

Moldova: Party Institutionalization in Public Finance-Scarce Environment,
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Moldova represents an interesting case of relatively successful democratic development in the post-Soviet space. According to a number of quantitative and qualitative indicators, Moldova has performed better since the mid-1990s in terms of ensuring the provision of basic political rights and civil liberties than other post-Soviet republics (outside of the Baltic region).¹ It also did so under adverse circumstances that traditionally hamper democratic development including a low level of urbanization, high levels of poverty and ethno-territorial conflicts.²

The party system is responsible, to a significant extent, for advances in institutionalizing democratic practices. Moldovan party development is impressive when compared with patterns of political competition in other Western Commonwealth of Independent States (CIS) countries such as Belarus and Ukraine. The Moldovan party system proved to be sufficiently robust to withstand pressures on the part of popularly elected presidents attempting to bypass parties and monopolize power during the 1990s. The party system also managed to preserve its competitive character under the lasting dominance of the Party of Communists of the Republic of Moldova (PCRM) whose full commitment to democratic values has been questionable throughout the 2000s.

Moldovan parties played a significantly more important role in politics than their counterparts in other Western CIS countries throughout the post-communist transition. Institutional choices made in the early years of the transition can be largely credited with helping to establish party politics as the center stage of the political process in Moldova. These institutional decisions proved to be more important than adverse communist legacies, the extreme hardships of economic transition and ethno-territorial tensions, all of which threatened to derail the process of democratic transition in Moldova. The choice of the electoral system, as well as decisions about the constitutional powers of the presidency and the organization of the executive government, were among the institutional factors that had the most profound effect on the evolution of the party system and party politics. Choices made in all these institutional arenas were consistent with what the comparative politics literature generally considers as a party-friendly institutional design.³ This design facilitated the process of the emancipation of newly established parties and contributed to their ability to establish themselves as central players in the political process in an independent Moldova.

While the decisions made with regard to the design of grand political institutions had a positive effect on party system development, choices of more specific rules and procedures regulating party finance proved to be more problematic in terms of their effect on the institutionalization of parties. The Moldovan party finance model exhibits an absence of direct state financial support for parties and a weak enforcement of campaign contribution and expenditure rules which tend to undermine party independence from interest groups and the party's ability to foster programmatic rather than clientelistic types of linkages with their constituencies. An extremely high dependence on business and foreign funding, as the chapter will also argue, affects not only party linkage strategies with regard to either vote-rich or resource-rich constituencies but also the distribution of power inside the party structure. Rank-and-file party members and party professionals have only a very limited say in determining party strategies and policies compared to party members with business ties.

The Electoral System and Elections

From the very beginning of the post-communist transition, Moldova adopted a proportional representation (PR) electoral system. The first fully free and competitive parliamentary elections that were held in 1994 used the PR formula for seat allocation. This choice of electoral system was unusual in the post-Soviet context. All other Western CIS countries, as well as all other post-Soviet states excluding Estonia and Latvia, opted for a mixed-member or single-member district (SMD) system.⁴ Political forces that dominated the transition in post-Soviet republics preferred the latter types of electoral system primarily due to the fact that this system builds on personalistic ties and networks which characterized much of later Soviet politics.⁵ At the same time, parties were at a very early stage of development and societal support for introducing a PR electoral system, which would have favored parties, was rather weak.

These general circumstances of the post-Soviet transition were also applicable to Moldova. The record of this early period reveals heated debates about various draft laws favoring a mixed-member or PR electoral system.⁶ The reason why PR was chosen was due to the political need to have an electoral formula that could give at least a possible option of electoral participation for citizens in the secessionist region of Transnistria.⁷ This consideration was connected to the most salient issue on the political agenda of that period, the secessionist conflict in Transnistria. The authorities of this breakaway region had almost complete *de facto* control of the area by the end of 1992 and would have been able to prevent parliamentary elections based on an SMD system. Introducing a PR system with a single national district was thus seen by the Moldovan politicians as a way of avoiding an explicit subvention of Moldova's sovereignty over its entire territory. PR was the electoral system which would allow citizens from the Transnistria region to participate in elections by casting their votes in locations controlled by the central government.⁸

The secessionist conflict shaped deliberations about the electoral law in another important way. By the time the drafts of the electoral law were debated in the Moldovan parliament in 1993, a large number of Transnistrian deputies had left the parliament. The preferences of a majority in this group, which included a large number of state enterprise directors, were in-line with those law drafters who favored a personalistic and candidate-centered electoral system. The passage of the PR version of the electoral law was therefore facilitated by the departure of these members of parliament (MPs).

The resulting October 1993 Law on Parliamentary Elections introduced a PR system with a single national district. A four percent threshold for entering the parliament was established both for individual parties and party blocs. After the first post-independence parliamentary elections were held in February 1994, the new parliament entrenched the same basic principles in the 1997 "Electoral Code." Parties thus became the central players in the electoral process. According to the Code, which has only seen a limited number of procedural changes since 1997, all parties registered with the Ministry of Justice can participate in elections. Apart from this requirement, Article 79 states that "at least 51 registered candidates and at most the number of deputies in Parliament provided for in the Constitution, plus two deputy candidates, shall be included on a list."⁹

Independent candidates are also allowed to run in the elections but their position is clearly disadvantaged. The Code stipulates that "independent candidates shall be considered elected if they receive at least three percent of the valid votes cast in the election throughout the republic." The electoral threshold for individuals parties has reverted to four percent (it was six percent for the 2001 and 2005 parliamentary elections), and an eight percent threshold has been established for electoral blocs. In order to be registered, an independent candidate must collect signatures in support of his/ her candidacy (at least 2,000 signatures) which is not the case for parties and electoral blocs. Although many independent candidates have run in the various parliamentary elections, none of them has ever been elected.

Overall, the passage of the first electoral law and the use of the same basic principles in the subsequent pieces of legislation were of critical importance for the institutionalization of the party system. Electoral system rules, which were combined with a constitutionally weak presidency and party participation in the cabinet formation process, provided incentives for parties to start investing in developing policy-making capacities and in constructing coherent public images. These rules also led to the dominance of the party rather than candidate-oriented campaigns throughout Moldova's entire post-communist period.

Table 6.1. Moldovan Parliamentary Election Results, 1994-2005

Year	1994		1998		2001		2005	
Electoral threshold, %	4%		4%		6%		6%=1, 8%=2, 12%>2 parties	
Electoral contestants	V%	S%	V%	S%	V%	S%	V%	S%
Democratic Convention Electoral Bloc	-	-	19.42	25.7	-	-	-	-
For a Democratic and Prosperous Moldova Electoral Bloc	-	-	18.16	23.8	-	-	-	-
(Democratic) Agrarian Party	43.18	53.9	3.63	0	1.16	0	-	-
Alliance of the Popular Christian Democratic Front	7.53	8.65	-	-	-	-	-	-
Christian Democratic Peoples' Front/Party ¹	-	-	-	-	8.24	10.9	9.07	10.89
Democratic Party of Moldova ²	-	-	-	-	5.02	0	-	-
Electoral Bloc <i>Braghis Alliance</i>	-	-	-	-	13.36	18.8	-	-
Electoral Bloc <i>Moldova Democrata</i>	-	-	-	-	-	-	28.53	33.66
Electoral Bloc <i>Patria-Rodina</i>	-	-	-	-	-	-	4.97	0
Party for Rebirth and Conciliation of Moldova	-	-	-	-	5.79	0	-	-
Party of Communists of the Republic of Moldova	-	-	30.01	39.6	50.07	70.3	45.98	55.45
Party of Democratic Forces	-	-	8.84	10.9	-	-	-	-
Peasants and Intellectuals Bloc	9.21	10.6	-	-	-	-	-	-
Socialist Party and <i>Unitate-Edinstvo</i> Movement Bloc	22	26.9	-	-	-	-	-	-
Others (parties, blocs and independent candidates)	18.1	0	19.9	0	16.34	0	11.5	0
Total	100	100	100	100	100	100	100	100

Note: The electoral contestants who obtained more than four percent in at least one election are only listed.

¹ In 1994 in a coalition named Alliance of the Popular Christian Democratic Front and in 1998 in the Democratic Convention Electoral Bloc.

² In 1998 in a coalition named For a Democratic and Prosperous Moldova Electoral Bloc and in 2005 in the Electoral Bloc *Moldova Democrata*.

Source: data from www.e-democracy.md (accessed: 04.04.2007)

As Table 6.1 indicates, the identity of parties and party blocs was very unstable in the early period of the post-communist transition. Many parties and blocs represented in the first parliament elected in 1994 chose different organizational configurations and party labels to participate in the next parliamentary elections in 1998. The creation of new parties and coalitions was the response of politicians to failures in governance during the period from 1994-2001. The party system became somewhat more stable after the 2001 parliamentary elections. The PCRM has dominated the political process in the country since its parliamentary victory in the 2001 elections. This victory was magnified by the inability of several parties to clear a newly established six percent threshold which enabled the PCRM to control the majority of parliamentary seats between 2001 and 2005. The Party managed to retain power by winning the 2005 parliamentary elections, although with a significantly smaller margin than in 2001.¹⁰

Campaign Finance Model

There are two basic laws dealing with party finance issues: The 1991 “Law on Parties and Other Socio-Political Organizations”¹¹ and the 1997 “Electoral Code.”¹² The first law regulates the financing of parties in general while the second focuses on campaign finance. Basic features of the campaign finance model have not changed over time. The legislation requires electoral contenders to establish an electoral fund and gives the Central Electoral Commission (CEC) the authority to establish a ceiling on the size of the fund. The CEC does not regulate the limits of individual donations to the campaign but primarily monitors the compliance with the established fund ceiling. The legislation requires that all types of campaign donations be made through the electoral fund. In addition, parties and independent candidates are obliged to disclose the names of their donors. However, there are no limits on donations between elections, and parties are not obliged to declare or to publish these types of donations. Some experts believe the amount of money spent by parties between elections is much more significant than officially reported by the parties.¹³

No donations are allowed from the following types of individuals and organizations: anonymous persons, state-funded organizations and charity/ religious organizations. The 1997 “Electoral Code” explicitly prohibits direct or indirect funding or material support of any kind campaign by foreign countries, foreign enterprises and foreign non-governmental organizations as well as individuals who are not Moldovan citizens. If such funds are found, the law requires them to be confiscated and added to the state budget. The law does not prohibit the use of foreign money for purposes of training party officials or electoral observers during the period before legal campaigning.

To date, there is no direct budget financing for parties, but some important modifications to the system are currently being debated. In 2005, the government approved a draft law on the financing of parties and electoral campaigns which was subsequently modified by the parliament due to draft amendments to the 2001 “Law on Political Parties.” These amendments were adopted in the first reading and the draft law was sent for expert evaluation to the Council of Europe in December 2006. These amendments envision for the first time that parties receive funding from the state budget. The amendments propose to divide .05 percent of the state budget as follows: One half goes to parties proportional to their number of mandates obtained in parliamentary elections while the other half goes to parties proportional to the number of votes obtained in local elections, with a requirement that they obtain at least twenty mandates in district-level councils.

Campaign loans are one form of public subsidy available under the current Moldovan legislation. The electoral campaign contestants (parties and individuals) are eligible to receive interest-free loans that have to be re-paid two months after the election in case a contestant fails to receive three percent of the nation-wide vote. Contestants that clear this threshold have four months to re-pay the loan. Since this legislation applies equally to parties and individuals, this serves as one more indication of how Moldovan legislation favors parties over independent candidates. The legislation allows electoral candidates to use public transportation free of charge for the period of the campaign. Also, a paid leave for electoral candidates was once provided as a form of indirect public subsidy. Payments for the leave were provided in the past from the CEC’s election fund. Payments were based on a candidate’s salary. However in March 2007, the parliament cancelled this provision, and candidates who chose to take leave can no longer request compensation.

The Moldovan legislation contains a quite elaborate provision regulating media access during campaign periods. Electoral contestants are given free air time for debates. The limits of free air time are established by the CEC. The legislation ensures that principles of equal access are maintained by requiring that all electoral contestants receive the same amount of time, participate in the same programs (or are divided in groups on criteria announced by the CEC to participate in different programs) and are informed on the time of the broadcast seven days prior. The 1997 Code also limits the amount of paid air time that electoral contestants can

purchase. Each contestant is limited to two hours of paid air time for the entire period of the campaign. The additional requirement is that paid air time should not exceed more than two minutes, per day for each contestant. The law obliges electronic mass media to announce the conditions for booking air time and the relevant fees which are not allowed to exceed the commercial basis.

The existing legislation does not provide an explicit definition of a campaign expenditure. However from the text of the legal provisions, one can infer that a campaign expenditure is defined in very broad terms. For example Article 38 of the Electoral Code, which specifies conditions and methods of support for campaigns, refers to direct or indirect financing and material support to the campaign in any form. The main form of expenditure control is a requirement that all campaign expenditures are made thorough the electoral fund. The existing legislation does not include restrictions on any specific type of spending. The requirement to establish an electoral fund as the only legal mechanism for the disbursement of campaign money, which is a common practice in most post-Soviet states, does not address the wide-spread problem of unaccounted cash transactions for campaign-related expenses. There is a high level of tolerance in society towards the use of cash transactions as a means of avoiding taxation or other forms of payments to the government. This social environment allows parties to rely on cash in financing different types of expenses. Given the weakness of monitoring and enforcement practices, which are discussed in more details below, parties face few credible threats of being punished for using cash transactions.

Reacting to one form of vote buying that became widespread in the early years of the post-communist transition, the 1997 Electoral Code explicitly prohibits electoral contestants from offering voters money or gifts. It also prohibits distribution of goods free of charge, including humanitarian aid or other forms of charity. Besides establishing the expenditure ceiling, the legislation does not attempt to impose any restrictions on personal spending (as opposed to money collected through donations) in campaigns.

Campaign participants are required to submit bi-weekly financial reports throughout the campaign period to the CEC or, in case of local elections, to district electoral councils (DECs). These include data on their revenues and expenses. Parliamentary election contestants (*e.g.*, parties and independent candidates) are also obliged to publish data on their electoral fund revenues in one of the national newspapers within a month after the start of the campaign. The campaign period was reduced from ninety to sixty days after 2001 parliamentary elections. Candidates can only campaign after they are officially registered, and the registration period ends thirty days before the election date. The law imposes reporting requirements on banks in which campaign participants open electoral fund accounts. A bank has to notify the CEC about money transferred to an electoral fund within twenty-four hours after the transfer. The CEC is required to keep all data available for public purposes. In addition, the CEC and DECs are required to issue a weekly report on the amount and the source of contributions received by each electoral contestant. They also have to release their final pre-election report two days prior to the election. The law also requires these bodies to prepare a final report compiling all the information they have received concerning the amount and the sources of contributions. A declaration of financial status is mandatory for a candidate to be registered to run either as an independent or on a party list. The financial declaration requirement for parties and independent candidates includes stating the amount and source for real estate holdings, bank accounts, securities, inheritance and income received two years prior to the election.

The CEC is the agency responsible for the enforcement of campaign rules. The agency recently acquired some degree of autonomy from the government due to changes in how the agency is funded, and how the members are appointed. The CEC consists of nine members. Five out of the nine are nominated by parliamentary opposition parties, two by government parties, one member by the cabinet and one by the president. All appointments must be confirmed by the parliament. These appointment procedures were enacted under opposition pressure in

November 2005. Prior to this, the parliament, the cabinet and the president each appointed three members of the CEC.

The CEC has a number of instruments for enforcing compliance with campaign rules. However, most of the sanctions against those who violate the rules cannot be applied unilaterally by the CEC. If the CEC's monitoring activities identifies violators, the CEC has the option of taking them to court or requesting the Ministry of Interior to investigate the matter further. Only weaker types of sanctions, such as issuing a warning, can be administered by the CEC on its own. In checking the sources of income or the accuracy of accounting records, the CEC and DEC's may request the Court of Accounts or the Ministry of Finance to review the financial records.

The CEC's decision in the 2007 local elections to issue a warning to several parties about their lack of compliance with the various legal provisions serves as an example of the rather reserved approach that the organization has adopted on the issue of sanctions. The warning followed an investigation by the Ministry of Interior which found that several parties printed electoral posters without contracts with a publishing house and without printing the required publication details. However, another CEC decision in the 2007 local elections testified to the existence of a certain degree of independence of the CEC from the ruling PCRM. For example in a May 2007 decision, the agency asked the speaker of the parliament not to use the position for the purposes of campaigning on behalf of the PCRM.¹⁴

Trends in Campaign and Party Funding

The available data provides some indication that the costs of campaigning has significantly increased in Moldova. One way to make an approximate estimation of the increase in party campaign expenses is to look at changes in the electoral fund ceiling over time. Assuming that politicians are interested in making these ceilings realistic and related to the patterns and the practices of campaign competition, examining the dynamics of changes in the ceiling requirement provides a longer-term view on the evolution of political finance. This is especially the case in less-developed post-communist countries where other types of longitudinal data on party finance issues are not available. Table 6.2 reports the ceiling requirements for electoral contestants in all parliamentary elections held in Moldova.

Table 6.2. The Ceilings for the Size of Electoral Fund of Contestants in Parliamentary Elections

Year	1994		1998		2001		2005	
Currency ¹	MDL	USD	MDL	USD	MDL	USD	MDL	USD
Parties and Electoral Blocs	100	24.5	500	105.8	1000	77.3	2500	199.1
Independent Candidates	2.5	0.6	30	6.3	50	3.9	100	7.9

¹ All amounts in thousands.

Source: Calculated on the basis of Central Electoral Commission decisions 47 from 30 November 2003, 28 from 5 January 1998, 672 from 14 January 2005 and reply of the Central Electoral Commission 9/179 from 24 April 2007 to a MP information request 358 from 17 April 2007. The exchange rate is provided from the National Bank of Moldova: <http://www.bnm.md/en/index.html> (accessed: 07.04.2007).

The ceilings for parties and for electoral blocs rose at least a hundred percent in local currency terms from one election to the next throughout the entire post-communist period. The increases in the ceilings for independent candidates showed a similar movement. While the size of the increases, especially during the first decade of transition, could be attributed to inflation, this is not the case in the 2000s. The average annual inflation rate since 2001 has been around ten percent. The increase in the ceiling in the recent parliamentary election far outpaced this rate of inflation. The cap for the size of electoral funds for parties and for blocs grew from \$77,300 in 2001 to approximately \$200,000 in 2005.¹⁵ This suggests that even in political systems that introduce limits on electronic media advertising, which is one of the most expensive forms of political advertisement, the costs of campaigning can grow rapidly.

Self-reported expenditures of parties in the last two parliamentary campaigns are described in Table 6.3 which contains a summary of all campaign expenses reported in these

two elections. Expenditures of individual parties and blocs are reported only if they obtained more than four percent of the vote in one of the two elections or had declared expenditures more than one million lei (MDL, approximately \$80,000). Several parties and blocs changed their party labels in the elections which explains the variation in reporting. In addition, some electoral contestants, parties and independent candidates, failed to submit reports on campaign expenditures. This, however, did not lead to any sanctions against these organizations and individuals.

Table 6.3. Self-Reported Campaign Expenditures in Moldova

Currency ¹	2001		2005	
	MDL	USD	MDL	USD
Party of Communists of the Republic of Moldova	516.4	40.9	1477.0	117.3
Christian Democratic Peoples' Party	577.3	45.7	355.8	28.3
Social Democratic Party of Moldova	27.7	2.2	1020.5	81.0
Electoral Bloc <i>Moldova Democrata</i>	-	-	2135.7	169.6
Party for Rebirth and Conciliation of Moldova	498.6	39.4	-	-
Democratic Party of Moldova	394.8	31.2	-	-
Electoral Bloc <i>Braghis Alliance</i>	762.2	60.3	-	-
Electoral Bloc <i>Patria-Rodina</i>	-	-	418.2	33.2
Moldova Centrist Union	-	-	1059.9	84.2
Peasants Christian Democratic Party	44.0	3.5	1688.1	134.0
Other parties and electoral blocs	1371.8	108.5	1188.1	94.3
Independent candidates	92.1	7.3	358.2	28.4
Total	4284.9	339.0	9701.4	770.4

¹ Amounts in thousands.

Note: The electoral competitors who obtained more than four percent in at least one election or have reported expenditures more than 1 million MDL (\$80,000) are only listed. Some electoral competitors, both independent candidates and parties that did not pass the threshold, have not submitted reports on campaign expenditures (this did not result in punishments).

Source: Reply of the Central Electoral Commission 9/179 from 24 April 2007 to a MP information request 358 from 17 April 2007. The exchange rate is from the National Bank of Moldova: <http://www.bnm.md/en/index.html> (accessed: 29.04.2007).

The CEC's data on overall campaign expenditures by the campaign participants, which is reported in the last row of Table 6.3, indicates that the electoral contestants spent more than twice as much in the 2005 parliamentary campaign than in the 2001 campaign. The overall expenditures for the 2001 campaign were approximately 4.3 million MDL (approximately \$339,000) while the 2005 campaign expenditures were about 9.7 million MDL (\$770,400). Independent candidate campaigns accounted for only a very small portion of the expenditure providing further evidence for a thesis about party dominance in the Moldovan political process.

As Table 6.3 indicates, the expenditure patterns of individual parties and blocs varied quite substantially. The ruling PCRM spent almost three times as much in the 2005 campaign as in the 2001 campaign. At the same time, the Christian Democratic Peoples' Party (CDPP), which received a similar share of the vote (around eight to nine percent in both elections), spent considerably less in the 2005 campaign than in the 2001 campaign. The center-right electoral alliance, *Moldova Democrata*, which received the second largest share of the vote in the 2005 elections, was a leader in terms of spending in this election. The ability of non-government parties, both those that had parliamentary representation and those that did not, to secure substantial amounts of funding testifies to the competitive nature of the Moldovan political process. The existence of opportunities for electorally less-successful parties to raise money can be inferred from the relatively wide and equal distribution of finances among a large number of electoral contestants in both of the elections listed in Table 6.3. Indeed, a detailed look at the data reveals no clear correlation between expenditure and electoral performance. Neither the

second nor the forth largest spender in the 2005 elections gained enough votes to secure parliamentary representation.

While the incumbency status of government parties provided a strong advantage for political fundraising in Moldova, opposition parties have also been able to raise significant funds throughout the entire post-communist period, and the ruling PCRM has not changed this practice. Although the number of cases of government harassment against businesses supporting the opposition has increased after the Communists gained full control of government in 2001, the ruling party has abstained from the large-scale persecution of opposition business people practiced by the governments of most of the post-Soviet states.

Development of Parties and Party System

The analysis undertaken in the previous section of this chapter allows us to list a small number of key characteristics of the Moldovan model of party and campaign finance. This model is characterized by the absence of direct public funding for parties and independent candidates, limited forms of indirect state subsidies (such as free air time and media space), legal limits on campaign expenditures, the importance of electoral funds and detailed reporting requirements as key mechanisms for ensuring transparency of funding and the centrality of the CEC as the main monitoring body with partial enforcement powers.

While each of these characteristics has some implications for party system development, the absence of direct public funding has probably been the most consequential for the development of individual parties and the party system in general. The lack of public funding dramatically increased the need for parties to find other sources of financing. Business sponsorship and party dependence on businesses have become a major feature of party development in Moldova. Foreign financing, although officially prohibited, has also been an important factor in the development of the party system.

The importance of business and foreign sponsorship can be illustrated using data from a recent survey of the Moldovan party system.¹⁶ While survey data are rarely used in the literature on political finance, such data can serve as an important source of information on party finance and can provide useful insights into the informal aspects of the functioning of party finance mechanisms. Table 6.4 summarizes expert responses to a survey concerning sources of party finance. The experts were asked to name the first and the second most important sources of income for each of Moldova's main parties. The experts had to choose from a list of nine potential sources of party finance listed in the first column of Table 6.4.

The case of the ruling PCRM highlights the advantages that this incumbent has in terms of attracting political contributions from businesses. Eighty percent of experts designated "business sponsorship" as the most important source of finance for this party. The remaining twenty percent divided their opinion between "donations of party members" and "budget allocations for parliamentary faction" as the most important source of finance for the PCRM. With regards to the second most important source of finance for the PCRM, the expert opinions were more widely and equally distributed.

Business sponsorship was also defined by the experts as the most important source of funds for the party system in general. This is reflected in the column labeled as "average" which gives a mean of distribution of expert opinions for all the parties included in Table 6.4. More than forty percent of experts named business sponsorship as the most important source of

Table 6.4. Expert Estimates of the Most Important Sources of Party Finance

	PCRM		POMA		CDPP		DPM		SLP		SDPM		BPRR		Average	
	1	2	1	2	1	2	1	2	1	2	1	2	1	2	1	2
Membership fees		30 ¹		11.1							22.2		10	11.1	1.4	10.6
Donations from party members	10	10	10	22.2	10		10	44.4	10	11.1	40	33.3	20	11.1	15.7	18.9
Foreign grants for non-partisan political projects					20		10		20	22.2			10	22.2	8.6	6.3
Contributions of candidates for a place on party's electoral lists		20	10	44.4		11.1	10	33.3			10	11.1			4.3	17.1
Business sponsorship	80	10	80	22.2	10	33.3	70		33.3		50	33.3		22.2	41.4	22.0
Publishing activities					30	11.1									4.3	1.6
Budget allocation for parliamentary faction	10	20													1.4	2.9
Foreign donations					30	44.4		33.3	70	33.3			60	33.3	22.9	20.6
State administrative resources		10														1.4
Total (%)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Legend: 1 The first most important source of finance; 2 the second most important source of finance

PCRM - Party of Communists of the Republic of Moldova; POMA - Party Our Moldova Alliance; CDPP - Christian Democratic Peoples Party;

DPM - Democratic Party of Moldova; SLP – Social Liberal Party; SDPM – Social Democratic Party of Moldova; BPRR–Bloc Patria-Rodina-Ravnopravie.

¹The distribution of expert opinions in percentages.

Note: Calculations are based on a different number of expert responses to the questions about the first and the second most important source for all parties, except PCRM. This is due to the fact that one of the experts chose not to name the second most important source of finance for any of the parties except PCRM.

Source: European Centre for Minority Issues Survey, Chisinau, February 2006 (N=10).

finance for the party system. The figure becomes even larger if one takes into account donations from party members who are business leaders. Overall, around sixty percent of experts named business contributions as the main source of party finance in Moldova.

The next largest percentage of experts named foreign donations as the most important source of finance for the party system. This is despite the fact that official regulations prohibit financing from abroad. Foreign donations were identified by a varying number of the experts as the first most important source of finance in the case of three parties: The Social Liberal Party (SLP), Bloc Patria-Rodina-Ravnopravie (BPRR) and the CDPP. While two of these parties represent the political right with a pro-Western orientation (*e.g.*, the SLP and the CDPP), the third one, the BPRR, is a bloc of pro-Russian leftist political organizations which are in the process of merging into a single party.¹⁷ The fact that parties of opposite political orientations rely on foreign financing suggests that the party system's dependence on external funding has a wide scope. The role of foreign financing becomes even more significant if one includes the implementation of projects using foreign grants in this category. These two sources of funding, business sponsorship and foreign financing, also proved to be highly important in expert responses to the question about the second most important source of finance for the party system. Although expert opinions were more divided with respect to this question, business sponsorship and foreign financing were the two categories that were most frequently named by the experts in answering the question about the second most important source of finance (data in the last column of Table 6.4).

It is also important to note that a survey question about the most important sources of party finance included an option of adding additional sources if an expert believed some key sources were missing from the proposed list. The only additional source added by the experts was "state administrative resources" (the last item listed in Table 6.4). State administrative resources are frequently used to describe practices of using the state administrative apparatus and government funds for the purpose of securing an electoral advantage. Not surprisingly, this source was named to be important in the case of the ruling PCRM. The survey also polled party functionaries on the issue of sources of funding. The functionaries of the main parties were presented with the same list of potential sources of funding as the experts. In the case of party functionaries, however, a closed-list form of question was used and a different structure of answer options was employed. The respondents were asked to rank the importance of each source of financing for their party. The results are presented in Table 6.5.

Table 6.5. Importance of Sources of Party Finance: Party Functionary Responses

	PCRM	POMA	CDPP	DPM	SLP	SDPM	BPRR	Average
Membership fees	9.3	5.6	5.5	5.3	5.3	6.3	5.9	6.2
Donations from party members	6.7	8.5	7.3	5.5	7	7	8.2	7.2
Foreign grants for non-partisan political projects	2.8	7.3	7.5	7.2	8.6	6.3	2.1	6.0
Contributions of candidates for a place on party's electoral lists	1.3	5.3	2.6	4.5	3.9	3.6	2.3	3.4
Business sponsorship	4.5	6.1	7.3	5.5	5.9	4.9	5	5.6
Publishing activities	6.1	5.7	8.3	5.3	4.7	6.1	3.4	5.7
Budget allocation for parliamentary faction	3.5	5.7	5.1	4.8	4.3	3.1	3.2	4.2
Foreign donations	2.3	5.3	7	4.3	6.2	4.3	1.2	4.4

Legend: PCRM - Party of Communists of the Republic of Moldova; POMA - Party Our Moldova Alliance; CDPP - Christian Democratic Peoples Party;

DPM - Democratic Party of Moldova; SLP – Social Liberal Party; SDPM – Social Democratic Party of Moldova; BPRR – Bloc Patria-Rodina-Ravnopravie.

Note: Ten-point Likert-type scale: 1 – not important; 10 – very important.

Source: European Centre for Minority Issues Survey. Chisinau, February 2006 (N=101).

As the last column of this table indicates, donations from party members received the highest score in terms of importance for the party system in general. Membership fees and foreign grants were rated by party functionaries as the second and the third most important source of party finance. Business sponsorship and foreign donations were rated only as moderately important sources of finance for the party system. Payments for a place on a party list were rated as the least important source of finance.

These results, which suggest a somewhat different picture of party finance from the one presented by the experts, should be viewed with a degree of caution. It is likely that party functionaries in their responses about the sources of their party's finance tried to construct a positive image of their political organization. As highly sophisticated agents of their parties, they could have tried to downplay the importance of those sources of party finance which are considered unappealing and highlighted those that are traditionally associated with a mass party model such as membership fees and party member donations.

While taking this potential bias into consideration, the results of this survey are still of interest because of the variation in the responses about the importance of individual sources of finance across parties. Membership fees, for example, were rated as much more important source of party finance by PCRM functionaries than by respondents from the ranks of other parties. The Communists, of course, have a strong tradition of collecting membership fees. PCRM regulations ask party members to donate two percent of their monthly income. Other Moldovan parties require a much more modest monthly sum, usually about one to five MDL. One could assume that sums obtained in this way constitute a considerable part of the party budget. At the same time, even the PCRM is not a mass-based party. It only has about 20,000 members, and sums obtained from membership fees are unlikely to cover even basic administrative expenses such as maintenance of the party's numerous offices. Unlike membership fees, donations of party members received a score that was more uniformly high across parties. One way of interpreting this result is to treat it as a masked acknowledgement of the importance of business sponsorship since party donations are usually made by party members with a business background. Implementation of projects using foreign grants and direct foreign donations, with the latter being officially illegal under Moldovan legislation, were rated as important by some of the parties but not by others.

Neither the expert nor functionary survey suggest that state funding for parliamentary factions was an important source of financing for parties other than for the ruling PCRM. Given the size of the majority that this Party has enjoyed in parliament since 2001 it is somewhat surprising that party functionaries do not acknowledge that the state funding of the parliamentary faction is an important source of PCRM financing. Parliamentary factions, according to parliamentary procedures, can be established by at least five MPs and only during the first ten days after the start of a new parliament's first working session. Each faction has an annual budget proportional to faction representation which can be spent according to faction needs (*e.g.*, personnel and equipment).

In general, the state funding of parliamentary factions does not have a strong influence on the behavior of faction members. This proposition is indirectly supported by the frequency with which parliamentary factions lose their members. While at the start of the parliamentary term in March 2005, every deputy had a factional affiliation, fifteen out of 101 parliamentary deputies left their factions and acquired the status of an unaffiliated deputy by the middle of 2007. Most of the departures were motivated by serious policy disagreements. The prospect of losing some financial benefits associated with membership in a faction does not seem to constrain the behavior of individual politicians when policy disagreements between them and their faction emerge.

Although business sponsorship in its direct and indirect (through party member donations) forms emerged as a factor that is critically important for party finance, it is incorrect to conceptualize the main Moldovan parties as being controlled by oligarchs or captured by

business groups. There is a certain degree of autonomy between the political and the economic spheres that makes parties more than just an extension of business or interest groups. This autonomy is, to a significant extent, a product of institutional rules that structure the political process. PR rules and the party leadership's control over nomination procedures led very early in the post-communist transition to parties holding a virtual monopoly over who enters the political process. Parties thus emerged as independent political actors who controlled recruitment in general and cabinet formation in particular prior to the consolidation of significant financial resources in the hands of private business persons by the late 1990s. This allowed parties to negotiate with the emerging business interest groups from a position of relative strength and to secure, as a rule, financing from more than one business source. Relationships between parties and businesses can thus be better described as contractual and mutually dependent.

The danger of state capture by a party, which is another issue that is frequently cited as a potential risk for transitional societies, has been largely avoided in the Moldovan case. The major test came with the arrival of the PCRM in 2001. This Party, which held a constitutional majority during the 2001-05 period, has tried to bias the rules of the game in its favor by pursuing policies such as establishing a high level of government control over state media, politicizing the law enforcement apparatus and pressing criminal charges against opposition leaders. However, the Party refrained from a full overhaul of democratic rules and procedures. As the survey data cited earlier indicates, opposition parties continue to enjoy the financial support of private businesses. This is in contrast to other governments in the region (e.g., Belarus) which have always actively sought to deny the opposition access to sources of private funding. Election monitoring reports also note that Moldovan opposition parties continue to have a fair amount of access to state media during campaign and between election periods. They have also recently managed to acquire the majority of seats on the CEC and have other means of ensuring that their participation in the electoral process is effective. All this has led to the preservation of a competitive party system throughout Moldova's entire post-communist period which is in marked contrast to the experience of other former Soviet republics.

Conclusion

The party finance model created in Moldova has had a significant effect on the development of the party system. While party finance provisions *per se* cannot account for patterns of party system stability, they shape the internal organization and recruitment strategies of Moldovan parties. In terms of internal organization, business donors have a greater say in party internal decision-making than party functionaries or party activists. In terms of recruitment, efforts to attract business representatives tend to be more highly valued by parties than efforts to recruit new activists or build a large base of rank-and-file members. The arrival or the departure from the party ranks of even a single important business person often has serious implications for party finance and for the distribution of decision-making authority inside the party.

While some of the developments in the Moldovan party system resemble patterns found in the Western European transition from a mass party to a professional or a cadre party system model, Moldovan parties have yet to become professional or cadre parties. There is little evidence that Moldovan party functionaries have become a distinct professional category that has significant resources at its disposal or a major say in determining party policies. The absence of state finance for parties, which is one of the key features of the Moldovan party finance model, makes parties highly dependent on business and foreign financing. This dependence creates a number of risks for the party system in terms of fostering clientelistic rather than programmatic linkages with the constituency and making political processes vulnerable to outside pressures. These risks, however, are mitigated by the nature of the electoral system that has been in place in Moldova since the early 1990s and by such features of the party finance model as expenditure limits on electronic and print advertisement which tend to be the most expensive forms of campaign advertisement across political systems. The recent

legislative initiatives in the form of draft legal provisions that advocate the introduction of state financing for parties also indicates that these risks are well understood by party system actors. The passage of these drafts, which might prove to be politically unpopular, signify the willingness of parties to address these issues and lessen the risks of parties becoming more focused on catering to their business and foreign sponsors than on delivering public goods.

Notes

¹ On Freedom House's political rights score, Moldova consistently out performs Belarus and Ukraine since the second half of the 1990s.

² For socio-economic characteristics see individual chapters in Ann Lewis, ed. 2004. *The EU & Moldova: On a Fault Line of Europe*. London: Federal Trust for Education and Research; Igor Munteanu, ed. 2005. *Moldova on Its Way to Democracy and Stability* (Chisinau: Cartier).

³ For a discussion of institutions favorable to party system institutionalization see, H. Kitschelt, Z. Mansfeldova, R. Markowski, and G. Toka. 1999. *Post-Communist Party Systems Competition, Representation and Inter-Party Cooperation*. Cambridge: Cambridge University Press.

⁴ For a discussion of post-communist electoral systems, see Sarah Birch. 2002. *Embodying Democracy: Electoral System Design in Post-Communist Europe*. New York: Palgrave Macmillan.

⁵ John Willerton. 1992. *Patronage and Politics in the USSR*. Cambridge: Cambridge University Press.

⁶ Victor Popa. 1993. "V aparate palramenta uzhe obsuzhdayut proceduru dosrochnykh vyborov." *Nezavisimaya Moldova* 138:11.

⁷ Ibid.

⁸ Alexander Khavronin. 1993. "Politicheskaya osen' obeshchaet byt' zharkoi." *Nezavisimaya Moldova* 137:8.

⁹ Changes in the electoral threshold rate are presented in Table 6.1. An important discussion of electoral law changes and the role of the Council of Europe's pressure in this regard can be found in Cristian Untila. 2006. "Improvement of Electoral Legislation." *Moldova E-Journal*. 68.

¹⁰ On the evolution of the party system in Moldova see, William Crowther, and Yuri Josanu. 2004. "Moldova." In *The Handbook of Political Change in Eastern Europe*, eds. Sten Berglund, Joakim Ekman, and Frank H. Aarebrot. Cheltenham: Edward Elgar, pp. 549-593; Igor Botan. 2006. "Многопартийность в Республике Молдова: энтропия развития." *Политическая Наука*, 1; Oleh Protsyk, Igor Bucataru, and Andrei Volentir. 2007. *Competiția partidelor în Moldova: ideologie, organizare și abordarea conflictelor etno-teritoriale*. Chisinau: Universitate. de Stat din Moldova.

¹¹ Law on Parties and Other Socio-Political Organizations. 1991. No. 718-XII of 17.09.91 Vestile No 11-12/106.

¹² Electoral Code. 1997. No 1381-XIII of 21.11.97 *Monitorul oficial al Republica Moldova* No 81/667.

¹³ L. Carașciuc, E. Obreja, V. Gâscă, N. Izdebschi, C. Lazăr, and M. Mazur. 2002. "Sistemul integrității naționale: Republica Moldova." Transparency International Moldova.

¹⁴ See the CEC's decision reported at: <http://www.azi.md/news?ID=44497> (accessed: 07.06.07)

¹⁵ The higher level reported for US dollars for the 1998 ceilings in comparison to the 2001 ceilings is due to a rapid depreciation of Moldovan currency after 1998. The 1998 exchange rate was approximately 4.5 MDL to \$1 while the 2005 rate was around thirteen MDL to one \$1.

¹⁶ This survey was conducted by the European Centre for Minority Issues in 2006 and drew on two types of respondents: Mid-level party functionaries and members of the expert community. Party functionaries from each of the main parties were interviewed countrywide. Parties that received more than two percent of popular vote in the 2005 parliamentary elections were included in the survey. Members of expert community were selected on the basis of their expertise in covering party politics. Experts represented leading Moldovan academic, policy and mass media institutions. Unlike surveys of public opinion, surveys of party functionaries and experts rely on a relatively small number of respondents. Cognitive skills of this type of respondents are generally considered to be a mitigating factor against error usually associated with mass surveys. A frequently cited comparative article on expert judgments of party position, for example, is based on an average of eight expert ratings per country. See J. Huber and R. Inglehart. 1995. "Expert Interpretations of Party Space and Party Locations in 42 Societies." *Party Politics* 1:73-111.

¹⁷ These parties participated in this formula (Bloc Patria-Rodina-Ravnopravie) in new and repeated elections for the position of mayor of Chisinau municipality held in 2005 and in general local elections in 2007.