between political parties and their sponsors. As the intertwining between business interests and politics has strengthened during the past decade, parties’ bargaining position against vested interests has weakened. This process, in turn, has not only affected party organisation, internal democracy and decision-making but also contributed to party switching to an unprecedented scale.

### ***Party funding and the oligarchisation of politics***

These developments are linked to the oligarchisation of Moldovan politics that intensified after ousting PCRM from office in 2009. However, unlike Russia and Ukraine, applying the *oligarch* label to Moldova’s influential business people is problematic. Despite their ability to concentrate economic, political and media power in the same hands, the few quasi-oligarchs did not hold productive assets. Instead, they preyed on the state without investing in the real economy. Rent extraction through controlling financial flows, exploiting state-owned enterprises and rigging public contracts represent the standard toolkit deployed to protect their business interests and accumulate wealth.

The increasing business influence on Moldovan politics occurred through several channels: insider defection, taking over an existing political party and buying off an eligible position on a party’s candidate list. The first scenario is illustrated by PLDM and its leader Vlad Filat, who left PDM and created a new party in 2007. The second scenario was embraced by Vladimir Plahotniuc (PDM), Renato Usatfi (Partidul Nostru and Patria (Our and Homeland parties)) and Ilan Sor (ŞOR party). Finally, the last scenario was followed by Veaceslav Platon, who jumped from the 67th to 11th position on the AMN (Our Moldova Alliance) candidate list in the 2009 April parliamentary elections.<sup>12</sup>

Despite different routes, their political influence is associated with party funding since, in all cases, party leaders were bearing the fundraising burden formally or informally. However, the oligarchisation primarily relates to the rise of Vladimir Plahotniuc, a previously unknown businessman, who consolidated his economic power under PCRM. He is believed to have generously funded the communists, although no publicly available evidence exists. Crucially, Plahotniuc is credited with convincing Marian Lupu, a top PCRM official, to defect from the party and join PDM after the 2009 April parliamentary elections. Lupu’s defection ensured PDM’s access to parliament in July 2009 (12.54%) after a disastrous performance a few months earlier (2.97%). Accordingly, it paved the way for Plahotniuc’s official entrance into Moldovan politics. Plahotniuc’s grip on PDM unfolded gradually,

from an informal shady role, confirmed by his inclusion on the PDM candidate list through the backdoor several days before the 2010 elections, to the party chairmanship in 2016.

Yet Plahotniuc's rise to power, de facto monopolisation of political life and the transformation of PDM into a quasi-party-state were achieved by eliminating, marginalising or coopting his political rivals. For instance, he won the fight against Vladimir Filat, the former prime minister and coalition partner, who was sentenced to nine years in prison in 2015 based on corruption charges and abuse of office in the 2014 Moldovan billion fraud scandal (Reuters, 2015). Likewise, due to his friendship and business links with Ukrainian president Petro Poroshenko, he obtained the arrest and extradition of Veaceslav Platon, a former MP and business partner turned rival, who was jailed in the same billion bank fraud case (Reuters, 2017; Rise Moldova, 2021).<sup>13</sup> On the other hand, PDM resorted to the PSRM's support in critical moments like the promotion of the mixed electoral system, despite publicly expressed disagreements on various policy issues.

In this quest for power, party financing played a critical role. As section two shows, PDM clashed with PLDM and PL in parliament by lobbying for more permissive donation limits and a higher threshold on annual income from private contributions. It also undermined transparency by collecting almost exclusively cash donations. Only in 2017, PDM collected MDL 47 million (USD 2.36 million) in cash donations over the legally authorised threshold set by the CEC. The CEC's regulation stipulated that cash donations cannot surpass one monthly salary and, therefore, undermined the party fundraising strategy. Consequently, in a coordinated move with a few minor parties, which have not received any donations above the threshold, the CEC regulations on cash contributions were challenged in court and ultimately abolished (Agora, 2017; Rață, 2018). Likewise, it contributed to the increasing role of money in elections and the weakening of campaign funding controls through the transition from proportional representation to a mixed electoral system aimed at increasing PDM's electoral odds. Consequently, it strengthened its financial edge over competitors, given the possibility to spend in the country-wide and single-member districts. At the same time, blurry regulations on oversight and sanctions, especially regarding SMD candidates, rendered campaign funding control unenforceable (Lipcean, 2017).

Although following the PDM's defeat in the 2019 elections, Plahotniuc fled the country, the use of shady money for political purposes remains a problem due to the PSRM and ȘOR party funding. PSRM's financing misdeeds can be traced back to 2014. During the 2016 presidential campaign, investigative journalists uncovered a mechanism through which a Bahamas-based Russian-linked offshore company poured MDL 30 million (USD 1.5 million) into party coffers as loans over several years (Rise Moldova, 2016). Moreover, the Russian financing of PSRM is confirmed by president Igor Dodon's confession in a leaked videotape (by PDM) aimed at blackmailing him into accepting a coalition agreement with PDM after the 2019 parliamentary contest. Even Plahotniuc appeared surprised by the scale of the Russian funding of PSRM (between USD 600/700 thousand and USD 1 million monthly) (Publika.md, 2019). Currently, Dodon is

accused of passive corruption and accepting illicit party funding from a criminal organisation (TV8.md, 2022). In addition, two other party MPs, Zinaida Grecianî – a former prime minister and parliamentary speaker, and Corneliu Furculiță – the owner of ‘Exclusiv Media’, the company involved in the Bahamas loans scheme, face similar charges – illegal party financing from a criminal organisation and forging party financial reports (Rise Moldova, 2016; Ziarul de Gardă, 2022).

Finally, oligarchic funding is heavily present in the case of Șor party. Its leader Ilan Șor is the frontman in the same bank fraud that resulted in the siphoning of more than one billion dollars from three Moldovan banks, amounting to about 12% of the country’s GDP in 2014 (BBC, 2015; Bloomberg, 2019; Rise Moldova, 2017). Despite being sentenced to seven-and-a-half years by the first court, he fled the country immediately after the fall of Plahotniuc’s regime. Yet, he is politically active through his parliamentary party. The dubious origin of the party’s money is confirmed by the CEC’s decisions to deprive it of state subsidies for unaccounted spending and undeclared funds. More recently, Șor and his party became the new channel of Russian influence in Moldova. Journalistic investigations based on documents obtained by Ukrainian intelligence revealed that Russian political consultants and FSB operatives closely worked with the party to undermine Moldova’s government (Radio Europa Liberă, 2022; Rise Moldova, 2022; Washington Post, 2022). Crucially, Șor’s collaboration with Russia to undermine Moldova’s pro-European path is confirmed by the US Treasury Department’s sanctions:

As of June 2022, Shor had received Russian support and the Shor Party was coordinating with representatives of other oligarchs to create political unrest in Moldova. In June 2022, Shor worked with Moscow-based entities to undermine Moldova’s EU bid as the vote for candidate status was underway.

(Department of the Treasury’s Office of Foreign Assets Control, 2022)

This evidence demonstrates that party funding represents a powerful tool used by oligarchs and foreign interests to pursue their personal and group interests. Although party dependence on vested interests remains a severe challenge to party autonomy, the radical decrease in donation caps will complicate the party-business exchanges and undermine the oligarchic influence in Moldovan politics. Yet without a robust control mechanism, it will be challenging to undercut under-the-table funding.

### *The effect of public funding on party system development*

When assessing the potential impact of PFR on political development, scholars address the effect of regulations at party and systemic levels. Usually, the emphasis falls on direct state funding of parties. Unfortunately, this approach has limited application for Moldova since only in 2016 parties received DPF. Thus, the standard toolkit commonly used to analyse the impact of DPF on party system stability,

party survival and the emergence of new parties is not as practical as elsewhere (Biezen and Rashkova, 2014; Casal Bértoa and Spirova, 2019; Hug, 2001; Tavits, 2008). Nevertheless, public funding might have played a critical role in helping small parties to cope with limited access to private financing, thus contributing to their survival.

In this regard, Moldova stands out given the absence of the pay-out threshold, which makes its DPF mechanism maximally inclusive. Thus, any political party participating in elections benefits from public funding proportionally to the number of votes. The lack of a pay-out threshold defies the underpinning assumptions of the cartel party thesis, according to which the established parties try to protect themselves against potential challengers by raising the barriers to access state funding (Katz and Mair, 1995, 2009). Whether Moldova is an exemption confirming the general rule remains an open question. However, the absence of the eligibility threshold helps parties to survive and be active, at least during elections.

While extra-parliamentary parties receive only the crumbs of subsidies left from the parliamentary ones, state funding constitutes their primary source of income. Figure 1.6 illustrates this clearly, despite substantial financial disparities among parties. The prevalence of public over private financing, especially for small parties, underscores the critical role of state support for their survival. Among parliamentary parties, DPF was less relevant only for PDM. In the case of PCRM, the predominance of private funding is due to selling its newly built headquarter in 2017 to PDM. Among wealthy parties, only the ŞOR party heavily relied on private financing, mostly coming from the employees of his network of duty-free shops.

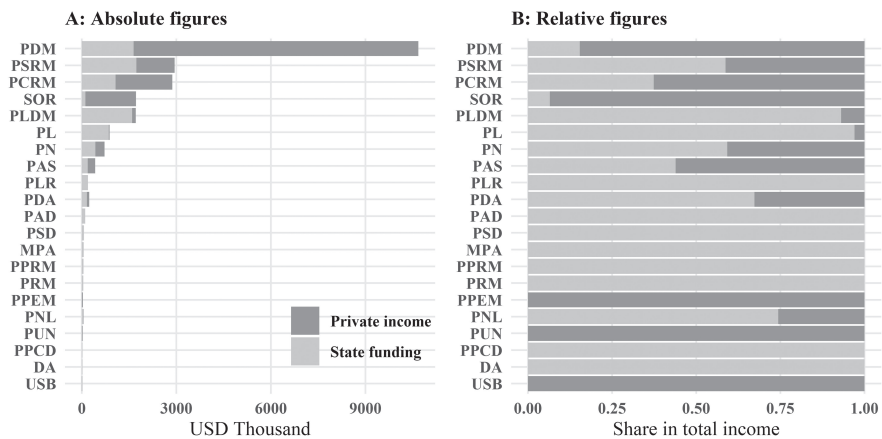


Figure 1.6 The proportion of private and public funding in the structure of party income in absolute and relative terms, 2016–2019\*

Source: Own elaboration based on CEC data

Note: \*Only parties that reported an aggregate income higher than \$10 thousand for the 2016–2019 period are presented.

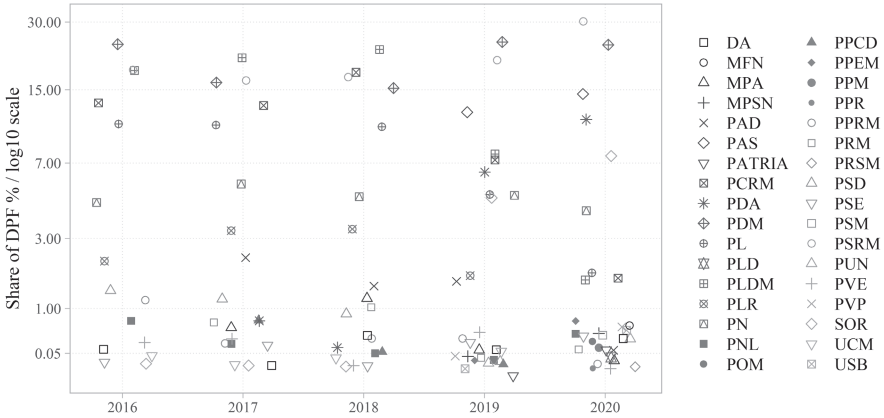


Figure 1.7 Individual party share of state subsidies, 2016–2020

Source: Own elaboration based on party financial reports (CEC data)

Note: Data are jittered to minimise overlapping, which might affect the positioning accuracy of each party on the Y-axis.

The dispersion of DPF among many parties is affected by another feature of the DPF mechanism – the allocation formula, which became more inclusive and diverse over time. As a result, the DPF mechanism is beneficial for small parties. Furthermore, additional bonuses for effectively promoting female and youth candidates incentivise parties to place them in eligible positions to obtain extra funding. Figure 1.7 presents the number of parties benefiting from DPF and their share from the total.

The democratisation of the allocation formula contributed to the activation of minor parties in elections. If in 2016, 15 parties benefited from DPF, in 2019, their number increased to 27, while in 2020 to 30.<sup>14</sup> Yet despite such inclusiveness, most subsidies went to five parliamentary parties, ranging between 85% and 89% in 2016–2020.<sup>15</sup> Hence, unlike other post-communist regimes, the incentive structure underlying the distribution of DPF is not conducive towards stabilising the party system. Conversely, the easy access to subsidies and the democratic nature of the distribution formula will exert an inflationary effect on the party system. Although it is too premature to make definitive conclusions on the long-term impact of PFR on party system format and dynamics, the recent liberalisation of the registration requirements for new parties (from 4000 to 1000 members) might reinforce this trend.

### Conclusions

In this chapter, we investigated the impact of PFR on party and party system development. While the evolution of regulations is similar to most post-communist regimes – a shift from liberal to more stringent regulations – Moldova stands out in several respects. First, it postponed political financing reform for more

than 15 years from the outset of the democratic transition. While different factors contributed to this delay, the lack of consensus among political elites over the design of PFR is the most plausible explanation. Several failed attempts to overhaul the PFR and the lack of agreement among mainstream parties uphold this explanation.

Second, despite adopting a more stringent PFR in 2007, it was not a radical breakthrough. While the LPP introduced annual donation caps, they were exceedingly permissive, thus failing to prevent the flow of money from vested interests and break down the vicious circle of contributions in exchange for political favours. Perhaps it is not surprising that multiple amendments concerning various restrictions on private financing after 2007 overlap with the increasing impact of business interests on political parties and the oligarchisation of Moldovan politics. This development suggests that party financing was regarded by competing business groups as a strategic tool to outmanoeuvre their rivals and monopolise political life. Only when PAS and PPDA entered the parliament following the 2019 elections they drastically lowered donation caps. This move undermined the financial might of old mainstream (e.g. PDM) and new parties tied to business interests (e.g. ŞOR Party). Yet, the impact of this draconian amendment does not itself solve the problem of illicit funding.

Likewise, the transparency and control mechanisms were ineffective. Ironically, ‘the public character of donations’ – the title of an LPP article – did not foresee public disclosure of donations until 2015. Hence, except for election-related contributions, disclosed as of the 2009 parliamentary contest, the information on party donors’ remained unknown for almost 25 years. The control mechanism was flawed alike. The fragmentation of oversight between several bodies with overlapping and ambiguously defined powers and limited political autonomy prevented it from acting effectively. Even the CEC’s designation as the main supervisory body and extension of its powers had limited effect on financial control, given its dependence on the resources and expertise of other state bodies lacking political autonomy.

Leaving aside the introduction of DPF after 25 years after independence, the most distinct feature of the DPF mechanism, compared to other post-communist cases, is its inclusiveness. The absence of the pay-out threshold defies the cartel party thesis. Regardless of the political reasons that stood behind the decision to make DPF fully inclusive, it helped small parties to cope with the financial pressure of electioneering and party routine expenses. While it is impossible to assess the impact of DPF at the systemic level given the short time from its introduction, it exerts a perceivable effect at the party level. The diversification of allocation criteria increased the number of DPF’s beneficiaries. Even though parliamentary parties accrue the largest share of subsidies, the remaining state support is vital for small parties in their quest for survival.

Despite its flaws, it is tempting to speculate that the LPP enactment triggered a cascade of subsequent reforms that have ultimately altered the configuration of Moldovan politics. The cumulative pressure of domestic and external actors for more transparency and control, backed up by the provision of DPF, opened up the

political arena for new parties. Once in parliament, they amended a few strategic provisions aimed at undermining the financial advantage of their opponents and strengthening their position through increased access to DPF. This behaviour confirms the relevance of PFR as a political tool deployed by parties to their advantage. Although the impact of financing rules is not easily captured at the systemic level, their manipulation by politicians proves their instrumental value for political competition.

### Acronyms

ACUM	Now Electoral Block
AIE	Alliance for the European Integration
AMN	Our Moldova Alliance
BECS	Electoral Bloc of Communists and Socialists
BEMD	Electoral Alliance Democratic Moldova
CCECC	Centre for Combating Economic Crimes and Corruption
CEC	Central Electoral Commission
CoA	Courts of Accounts
CoE	Council of Europe
EC	Electoral Code
ECHR	European Court of Human Rights
ENEP	Effective Number of Electoral Parties
ENPP	Effective Number of Parliamentary Parties
FNCP	For Nation and Country Party
FPTP	First Past the Post
IFES	International Foundation for Electoral Systems
LPP	Law on political parties
LPOSP	Law on parties and social-political organisations
MAE	European Action Movement
MJ	Ministry of Justice
MF	Ministry of Finance
ODIHR	Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Cooperation in Europe
PAS	Action and Solidarity Party
PCRM	Party of Communists of the Republic of Moldova
PDM	Democratic Party of Moldova
PFR	Political Financing Regime and Political Financing Regulations
PL	Liberal Party
PLDM	Liberal Democratic Party of Moldova
PPCD	Christian Democratic People's Party
PPDA	Dignity and Truth Platform Party
PR	Proportional Representation
PSD	Social Democratic Party
SMD	Single Member District
VC	Venice Commission

## Notes

- 1 Changing the regime from premier-presidential to parliamentary one by altering the method of presidential election from the direct election by the people to parliamentary election with a three-fifth majority in each round.
- 2 Although the party, founded in 1997, is not entirely new to the Moldovan political landscape as many of its members participated in the electoral contest from the PCRM's list; it, however, only gained relevance after being taken over by a group of PCRM's splinters led by Igor Dodon.
- 3 For the second reading, the threshold for the total annual income collected from donations was lowered from 0.2% to 0.1% of the budgetary revenue for the respective year, thus limiting the fundraising capacity of the opposition. At the same time, the state funding was raised from 0.05% to 0.2% of the budgetary revenue, while the access to subsidies became more restrictive for the half of subsidies apportioned based on local election results.
- 4 Instead of donation limits of 20 and 40 AMW for physical and legal entities, in the final bill they were set at 200 and 400 AMW, respectively. This amendment was introduced by a PDM representative who defected from the PCRM in 2013.
- 5 GRECO, however, made its assessment based on the same draft law submitted to the Venice Commission-OSCE/ODIHR, which was different from the final draft law that passed the final parliamentary vote (GRECO, 2013).
- 6 In 2015, the CEC introduced in its regulation of party financing a provision linking the public funding to the party's capacity to gather annually membership fees from at least 50% of its members (Monitorul Oficial Nr. 32–37, art. 249, 2016). However, in September 2017 the provision was cancelled as being illegal after being challenged in court.
- 7 The only party (Party 'Democratia Acasa') that contracted a state loan in 2019 faced serious problems paying it back.
- 8 Before the August 2019 amendments to the Law on political parties, the share was 0.3% of state budget revenues.
- 9 An audio recording that appeared in the media in March 2018 revealed how members of one regional organisation of PDM, at that time the ruling party, signed in the register of membership fees that contributed 10% of their monthly income, without paying anything (*JurnalTV.md*, 2018b).
- 10 The most telling example is represented by the deregistration of the Patria (Motherland) Party from the electoral race on the eve of the 2014 parliamentary contest for the alleged use of foreign funds. The party contested the deregistration decision taken by the Court of Appeal and a year later another court partially cancelled the reasons for the party's exclusion from elections.
- 11 This is reflected by the fact that out of 27 cases included in Figure 1.4, only in 8 cases the number of donors exceeded 100 and only in 5 cases it exceeded 300. Even for the small size of the electoral market, the Figure 1.3 displays a quite small pool of campaign donors.
- 12 Veaceslav Platon publicly declared that he heavily financed AMN to obtain parliamentary immunity and escape prosecution. Nevertheless, he did not appear on the AMN's list of donors (*Publika.md*, 2012).
- 13 Platon is considered the mastermind behind the Russian Laundromat, a money laundering operation facilitated by a Moldovan bank controlled by him (Tofilat and Negruță, 2019).
- 14 In 2016 the total number of political parties entitled to DPF was 26, but 11 parties did not present to CEC the information on a special bank account dedicated exclusively to public funding. The total amount of DPF unpaid to those 11 parties was ≈MDL 2 million (≈\$100 thousand).
- 15 This does not apply to 2019, when the allocation criteria were diversified following the February parliamentary contest, which also resulted in the replacement of PCRM, PLDM and PL (which still benefited from DPF based on local election results) with PAS, PDA and ȘOR parties.

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