Georgian Political Party Finances in 2016

First Report
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Content

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.

This report analyzes the situation of political party finances in Georgia. Notably, political party finances are a broad concept and it does not cover only finances for election campaigning. As a rule, it also includes the period prior and after the election campaign. The election campaign in Georgia began on June 8, 2016 and continued up until the Election Day (October 8). This report extensively covers the political party financing and provides an analysis based on data from the time period June 1, 2016 – September 1, 2016. The report on the financing of the election campaigns will be presented separately after the elections.

Qualitative and quantitative methods of analysis were used in the preparation of this report. The methodology is partially based on the Handbook for the Observation of Campaign Finance by OSCE-ODIHR.[1]

The first chapter of the report provides an overview of the general legislative framework for political party financing in Georgia. More specific issues are discussed in the subsequent chapters. Namely, there is a specific chapter for the standards and practices of incomes and expenses of political parties. Moreover, the report provides an analysis of the donations for political parties (donors, their business companies and the participation of these companies in government procurements) in January-August, 2016.

Two reasons prompted us to analyze only data from donations for this report. Firstly, since this year is still ongoing, we do not have full access to the data on the incomes and expenses of political parties in 2016. Donations belong to the category of income that can be analyzed without data for the whole year. Secondly, donations in political party financing are of huge risk to being susceptible to political corruption. Therefore, transparency is absolutely necessary in information related to donations.

The chapters in the report also cover issues such as: a) accountability and transparency of political party finances; b) oversight and monitoring of finances; c) sanctions; d) women, minorities and persons with disabilities. Recommendations are presented at the end of the report.

[1] http://www.osce.org/odihr/elections/135516?download=true

Main Findings

We had the following main findings during the monitoring of political party finances from January 1, 2016 to September 1, 2016:

Donations

- In January 1, 2016 – September 1, 2016, political parties/election subjects in total received GEL 16,150,855 in donations (including membership fees and non-monetary donations). 1,109 natural persons donated GEL 14,829,755 and 24 legal entties donated GEL 1,321,100;
- Political party Georgian Dream received the largest part of the total donations (64%) – GEL 10,286,735. Then comes Paata Burchuladze's party Platform for New Movement – State for the People, with a total of GEL 2,289,122 received in donations. The third largest recipient of donations is Patriots' Alliance of Georgia, with a total of GEL 1,151,797. The fourth is United National Movement with GEL 651,661, and the fifth is New Political Centre – Girchi, with a total of GEL 601,717;
- 15 out of 24 legal entities donated to the Georgian Dream, and the remaining nine to - Patriots' Alliance of Georgia, National Forum and Girchi. Six companies were the largest contributors, donating the maximum amount of GEL 120,000 each to the Georgian Dream. These companies are: LTD GMP, LTD Miso Lider Krediti, LTD Kakheti's Traditional Winery, LTD Alfa, LTD New Georgia and LTD Gagra+;
- Out of 15 donor companies of Georgian Dream, only 2 – LTD Kakheti's Traditional Winery and LTD Coca-Cola Bottlers Georgia – got public procurement contracts through the simplified procedure, with a total of GEL 255,000. Since these companies contributed around GEL 240,000 to the Georgian Dream, the low value of the procurement contracts is not indicative of political corruption.
- For the contributions by natural persons, 180 out of 1,109 donors were somehow connected (including through a family member) with 717 companies. 62 out of 180 are connected to companies that have secured at least one public procurement contract through the simplified procedure in 2016. 34 persons out of these 62 are contributors to the Georgian Dream. They donated a total of GEL 900,400 in the first eight months of 2016. Notably, 31 companies connected to these 34 individuals secured a total of GEL 1,601,598 direct contracts in public procurement.

Amongst these people the following are noteworthy:

- **Giorgi Jabidze** donated GEL 55,000 to the ruling party, while his company Fundashen secured nearly GEL 380,000 in direct public procurement contracts;
- **Ivane Nikolaishvili** donated GEL 40,000 to Georgian Dream, while a company connected to him, Fudservisi, secured nearly GEL 130 000 in direct public procurement contracts;
- **Giorgi Robakidze** donated GEL 22,000 to the ruling party, while his company Kavkasavtomagistrali secured nearly GEL 220,000 in direct public procurement contracts;
- **Ioseb Bregvadze** donated GEL 10,000 to the ruling party, while his LTD O. Gudushauris National Medicine Centre secured nearly GEL 390,000 in direct public procurement contracts.

From January 1 of 2016, 38 officials and their family members donated more than GEL 5,000 to political parties. We focused on the civil servants whose contributions made up a significant portion of their annual income as stated in their public asset declarations. These public servants are:

- Zaza Papuashvili (Member of Parliament) – Donated nearly 57% of his income from the previous year (GEL 45,000) to the Georgian Dream. Moreover, Papuashvili has spent USD 19,189 on three bank loan services throughout the year;
- Shota Khabareli (Member of Parliament) – Donated 52% of his income from the previous year (GEL 30,000) to the Georgian Dream. Khabareli also has a USD 50,000 consumer loan, which cost him USD 8,400 in service charges in 2015;
- Irakli Sesiashvili (Member of Parliament) – Donated 30% of his income from the previous year (GEL 20,000) to the Georgian Dream.
- Giorgi Khachidze (Member of Parliament) – Donated 24% of his income from the previous year (GEL 14,398) to Girchi. Moreover, he has a USD 50,000 mortgage loan, which cost him USD 7,000 and USD 4,000 in service and real estate rent charges in 2015;
- Gizo Mchedlidze (Former Secretary at the Central Election Commission) – Donated 46.6% of his income from the previous year (GEL 60,000) to the State for People party;
- Gogi Meshveliani (Governor of Bolnisi Municipality) – Donated 28% of his income from the previous year (GEL 20,000) to the Georgian Dream. He also has a USD 15 000 USD and GEL 4,600 in bank loans;
- Giorgi Kopadze (Former mayor of Akhaltsitkhe) – Donated 14% of his income from the previous year (GEL 10,000) to the Georgian Dream. He also has a GEL 48,400 bank loan;
- Nika Dvali (Director General of LTD Sakartvelos Melioracia) – Donated 26% of his income from the previous year (GEL 15,000) to the Georgian Dream.
- Iuri Nozadze (Deputy Minister of Agriculture of Georgia) – Donated 26% of his income from the previous year (GEL 20,000) to the Georgian Dream. He also has a GEL 72,000 bank loan.

Other issues

- In 2016 a legislative amendment related to political party financing was adopted, which elaborated new rules of allocating free advertisement time for qualified election subjects. This new regulation is better than the old one, but it still requires improvements;
- There was an interesting case with a person with declared political and election aims and objectives. Paata Burchuladze began his political activities before creating his own political party, but since he didn't publicly declare his election aims, the activities of his fund did not fall under the regulations of political financing. This once again put forth the issue related to the definition of person with declared political and election aims and the need to improve the mechanisms of prescribing this status;
- The current election year was different from the previous ones with a number of notable instances of vote buying. However, no one has yet been charged with this violation.

Chapter I. Legislative Framework of Political Party Finances

Political party financing is regulated by several legislative acts in Georgia. The legislative framework covers income and expenses of election subjects, as well as transparency and effective implementation of responsibilities as defined by the law.

The legislative basis for the regulation of political party finances is largely based on the Law On the Political Unions of Citizens" and the Election Code, as well as by the Law on the State Audit, General Administrative Code and Code Of Administrative Offences. Moreover, it is regulated by the orders of the general auditor of the state audit office.

1. Amendments to the legislation

Radical amendments to the political party finance legislation have occurred in the last four years. In this regard the biggest change occurred at the end of 2011, when significant amendments were made to the Organic Law on Political Unions of Citizens. New regulations factually filled the legislative gap of political financing. Several important amendments were also carried out after the 2012 parliamentary elections.

As far as 2016 is concerned, the Constitutional Court of Georgia upheld on May 23 the claim by Political Union of Citizens "Free Georgia" and "New Rights' against the Georgian Parliament and ruled Article 51 (5) of the Election Code as unconstitutional.

The disputed provision defined the allocation of free advertisement time for election subjects during the pre-election period at the Public Broadcaster, Public Broadcaster's Adjara TV and Radio. The right of having the free time was allocated to only those election subjects, in which the political party received no less than 4 or 3 percent at the parliamentary or local self-government elections respectively, or participated in the previous elections as part of an election bloc that received the same amount of support and was number 1 on the bloc list of parties. The Court ruled that it was discriminatory towards the parties that participated as part of an election bloc but were not number one on the bloc list.

Due to this decision by the Constitutional Court, the Parliament of Georgia was forced to adopt new legislative amendments, which would determine the new rules for allocating of free advertisement time. The draft law was prepared by a small number of MPs and the whole political spectrum was practically disengaged from the process. Since this issue is related to their work, all leading political parties must have been engaged in the preparation of this draft law.

On June 22, the Parliament adopted new amendments, which eliminated the discriminatory approach towards members of election blocs. According to the new regulations, free political advertisement time is allocated equally to all political parties that have individually or within an election bloc secured no less than 4% in the party list vote during the parliamentary elections, or no less than 3% during the local self-government elections. Despite the fact that the new rule is better than the previous one, it still has a number of errors. The equal allocation of free political advertisement time is unjust because, for example, a party that has secured 50% and a party that has secured only 4% should not enjoy the same privileges. It would be logical for the party with the biggest support to have more free political advertisement time. Moreover, the new rule is illogical as it does not differentiate between political parties that have passed the election threshold individually and within election blocs.

2. Main principles

As it has already been noted, a number of legislative acts regulates the political party finances in Georgia. Therefore, important principles relate to political parties are defined in several different laws.

The Organic Law on Political Unions of Citizens defines the persons that fall under the restricting regulations of political financing. Namely, the aforementioned law defines political parties, as well as the concept of the person with declared electoral aims. According to the law, a political union of citizens is a voluntary and independent association founded on citizens' common vision and organizational basis and registered in accordance with procedure established by the law and which operates on the basis of the Georgian Constitution and legislation. Apart from the political party, the Election Code also defines the concept of initiative groups and independent candidates, which also fall under the regulations of political party financing.

In practice, it is most difficult to define the concept of a **person with a declared election aim**, since it is not officially registered, however, compared to other political subjects, has a declared election aim and uses respective financial and material resources to achieve its aim.

As stipulated by the law, a person with declared election aim exists when it is clear that a specific person seeks to come to power through elections. The declaration should be made public and should be addressed towards the formation of public opinion.

According to the State Audit Office, it is important to keep in mind subjective and objective factors when determining the declared election aim. Namely, it is important to determine whether the quality of recognition and public attention (and not interest of single individuals) of the person with the declared election aim is sufficient to have an impact on the formation of public opinion. Moreover, the declaration should be public, should be addressed towards the formation of public opinion, which can be carried out through printed or electronic means, including the internet, as well at organized public events. Moreover, it is obligatory to monitor the use of financial and other material resources of persons with declared election aims.

There was an interesting case of a person with declared election aim in 2016. Famous Opera singer and philanthropist Paata Burchuladze founded N(N)LE Paata Burchuladze – Georgia's Development Fund, which began active work with the population. Regional offices of the Fund opened all across Georgia. Paata Burchuladze began building up a team of like-minded individuals and started meeting up with the population. According to him, he didn't plan to come into politics at the time, but nothing was excluded for the future. Nevertheless, in spite of the obvious expectations of the population that Burchuladze would run for the parliamentary elections, the State Audit Office could not recognize him as a person with declared election aims. The reason for this was the lack of open and public declaration by Paata Burchuladze that he had election aims.[2]

Meanwhile, the Fund spent significant amount of money on forming an organizational structure and Paata Burchuladze finally revealed to the public of his intention to form a political party on May 12.[3] Due to this, there is a legitimate suspicion that Burchuladze knowingly delayed making his election aims public, in an effort to bypass the regulation on political parties. This case has demonstrated that the methodology for prescribing the status of a person with declared election aims requires improvements. This is crucial to avoid any instances of bypassing the regulations in the future.

3. Assessments of international organizations

Georgia is one of the leaders in terms of regulations on political party finances. In Sunlight Foundation's influential ratings on political party financing, Georgia is number one amongst 55 countries.[4]

After each general election is held in Georgia, OSCE-ODIHR and other international organizations write about political party financing in their reports. In this case, it is worth to mention the **Group of States against Corruption (GRECO)**, which, compared to others, has extensive research on this issue. The report prepared by GRECO on June 15-19 2015 assessed the fulfillment of the recommendations proposed by GRECO from the earlier reports. GRECO's recommendations are broken down into two groups. The first concerns the criminalization of certain articles as per the Criminal Law Convention on Corruption, while the second part relates to the transparency of financing of political parties and election campaigns.

According to GRECO, 10 recommendations from the second part have been fully fulfilled, while the remaining 7 have been partly fulfilled. GRECO had the following recommendations for the legislative framework:

1) GRECO called upon the government to amend the legislation on political financing in order to form a single regulatory framework between the Election Code and Law on Political Union of Citizens.

The aforementioned recommendation is partially fulfilled. First of all, it is worth to mention the expansion of the regulations of the Law on Political Union of Citizens. This law regulated the activities of political party systems, therefore its effect over other subjects, according to GRECO, is a disputed matter. Moreover, in spite of the amendments, there are still cross

[2] http://sao.ge/news/739?year=2016&month=3
[3] http://rustavi2.com/ka/video/2915?v=1
[4] http://moneypoliticstransparency.org/

references (in the Law on Political Union of Citizens and Election Code) on issues related to different issues, which is a source of confusion.

GRECO stresses that in this regard there has been no improvement and called upon the government to speed up the process. GRECO does not agree with the government's position that cross references in law are an established practice and the expansion of the regulations of the Law on Political Union of Citizens.

2. According to GRECO's assessments, the amendments carried out in 2013 improved the concept of person with declared election aims, yet some issues still remain under question. Namely, the law defines only physical persons as persons with declared election aims, while the order of the state audit office cover legal persons. Moreover, the obligation to publish financial information in a non-election period for persons with declared election aims stems not from the law, but from the order of the state audit office.

Chapter II. Income and expenses

1. Income

According to existing regulation in Georgia, political parties and candidates can receive income from the following sources: 1. State funding (which includes direct funding from the state budget as well as non-direct funding); 2. Membership fees; 3. Donations; 4. Preparation and spread of symbolism, lectures, exhibitions and other public events, as well as yearly income from business and other activities; 5. Bank loans

1.1. State Funding

As it is evident from the category of possible sources of income for political parties, funding can be acquired not only through the private sector but through state funding. As a rule, funding from the state constitutes a huge chunk of the overall funding received by political parties. The quantity and subjects eligible for state funding are determined by the Organic Law on Political Union of Citizens. This law determines several ways of receiving state funding.

1.1.1. Direct funding to political parties

Direct funding is received by the political party registered at the Central Election Commission that has individually or within an election bloc received no less than 3% of votes in the previous parliamentary or local self-government elections. The amount of funding allocated is determined by a formula [5], which determines GEL 300,000 as base funding and is further increased by the amount of mandates secured for the Parliament as well as votes secured. However, if a party has participated individually or within an election bloc and secured more than 6% of the votes in the previous parliamentary or local self-government, then the funding is doubled (GEL 600,000).

1.1.2. Funding for covering election campaign expenses

An election subject, which has secured 5% or more in the proportional vote of the parliamentary elections, or more than 10% in the first round of presidential elections, will be compensated with a single payment of a maximum of GEL 1,000,000 from the state budget. A single payment of GEL 500,000 will be made if the election subject secures more than 3% of votes in the council elections.

The election subjects will receive these single payments only after presenting their expenses on election campaigning.

[5] According to Article 30 (4) of the Organic Law on Political Union of Citizens, the funding acquired by parties is determined by the formula:
Z=B+(M*600*12)+(L*100*12)+(V*1,5)+(W*1)+(H), where Z is the amount of funds to be allocated; B – base funding amount; M – amount of parliamentarians (under 30 or 30) elected through the proportional system ; L – amount of parliamentarians (over 30) elected through the proportional system; V – amount of votes secured till 200 000; W – amount of votes secured after 200 000; H – party, which has been registered at the central election commission and whose member was elected as an MP, H=300 000 GEL

1.1.3. Funding on the basis of gender equality

A political party, which receives funding from the state budget will secure a 30% increase on its base funding if within its party or within the election bloc the first, second and in every ten candidates there is at least 30% different gender composition.

1.1.4. Allocations of funds to parties through the Center of Election Systems Development, Reforms and Trainings

Apart from the funding from the state budget, the Center of Electoral Systems Development, Reforms and Trainings is annually financed by the state budget. The Center’s goal is to support introduction of competitive political system, rising of voters' confidence towards election procedures and arrangement of impartial, transparent elections. The funding from the state budget is half of the directly allocated funds. The funds allocated by the Centre to the political parties is divided proportionally by their base funding. The funds are allocated only for research, learning, conferences, work trips, regional projects, and educational programs for civic and electoral issues.

1.1.5. Party funding for TV political advertisements

To support the financial transparency of political party election campaigning during the election year, additional funds are allocated from the state budget to cover the expenses of TV political advertisements. The funds are received only by those political parties, which have received the right to be funded from the state budget due to their performance in the previous general election. To calculate the amount to be received in funding, the amount of votes received by the party in the last general elections is multiplied by three and then divided by the amount of political unions that make up the election subject. The funds do not exceed GEL 600,000. At least 15% of the allocated money for the election subjects should be used in pre-election advertisements in a minimum of seven broadcasters, which are not national broadcasters.

1.1.6. Funding of representatives of district and precinct election commissions

Qualified election subjects will receive GEL 100 for every representative per precinct and GEL 150 for every representative per district on the Election Day. Moreover, the election bloc that does not include any qualified party, but includes at least one party that has secured at least 3% in the last parliamentary elections or last general proportional elections in the local self-government elections, will receive GEL 100 for every representative per precinct and GEL 150 for every representative per district on the Election Day. The funding is allocated no later than 3 days prior the Election Day.

1.1.7. Free advertisement time

Apart from direct funding from the state budget, the legislation also defines non-direct funding for political parties. The broadcasters are obliged to allocate advertisements provided by all eligible election subjects free of charge and without discrimination a minimum of 90 seconds within a 3-hour period.

It is forbidden to receive state funding, or other income, which does not fall into the aforementioned category.

1.2. Private funding

Attraction of funding from private sector still remains a challenge for political parties. As defined by the law, the largest income from private sources are: a) membership fees; b) donations; c) bank loans.

1.2.1. Membership fees

Prior to the amendments in 28th of December 2011, membership fees were not regulated in detail and there were no restrictions. With the changes, a maximum cap was instituted for membership fees – GEL 1,200. This cap was justified on the grounds that without it there was a risk of it being used as a way to avoid the restrictions on donations.

1.2.2. Donations

Regulations on donations have changed several times throughout the previous years. In 2011, the right of legal persons to make donations was abolished, with certain exceptions. As of today, existing legislation defines donations as following;

- Money deposited on the account of the party from a physical or legal person;
- Material and non-material support secured free of charge or with a discount from a physical or legal person in support of the party (including a discount credit) and services (except for work performed by volunteering)

The law determines qualitative, as well as quantitative restrictions on making of donations:

- The physical person who donates should be a citizen of Georgia;
- The legal persons who are donating should be registered on the territory of Georgia, while its partners and last beneficiaries should be citizens of Georgia;
- The donators cannot be a legal person, which in the last calendar or election year has had a 15% or more factual income from state procurements;
- Donations received by the party from a single citizen should not exceed GEL 60,000, while the donation received from a single legal person should not exceed GEL 120,000;

Moreover, it is forbidden to receive donations from the following sources:

- International organizations and movements, and physical and legal persons of other countries;
- State agencies, state organizations, public entities of law, societies created by co-investment of the government;
- Non-commercial legal entities and religious organizations;
- Anonymous sources

GRECO had specific recommendations for donations in its latest report. According to GRECO, the government should have adopted the required measures, in order to ensure the effective identification of non-monetary support from donators. In spite of a number of positive amendments, the Order of the General Auditor, according to GRECO, does not include clear and precise guidelines for the publication of information of non-monetary donations secured by political parties and other election subjects. Moreover, it should be clearly determined that not all non-monetary products and services have a clearly determined value. Due to this, there should be a clear distinction made between professional and non-professional voluntary work.[6]

1.2.3. Bank loans

A political party has the right to take a credit from a Georgian commercial bank not exceeding GEL 1,000,000 in a calendar year.

2. Political party donations in 2016

Political party's income from private sources have always been at the center of attention in Georgia, especially donations. Since Georgia is a small and a poor country, big donations made to political parties always beg the question of where the money came from and whether there was any corruption involved.

It is quite difficult to detect corruption and unlawful schemes, however in the past years TI Georgia has tried to provide the public with more information on political party donations and business interests, as well state procurement contracts secured by business companies affiliated with the donators.

To more easily detect such business interests, TI Georgia created a special web-platform www.politicaldonations.ge, which includes information on all donations made to political parties from 2012 till September 2016. Moreover, it is possible to see business interests of the donators.

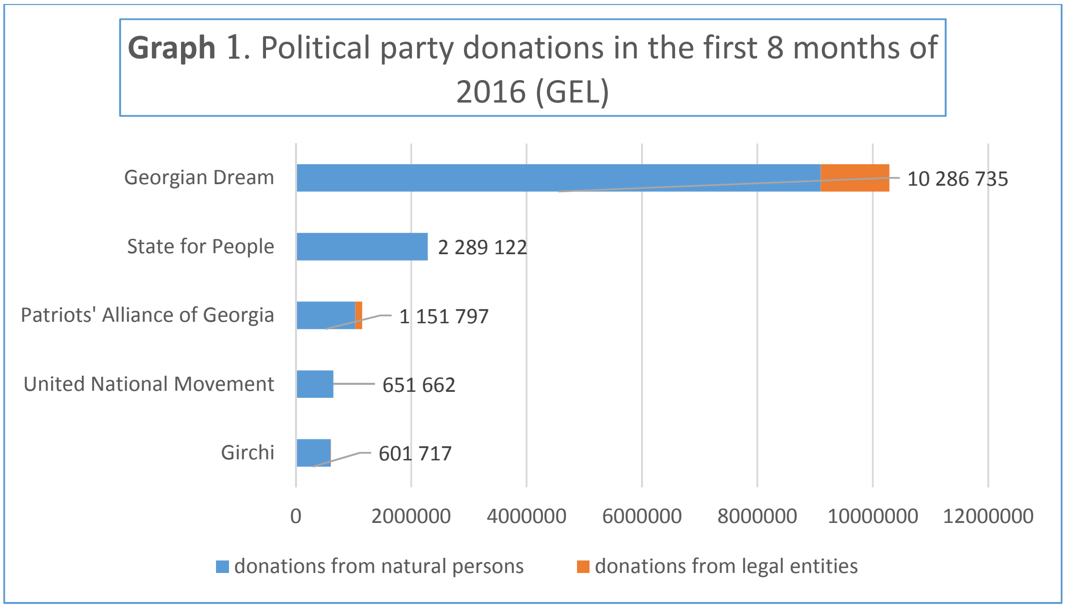
Based on the data available at this web-platform, we analyzed all donations made from January 1, 2016, namely the business companies of the donators and their participation in state procurements. Moreover, we analyzed the income of the donators, who had filled in public asset declaration forms. In this regard, it was interesting to see whether the income provided in the public asset declaration enabled those donators to make contributions to the political parties.

2.1. Summarized data

According to the data of the State Audit Office, in January 1, 2016 – September 1, 2016, political parties/election subjects in total received GEL 16,150,855 in donations (including membership fees and non-monetary donations). 1,109 natural persons donated GEL 14,829,755 and 24 legal entties donated GEL 1,321,100.

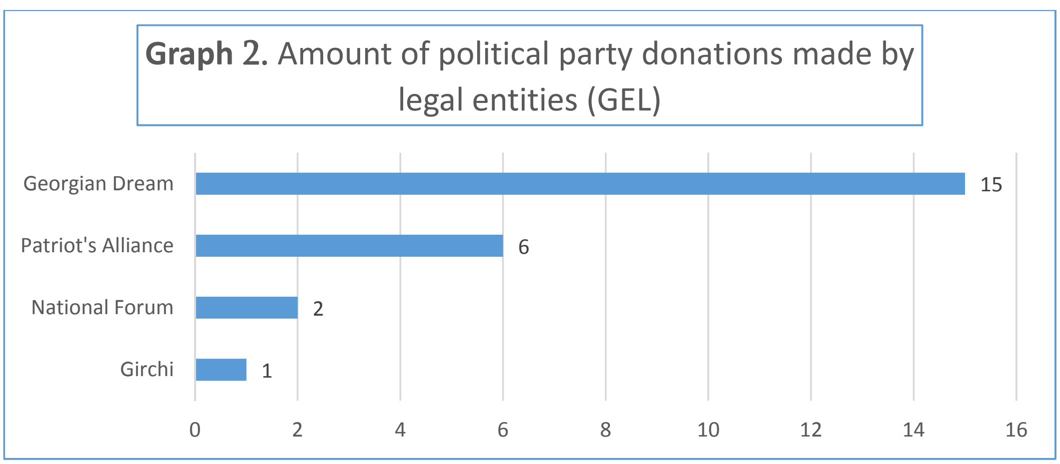
Political party Georgian Dream received the largest part of the total donations (64%) – GEL 10,286,735. Then comes Paata Burchuladze's party Platform for New Movement – State for the People, with a total of GEL 2,289,122 received in donations. The third largest recipient of donations is Patriots' Alliance of Georgia, with a total of GEL 1,151,797. The fourth is United National Movement with GEL 651,661, and the fifth is New Political Centre – Girchi, with a total of GEL 601,717.

[6] https://goo.gl/uNXz4l



2.2. Business interests and direct state contracts of donators

15 out of 24 legal entities donated to the Georgian Dream, and the remaining nine to - Patriots' Alliance of Georgia, National Forum and Girchi. Six companies were the largest contributors, donating the maximum amount of GEL 120,000 each to the Georgian Dream. These companies are: LTD GMP, LTD Miso Lider Krediti, LTD Kakheti's Traditional Winery, LTD Alfa, LTD New Georgia and LTD Gagra+.



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For the contributions by natural persons, 180 out of 1,109 donors were somehow connected (including through a family member) with 717 companies. 62 out of 180 are connected to companies that have secured at least one public procurement contract through the simplified procedure in 2016. 34 persons out of these 62 are contributors to the Georgian Dream. They donated a total of GEL 900,400 in the first eight months of 2016. Notably, 31 companies connected to these 34 individuals secured a total of GEL 1,601,598 direct contracts in public procurement.

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- Ioseb Bregvadze donated GEL 10,000 to the ruling party, while his LTD O. Gudushauris National Medicine Centre secured nearly GEL 390,000 in direct public procurement contracts.

2.3. High-risk donations

The source of donations is one of the most important questions in the income political parties. The main question whether the donation is legitimate, and whether there is some foul play involved through the use of a third-party. This violation can be aimed at bypassing the qualitative or quantitative the law establishes on the amount of donations made to political parties. It is hard to for organizations to detect such instances, since the income of donators constitutes private information and only state agencies have access to it.

Despite of this, we tried to work out a specific methodology that would detect suspicious donators. To do this, we took civil servants, which are obliged by law to have public asset declarations, and compared their income to the amount of contributions they made to political parties. We determined GEL 5,000 as the minimum amount of donation to have been made, as any amount below that would be less suspicious.

2.2.1. Donations made by public servants

From January 1 of 2016, 38 officials and their family members donated more than GEL 5,000 to political parties. We focused on the civil servants whose contributions made up a significant portion of their annual income as stated in their public asset declarations.

Notably, the income from the official and his/her family members are indicated from the previous year, therefore we compared the donations made in 2016 to the declared income from 2016. Due to this, we may have an imperfect picture of the current situation, nevertheless, majority of the civil servants who have contributed donations have not changed their positions, and therefore their yearly income would not be different.

These public servants are:

a) Members of Parliament

- **Zaza Papuashvili** (Member of Parliament) – Donated nearly 57% of his income from the previous year (GEL 45,000) to the Georgian Dream. Moreover, Papuashvili has spent USD 19,189 on three bank loan services throughout the year;
- **Shota Khabareli** (Member of Parliament) – Donated 52% of his income from the previous year (GEL 30,000) to the Georgian Dream. Khabareli also has a USD 50,000 consumer loan, which cost him USD 8,400 in service charges in 2015;
- **Irakli Sesiashvili** (Member of Parliament) – Donated 30% of his income from the previous year (GEL 20,000) to the Georgian Dream.
- **Giorgi Khachidze** (Member of Parliament) – Donated 24% of his income from the previous year (GEL 14,398) to Girchi. Moreover, he has a USD 50,000 mortgage loan, which cost him USD 7,000 and USD 4,000 in service and real estate rent charges in 2015;

b) Local self-governments

- **Giorgi Kopadze** (Former mayor of Akhaltsitkhe) – Donated 14% of his income from the previous year (GEL 10,000) to the Georgian Dream. He also has a GEL 48,400 bank loan;
- **Gogi Meshveliani** (Governor of Bolnisi Municipality) – Donated 28% of his income from the previous year (GEL 20,000) to the Georgian Dream. He also has a USD 15 000 USD and GEL 4,600 in bank loans;

c) Other officials

- **Gizo Mchedlidze** (Former Secretary at the Central Election Commission) – Donated 46.6% of his income from the previous year (GEL 60,000) to the State for People party;
- **Nika Dvali** (Director General of LTD Sakartvelos Melioracia) – Donated 26% of his income from the previous year (GEL 15,000) to the Georgian Dream.
- **Iuri Nozadze** (Deputy Minister of Agriculture of Georgia) – Donated 26% of his income from the previous year (GEL 20,000) to the Georgian Dream. He also has a GEL 72,000 bank loan.

2.2.2. Other high-risk donations

We also analyzed the amount and time of donations, and revealed a tendency that all main parties had a significant portion of their donations made on a single day. On other days, as a rule, the number of donations made was low.

Especially noteworthy are instances when several different people donated the same amount of money on the same day to the same party. These types of donations were in the hundreds. Even more suspicious when these figures were not rounded, but still matched. For example, on June 8, two individuals, Giorgi Tripolski and Kakhaber Chikladze, donated exactly GEL 21,100 each to Georgian Dream. The same amount of money was donated to the same party by two more individuals, Giorgi Nozadze and Irina Murusidze. On May 25, two more donations were made to the Georgian Dream by two individuals, Davit Matikashvili and Mikheil

Khvelediani, with a GEL 21,400 donation each. One day earlier the same sum was donated by Zurab Rusishvili. We found 17 such suspicious donations, and 15 of them were made to the Georgian Dream, the remaining two to Girchi.

Table 1. High-risk donations

Date	Donator	Amount of donation	Name of Party
2016-05-18	Givi Lebanidze (01001029463)	21,800	Georgian Dream
2016-05-18	Mikheil Begiashvili (01024023623)	21,800	Georgian Dream
2016-05-19	Beka Kvaratskhelia (01024015586)	21,600	Georgian Dream
2016-05-19	Machana Dzagania (29001029413)	21,600	Georgian Dream
2016-06-20	Vaja Mamadzashvili (01003012466)	21,500	Georgian Dream
2016-06-20	Shavlegi Skhirtladze (38001009209)	21,500	Georgian Dream
2016-05-24	Zurab Rusishvili (01019000831)	21,400	Georgian Dream
2016-05-25	Davit Matikashvili (01010002046)	21,400	Georgian Dream
2016-05-25	Mikheil Khvedeliani (01010014761)	21,400	Georgian Dream
2016-05-20	Zurab Tevzadze (01024003698)	21,300	Georgian Dream
2016-05-20	Irakli Beraia (58001000619)	2,1300	Georgian Dream
2016-06-08	Kakhaber Chikhladze (01006011154)	21,100	Georgian Dream
2016-06-08	Giorgi Tripolski (01024001112)	21,100	Georgian Dream
2016-06-09	Giorgi Nozadze (01008002971)	21,100	Georgian Dream
2016-06-09	Irina Museridze (01017007408)	21,100	Georgian Dream
2016-07-20	Davit Naroushvili (39001040068)	2,175	New Political Movement – State for People (Paata

			Burchuladze)
2016-07-20	Dimitri Bluashvili (01017042400)	2,175	New Political Movement – State for People (Paata Burchuladze)

2.3. Responses to high-risk donations

According to information by the State Audit Office, 94 physical persons were interviewed in relation to donations in 2016 (see table 2); out of which five were fined. Out of these 5 fined, four donators were for State for People, and one for Georgian Patriot's Alliance. The overall amount of the fines was GEL 223 200, which were allocated as following:

- Georgian Patriot's Alliance donator – GEL 183 200.
- State for People Movement donators – GEL 40 000.

Table 2. People interviewed by the State Audit Office	
Receiver of the donations	**Number of donators interviewed**
State for People	33
Georgia's Patriot Alliance	23
Georgian Dream	27
Union our Fatherland	1
Girchi	5
United National Movement	2
Successful Georgia	1
Free Democrats	2
Total	**94**

3. Expenses

Declaring only party income is naturally not sufficient to guarantee complete financial transparency. The legislation obliges political parties to present the State Audit Office with a detailed report of income, as well as expenses. The State Audit Office, in return, is obliged to make public all this information.

The Law on Political Union of Citizens determines the maximum amount of expenses: the annual expenses incurred by a political party should not exceed 0.1% of the country's GDP from the previous year. The expenses include expenses incurred by the party/election subjects and other expenses incurred in its favour. [7] The expenses include costs for the elections, financing of public events, salaries, work trips and other services and products acquired free of charge (with their market value assigned). Independent majoritarian candidates are also limited in their expenses.[8]

Apart from limiting the annual expenses of political parties, the law also determines specific restrictions on types of expenses: charges on expert-consultative services should not exceed 10% of the annual maximum limit (0,1% of the GDP from previous year).

Georgian legislation also establishes restrictions on media organizations, which is indirectly reflected on political parties:

- According to the first part of Article 50 of the Election Code, no later than 50 days prior to the election day the holders of a broadcasting license, authorized broadcaster, public broadcaster, public broadcaster's Adjara TV and radio are obliged to abide by the following rules: the allocation of paid advertisement time should not exceed 15% of its total broadcast time and no election subject should be allocated more than one-third of this total air time;
- From the day the elections are announced and summed up, newspapers, which are financed from the central or local budget, should not allocate more than one-thirds of its space in a single issue or over a week to an election subject.

The aforementioned restrictions do not apply to political parties, but indirectly limit their advertisement expenses. The restrictions are imposed logically and serve to provide an equal ground for spreading information for political parties.

Any type of income should be deposited on the account of the party/bloc, therefore any expenses from this account are subject to declaration. The form of the declaration is prepared by the State Audit Office,[9] which includes annual income of parties/blocs and expenses [10]. The filled in forms are sent to the State Audit Office along with the findings of the audit [11].

After the legislative reforms in December 2011, detailed financial declaration forms were created [12], which show in detail the expenses of political unions. The declaration combines up to 50 different type of expenses, which political party actively use. It also, however, has a category of other expenses, where parties may individually indicate expenses that do not fall under general categories.

Costs (income/expenses) incurred specifically for political campaigning should be shown separately in financial declaration forms. The election subject is obliged to declare the source, amount and date of the donation received 3 weeks prior to the registration. Political unions,

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[7] Article 25 (1) of the Organic Law on Political Union of Citizens

[8] In case of the cap of the independent majoritarian, according to Article 25 (1) of the Organic Law on Political Union of Citizens, is calculated in the following way: the cap of financial expenses of a party is divided by the total amount of voters in the country and the result is multiplied by the respective amount of precincts

[9] Order №2915/21 of the General Auditor on Transparency of Political Finances

[10] On elections, other public events, salaries and work trips, as well as public asset declarations

[11] For party that has less then 10 000 GEL turnout, can present a financial declaration without an audit report

[12] Accessible at http://sao.ge/financial-monitoring-service-of-political-parties/declaration/declaration-forms

which are part of an election bloc, should present a notice from the bank to the State Audit Office, in order to verify the transactions occurring on their accounts.

Regulations, restrictions and obligations imposed on the finances of political parties/election subjects also affect persons with declared election aims. Notably, all political parties are obliged to indicate in their annual financial report all expenses of persons with declared election aims, which have been put to use in support of the party.

4. Vote buying

Vote buying is regulated by different legislative acts in Georgia. Namely, the Organic Law on Political Union of Citizens regulates this sphere, when bribery occurs with up to GEL 100 worth of product or service. The sanction for this violation is a fine. Article 164 of the Georgian Criminal Code envisages a fine or imprisonment up to three years for vote buying. This occurs when the bribery exceeds GEL 100. The third law which regulated vote buying is the Election Code. If in the pre-election period the court finds such a violation then the election subject may be subject to having their registration terminated.

There have been several noteworthy attempts at vote buying this year, however no one has been charged with a crime. The most obvious case of vote buying was when the political party Centrists promised Russian pensions and military bases. ISFED called upon the termination of registration for this party and addressed the court, which did not uphold the organizations' request. [13] The Court of Appeals did not hear the case, as the Centrists had already been removed from registration due to other violations.

Another noteworthy case occurred in Adjara, where one of the leaders of the United National Movement, Levan Varshalomidze, sent out individual letters to citizens, promising to build them housing.[14] Another probable case of vote buying occurred in Tbilisi, when Georgia's Patriot Alliance was handing out food near its office.[15] Moreover, probable signs of vote buying were observed in Poti by National Forum and at a joint charity event in Chughureti by N(N)LE Georgian Dream – For a Healthy Future and member of the Georgian Dream, Rima Beridze. [16]

[13] http://netgazeti.ge/news/134289/
[14] http://www.transparency.ge/node/6116
[15] http://www.isfed.ge/main/1124/geo/
[16] http://1tv.ge/ge/news/view/130321.html

Chapter III. Financial accountability and transparency

The existence of obligation for the financial accountability of political unions/election subjects and their openness is a prerequisite for transparency and forming trust in the society towards the electoral processes. Moreover, it is important that the reporting process is written in a way to guarantee control mechanisms, but not be overburdening for political subjects at the same time.

Georgian legislation envisages the obligation of periodical reporting, as well as reporting on specific electoral processes. Till February 1 of every year the parties should send a financial declaration of the previous year and the finding of the audit to the State Audit Office. The financial declaration shows the annual income and expenses, as well as public asset declaration. Moreover, parties should present information on donations and membership fees within a five day period to the State Audit Office. The declaration for the election period should be presented within a month after the votes are counted. If the party

Article 32 (1) of the same law stipulates that all initiative groups, parties that participate in the elections on an individual basis or within a bloc, should present a financial report to the State Audit Office within three weeks after the start of the election period. If a party doesn't timely present the financial declaration to the State Audit Office, then the latter issues a note of warning and asks for the issue to be corrected within a five day period. If the party fails to deliver, then it loses the right of receiving state funds in the next year. Each declaration is composed of several reporting forms, which should be filled in according to the Order №2915/21 of the General Auditor. Moreover, the State Audit Office has special forms for filling in information on donations and reporting on cash money withdrawals.

The law guarantees the accessibility of the declarations provided by the election subjects. All information pertaining to the financial reporting of political parties should be published on the official webpage of the State Audit Office, including information on the donators, with names/surnames and ID numbers.

It is obligatory for election subjects to open an election campaign fun in a licensed Georgian commercial bank. Election subjects (political parties, election blocs, initiative groups, independent candidates) are obliged to provide the State Audit Office with information on the bank details of the election campaign fund, which will be used to finance the expenses for the election campaign. Moreover, the election subject should notify the credentials of the manager and accountant of the fund to the State Audit Office.

According to Article 54 (6) of the Election Code, it is forbidden for election subjects to finance their electionl campaign expenses from any other account by the election campaign fund. After the opening of the respective fund and the end of the elections, all expenses should be made from the election campaign fund. This rule makes spending of the election subject systematic and reduces the risk of bypassing the restrictions established by law.

Chapter IV. Oversight and Monitoring of Finances

Independent and professional agencies are paramount to the existence of a transparent political finance system, which will keep an effective oversight and control over the fulfillment of responsibilities as imposed by the law. As per Georgian legislation, the State Audit Office holds the mandate of monitoring the transparency and legality of political finances. The State Audit Office conducts monitoring of the financial dealings of political unions as stipulated by the Election Code and Law on Political Union of Citizens. The State Audit Office has the right to conduct audits, to sequestrate public assets of physical and legal persons, and to formulate an administrative offense protocol.

Article 97 of the Constitution of Georgia defines the status of the State Audit Office and its functions include the monitoring of public funds and the use of other material assets. The Constitution also stipulates that the State Audit Office is independent in its work. The State Audit Office is responsible to the Parliament of Georgia. The General Auditor is elected with a five-year term, with majority of the list by the Parliament, having been presented by the Chairperson of the Parliament.

The functions and rights of the State Audit Office is stipulated in the Law on State Audit Office. As it has been mentioned, the 2015 report by GRECO reads that the Article 97 of the Georgian Constitution requires amendments, as to prescribe it more powers in political finances, which is currently defined only by law.

The Georgian legislation determines the independence and inviolability of the General Auditor. Namely, the General Auditor can be charged with a criminal offense, arrested or detained, have his/her house or car searched, only with the consent of the Parliament of Georgia. Moreover, the General Auditor can be removed from office only after the consent of the Parliament, according to Article 64 of the Constitution of Georgia, which refers to the violation of the Constitution and the impeachment procedure.

When conducting its work, the State Audit Office has the right to request information on finances from administrative organs and commercial banks. If required, the State Audit Office, upon the decision of the Court, can request private information on the credentials on donators, be the physical or legal persons. The mandate of the State Audit Office also implies mechanisms to respond to the violations of legislation, in which case it has the right to use sanctions as defined by the law. If violations are found, then it also addresses the Prosecutor's office.

The legislation determines the way the State Audit Office collects and assesses information. According to the law, the State Audit Office can demand an explanatory note, which means inviting the person in question to present the requested information. The interviews are conducted if the State Audit Office deems that additional information is required, or if there is suspicion of a violation. The goal of the interview is thus to receive additional information from the respective persons involved. The interview process should not be aimed at collecting private information, including political stances.

During the 2012 Parliamentary elections, there were questions regarding the selective application of rights by the State Audit Office. According to the last report of OSCE-ODIHR for the 2012 Parliamentary elections, the State Audit Office was given expanded rights, but in overall was unable to deliver a transparent, independent and systematic work; it was largely focused on the political opposition. There were several questions towards this, which put into question the just process and independent judiciary. The work of the State Audit Office in 2012 was in overall assessed as negative by local monitoring organizations.

There were less concerns towards the State Audit Office during the 2012 Presidential elections and the 2014 local self-government election. In 2016, the work of the State Audit Office was once again positively assessed.

According to the 26-29 April 2016 report by the OSCE-ODIHR, the law doesn't define the dates for checking the financial declarations of candidates as well as the dates requiring the State Audit Office to publish their findings. The law also doesn't define the dates in which the State Audit Office should react to violations. [17]

One of recommendations by GRECO related to the existence of an independent mechanism that would monitor the political party financing and election campaigns. It is important for this mechanism to be supported by a legislative mandate and rights, as well as respective resources, which are vital to conducting an effective oversight. According to GRECO, the State Audit Office had enough guarantees on the legislative level, however there were problems in the practical side. However, according to the reports presented after the 2013 Presidential elections and the 2014 local self-government elections, the objectivity of the State Audit Office's work no longer came under question. GRECO considers that the situation has improved in this regard. GRECO also considers that Article 97 of the Georgian Constitution, which relates to the constitutional mandate of the State Audit Office, should be amended as to provide more clarity into the rights and duties of the State Audit Office in political financing. [18]

[17] http://www.osce.org/odihr/elections/georgia/244151?download=true

[18] https://goo.gl/uNXz4l

Chapter V. Sanctions

Reacting to violations and imposing sanctions is one of the duties of the State Audit Office. To duly and effectively fulfill the Organic Law on Political Union of Citizens, the State Audit Office has the following rights:

- To formulate the annual financial declaration form for parties;
- To check the legality and correctness of the financial declarations and election campaign fund accounts of parties;
- To conduct an audit of the financial spending of political parties, at least once a year;[19]
- To request information on political party finances from administrative bodies and commercial banks, if required;
- To impose sanctions and address the Prosecutor's office if any violations are found.

The subjects of sanctions are political unions (blocs, parties, candidates), persons with declared election aims,[20] and donators. The subjects of monitoring is political finances, or funds, which are used to achieve political aims. Only these type of funds may be identified and monitored by the State Audit Office.

The violations and sanctions are determined by Article 34 (2) of the Organic Law on Political Union of Citizens. In short, these are:

- Illegal donations[21] for parties[22] as defined by the law or hiding those donations are transferred to the State Audit Office's budget and the party is fined for twice the amount of the donation;
- Illegal donations made by an individual, which was not aware of the illegality of his actions and could not have been aware, is fined for twice the amount of the donation made;[23]
- Violations of this law by parties will incur a fine of GEL 5,000;
- If due information is not provided to the State Audit Office by an individual, there is a GEL 1,000 fine. In the case of a legal person – GEL 2,000;
- Vote buying by parties, as well as illegal gifts, income, services and use of assets not exceeding GEL 100 will incur a fine of ten times for the party, and twofold for the individual;
- If a party has expenses exceeding 0.1% of the total GDP from the previous year, then the party is fined twofold of the exceeded amount. In a repeated offense, the fine is twofold of the previous fine.

The representative of the State Audit Office fills out an administrative offense protocol for the aforementioned violations. The protocol is then sent to the First Instance Court, which makes a decision on the administrative protocol within a 15-day period. The decision of the First

[19] The State Audit Office can address the Court to hold an extraordinary audit if there are reasonable suspicions
[20] as defined by Article 26 (1) of the Organic Law on Political Union of Citizens
[21] Illegal donations are: those donated with violation of procedure, those that exceed the maximimum amount.
[22] Here we also imply a person with declared election aims
[23] In case of hiding the information, the person will also be fined two-fold of the amount

Instance Court may be appealed within a 10-day period. The decision of the Appeals Court is final and cannot be further appealed.

The legitimate interest to take a decision in limited time in the pre-election campaign reflects on the timely delivery of decision; as a rule, both instances of the Court make a decision within a five-day period, and within a 72 hour period once the appeal has been made [24].

It is noteworthy, that the sanctions from the Article 34(2) have been amended several times. Sanctions, which today imply a twofold fine in case of a violation, was initially a ten-fold fine; up until 2013, the fine was five-fold. The reason for this was the unproportionality of sanctions in 2012. For example, in June 2012 State Audit Office fined Bidzina Ivanishvili by GEL 148,000,000.[25] In 2013, the fines by the administrative offense protocols by the State Audit Office amounted to GEL 96,000, while in 2014 – GEL 454,000. Since 2012, the number of fines and use has dramatically decreased.

GRECO has touched on the issue of sanctions quite extensively in its last report. According to GRECO, a GEL 2,000 fine for an administrative resource misuse is not effective or proportionate. Moreover, an even lower fine of GEL 1,000 is envisaged for issuing political canvassing permits in institutions where it is forbidden or for barring equal access to state funds for election subjects. Due to this, GRECO calls upon the government to change its stance towards sanctions, in order to provide for preventive mechanisms.[26]

According to one more recommendation by GRECO, the sanctions for the violation of the Election Code and Law on Political Unions should be determined by the laws themselves, rather than through the Code of Administrative Offenses. Moreover, there was a need of establishing more uniform and consistent system of sanctions for the violation of election campaign rules.[27]

GRECO also notes that the legislation has been amended and the sanctions for violating the rules on election campaigning are now spelled out in the laws themselves rather than through the Code of Administrative Offenses. Moreover, a more uniform and consistent system has been created, nevertheless, different sanctions may be imposed on similar violations. Moreover, the fulfillment of the obligations was not spelled out for all parties involved[28].

As far as the timely publication of financial reports by political parties are concerned, GRECO notes that the sanction for its violation is too strict, and that it may negatively impact the work of the parties during the election period. [29]

GRECO's last recommendation relates to raising the statute of limitations for the violation of election financing. The organization welcomed the amendments to the law on political unions,

[24] The Court is oblied to hand in the decision no later than 12 hours after it has been made
[25] http://www.transparency.ge/node/2145
[26] https://goo.gl/uNXz4l
[27] Ibid.
[28] Ibid.
[29] Ibid.

which increased the statute of limitations to 6 years, however, negatively assessed the fact that similar changes were not reflected in the Election Code. [30]

[30] Ibid.

Chapter VI. Women, ethnic minorities and persons with disabilities

Georgian legislation, which aims at establishing a system of political party financing, can be said to be neglectful towards stimulating the engagement of underrepresented groups.

The only existing law that seeks to increase the representation of women in the Parliament is Article 30 (7^1) of the Organic Law on Political Union of Citizens. This article determines that the party that receives state funding will receive an additional 30% to its base funding (minimum 90 000 GEL, maximum 180 000 GEL) if the within its party or within the election bloc the first, second and in every ten candidates there is at least 30% different gender composition.

The aforementioned Article 30 (7^1) went into power on December 2011, however it had a different wording and only 10% additional funds were allocated to parties who had at least 20% different gender composition in its party list. The funding and the quota was raised on March 2014. Notably, the current 30% quota is voluntary, and the party is thus not obliged to fulfill it.

Due to the voluntary nature of this article, not a lot of parties have used it. During the 2012 local self-government elections, only one party – United Democratic Movement – and bloc – United National Movement – fulfilled the respective quotas. Both of them received 180 000 in additional funding during 2014-2016. During the 2016 Parliamentary elections, five parties out of 11 qualified subjects satisfied the quota requirements. These were: The Republican Party of Georgia, Free Democrats, United Democratic Movement, Georgian Patriot’s Alliance and Labor Party of Georgia.

Recommendations

We consider that the fulfillment of the following recommendations will greatly improve political party financing in Georgia:

- Free advertisement time should be allocated more equally amongst political parties. New rules should determine by proportion the number of votes received by a party. Moreover, allocation of free advertisement time should be differentiated between parties that are part of election blocs and parties that are individually participating in elections. Namely, parties running individually should be given more advertisement time, to avoid the exploitation of creating election blocs;
- The definition of a person with declared election aims should be improved on and the methodology of prescribing of this status also requires work. This is necessary so that political parties do not avoid political party financing regulations;
- The State Audit Office should pay more attention to the identification of high-risk donations;
- It is recommended for the Georgian government to fully fulfill all the seven recommendations in GRECO's latest report, especially the one related to improving the sanction mechanisms.