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The report shows how Romania pays some of the most substantial national subsidies to political parties in the UE –37 million EUR in 2018 – and questions the rules that should be used to ensure transparency when spending the money

The budgets of the Romanian political parties



In Romania, political parties receive monthly subsidies from the state budget according to the number of votes they receive in the parliamentary elections combined with the ones obtained at the local elections. The allocation rule has several components:

- Three-quarters of the money goes to the parties proportionally to the number of votes received in the parliamentary elections - for the parties that pass the electoral threshold¹;
- A quarter of the money is divided according to the votes received at the local elections for county councillors and the General Council of Bucharest - for parties that have obtained at least 50 mandates.
- Additional funds are obtained proportionally to the number of mandates received by female candidates.

The law stipulates that funds may be spent for purposes related to party management, advertising, travel, consulting, penalties etc. (the full list of eligible expenses is included in the law). There are no specific legal provisions on the restitution or retention of the amount of unpaid subsidy at the end of the financial year. The payment of subsidies can be suspended for several reasons, including: not disclosing information, incurring unforeseen costs or not presenting documents when requested by the Permanent Electoral Authority

¹ 5% of the total votes validly expressed at the national level or 20% of the total valid votes cast in at least 4 electoral districts;
for all political and electoral alliances, 3% of the valid votes in the entire country is added, and for each member of the alliance, starting with the third, one percent of the valid votes in all electoral districts, without exceeding 10% of these votes are added

(AEP). For the EU elections in 2019, the funds could have also been used for the financing of the political campaign.

The regulations on quotas allocated to the parties from the state budget were amended in 2018 through Law 34, following an initiative of the Social Democrat **Mircea Drăghici**². The episode remains memorable because both the provisions as such and the person who proposed them have remained controversial today: the initiator is investigated by the DNA for changing the purpose of such amounts and embezzlement³.

The previous version of the law	Provisions in force since 2018
<p>(2) The amount allocated annually cannot be higher than [...] 0,04% of the state budget revenues. For the political parties that promote women on the electoral lists, on eligible positions, the allocated sum from the state budget will be increased [...] proportionally to the number of mandates obtained by female candidates in the elections.</p>	<p>(2) The amount allocated annually to political parties from the state budget is at least 0.01% and not more than 0.04% of the gross domestic product. For political parties that promote women on the electoral lists, on eligible positions, the allocated sum from the state budget will be doubled, proportionally with the number of mandates obtained by female candidates in the elections.</p>

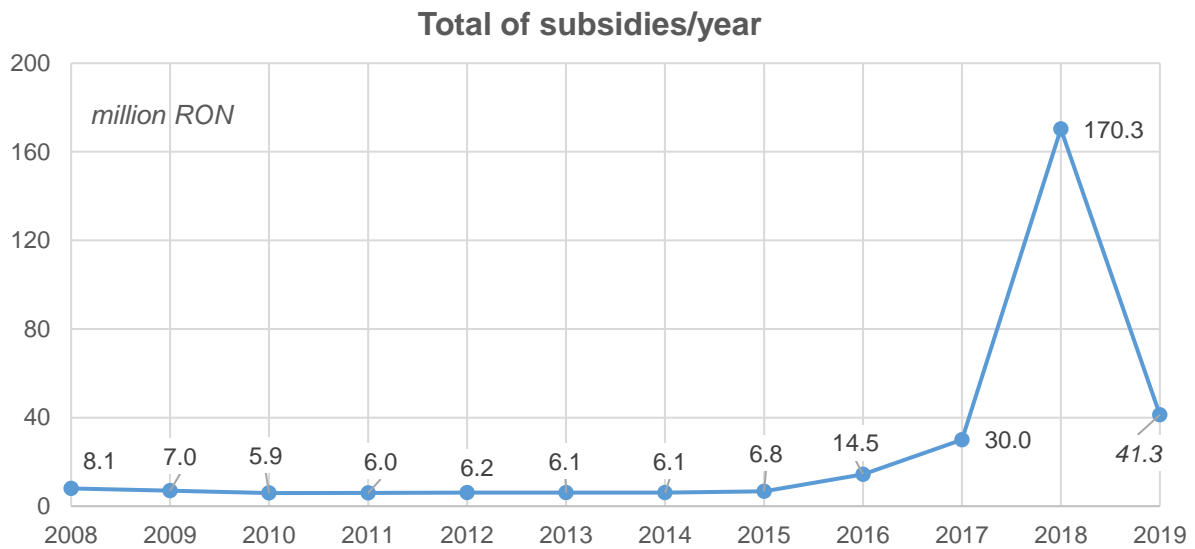
The 2018 amendments led to a significant increase in the amounts allocated to parties, up to a total of approximately **€ 37 million** (see chart⁴). The chart below shows how subsidies allocated in 2018 have increased more than 20 times over the last decade, well above the

² https://www.senat.ro/legis/lista.aspx?nr_cls=L268&an_cls=2017. The initial amendment included a minimum threshold of 0.02% of the revenues in the state budget and was modified during the legislative process in the Senate by an amendment of Senator Marian Pavel

³ <http://www.pna.ro/faces/comunicat.xhtml?id=9376> As a treasurer of a party with responsibilities for managing and administering the assets and funds belonging to the respective political party, the suspect would have appropriated the amount of EUR 380,000 by concluding a tenancy agreement with a simulated character, using thus the amount of money coming from subsidies for purposes other than those for which they were granted, namely for the partial payment in excess of 2/3 of a building.

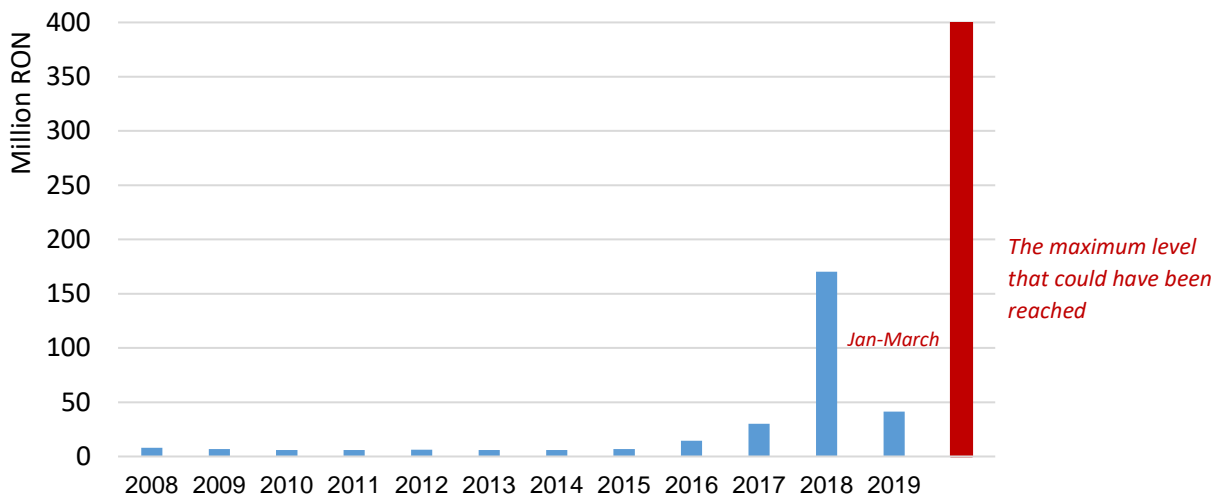
⁴ According to the data published on www.roaep.ro/finantare

inflation rate or the GDP growth.



**For 2019 the only subsidies included are from January-March. The list does not include the subsidies for UNPR.*

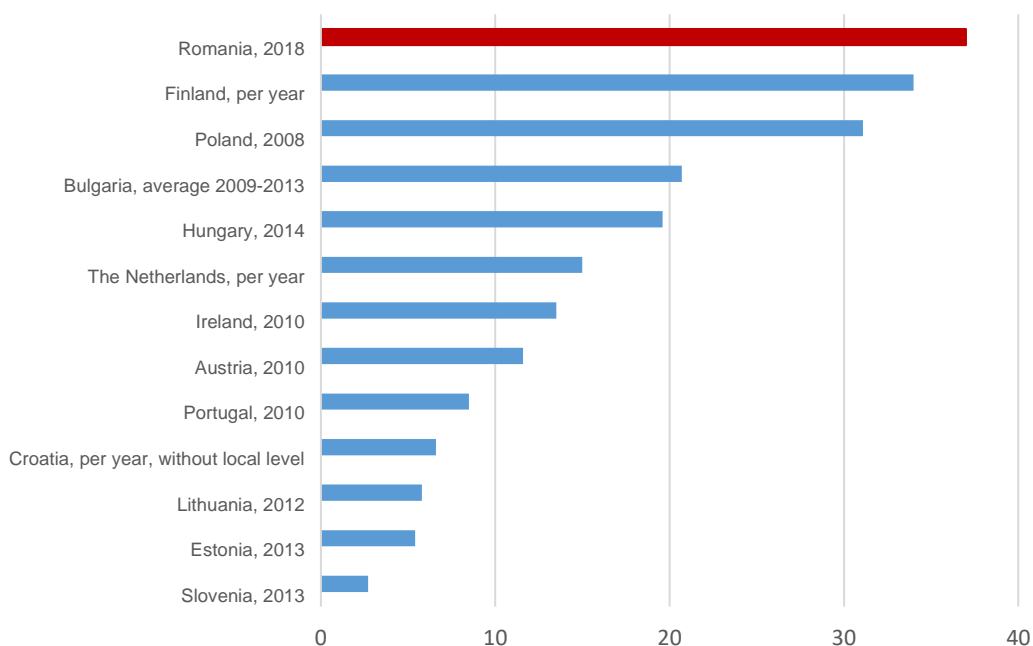
To calculate the maximum total amount of subsidies for parties for this financial year, we must refer to the GDP which is estimated for 2019 at 1.022 billion RON. Thus, the maximum level that these subsidies could theoretically reach is over 400 million RON (approx. 85 mil. EUR). Although the initial proposal was close to this figure, the final version of the national budget allocated 269 mil. RON for subsidies (around 57 mil EUR).



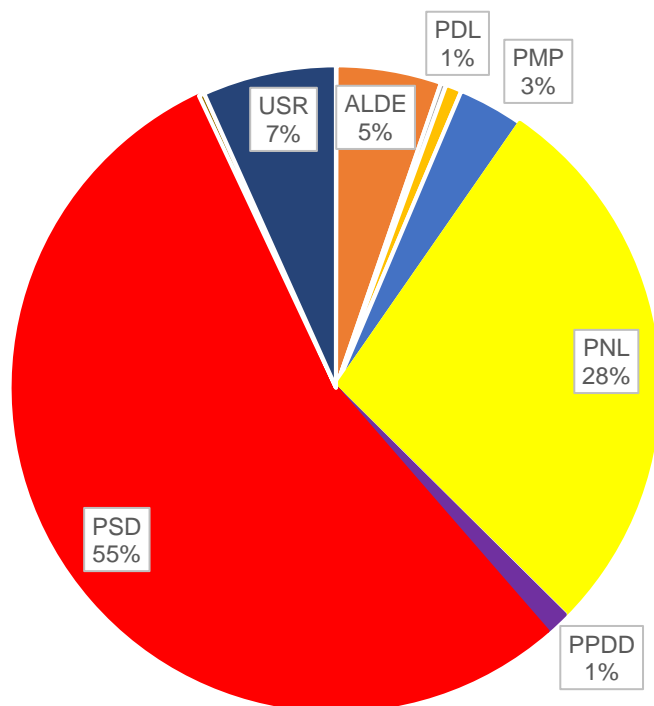
In the European Union, the rules for allocating subsidies to parties and the annual amount they can reach differ widely from country to country. The fact is that in most cases the total amount, presented in the chart below⁵, is less than EUR 37 million per year, as it is in Romania. The poorest countries in the EU – Bulgaria and Romania – are in the top!

⁵ [http://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU\(2015\)519217_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2015/519217/IPOL_STU(2015)519217_EN.pdf). According to an analysis published by the European Parliament in 2015. For some countries, no data is available. There are countries with higher allocations, including Germany - €150.8 million and Spain - €78.1 million (in 2008). Although in some cases the data may not be recent, it still offers a comparative background.

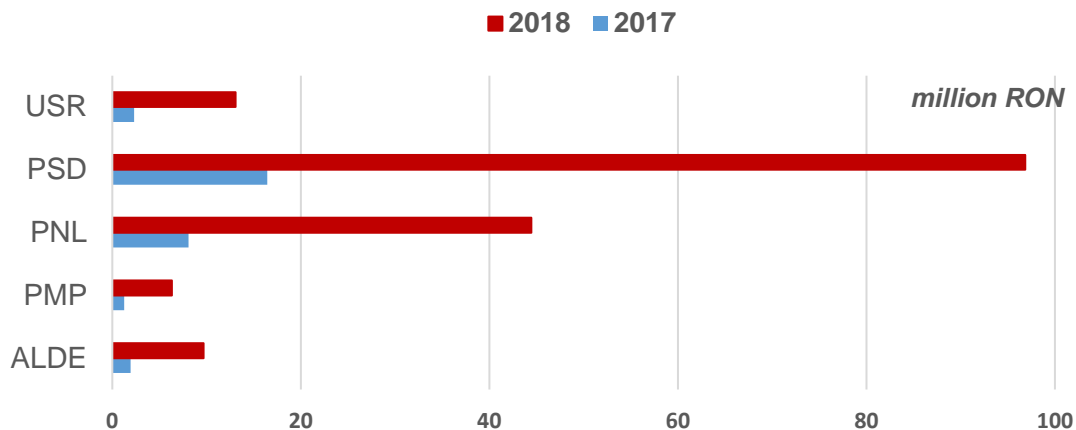
Annual value of subsidies for political parties, EU



For Romania, since 2008 over half of the money went to the social democrats (PSD) and almost a third to the liberals (PNL). The chart below shows the amounts obtained by other parties, but it should be noted that there are still parties such as PNTCD or UNPR who have received a residual amount of funds, but this is less than 1% of the total amount of subsidies.



"The Drăghici Effect": the explosion of subsidies in 2018



The list does not include the subsidies for UNPR.

Although the amounts have increased significantly, the control mechanisms have not changed. Competitors in May 2019 received a bonus, as they can use subsidies to fund the electoral campaign for the EU elections, according to Emergency Government Ordinance 6/2019. In other words, they can use the money for the campaign; if they pass the 3% national threshold of valid votes (the lower limit for reimbursement), they will not be reimbursed for the campaign funds. At the first glance, this system seems to simplify reimbursement procedures, but in fact, it generates a significant advantage for parties receiving state subsidies and can also use them for campaign spending. In addition, parties' efforts to persuade voters to vote in a certain manner have moved outside of the campaign period. We see this in all the cities of the country covered up with posters containing mobilising messages. This is the effect of over-regulating the mechanisms that parties can use during the campaign to attract the electorate along with the quasi-total lack of regulation regarding actions that can be carried out outside the electoral period. In this case, subsidised parties are also advantaged and can use these resources to fund large-scale electoral mobilization campaigns.

The law is not clear about **what happens to the unspent funds** at the end of the year. It is unclear whether the unspent amounts of subsidy remain in the accounts of the party at the end of the fiscal year or if it must be returned to the state budget. If the party keeps the money - it is not clear whether or not they should be deducted from the next year's sum. In other words, the party can put aside funds in non-election years when spending is lower and use these sums in the electoral years.

Regarding the destination of uncommitted funds at the end of the year, there are different legal alternatives. For example, financial aid for religious cults is refunded if the expenses are not justified by December 31st of each year. For public administration, the local finance law cancels budgetary credits that are not spent by the end of the year. The municipal budget surplus is transferred to the next year's budget, but the conditions of use are rather restrictive. **It is not clear why political parties enjoy a more favourable regime than other public or semi-public entities.**

The continuous accumulation of funds - if the budget does not close without a surplus of money at least at the end of a four-year electoral cycle, if not annually - can divert the scope of the subsidy for political activity and breaks the party's relationship with the audience, thus overturning the logic of the subsidy which, at least in its essence, is correct.

Given that the funds allocated increased exponentially, EFOR considers that:

- 1) Maximum transparency on public money spending and real-time periodical reporting by political parties must be ensured: if spending is transparent and publicly reported, if spending declarations reflect reality, published in an open format etc.
- 2) It is essential how the Permanent Electoral Authority carries out controls for funds used in the campaign, but also for funds used outside the electoral campaign. It is also crucial for the Court of Accounts to review the subsidies and reimbursements for electoral campaigns processed by AEP
- 3) It is necessary to clarify the legal status of the funds from subsidies remaining in the parties' accounts at the end of the year.

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