

Georgian Political Party Finances in 2013

June 2014

Authors:

Andria Nadiradze

George Chanturia

Lead Researcher and Supervisor:

Levan Natroshvili

Publication of this report was made possible by support from the American people through the United States Agency for International Development (USAID). The opinions expressed herein are those of Transparency International – Georgia and may not reflect the views of the International Foundation for Electoral Systems, the USAID or the U.S. Government.



USAID
FROM THE AMERICAN PEOPLE



Global Expertise. Local Solutions.
Sustainable Democracy.

Contents

Executive Summary.....	4
Introduction	6
I. Incomes of Political Parties.....	8
1. State funding.....	10
1.1. Direct transfer of funds to political parties.....	11
1.2. Reimbursement of campaign funding	12
1.3. Funds received via the Center of Electoral Systems Development, Reforms and Trainings	12
1.4. Specific state funds for political advertising on television.....	13
2. Membership fees	13
3. Donations.....	14
4. Non-monetary Donations	16
5. Loans	17
II. Expenses of Political Parties.....	18
1. Salaries	20
2. Business Trips.....	20
3. Office and Communication Costs.....	21
4. Advertising Costs.....	22
5. Other Expenses	24
III. Recommendations	25

Table of Figures

Figure 1. Total Income of Political Parties in 2013 (GEL thousand)	8
Figure 2. Annual Income of Political Parties in 2011-2013 (thousands of GEL).....	9
Figure 3. Incomes of Political Parties united in Georgian Dream Coalition in 2013 (GEL thousand)	9
Figure 4. Total State Funding received by Political Parties in 2013 (GEL thousand)	10
Figure 5. Funds Directly Transferred to Political Parties from State Budget in 2013 (GEL thousand).....	11
Figure 6. State Funds Transferred to Political Parties through the Center of Electoral Systems Development, Reforms and Trainings in 2013 (GEL thousand).....	13
Figure 7. Annual Donations received by the Political Parties in 2011-2014 (GEL thousand)	14
Figure 8. Donations received by the Political Parties in 2013-2014 (GEL).....	15
Figure 9. Non-monetary Incomes Recieved by the Political Parties in 2013 (GEL)	16
Figure 10. Total Expenses made by the Political Parties in 2013 (GEL thousand)	18
Figure 11. Total Expenses made by the Political Parties in 2011-2013 (GEL thousand).....	19
Figure 12. Total Expenses made by the Political Parties united in Georgian Dream coalition in 2013 (GEL) .	19
Figure 13. Funds Spent by the Political Parties on Staff Salaries and Bonuses (GEL)	20
Figure 14. Funds Spent by the Political Parties in 2013 on Business Trips (GEL).....	21
Figure 15. Office Costs of Political Parties in 2013 (GEL)	22
Figure 16. Office and Communications Costs made by the Political Parties in 2013 (GEL).....	22
Figure 17. Advertising Costs of Political Parties in 2013 (GEL)	23
Figure 18. Other Expenses made by the Political Parties in 2013 (GEL)	24

Executive Summary

The report reviews the issues regarding the transparency and accountability of the financing of political parties in Georgia. It contains the analysis of the annual financial declarations of the political parties participating in the 2013 Presidential elections. The report also discusses some of the issues related to the finances of political parties in 2014 and underlines interesting trends regarding the political party donations.

The political parties selected for this research received more than 10% of the votes in the 2013 Presidential elections:

- Political Coalition *Georgian Dream (GD)* consisting of 6 political parties;
- *United National Movement (UNM)*;
- *Democratic Movement – United Georgia (DM)*.

1. Incomes

Georgian Dream coalition has shown the highest income – GEL 9 million – among all political parties in 2013. *United National Movement* has had the second highest income by receiving a total amount of GEL 5 million, while the third highest income has been obtained by the political party *Democratic Movement – United Georgia* with a total sum of GEL 2.5 million.

The *GD* had almost similar income in 2012, which also included the last months of 2011, as the coalition was established at the end of the same year. Compared to 2012, the *UNM* income was about 6 times lower in 2013, which marks a very steep decline for this party apparently caused by moving to the opposition. The income of the *DM* in previous years was significantly lower which might have been caused by the fact that the party did not take part in the elections.

1.1. Donations

From January 1, 2013 to June 1, 2014 the political coalition *Georgian Dream* received financial contributions from 683 donors totaling GEL 8 216 448 (including GEL 3 712 815 in 2014). During the same period *Democratic Movement – United Georgia* received GEL 2 643 534 from 297 donors (including GEL 1 520 from a single donor in 2014). As for the *United National Movement* this party received GEL 702 942 from 306 donors (including GEL 271 149 in 2014). The fact that the *UNM* donations were more than 40 times less during the reporting period than the year before raises the questions whether donations received in the previous years were voluntary made.

Despite the fact the legal entitles were permitted to make donations none of the companies did it. However, according to the company registry, some individual donors turned out to have strong ties with companies. In total 387 donors of different political parties were associated with 875 companies as owners, directors, representatives or applicants. These donors contributed GEL 4 481 323 to political parties. Out of

875 companies, 123 received GEL 43 512 348 in state contracts during 2013-2014, including GEL 32 471 341 through competitive tenders and GEL 11 041 007 via simplified direct procurement.

2. Expenses

Unlike the year of 2012, this time *Georgian Dream* had the largest expenses amounted to GEL 6.5 million. *United National Movement* followed the coalition with GEL 5 million, while *Democratic Movement – United Georgia* was the third with GEL 3 million. The year of 2013 was also remarkable since, unlike previous years, the expenses made by the ruling party were not significantly higher than the expenses of the opposition parties.

Moreover, in 2013 the political party expenses were considerably lower than in 2012. This fact can be explained by relatively lower competition in the 2013 presidential elections, compared to the Parliamentary Elections in 2012.

According to the annual declarations submitted to the State Audit Office in 2013, the DM has not issued any bonuses to its employees and has spent only GEL 15 500 on staff salaries (around 0.5% of its total expenses). In light of the active election campaign conducted by this party for 2013 presidential elections, this number raises doubts.

The advertising costs during 2013 showed contradictory trends when compared to other expenses. For example, the DM spent the largest amount – approximately GEL 2 million – on advertising most of which for TV commercials. The second largest spender on advertisement was the UNM - with approximately GEL 1.3 million. The smallest expenditure was made by the GD – GEL 715 000, most of which again was spent on TV ads and the least on internet advertisement and branded accessories.

Since 2011 the share of political parties' so called "Other Expenses" has considerably decreased. This is due to the introduction of detailed declaration forms, which require more precision. In 2012 some political parties either did not declare such expenses at all or they were very small. This trend was maintained the in 2013 as well.

Introduction

Competitive environment for political parties is one of the cornerstones of democracy. By freely competing in elections, political parties offer citizens meaningful choices in governance and enable them to participate in shaping their country's future. In that sense, a fair and free competition between political parties prevents the development of dictatorial or autocratic political order. However, the strength and popularity of political parties often depend on their financial capabilities. Opposition parties in transitional countries often struggle to obtain funding, while the ruling party keeps significant financial advantage. Such a difficulty weakens competitiveness between political parties and thereby deteriorates democratic processes. Therefore, the financing of political parties should be a pressing issue for a society. Transparency International Georgia (TI Georgia) has been studying finances of political parties in Georgia for years and has periodically issued several reports on this topic.

The present report also reviews the issues of transparency and accountability of the financing of political parties in Georgia. It contains analysis of the annual financial declarations¹ of political parties participating in the 2013 presidential elections, as well as the incomes and the expenses of presidential candidates.² The report also reviews some of the issues related to finances of political parties in 2014 and highlights interesting tendencies related to political party donations. Statistics and findings, when possible, are compared to the information available in the previous years in order to assess whether the elections of 2012 which resulted in peaceful transition of power has had an effect on the finances of political parties.

TI Georgia's analysis is based on the information submitted by political parties to the State Audit Office. Thereby, TI Georgia cannot be held accountable for any inaccuracies in its analysis resulting from the inconsistencies in the initial documents.

The political parties selected for this research are the ones that received more than 10% of the votes in the 2013 Presidential elections:

1. The political coalition *Georgian Dream (GD)*, consisting of 6 political parties:
 - *Georgian Dream – Democratic Georgia*
 - *Free Democrats*
 - *Industry Saves Georgia*
 - *National Forum*
 - *Conservative Party*
 - *Republican Party*
2. *United National Movement (UNM)*
3. *The Democratic Movement – United Georgia (DM)*

¹ Annual financial declarations of political parties are available on the website the State Audit office: <http://goo.gl/ExlgAQ>.

² Expenses of the Presidential candidates' campaigns in 2013 are available on the website the State Audit office: <http://goo.gl/M9W11C>.

The report is divided into three main chapters: the **first** one reviews the incomes of political parties during the reporting period, the **second** part analyses their expenses. The **final** chapter contains the recommendations based on given analyses.

I. Incomes of Political Parties

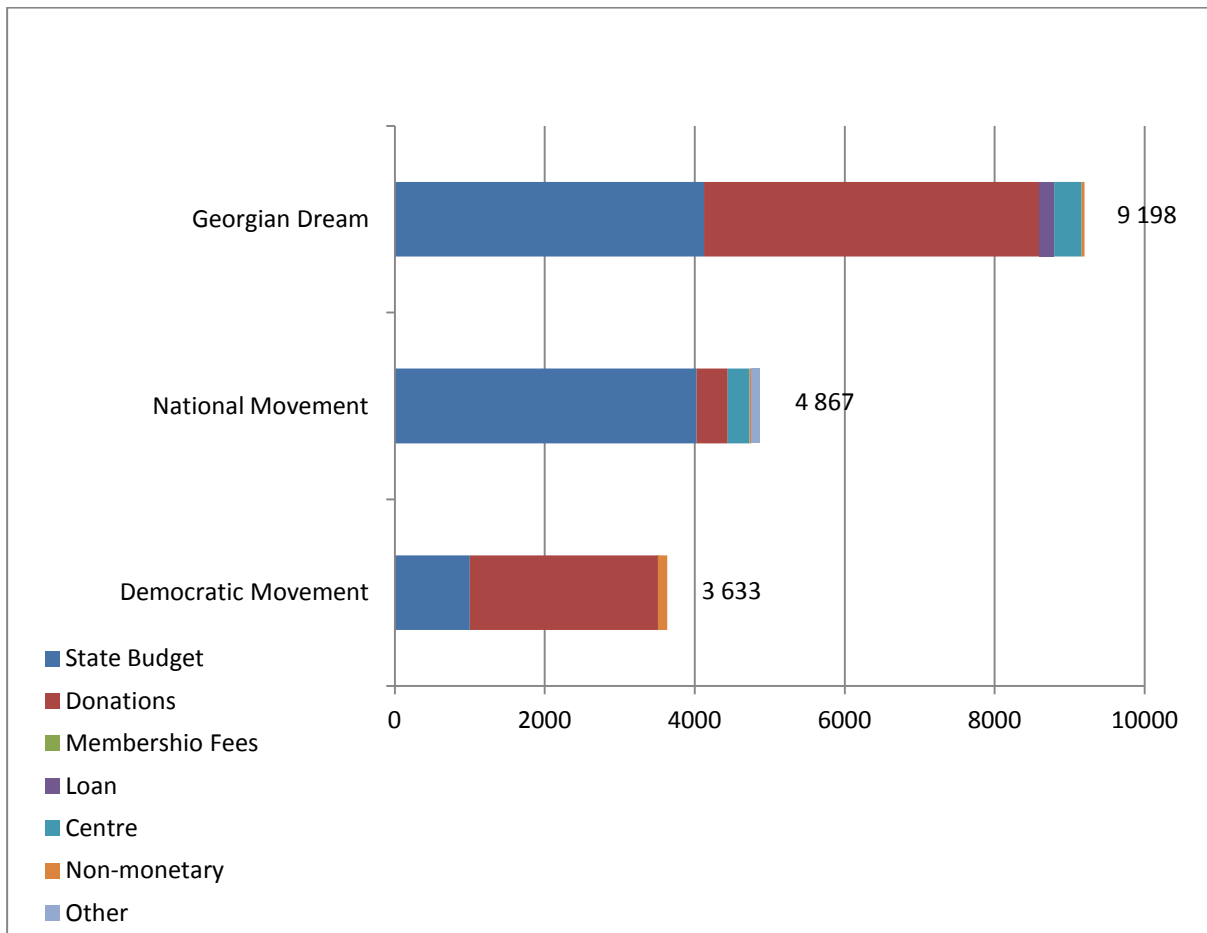
The main categories of income that political parties and their presidential candidates received in 2013 include:

- State Funding – funding of the political parties directly transferred from the state budget and money received through the Center of Electoral Systems Development, Reforms and Trainings;
- Membership Fees;
- Donations;
- Non-monetary Incomes;
- Loans.

The Part of the report on donations also includes information from 2014.

In 2013 in terms of revenues the leading party was *Georgian Dream* with approximately GEL 9 million. The second in this list is the *United National Movement* with GEL 5 million. The third was the *Democratic Movement – United Georgia* with the revenue of approximately GEL 3.5 million.

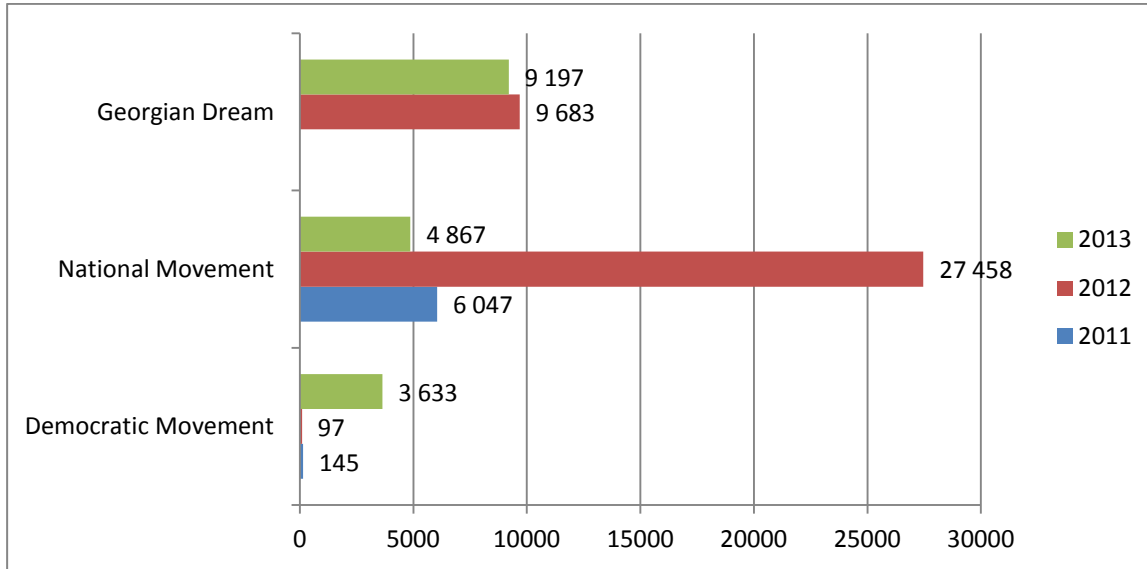
Figure 1. Total Income of Political Parties in 2013 (GEL thousand)



As for the comparison with previous years, in 2012 the GD also received approximately GEL 9 million, which also included revenue of several months for 2011 from the moment of the coalition's establishment. The UNM's revenue in 2012 was six times higher in comparison to 2013 which marks a very steep decline for this party apparently caused by moving to the opposition.

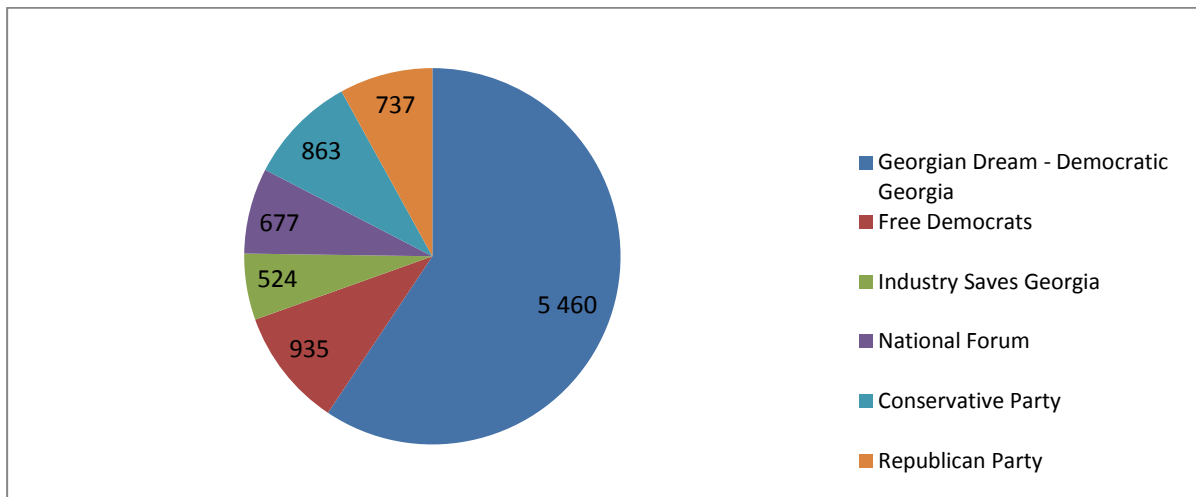
In previous years the revenues of DM was incomparably low, which can be explained by the fact that the political party did not participate in previous elections.

Figure 2. Annual Income of Political Parties in 2011-2013 (thousands of GEL)



It is also interesting to look into the incomes of the different political parties that compose the coalition *Georgian Dream*. The party *Georgian Dream – Democratic Georgia* has shown the largest income in comparison with other political parties forming the coalition (see figure 3). Same tendency could be observed in 2012 as well.

Figure 3. Incomes of Political Parties united in Georgian Dream Coalition in 2013 (GEL thousand)



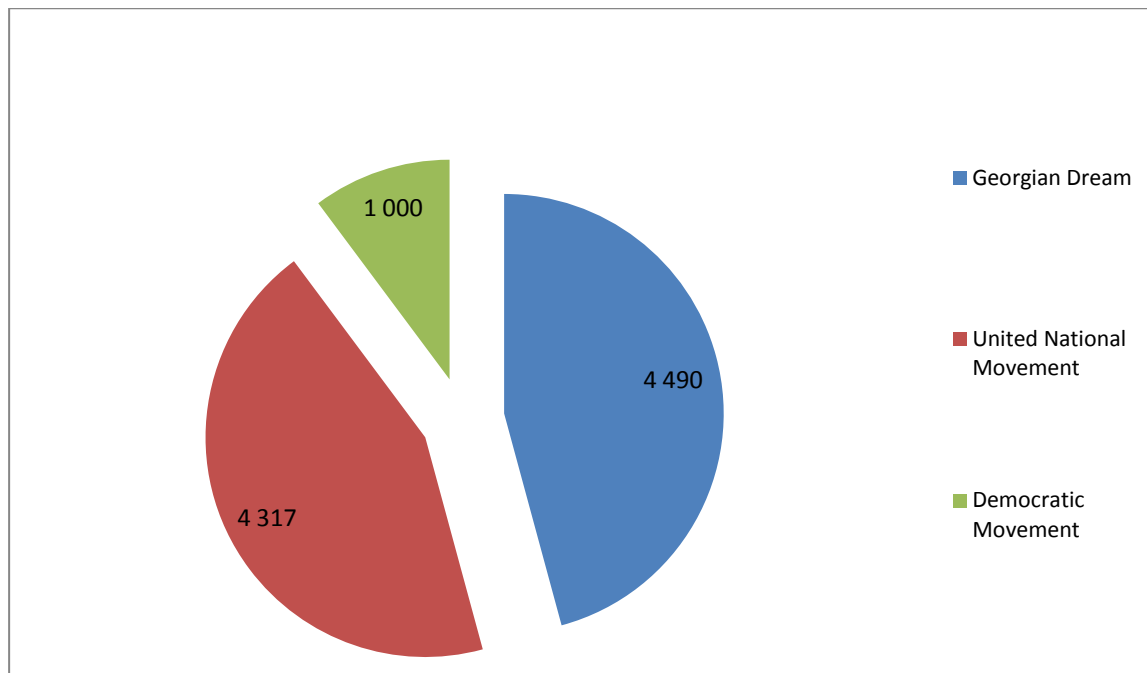
1. State funding

According to the Law of Georgia on “Political Unions of Citizens”, there are four different ways for political parties to receive state funding:

- Direct transfer of funds to political parties;
- Reimbursement of campaign spending;
- Funds received via the Center of Electoral Systems Development, Reforms and Trainings;
- Only during the election year specific funds for political advertising on television.

In 2013 *Georgian Dream* coalition received the largest amount (approximately GEL 4.5 million) through the state funding, closely followed by *United National Movement* (approximately GEL 4.3 million). *Democratic Movement – United Georgia* received GEL 1 million, thus showing the third largest income received from state. (See Figure 4).

Figure 4. Total State Funding received by Political Parties in 2013 (GEL thousand)



During the years of 2011-2012 the *UNM* has received the largest amount of state funding - GEL 1 950 967³ in 2011 and GEL 3 491 966⁴ in 2012. In fact, in 2013, the *UNM* appeared to have received its largest share of state funding as the new mechanisms of state funding were put in place. The political parties within the coalition *Georgian Dream* received up to GEL 2 900 000 in 2012. As for the *DM*, it did not receive any state funds in previous years.

³ 1,757,240 GEL was received from state budget and the rest from the Center of Electoral Systems Development, Reforms and Training.

⁴ 3,046,613 GEL was received from state budget and the rest from the Center of Electoral Systems Development, Reforms and Training.

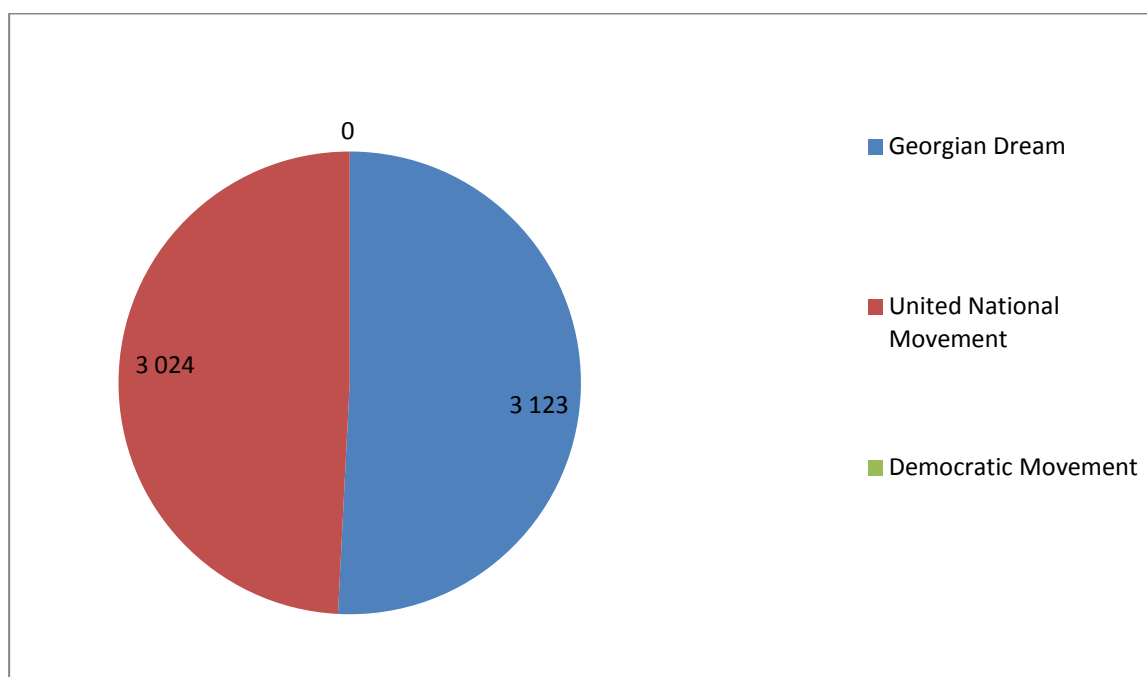
1.1. Direct transfer of funds to political parties

According to the Article 30.2 of the Law on “Political Unions of Citizens”, funds from the state budget which are to be directly distributed should be transferred to those political parties, which took part, independently or within their respective election blocs, in the last Parliamentary or Municipal Elections and received more than 3% of votes.

Before the legislative amendments, the threshold of receiving state funding was set at 4% for Parliamentary Elections. Lowering it from 4% to 3% has not brought significant changes since in 2012 Parliamentary Elections these thresholds – whether set at 3% or 4% - were only reached by two election subjects.

The amount of state funding for political parties is calculated by a formula, according to which the basic funding – GEL 300 000 – is supplemented by certain amount of money, in turn, based on the parties’ parliamentary mandates and the amount of votes received.⁵ Moreover, if a political party or an election bloc reaches a 6% threshold in the Parliamentary or Municipal Elections, its basic funding is doubled to GEL 600 000.

Figure 5. Funds Directly Transferred to Political Parties from State Budget in 2013 (GEL thousand)



In terms of the state funds directly transferred to the political parties, the *GD* and the opposition party the *UNM* were in almost similar situation – each receiving approximately GEL 3 million. The *DM* has not received any funding from state budget, as it had not taken part in the previous elections.

Furthermore, Law on “Political Unions of Citizens” envisaged 10% additional funding for parties committed to promoting better gender balance by nominating at least two women out of every ten candidates in their

⁵ Before the August 2013 amendments the basic funding was 150 000 GEL annually.

proportional election lists. However, the election subjects that compose today's Parliament did not satisfy this non-mandatory criterion. In 2012 the election bloc *Bidzina Ivanishvili – Georgian Dream*'s proportional list had 200 candidates, which included only 34 women (17%), while another election subject *United National Movement – More Benefits to People* had only 17 women (11%) in their 155 candidate list.

As a result, this issue was once again reviewed in 2014 and more incentives were given to encourage political parties to promoting better gender balance.

1.2. Reimbursement of campaign funding

According to Article 56 of the Election Code of Georgia, the election subject shall receive a maximum amount of GEL 1 000 000 from the state budget if:

- It received at least 5% of votes in the proportional part of the Parliamentary Elections;
- It received at least 5% of votes in the first round of the Presidential Elections.⁶

Following the fact that all three major election subjects received more than 10% of the votes in the 2013 Presidential Elections, each of them got GEL 1 million. However, *Democratic Movement – United Georgia* barely overcame the 10% threshold, receiving 10.19% of votes.

1.3. Funds received via the Center of Electoral Systems Development, Reforms and Trainings

According to the article 30¹ of the Law on Political Unions of Citizens, in addition to the funding given to the parties from the state budget, every year a certain amount of funds from the state budget shall also be transferred to Center of Electoral Systems Development, Reforms and Trainings.

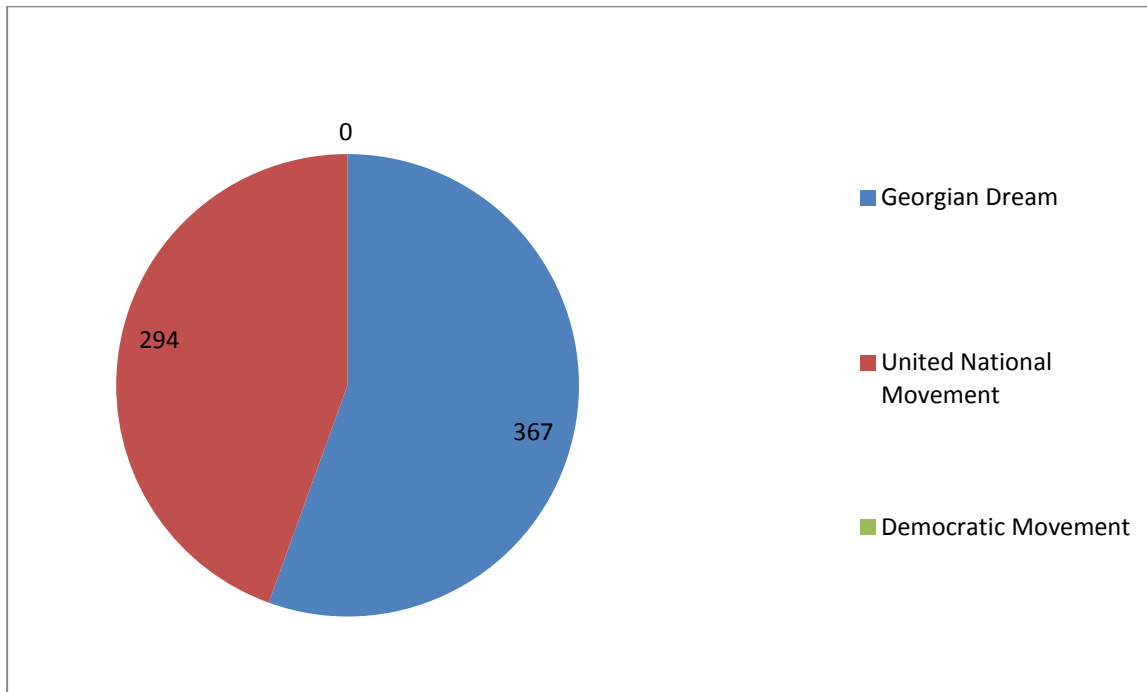
The aim of the Center is to contribute to the development of the political parties and the NGO sector and assist in creation of healthy and competitive political system. The funds allocated for political parties are distributed in proportion with the basic funding.

Funds are allocated for research, study, conferences, missions, regional projects and programs on electorate's civil and election related education.

In 2013 the *Georgian Dream* coalition received GEL 366 719 for that purpose; *United National Movement* got GEL 293 578 from the same fund, while the *Democratic Movement – United Georgia* had not received any contributions.

⁶ The funds should be transferred to the account of the political party in accordance with the Central Election Commission's final report no later than 15 days after the votes are counted.

Figure 6. State Funds Transferred to Political Parties through the Center of Electoral Systems Development, Reforms and Trainings in 2013 (GEL thousand)



1.4. Specific state funds for political advertising on television

According to the Article 30.12 of the Georgian Law on “Political Unions of Citizens” and the Article 56.4 of the Election Code of Georgia, during the years of Parliamentary and Municipal Elections additional funding shall be allocated from the state budget for political parties in order to cover their TV advertising costs. Funds prescribed by this paragraph shall only be received based on previous election results.⁷ This funding can be used for commercials only from the date of announcement of elections until the Election Day.

In 2013 the *Democratic Movement – United Georgia* had not received any special-purpose funding as it has not taken part in the previous elections. As for the coalition *Georgian Dream* and the *United National Movement*, their funding was included in the transfers received directly from the state budget. Thus, DM was placed in a disadvantaged position compared to the other two election subjects, since TV commercial costs are one of the largest expenses for the political parties.

2. Membership fees

Before the amendments of December 28, 2011, the payment of membership fees was not regulated on a legislative level. The amendments introduced a maximum limit for the total income coming from such fees – GEL 1,200. Despite the fact that additional amendments were initiated to the Law on “Political Unions of Citizens” only the *Democratic movement – United Georgia* received a total of GEL 250 from its membership fees out of the three political subjects covered in this report.

⁷ For the purposes of calculation, the received votes of the relevant electoral subject shall be multiplied by three and divided into a number of political unions in the electoral subject. Amount of funding allocated for one electoral subject shall not exceed GEL 600 000. Not less than 15% of the allocated funds should be used in advertising in at least 7 broadcasters which are not national broadcasters.

3. Donations

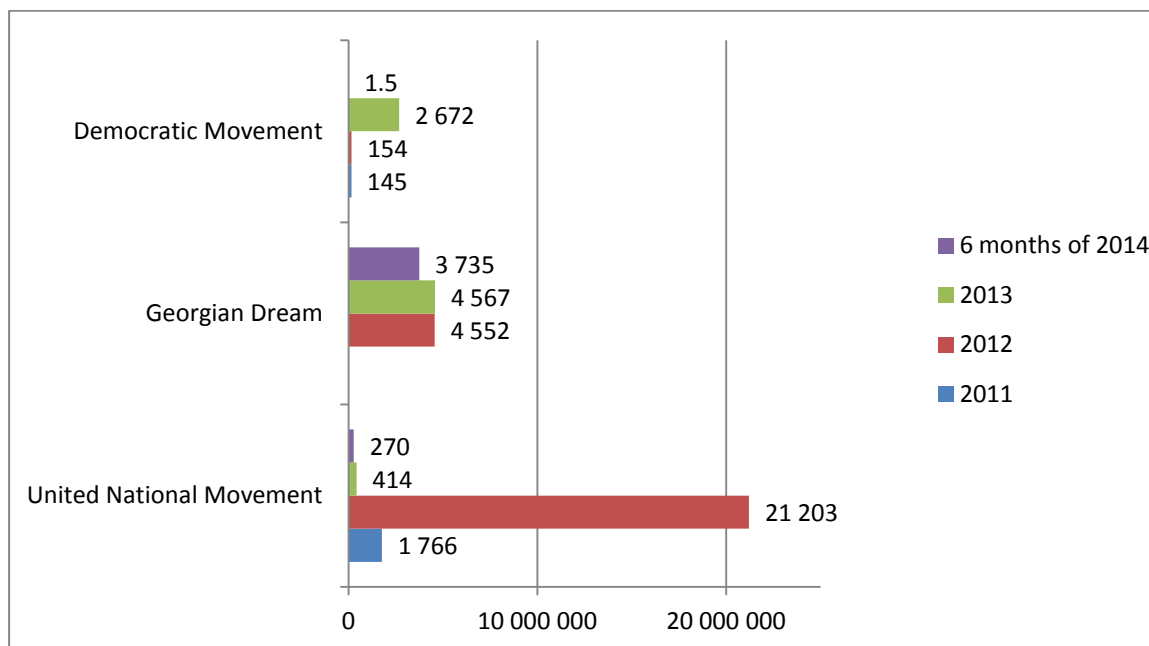
According to the Georgian legislation, donations are defined as funds transferred to the bank account of a political party from the citizen of Georgia or a legal person (organization) registered in Georgia, partners or the final beneficiaries of which are the citizens of Georgia.⁸ Furthermore, funds, assets or services received free-of-charge or with discounts are also considered as donations. Before the amendments, the legal persons were prohibited from donating to political parties.

For the purpose of the analysis, financial donations made to the political parties in 2013 and during first six months of 2014 were researched in detail.

From January 1, 2013 to June 1, 2014 the *Georgian Dream Coalition* received donations from 683 donors totaling GEL 8 216 448 (GEL 3 712 815 in 2014), while during the same period *Democratic Movement – United Georgia* received GEL 2 643 534 from 297 donors (GEL 1 520 from a single donor in 2014). As for the *United National Movement*, the party received GEL 702 942 from 306 donors (GEL 271 149 in 2014).

While comparing these numbers with the data of previous years it is obvious that the total value of the donations for the *UNM* in 2013-2014 was approximately 40 times less than in 2012. This fact raises a question whether the donations received by the ruling political party in 2012 have been made voluntarily. The case of *DM* is also interesting, since it received the donations of approximately GEL 2.5 million in 2013 and only GEL 1 520 from 1 donor in 2014.

Figure 7. Annual Donations received by the Political Parties in 2011-2014 (GEL thousand)

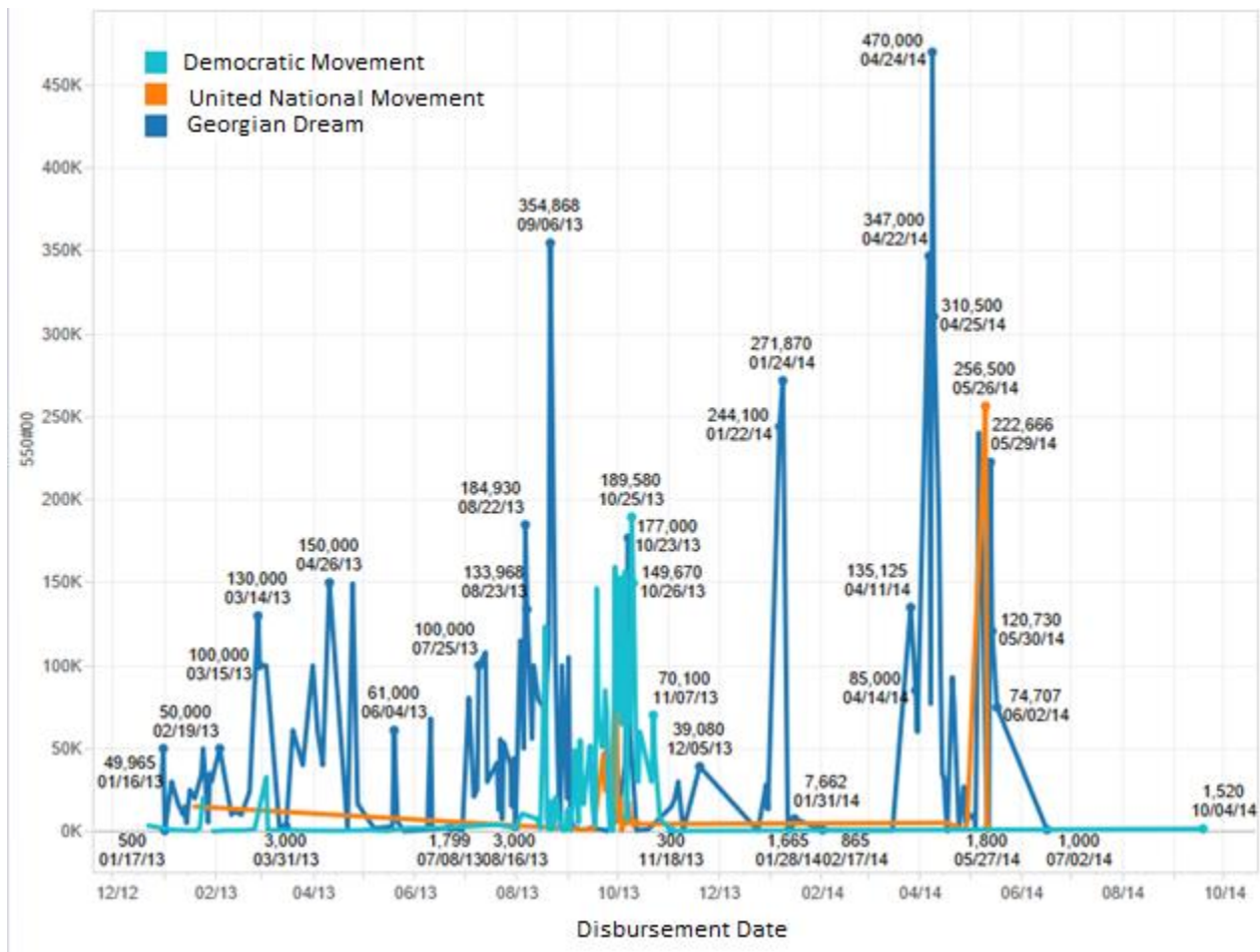


⁸ Total amount of annual donations received by the party from each citizen shall not exceed GEL 60,000 and from legal persons 120,000 GEL. Annual amount of membership fees from each party member shall not exceed 1,200 GEL. Moreover, a legal entity shall not be a donor, if 15% of its annual revenue is composed with the revenues received through the simplified state procurement.

The donors of GD were most active in April 2014, when GEL 1 804 625 was transferred to the coalition. On April 24, 2013 the donors transferred up to GEL 470 000 to the party. Similarly, on June 9, 2013 donors transferred up to GEL 354 868 (See figure 8).

From January to October 2013, the UNM received only GEL 17 600 while in October 2013 the party received a total of GEL 414 993 from its donors. During 2014 the UNM did not get any donations for a period of 5 months; however, similar to October 2013, it received GEL 256 500 on one single day - May 26, 2014.

Figure 8. Donations received by the Political Parties in 2013-2014 (GEL)



According to the data, no legal entities donated to the political parties. However, TI Georgia checked the individual donors of political parties in the databases of state registry in order to detect certain ties of donors with businesses. The results showed that 387 donors of different parties were affiliated with 875 companies, since they were registered in the company registry as owners, directors, representatives or applicants of one or several companies. Donations from these companies amounted to a total of GEL 4 481 323. Moreover, 132 companies out of 875 received public procurement contracts in 2013-2014 amounted to GEL 43 512 348. They received GEL 32 471 341 valued contracts through competitive tenders and GEL 11 041 007 valued contracts – through the simplified procurement.

Awarding the companies linked to donors of political parties with simplified procurement contracts might present certain risks of corruption. For instance:

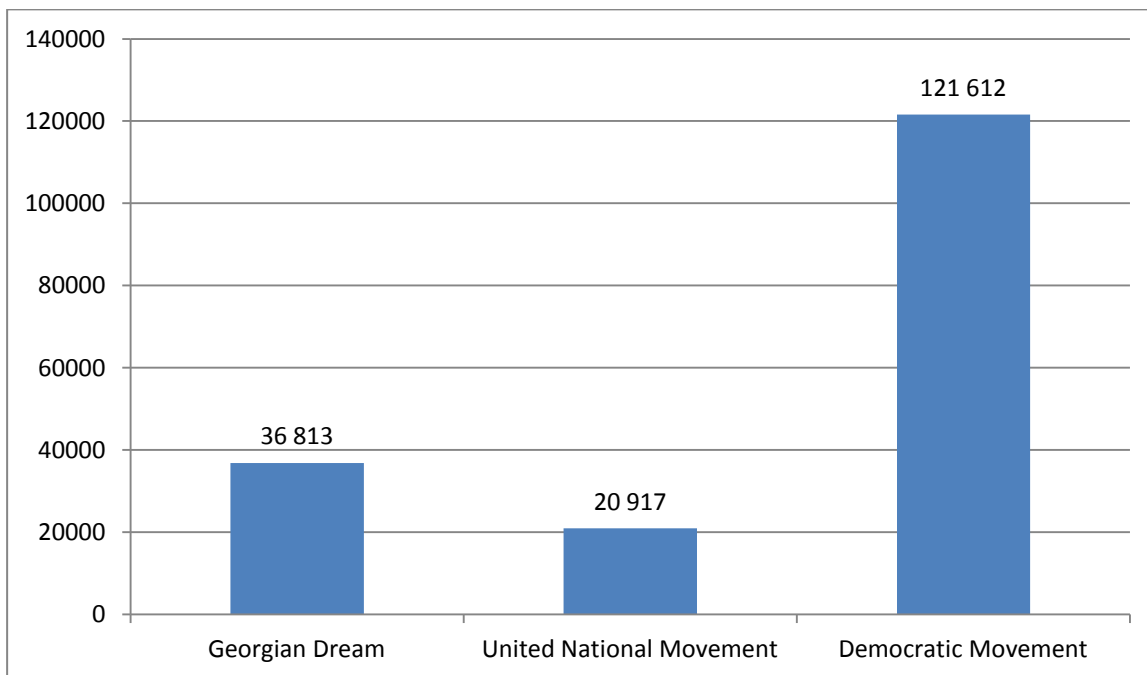
- In 2013, the *Caucasus Motors Company* took part in 13 public procurement tenders and won 11 of them as an only competitor the total value of which was GEL 901 466. The company also received GEL 1 608 306 valued orders by simplified procurement contracts. It is worth mentioning that *Caucasus Motors* was the only applicant in all of these tenders and thereby won in each of them. The director of *Caucasus Motors* Mikheil Alkhanishvili transferred GEL 40 000 to the party *Georgian Dream - Democratic Georgia* on October 23, 2013.
- In 2013-2014, *Modern – Villa* the company having links with Zurab Shubitidze won 19 competitive and 7 simplified public procurement tenders. The contracts obtained through the competitive tenders amounted to GEL 529 956; non-competitive tenders – to GEL 15 405. On September 4, 2013 Zurab Shubitidze, 25% share-holder of *Modern – Villa*, has also transferred GEL 45 000 to the political party *Georgian Dream – Democratic Movement*.

4. Non-monetary Donations

This category mainly includes free of charge services, real estate or movable property donated to political parties.

In 2013 *Democratic Movement – United Georgia* received the biggest share of the non-monetary donations amongst the political parties covered by the research. The donations were valued at GEL 121 612 (See Figure 10) and mostly included temporary handover of assets and transport vehicles, as well as lease of furniture.

Figure 9. Non-monetary Incomes Received by the Political Parties in 2013 (GEL)



5. Loans

According to the Georgian Law on “Political Unions of Citizens”, political parties have a right to take a loan of no more than GEL 1 million per year from a Georgian commercial bank.

In 2013 only two member parties of coalition *Georgian Dream* used this opportunity: *Conservative Party* got GEL 182 490 and *Industry Saves Georgia* got GEL 15 000. As for the previous years, none of the political parties took a loan.

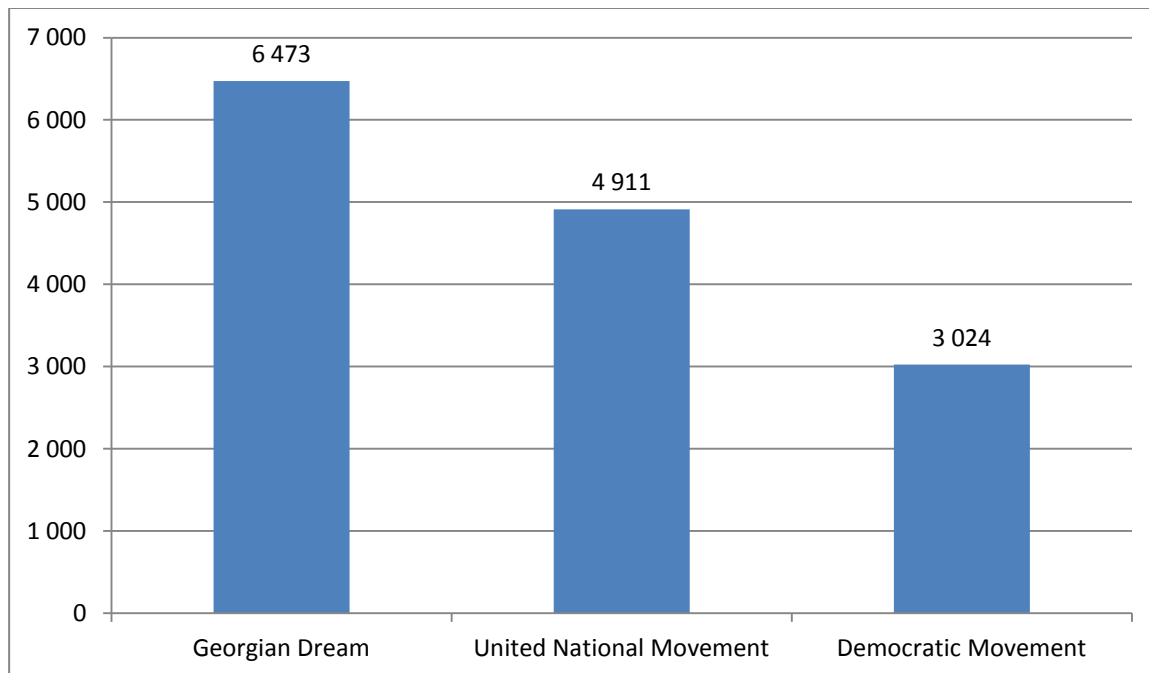
II. Expenses of Political Parties

Since the legislative reforms of December 2011 the political party financial declaration forms, including the sections on expenses, have become more detailed. It provides information about 50 different types of expenses commonly made by political parties. The form also includes a section for so called “Other Expenses”, where parties can individually report the unclassified costs. The annual declaration also gives detailed information regarding salaries/bonuses and mission costs. A separate section is provided for declaring the funding obtained through the Center of Electoral Systems Development, Reforms and Trainings.

The possibility of individually reporting different types of expenses - for real estate, transport and other leases by political parties is a positive change. These sections, similar to the salaries, bonuses and missions provide comprehensive information on the expenses. However, the annual declarations uploaded on the website of State Audit Office are not in a machine-readable format which is unfortunate as it largely complicates the analysis.

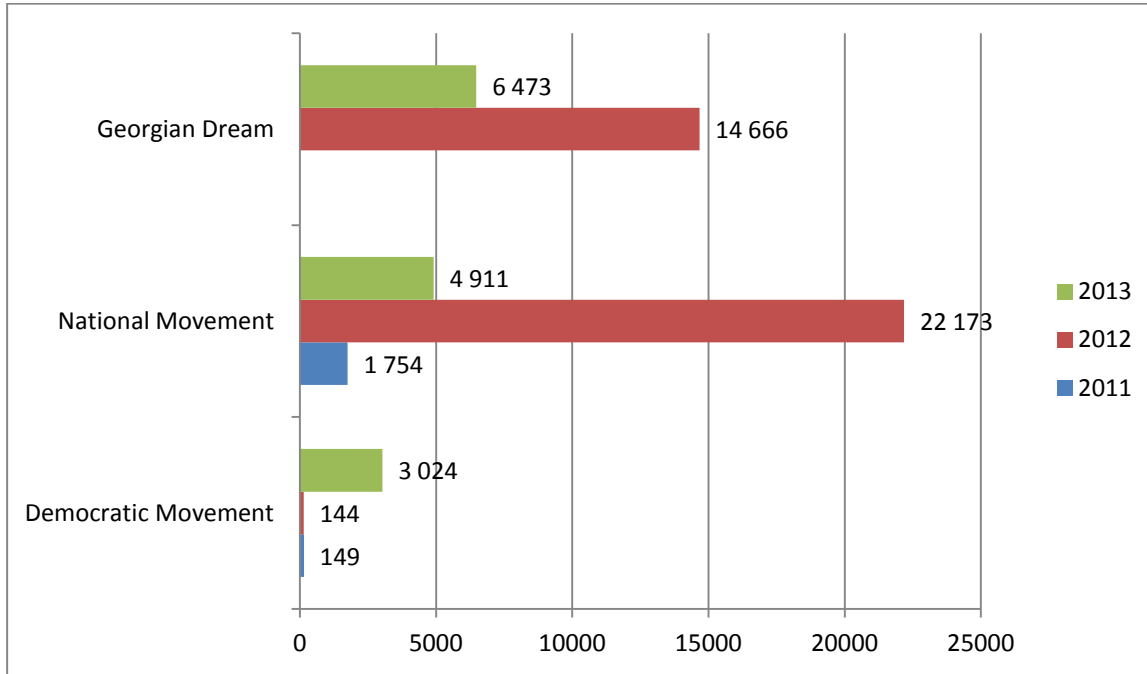
Unlike 2012, in 2013 *Georgian Dream* coalition had the largest expenses (around GEL 6.5 million). *United National Movement* was the second (around GEL 5 million), *Democratic Movement – United Georgia* took the third place (around GEL 3 million). In 2012 the expenses made by the ruling party were significantly higher than the expenses of the opposition parties. In contrast, in 2013 the expenses of the key political parties did not vary that much.

Figure 10. Total Expenses made by the Political Parties in 2013 (GEL thousand)



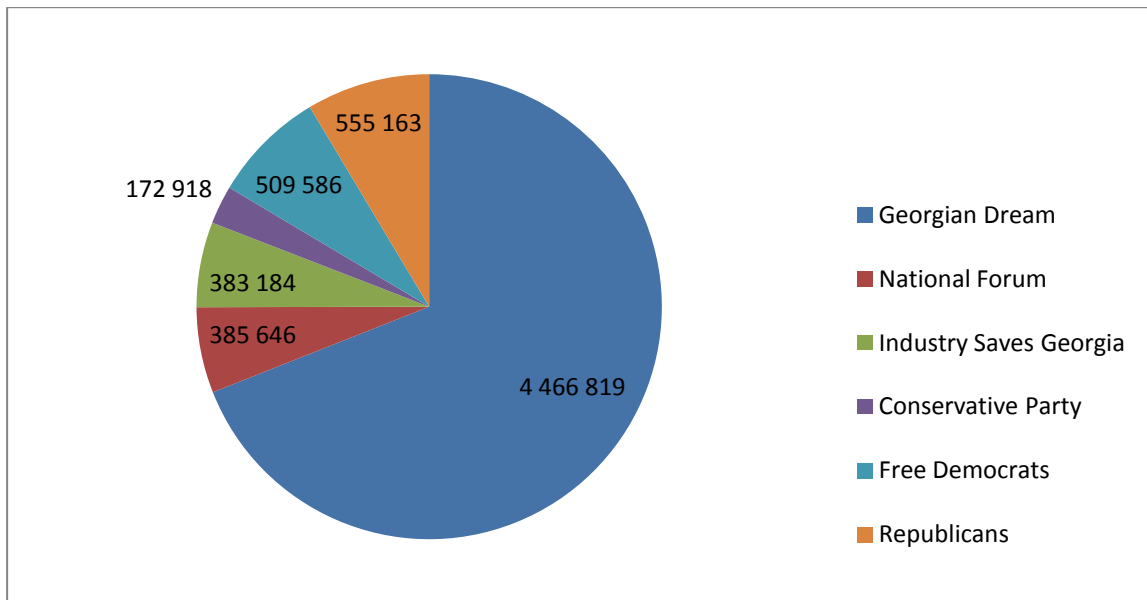
In addition, the expenses made in 2013 were considerably lower than the expenses made in 2012, which can be explained by the relatively low competition in the 2013 Presidential Elections compared to Parliamentary Elections of 2012.

Figure 11. Total Expenses made by the Political Parties in 2011-2013 (GEL thousand)



As for the six parties that form the coalition *Georgian Dream*, the largest part of expenses was made by the political party *Georgian Dream – Democratic Movement* (See Figure 12).

Figure 12. Total Expenses made by the Political Parties united in Georgian Dream coalition in 2013 (GEL)



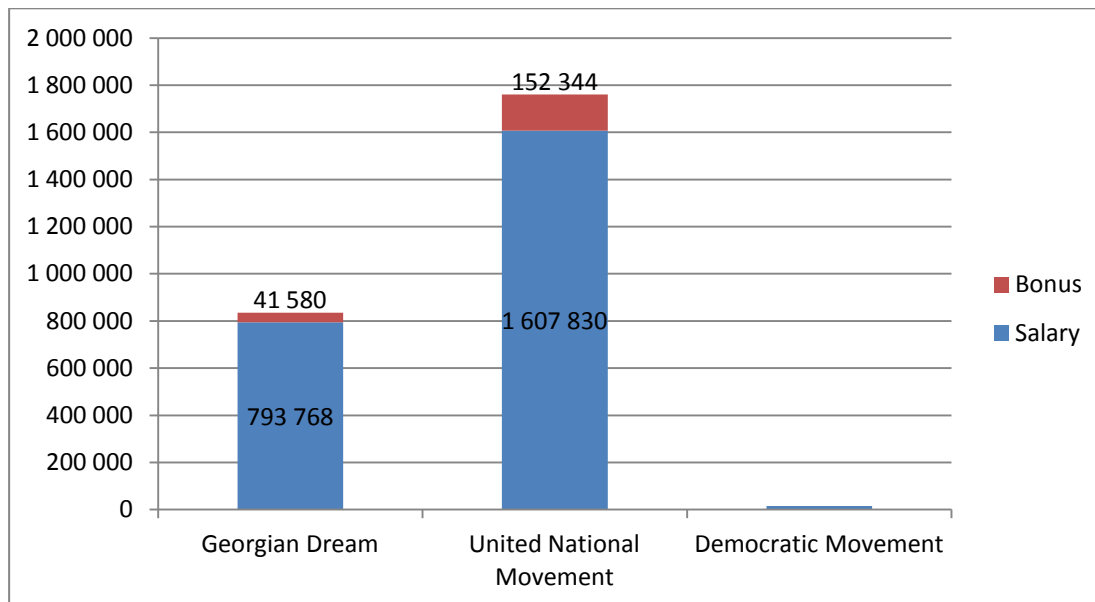
1. Salaries

In 2013 among the researched three election subjects *United National Movement* spent the largest amount on staff salaries and bonuses. These costs amounted to GEL 760 000 which makes 35.8% of all the expenses of the party.

The second largest spender in this category was *Georgian Dream* coalition with GEL 835 348 - 12.9% of the party's total costs.

Democratic Movement - United Georgia has not issued any bonuses to its employees and has only spent GEL 15,500 in terms of salaries (around 0.5% of its total expenses). Considering the active election campaign conducted by the candidate of this party during the 2013 presidential elections, this number raises doubts.

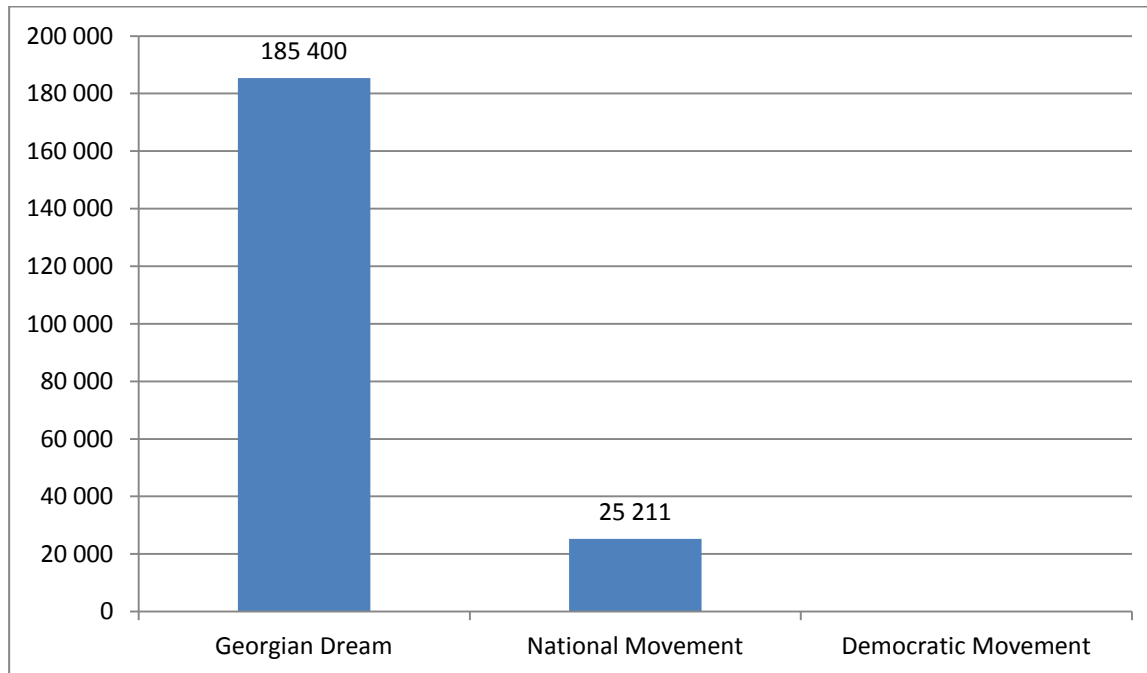
Figure 13. Funds Spent by the Political Parties on Staff Salaries and Bonuses (GEL)



2. Business Trips

During the reporting period only *Georgian Dream* and *United National Movement* had the business trip costs amounted to approximately GEL 185 000 and GEL 25 000, respectively.

Figure 14. Funds Spent by the Political Parties in 2013 on Business Trips (GEL)



3. Office and Communication Costs

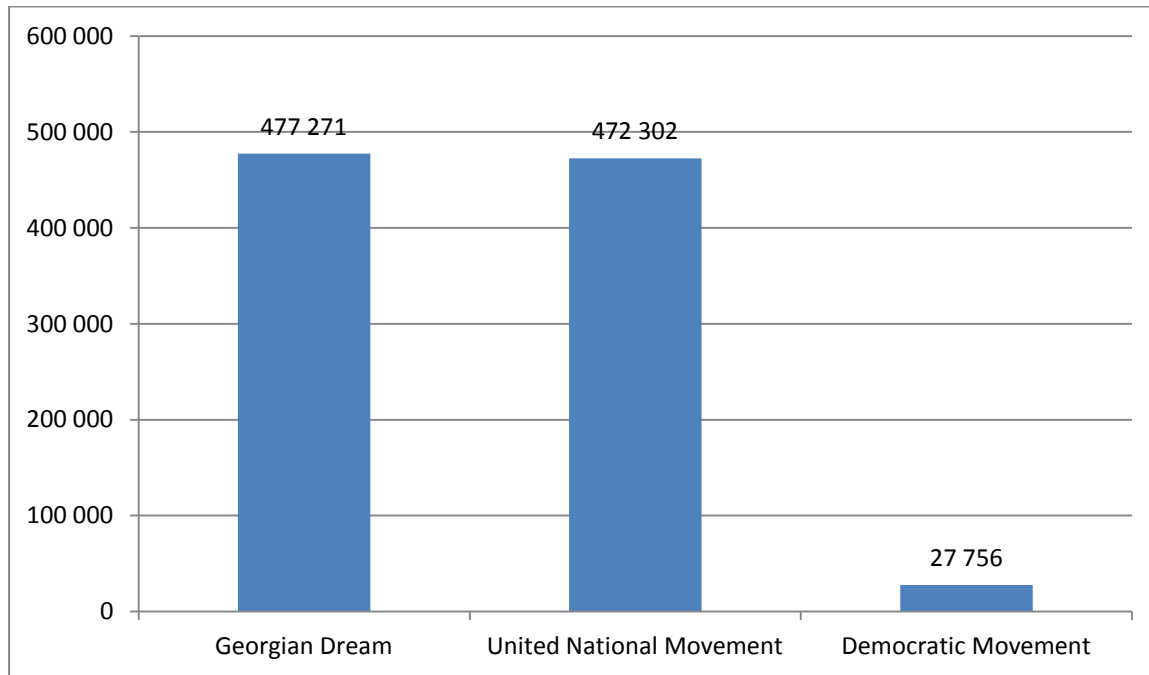
This part of expenses covers communal, communication, stationary and other similar costs.

In 2013 *Georgian Dream* coalition and the *United National Movement* had almost equivalent office costs - approximately GEL 500 000 while the *Democratic Movement – United Georgia* reported only GEL 28 000 as their office expenses. In February 2014 this party was fined due to the non-disclosure of office expenses. The State Audit Office investigated the financial declaration of the party filed on September 1, 2013 due to the fact that it only included information on the rent of a single office space, while the website of the party listed 9 different offices.

As of September 13, 2013 DM had only declared 19 offices, while the State Audit Agency discovered and visually documented up to 90 offices. As a result, the party was fined by GEL 65 000 in February 2014.⁹

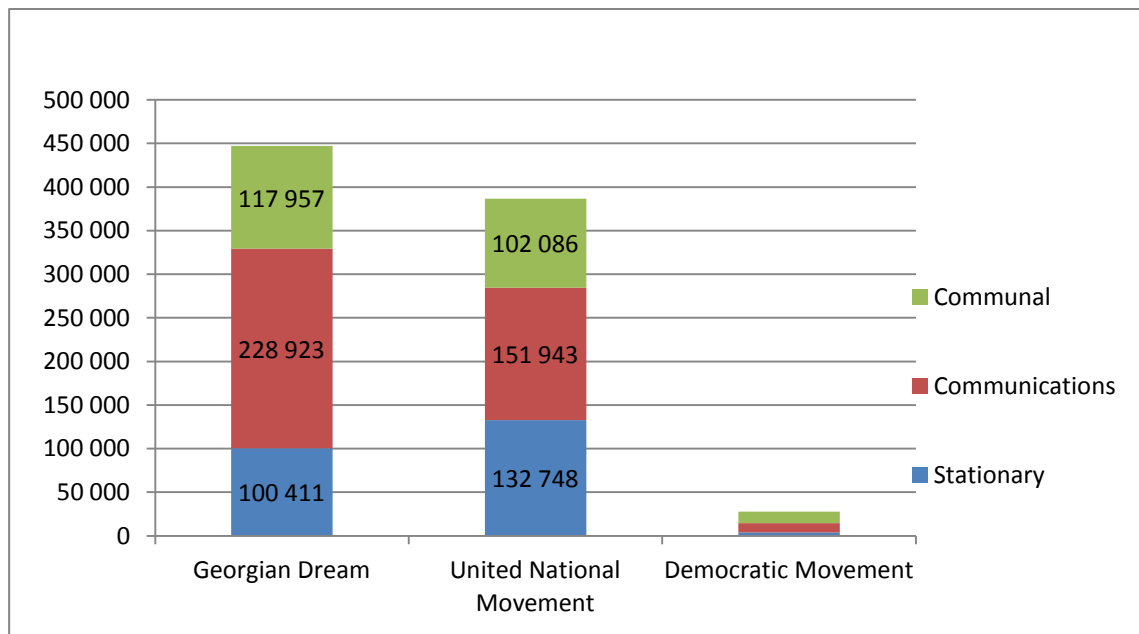
⁹ <http://sao.ge/files/PDF%20PresRelizes/09-24-13.pdf>

Figure 15. Office Costs of Political Parties in 2013 (GEL)



As for the communal, communication and stationary costs, *GD* appears to be the largest spender in this category, followed by the UNM and the DM (See Figure 16).

Figure 16. Office and Communications Costs made by the Political Parties in 2013 (GEL)



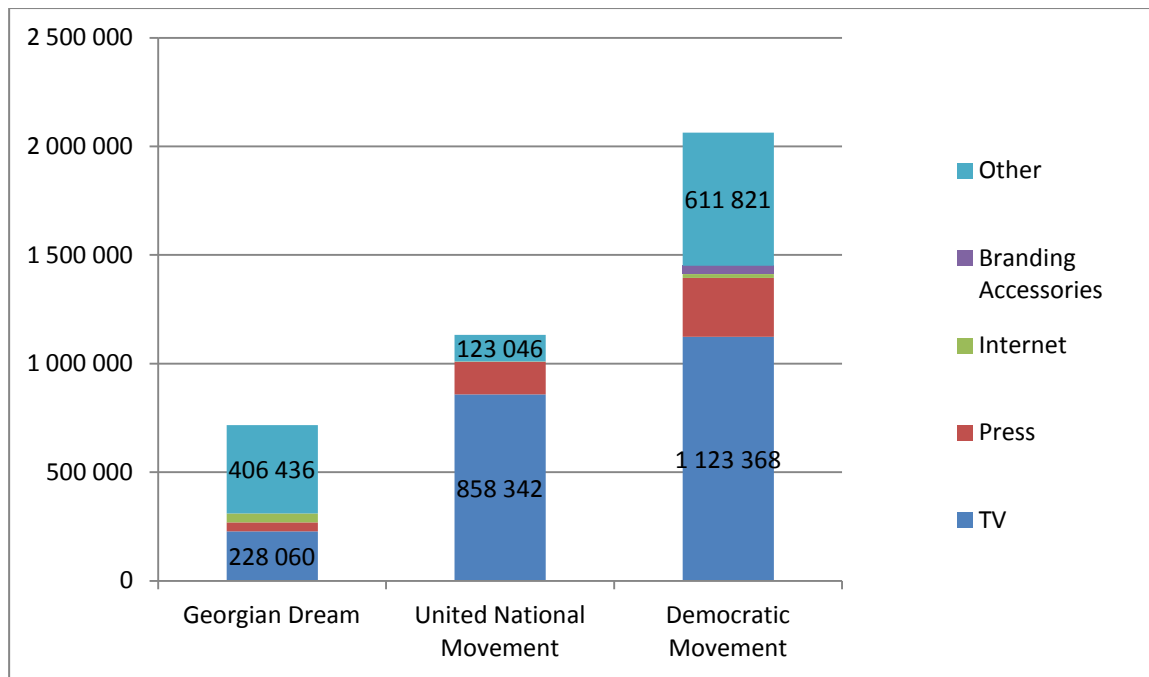
4. Advertising Costs

Advertising is generally one of the most important components of modern election campaigns. During the previous years, the major part of political party expenses was related to advertising costs.

The advertising expenses made in 2013 were interesting to observe as they did not follow the trend of other types of expenditure.

In 2013 the largest amount on advertisement - around GEL 2 million - was spend by the *Democratic Movement - United Georgia*. The second largest spender on advertising was the *United National Movement* with GEL 1.3 million, whereas *Georgian Dream* has spent the smallest amount - around GEL 715 000. As for the types of advertising, the largest amounts were spent on TV advertisements and the least was spent on internet advertisement and branded accessories.

Figure 17. Advertising Costs of Political Parties in 2013 (GEL)



The advertising costs were spent mainly during the pre-election campaign. The expenses related on commercials outside of this period were negligible, except the GEL 70 000 spent by the DM. In comparison, the pre-election advertising of 2012 campaign had started long in advance. Therefore, even during non-election times, advertising costs were significantly larger. For example, in 2012 the UNM spent GEL 577 030 on ads.¹⁰

As for the 2012 pre-election period, in August-September, 2012 the *GD* coalition's advertising costs made up only 7.5% (GEL 464 865) of its total expenses, while those of the *UNM* comprised - 74% (GEL 13 874 787). The largest portions of these costs were related to TV commercial costs while internet and branded accessories costs were modest.¹¹

¹⁰ See Transparency International – Georgia Report on Finances of Political Parties in 2013 <http://transparency.ge/en/node/2946>

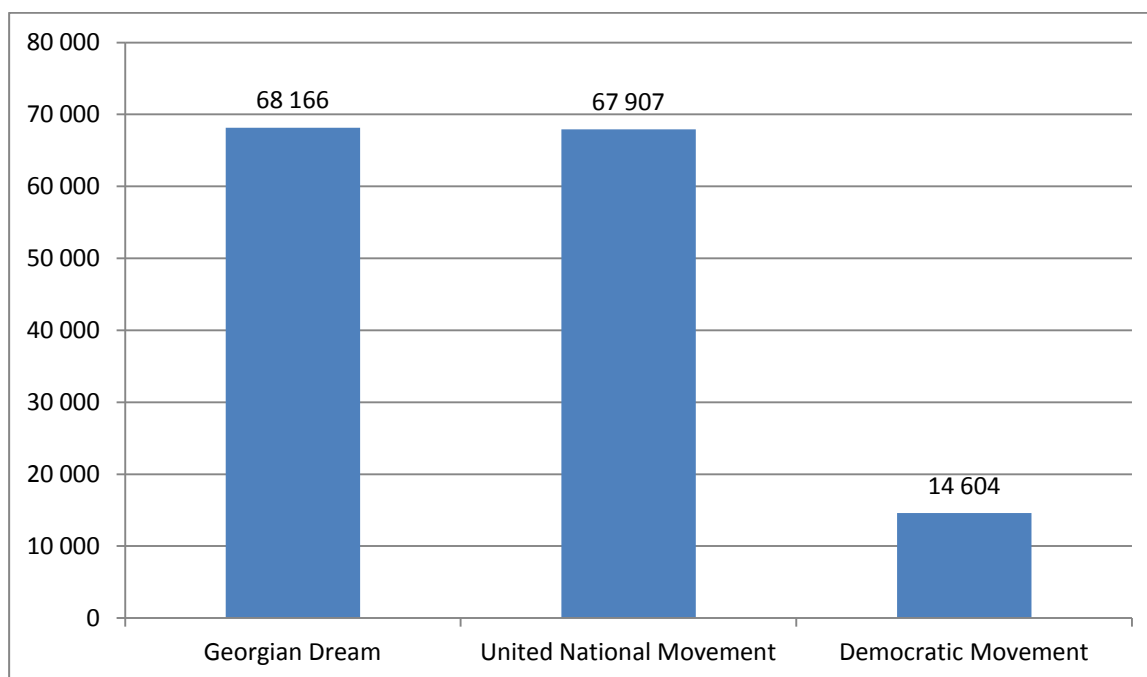
¹¹ Ibid

5. Other Expenses

Since 2011, the share of unspecified “Other Expenses” in the total costs of political parties has considerably decreased. This is due to the introduction of detailed declaration forms, which required precision from political parties. In 2012, some parties either did not declare such expenses or their share was quite small (1-5%).¹²

This trend was maintained in 2013 as well. “Other Expenses” in the case of *United National Movement* comprised only 1.38% of political party’s total expenses, in cases of *Democratic Movement - United Georgia* and *Georgian Dream* these shares were even lower - 0.48% and 1.05% respectively.

Figure 18. Other Expenses made by the Political Parties in 2013 (GEL)



¹² Ibid

III. Recommendations

The research disclosed several problematic aspects that need to be solved in order to increase the level of transparency and openness of political finances. TI Georgia thinks that the following recommendations should be taken into consideration:

- The State Audit Office should pay more attention to political party donations. The possible links of individual donors with business companies should be studied. When such links are discovered the participation of those companies in state procurement processes should also be studied in order to decrease the risk of political corruption;
- When developing the online forms of reporting, the State Audit Office should employ the mechanisms facilitating information processing; this would make information easily understandable and discernible, and ensure that it is processed (machine-readable) without difficulty;
- In financial declarations the advertising costs should be provided in more details. The form should contain a detailed account of costs indicating the exact date, procured goods/services, supplier of the goods/services, amount of costs, and the territory. Detailing the above category is essential for carrying out comprehensive monitoring of the Media;