



2021 MUNICIPAL ELECTIONS IN GEORGIA: CAMPAIGN FINANCES

(INTERIM REPORT)

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I. Key Findings

Transparency International Georgia (TI Georgia) studied the issue of campaign finances of 2021 municipal elections from August 2 to September 12, 2021. 13 election subjects who either are getting public funding or who received donations of at least GEL 100,000 during the year were selected for the study. The findings of the report are mainly based on the analysis of the financial declarations submitted by these election subjects and the relevant pre-election processes.

On June 22, 2021, the Parliament of Georgia amended the Organic Law on Political Associations of Citizens. The changes will come into force on February 1, 2022. According to them, the Labor Party of Georgia, which refused to take an allocated parliamentary seat, will lose the right to receive public funding. This legislative amendment was negatively assessed by the Venice Commission and the OSCE / ODIHR, as well as by local civil society organizations working on electoral issues.

The ruling Georgian Dream - Democratic Georgia party had 70% of all election subjects' total revenues and expenditures (each amounting to about GEL 11-12 million), which shows an extremely unequal distribution of finances between the parties.

Only 17% of the total revenues received by election subjects came from public funding, while the rest came from private funding (donations and bank loans). The relatively small share of public funding was due to the fact that the reporting period was less than two months and eligible parties receive equally divided portions of annual public funding on a monthly basis. As for the private funding, it is mainly concentrated during the election period.

As in other years, the alleged cases of political corruption and the lack of adequate response to them were still relevant. As it turned out, in 2021 (January 1 - September 12), the companies connected with the donors of the ruling party had won public tenders worth about GEL 122.2 million and simplified public procurement contracts of GEL 4.5 million. During the same period, the donors directly or indirectly affiliated with these companies, contributed over GEL 2 million for the benefit of Georgian Dream - Democratic Georgia.

Over the years, several major groups had been formed among the ruling party's donors who have been contributing large sums of money to the Georgian Dream - Democratic Georgia in almost every election. All such groups have a common characteristic - a large part of its members donate money to the ruling party on the same day or 1-2 days apart, which raises doubts about whether such collective action is organized by someone in advance and whether the donations are made through third persons. Georgian legislation prohibits donations made through other persons. In 2021, among such large groups there still were persons associated with Bidzina Ivanishvili, the founder of the Georgian Dream - Democratic Georgia party, the former chairman of the same party and former Prime Minister.

In August, there were reports that the government representative in the region of Samtskhe-Javakheti and the regional heads of the State Security Service and the Investigation Service of the Ministry of Finance allegedly tasked local businesspeople to make financial contributions to the ruling party. When the reports were checked, it turned out that, in the period between 2 and 16 August, 87 individuals and five companies from Samtskhe-Javakheti made donations to the ruling party amounting to the total of GEL 714,000. This amount of donations made from this single geographic area in such a short time period is quite unusual and may be considered to be indirect evidence backing the aforementioned reports. Furthermore, on 4 September, TV Pirveli aired a story in which some of the persons, who had made the donations, effectively confirmed in conversation with journalists that the meetings and circumstances mentioned above had indeed occurred. According to our information, the prosecutor's office has not launched an investigation into this case.

The largest expenses of election subjects fell under the following categories: a) advertising; b) rental costs; d) office expenses and; e) salaries. The advertising expenses (GEL 6.7 million) accounted for a substantial share (61%) of total expenditures of election subjects. Of the other categories, the largest were rental costs (6% of total expenditures) and salaries (4%). Georgian Dream - Democratic Georgia spent the most - GEL 5.3 million on advertising, which is the largest part (79%) of the total advertising expenses of the studied 13 election subjects.

During the reporting period, the State Audit Office have not published any report on its oversight activities of the election campaign, therefore, the public was not informed about this issue. However, TI Georgia has identified several cases that should have come under the scrutiny of the State Audit Office. In particular, in September, billboards against the leaders of opposition parties and representatives of two TV stations with critical editorial policies were placed in several cities of Georgia. The content of the billboards contains pre-election campaigning directed against specific political parties and money was spent on that. According to the law, the regulations for donations apply to the monetary expenses incurred for negative campaigning.

In August, one of the leaders of the election subject Girchi said that the party was selling the seats in the precinct election commissions through an auction. The amount received by the party from such action must be considered as a donation, therefore, according to Georgian law, it is subject to declaration. Nevertheless, donations to the party have not been officially reported at all this year. In September, the same party bought a car worth more than \$ 100,000 and will run it for the upcoming elections. As another party leader said the aim of the rally was to encourage higher voter turnout. Girchi has not indicated the cost of buying this car in any of the three-week financial declarations, which is a violation of the law.

II. Introduction

On October 2, 2021, elections of municipal bodies of Georgia will be held, through which mayors and members of Municipal Assemblies will be elected in 64 municipalities. 42 political parties and 72 initiative groups have registered to run in the elections. Competitive environment among political parties is one of the pillars of a democratic state. It is important for the public to have a choice between various political groups in order to avoid autocratic rule in the state. And the strength and popularity of political parties largely depend on their financial capabilities. Therefore, financing of political parties should be a matter of concern for the public. Transparency International Georgia (TI Georgia) has been observing this matter for years now and has periodically issued relevant reports.

This time we present an interim report, which analyzes several important issues related to the funding of the election campaign of the municipal elections.

In accordance with the legislation, the election campaign in Georgia started from August 2, after the President of Georgia promulgated a decree on the appointment of the day of the elections.¹ From the day of announcing the Election Day, all candidates / election subjects are obliged to submit a financial report to the State Audit Office (SAO) once in three weeks in the prescribed form.

From August 2, the election subjects have already sent 2 three-week financial reports to the SAO, thus presenting the revenues and expenditures received during the period of August 2 - September 12. Therefore, the main reporting period of the present study covers the period from 2 August to 12 September. The exception is the information on donations received by parties, which is available without financial declarations of the parties. Accordingly, the analysis of donations also applies to earlier periods.

For the study, we selected election subjects who are either qualified political parties² or who received donations of at least GEL 100,000 from 1 January to 12 September 2021. As a result, 13 election subjects were selected, including 12 qualified parties and the Party for Georgia, founded by former Prime Minister Giorgi Gakharia (see **Table 1** for the full list).

1 Decree N02/08/01 of the President of Georgia of August 2, 2021; available: <https://cutt.ly/QE1zk7V>

2 A political party that got the right to receive public funding based on the results of the previous parliamentary elections

Table 1. Election subjects selected for the study

Official election number of the election subject	Name of the election subject	Political party nominating the election subject
41	Georgian Dream - Democratic Georgia	Georgian Dream - Democratic Georgia (The ruling political party)
5	United National Movement	United National Movement
2	European Georgia - Movement for Freedom	European Georgia - Movement for Freedom
8	Davit Tarkhan-Mouravi, Irma Inashvili - the Alliance of Patriots of Georgia	The Alliance of Patriots of Georgia
1	Third Force	Giorgi Vashadze - Strategy Aghmashenebeli
9	Lelo	Lelo for Georgia
7	Aleko Elisashvili - Citizens	Aleko Elisashvili - Citizens
36	Girchi	New Political Center - Girchi
6	European Democrats	European Democrats
10	Shalva Natelashvili - the Labor Party of Georgia	The Labor Party of Georgia
12	Law and Justice	Law and Justice
21	Progress and Freedom	Progress and Freedom
25	Gakharia for Georgia	For Georgia

At the beginning of the study, general legislative framework that regulates the funding of political parties and election campaigns in Georgia is briefly reviewed. The following chapters of the report present a quantitative and qualitative analysis of revenues and expenditures received by the above-mentioned 13 election subjects.³ The revenue side focuses on both public and private funding. In addition, donations of political parties received from 1 January 2021 and related cases of alleged political corruption are presented. The expenditures section provides an overview of the data officially declared by the entities. Recommendations are presented at the end of the report. As the SAO has not yet published a report on its oversight activities during the election period, this topic will be covered in the final report, which will be published after the elections.

³ Information on revenues and expenditures of election subjects is mainly taken from the declarations they filled out. Therefore, TI Georgia is not responsible for the accuracy of all data.

III. Election Campaign and Political Finance Legislation and Relevant Amendments

The issue of political finance is regulated by several legislative acts in Georgia. The scope of regulation, in its turn, includes donations received and expenses incurred by election subjects during the election period, as well as their transparency and effective fulfillment of obligations defined by law. The main legal principles for regulating political finance are defined by the Organic Law on Political Associations of Citizens and the Election Code, as well as by the Law on the SAO, the General Administrative Code, the Code of Administrative Offences, and by orders of the Auditor General.

The Organic Law of Georgia on Political Associations of Citizens defines the entities covered by restricting regulations on political finance. In particular, the said law is familiar with the concepts of both a political party and a person with declared electoral goals. According to the law, a political union of citizens (a party) is an independent and voluntary association of citizens established on a common ideological and organizational basis and registered in accordance with the procedure established by the law to conduct its activities within the scope of the Constitution and the legislation of Georgia. The Georgian legislation contains a special regulation for the election campaign/pre-election period, which starts 60 days before the polling day.

One important legislative amendment regarding political finance was made after the 2020 parliamentary elections. In particular, on June 22, 2021, the Parliament of Georgia amended the Organic Law on Political Associations of Citizens. According to the amendments, which will come into force on February 1, 2022, a political party loses the right to receive funding from the state budget if the mandates of half or more members of this party's members of parliament (MPs) are prematurely terminated.

In addition, the party will not receive public funding for the next 6 calendar months unless more than half of the MPs elected by its nomination do not attend more than half of the regular plenary sessions of the Parliament during the previous session.⁴

Similar amendments were registered in the Parliament on December 16, 2020 by the MPs of the ruling Georgian Dream - Democratic Georgia party.⁵ These amendments were adopted by Parliament in the first reading in 2020, but were later sent to the Venice Commission and the OSCE / ODIHR for evaluation.

The Venice Commission and the OSCE / ODIHR issued a joint assessment on March 20, 2021, in which the adoption of the amendments was unequivocally criticized.⁶

4 Article 2 of the Georgian Law on Amendments to the Organic Law of Georgia on Political Associations of Citizens, 22.06.2021; available: <https://bit.ly/3EVhoP9>

5 Georgian Law on Amendments to the Organic Law of Georgia on Political Associations of Citizens, 22.06.2021; available: <https://bit.ly/2PkPEOJ>

6 ON AMENDMENTS TO THE ELECTION CODE, THE LAW ON POLITICAL ASSOCIATIONS OF CITIZENS AND THE RULES OF PROCEDURE OF THE PARLIAMENT OF GEORGIA, EUROPEAN COMMISSION FOR DEMOCRACY THROUGH LAW (VENICE COMMISSION) and OSCE OFFICE FOR DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS (OSCE/ODIHR), JOINT OPINION, CDL-AD(2021)008, Strasbourg, 20 March 2021; available: <https://cutt.ly/MxOaySK>

Nevertheless, the Parliament still adopted amendments and made only minor, insignificant changes to it, as well as postponed its enactment date. The OSCE / ODIHR report was preceded by a critical assessment of a number of non-governmental organizations, including TI Georgia.⁷

It should also be noted that with these amendments the Labor Party of Georgia, which refused to take a parliamentary seat, will lose the right to receive public funding.

Recommendation

A political party should not lose its public funding regardless of whether it uses parliamentary seats or not, as party funding should depend on its election results and not on parliamentary activities.

⁷ *Changes in election and political party legislation do not meet democratic standards*, TI Georgia, 28.12.2020; available: <https://bit.ly/3At41Ch>

IV. Revenues received by election subjects

1. Regulatory framework of revenues

According to the current legislation, election subjects are allowed to receive income from the following sources: (1) public funding; (2) membership fees; (3) private donations (no more than GEL 60,000 from an individual donor and GEL 120,000 from a legal entity); (4) revenues earned from selling merchandise, lectures, exhibitions and other public events, as well as annual capital income from publishing and other activities; (5) bank loans.

1.1. Public funding

1.1.1 Sources of public funding

As mentioned, one of the sources of the political party finances may be funds received from the state. The amount and subjects of public funding are determined by the Organic Law on Political Associations of Citizens. The law lists the following ways of obtaining funding from the state:

- **Direct monetary contributions from the state budget**

A political party registered with the CEC is eligible for public funding if it participated in the latest parliamentary elections and received at least 1% of votes. The amount of funding is set at GEL 15 for each vote received under the first 50,000 actual votes, and GEL 5 for each subsequent actual vote received.⁸

- **Gender funding**

A party funded from the state budget will receive an additional 30% of its public funding if one of the three candidates on the party list submitted in the last parliamentary elections was of the opposite sex.

- **Free advertisement time**

During the election campaign, the national broadcasters are obliged to allocate at least 7.5 minutes every 3 hours free of charge for advertisements of qualified election subjects, which should be distributed equally and without discrimination. The Georgian Public Broadcaster should allocate 5 minutes per hour for the same purpose.

Political parties are prohibited to receive other kinds of public funding or in-kind public contributions that do not fall into the categories described above.

⁸ Paragraph 4 of Article 30 of the Organic Law on Political Associations of Citizens.

1.2. Private funding

In addition to public funding, political parties have the right to raise funds from private sources. According to Georgian legislation, the largest categories of private funding are:

- **Membership fees**

The ceiling of the annual amount of membership fees is GEL 1,200.

- **Donations**

Donations are defined as follows:

- Money deposited on the account of a political party by a natural or legal person;
- Material or in-kind contribution (including, a preferential loan) or service (except for work performed through volunteering) secured by a party free of charge or on discount/preferential terms from a natural or legal person.

The law imposes qualitative as well as quantitative restrictions on donations:

- A natural person who donates should be a citizen of Georgia;
- A donating legal person should be registered on the territory of Georgia while its partners and end beneficiaries - citizens of Georgia;
- A donor cannot be a legal person, which in the last calendar or election year has had 15% or more of its actual income from simplified state procurements;
- Donations received by a party from a single natural person shall not exceed GEL 60,000 a year, while donations from a single legal entity - GEL 120,000;

Furthermore, it is forbidden to receive donations from:

- Natural and legal persons of other countries, international organizations and movements;
- State agencies, state organizations, legal persons of public law, societies with state stock ownership;
- Non-commercial legal entities and religious organizations;
- In an anonymous form.

- **Bank credits**

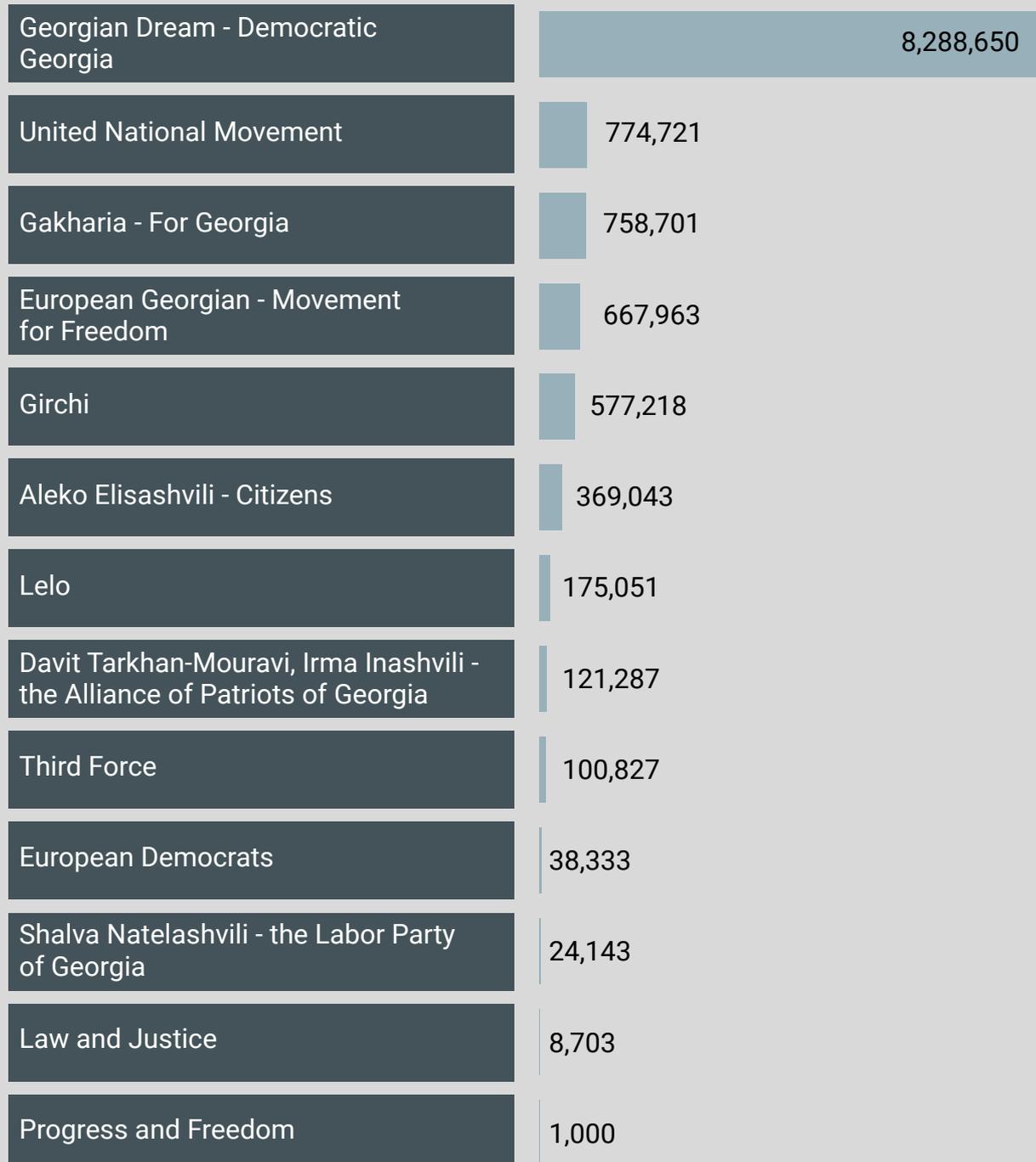
A political party has the right to take a credit of up to GEL 1 million in a calendar year only from a Georgian commercial bank.

2. Revenues received by election subjects: review and analysis

As it was mentioned, the study analyzes the financial declarations of the 13 election subjects that receive public funding or the amount of donations received by them from January 1, 2021 exceeds GEL 100,000.

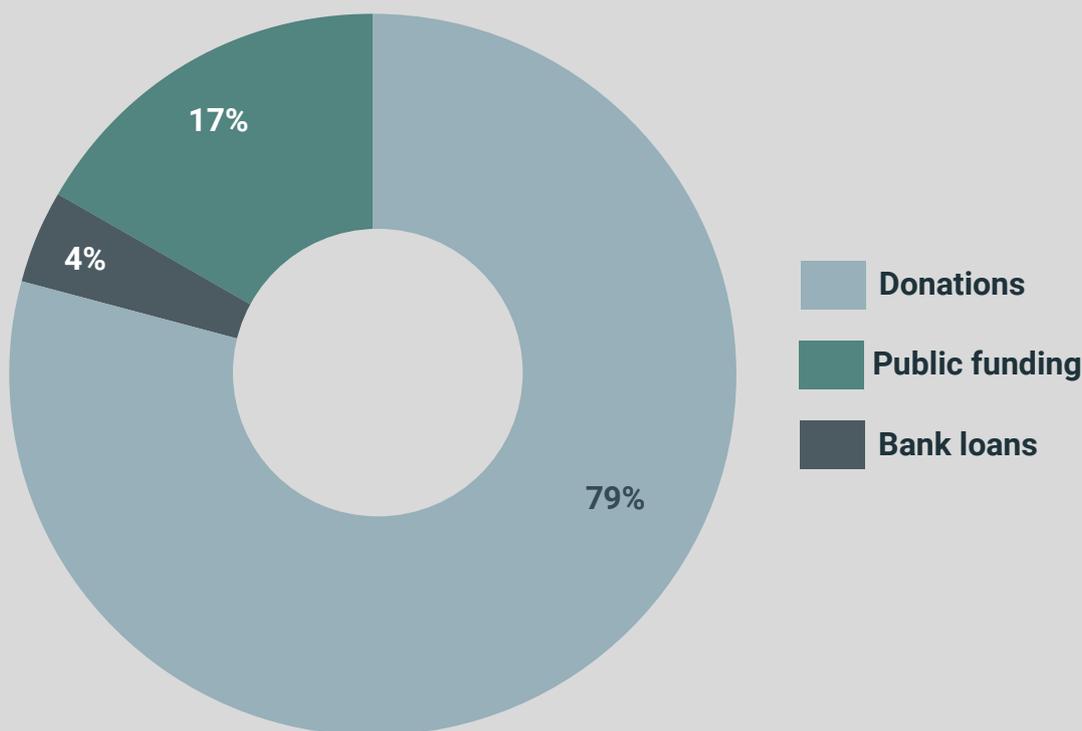
The studied election subjects received a total of GEL **11,905,640** from August 2 to September 12. The ruling party - Georgian Dream - Democratic Georgia got about 70% (GEL **8,288,650**) of this amount. The United National Movement was second with GEL 774,721, and the election subject Gakharia - for Georgia was third with GEL 758,701 GEL (for a full list, see **Figure 1**).

Figure 1. Total Revenue Received by 13 Election Subjects (August 2 - September 12), ₾



Only **17%** (GEL 1,955,996) of the total revenues received by the election subject during the reporting period came from public funding, while **83%** (GEL 9,873,431) came from private (donations and bank loans). The relatively small share of public funding was due to the fact that the reporting period was less than two months and eligible parties receive equally divided portions of annual public funding on a monthly basis. As for the private funding, it is mainly concentrated during the election period.

Figure 2. Total Revenues Received by 13 Election Subjects, by their sources (August 2 - September 12), ₾,%

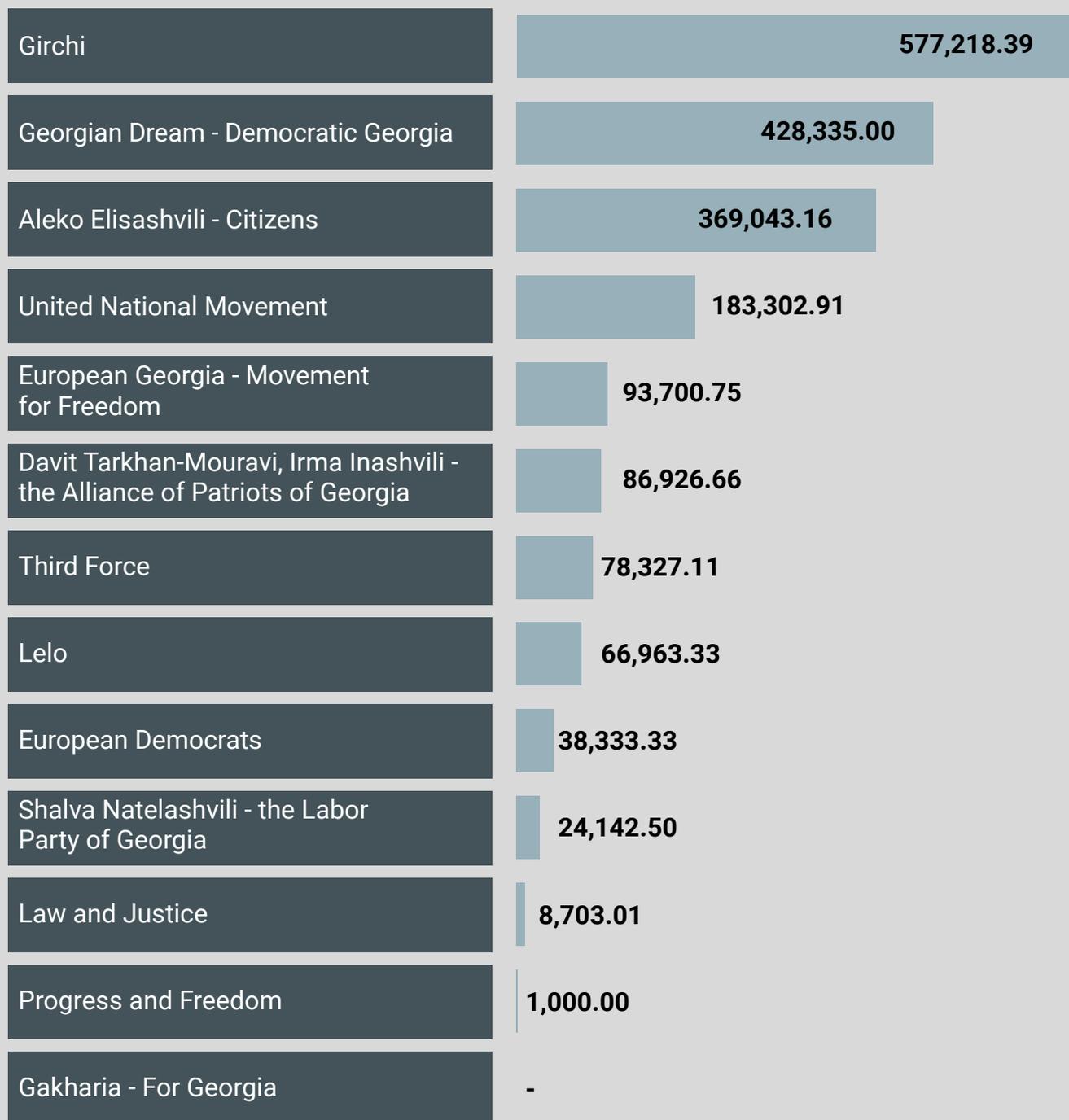


2.1 Public funding

In terms of public funding received by election subjects during the reporting period, Girchi took the first place with GEL 577,218, Georgian Dream - Democratic Georgia was second with GEL 428,335, and Aleko Elisashvili – Citizens was third with GEL 369,043. Relatively large amount of money received by Girchi and Aleko Elisashvili – Citizens is due to the fact that they refused to receive public funding for some time, and with the legislative amendments⁹ of June 22, they were allowed to receive a lump sum from previous months from August 1. The party For Georgia is participating in the elections for the first time, therefore it is not getting public funding.

⁹ Article 2 of the Georgian Law on Amendments to the Organic Law of Georgia on Political Associations of Citizens, 22.06.2021; available: <https://bit.ly/3EVhoP9>

Figure 3. Public Funding Received by 13 Election Subjects
(August 2 - September 12), ₾



2.2. Bank loans

Only one entity, European Georgia - Movement for Freedom, took out a bank loan during the reporting period, borrowing GEL 500,000 from Liberty Bank on September 8 for a 12-month period at an annual interest rate of 14%.

2.3. Donations

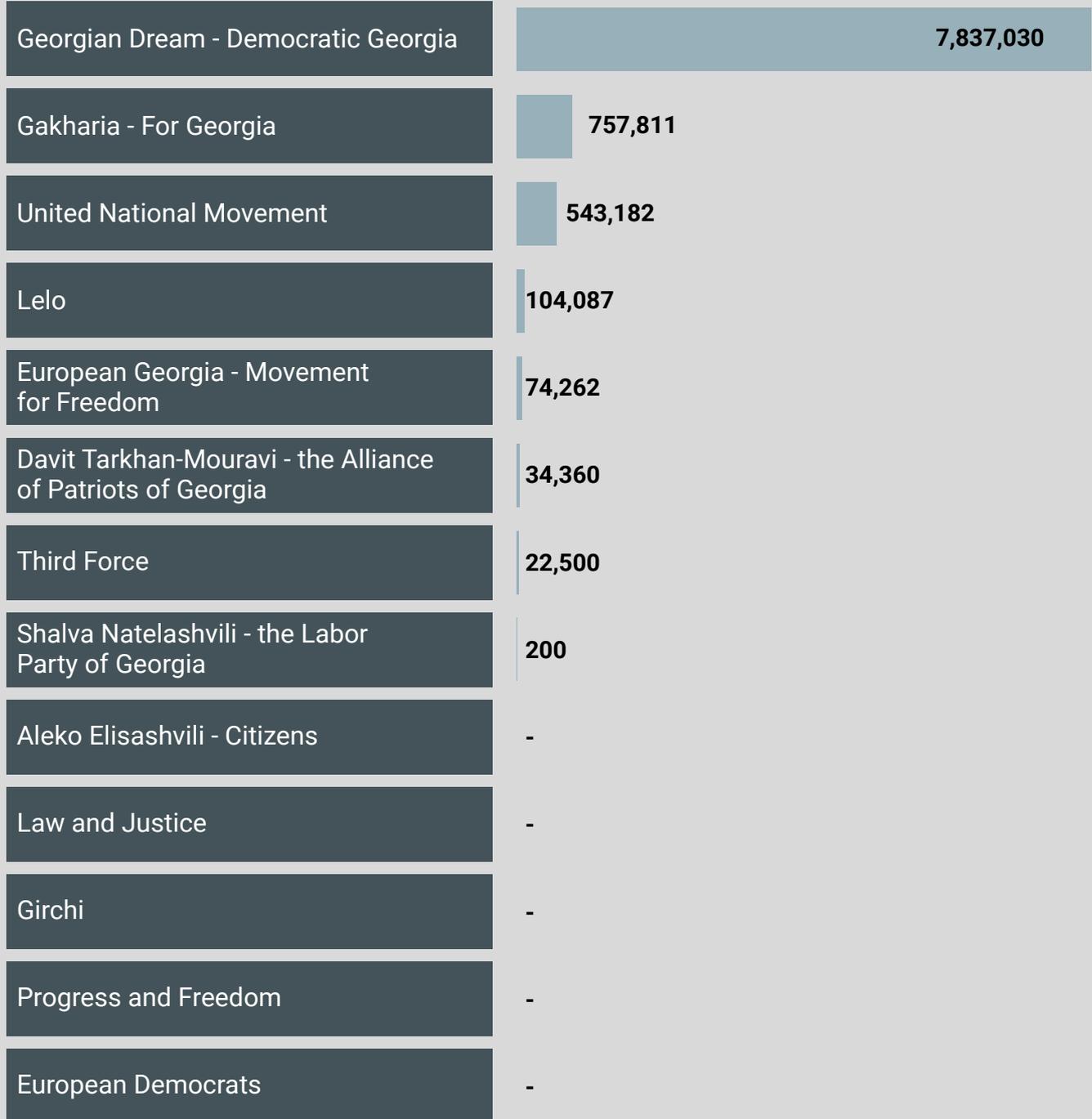
Donations of political parties have always been a matter of great public interest in Georgia. Georgia is a small, middle-income country, and generous contributions to political parties often raise legitimate questions regarding the real individuals and entities behind the financial transactions and whether or not these donations are made as part of a corrupt deal.

It is not easy to detect corruption and illegal schemes. Still, in previous years, TI Georgia tried to disclose as much information as possible on the donors of political parties and their commercial interests, as well as public procurement contracts awarded to their companies.

To detect these links more effectively, TI Georgia created a website www.politicaldonations.ge, which accumulates all donations made to political parties from 2011. What is more, the company affiliations of donors can also be viewed on the website.

Out of 13 election subjects studied, only eight received donations between August 2 and September 12, 2021, totaling GEL **9,373,431**, of which GEL **7,837,030 (84%** of all donations) went to the ruling Georgian Dream - Democratic Georgia party. Gakharia - for Georgia was second with GEL 757,811, and the United National Movement was third with GEL 543,182 (see **Figure 4**).

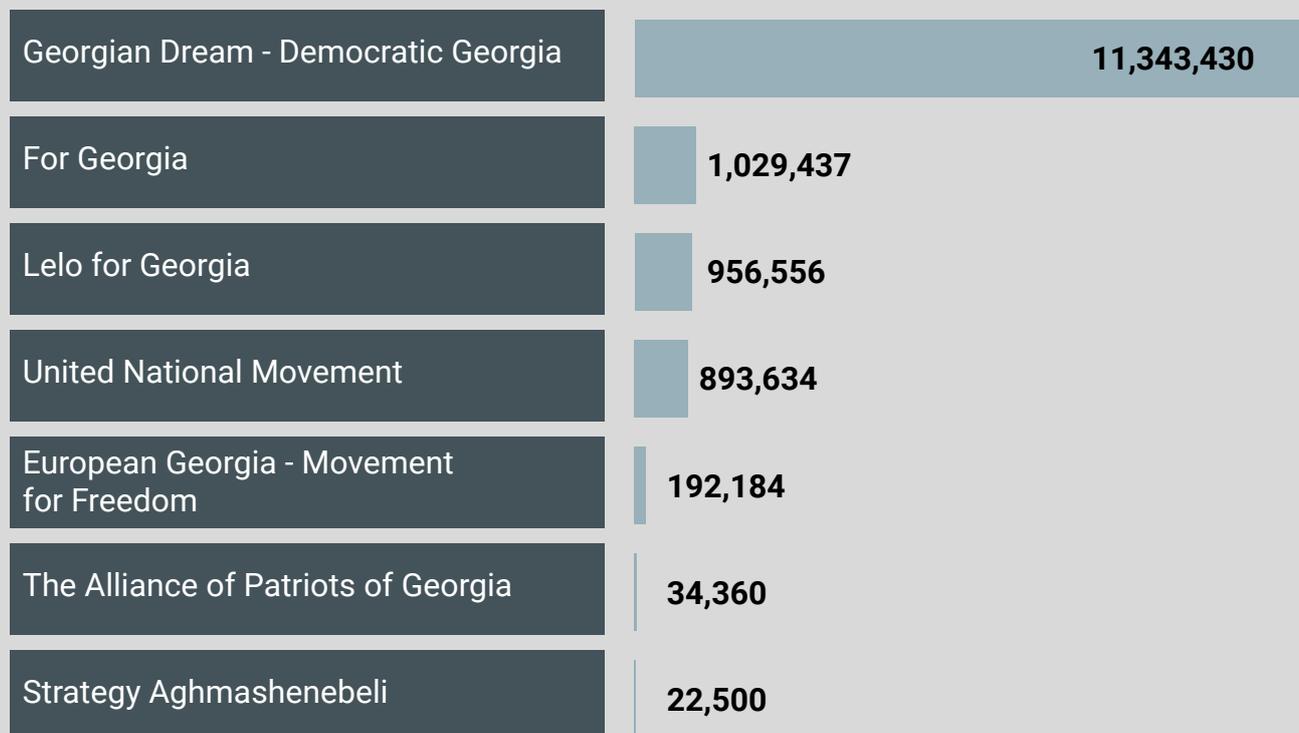
**Figure 4. Donations Received by 13 Election Subjects
(August 2 - September 12), ₾**



Information on donations is sent by political parties to the SAO within 5 days of their receipt, which publicizes it on its website. Therefore, information on donations received by parties is available even without viewing their financial statements, therefore, as mentioned in the introduction, we extended the main reporting period of the study (August 2 - September 12) and additionally analyzed donations received by 13 political parties from January 1 to September 12, 2021.

As it turned out, from January 1 to September 12 of this year, 13 parties received a total of **GEL 14,739,750** in donations. Georgian Dream - Democratic Georgia got **77%** - GEL **11,343,430** of the amount. The party For Georgia was second with GEL 1,029,437, and Lelo for Georgia was third with GEL 956,556 (see **Figure 5**).

Figure 5. Donations Received by the Parties Representing 13 Election Subjects, (January 1 - September 12), ₾



2.3.1. Donations containing a high risk of political corruption

Donations received by the ruling party are more likely to be accompanied by particularly high risks of political corruption, because the authorities have the lever to make a deal with a potential donor in return for certain benefits. For this reason, in our research we put a special emphasis on the donors of the Georgian Dream – Democratic Georgia. In particular, we looked at how many of them were connected with companies that received certain benefits from public procurements in the current year.

As it turned out, in 2021 (January 1 – September 12), the companies connected with the donors of the ruling party had won public tenders worth about **GEL 122.2 million** and simplified public procurement contracts of **GEL 4.5 million**. During the same period, the donors directly or indirectly affiliated with these companies, **contributed over GEL 2 million for the benefit of the Georgian Dream - Democratic Georgia**.

Table 2 lists the top ten companies that won the largest tenders. Especially noteworthy are **Road Construction Division #1 LLC** and **Road Construction Division #2 LLC**, which won tenders worth GEL 23 million during the year. The owner of these companies, **Nugzar Abalaki** and his business partner, **Avtandil Katchkatchishvili** jointly donated GEL 45,000 to Georgian Dream – Democratic Georgia.

Another large state contractor is **Arali LLC**, which won public tenders of GEL 20.6 million in 2021, while its owner, **Demetre Tateshvili**, contributed GEL 50,000 to the ruling party. TI Georgia has previously written about large public procurement contracts of Tateshvili’s companies and corruption risks in the process.¹⁰

Zimo LLC, a company affiliated with former Prime Minister and founder of the ruling party **Bidzina Ivanishvili**, has also been among the major state contractors. This company won a public tenders of about **GEL 13.2 million** during the year, and persons in various ways connected with Ivanishvili and this business group donated a total of over half a million GEL to the Georgian Dream - Democratic Georgia during the year. It is noteworthy that individuals in this group donate substantial sums of money to the ruling party almost every year, and this usually happens in a very short time - at intervals of 1-2 days, **which raises doubts about whether such collective action is organized by someone in advance and whether the donations are made through third persons. Georgian legislation prohibits donations made through other persons.**

As in other years, **Arsakidze-2000 LLC**, a company that won public tenders of about GEL 4 million in 2021, also was noteworthy. The owners of this company are also affiliated with Lilo-Mall LLC, a large business group whose partners have been one of the largest political donors for years, and who, like those affiliated with Bidzina Ivanishvili, usually donate money to the ruling party in a short period of time.

Another company that is among the 10 largest state contractors is Ibolia LLC, which donated GEL 20,000 to Georgian Dream - Democratic Georgia. TI Georgia has written numerous times about the receipt of tens of millions of GEL worth of public procurement contracts in suspicious circumstances by the company, its owner, former MP **Ioseb Makrakhidze**, and his family members.¹¹

10 *Arali, a company involved in Bidzina Ivanishvili’s planned projects in Abastumani, wins tenders worth of million without competition, TI Georgia, 22.05.2021: <https://bit.ly/3mJl9xz>*

11 *Since the nomination of Ioseb Makrakhidze as the majoritarian MP candidate for Gori, companies connected with him have received more than GEL 91.8 million from tenders, TI Georgia, 02.09.2019: <https://bit.ly/2YAnyn5>*

Table 2. 10 companies connected with the donors of Georgian Dream – Democratic Georgia that won the highest-value public tenders, January 1 – September 12, 2021

#	Public Procurement Contractor Company	The total value of tenders won from January 1 to September 12, 2021, million ₾	Donor of Georgian Dream - Democratic Georgia directly or indirectly affiliated with the company	Donations made from January 1, 2021 to September 12, 2021, ₾	Sum of political donations made since 2011, ₾
1	Road Construction Division #1 LLC and Road Construction Division #2 LLC	23 (jointly)	Nugzar Abalaki	25000	85000
			Avtandil Katchakatchishvili	20000	20000
2	Arali LLC	20.6	Demetre Tateshvili	50000	50000
3	Shara-Gzamsheni Pirveli LLC	16.8	Shara-Gzamsheni Pirveli LLC	5000	25000
4	Zimo LLC	13.2	Aleksandre Ivanishvili	57000	319300
			Gia Urotadze	50000	82000
			Levan Marshania	40000	49996
			Aleksandre Maghradze	40000	45000
			Giorgi Mikaberidze	20000	107000
			Kakha Kobiashvili	50000	230000
			Davit Galuashvili	40000	265429
			Beka Kvaratskhelia	40000	219600
			Gocha Chikviladze	40000	241630
			Givi Lebanidze	40000	211800
			Zurab Gogua	45000	233000
Nato Khaindrava	50000	362600			

5	VIP + LLC and L.Da.K LLC	12.7 (jointly)	Mamuka Khelaia	10000	45000
			Levan Lursmanashvili	7000	39000
			Davit Kapanadze	30000	45000
6	Ibolia LLC	8.1	Ibolia LLC	20000	20000
7	Gold & Bro LLC	4.8	Gold & Bro LLC	3500	3500
8	Arsakidze-2000 LLC	4	Vaja Usanetashvili	60000	316010
			Davit Alibegashvili	20000	140000
			Irakli Petriashvili	30000	200000
			Giorgi Kvaratskhelia	20000	55000
			Nikoloz Usanetashvili	25000	65000
			Bacho Kapanadze	25000	65000
			Gocha Chokoshvili	30000	165000
			Davit Gagua	60000	140000
			Ilia Shonia	60000	304000
			Tengiz Gavasheli	60000	288000
			Davit Kapanadze	60000	200000
			Gia Andghuladze	60000	307000
			Levan Gagua	60000	160000
Giorgi Gagua	60000	297000			
Simon Gegelashvili	40000	20000			
9	Tavadi-I LLC	3.3	Tavadi-I LLC	2500	2500
10	Siakhle+ LLC	1.5	Zoia Gurov	5000	5000

As for the simplified public procurement contracts received by the donors of the ruling party or their companies, the five largest such companies are given in **Table 3**. Of these five, **JSC Rustavi Central Hospital** stands out, having received a simplified public procurement contracts worth GEL 2.6 million during the year. Its director, **Papuna Bakhtadze**, donated GEL 5,000 to the ruling party. It should be noted that the largest part of this amount came from a single contract worth GEL 2.5 million, which was given to the company by the LEPL¹² National Health Agency as part of the management of the COVID-19 epidemic.

Another company that during the year received simplified public procurement contracts worth about half a million GEL was **New Tiflis LLC**, which is affiliated with above-mentioned business group of Arsakidze-2000 LLC and Lilo-Mall LLC.

Table 3. 5 companies connected with the donors of Georgian Dream – Democratic Georgia, which got the highest-value simplified public procurement contracts, January 1 – September 12, 2021

#	Public Procurement Contractor Company	The total value of simplified public procurement contracts received from January 1 to September 12, 2021, million ₾	Donor of Georgian Dream - Democratic Georgia directly or indirectly affiliated with the company	Donations made from January 1, 2021 to September 12, 2021, ₾	Sum of political donations made since 2011, ₾
1	JSC Rustavi Central Hospital	2.6	Papuna Bakhtadze	5000	5000
2	New Tiflis LLC	0.5	Simon Gegelashvili	40000	20000
			Vaja Usanetashvili	60000	316010
			Davit Alibegashvili	20000	140000
			Irakli Petriashvili	30000	200000
			Giorgi Kvaratskhelia	20000	55000

12 Legal Entity of Public Law

			Nikoloz Usanetashvili	25000	65000
			Bacho Kapanadze	25000	65000
			Gocha Chokoshvili	30000	165000
			Davit Gagua	60000	140000
			Ilia Shonia	60000	304000
			Tengiz Gavasheli	60000	288000
			Davit Kapanadze	60000	200000
			Gia Andghuladze	60000	307000
			Levan Gagua	60000	160000
			Giorgi Gagua	60000	297000
3	BMC Gorgia LLC	0.4	Lasha Akhalaia	5000	5000
4	New Construction LLC	0.2	Mamuka Masurashvili	5000	5000
5	Rgani LLC	0.2	Rgani LLC	1000	1000

2.3.2. Donations allegedly mobilized through intimidation

On August 22, Mtavari Channel broadcasted a story,¹³ according to which, a source provided the information that the state representative in Samtskhe-Javakheti region, the regional heads of the State Security Service (SSS), and the Ministry of Finance had instructed local businessmen to donate to the ruling party.

According to the story, the SSS contacted the businessmen and summoned them to the state representative's office, where the mentioned three high-rank officials instructed them to contribute a portion of the enterprise's annual turnover to the Georgian Dream - Democratic Georgia, otherwise their businesses would have problems.

13 Terrorized Business | "Dream" has received more than GEL 700,000 in donations in the last two weeks, Mtavari.tv, 22.08.2021, <https://mtavari.tv/news/54172-dareketebuli-biznesi-otsnebam-bolo-or-kvirashi>

According to the website of the SAO, where the donations received by the parties are published, 87 individuals¹⁴ and five legal entities¹⁵ from Samtskhe-Javakheti donated a total of GEL 714,000 to the ruling party in August 2-16. Having such a large number of donations from one geographic area in such a short period is quite unusual. It could be indirect evidence of the story broadcasted by Mtavari Channel. Furthermore, on 4 September, TV Pirveli aired a story¹⁶ in which some of the persons, who had made the donations, effectively confirmed in conversation with journalists that the meetings and circumstances mentioned above had indeed occurred.

The SAO studies legality of donations within the scope of its authority, although in this case the signs of a criminal offense are clearly visible. Nevertheless, according to our information, the investigation has not been launched at this time.

Recommendation

It is necessary for the prosecutor's office to launch an investigation into the alleged fact of pressure on local businessmen in Samtskhe-Javakheti.

2.3.3. Third party spending that should fall under the similar restrictions as in case of donations

In September, billboards were set up in several Georgian cities - Tbilisi, Kutaisi, Telavi and Gori - against opposition party leaders and representatives of two TV stations with critical editorial policies.¹⁷ The content of the billboards contains pre-election campaigning directed against specific political parties and money was spent to achieve this goal. Under the law, the legal provisions for donations should be applied for such spending.¹⁸ Therefore, in such a case, the person who paid for the advertisement must meet the following requirements:

- In case of a natural person, he / she must be a citizen of Georgia;
- In case of a legal entity, it must be registered in Georgia and its partners must be only Georgian citizens and those legal entities registered in Georgia whose final beneficiaries are only Georgian citizens;
- The spender should not be a N(N)LE¹⁹ or a religious organization;
- The spender should not be a legal person 15% of whose actual annual revenue for the previous calendar year, or for the election year up to Election Day, has been received from simplified state procurements conducted for the benefit of such legal person or for the benefit of an enterprise established with the participation of such legal person.

14 See the list of individual donors: <https://bit.ly/3IPtMaA>

15 See the list of legal entity donors: <https://bit.ly/3AxkWEz>

16 Program "Nodar Meladze's Saturday", Pirveli TV, 04.09.2021: <https://www.youtube.com/watch?v=Z9IHmPShOxs>

17 *Gakharia also was added to the "bloody" banners*, netgazeti.ge, 18.09.2021, <https://netgazeti.ge/news/563983/>

18 Paragraph 4 of Article 25 of the Organic Law of Georgia on Political Associations of Citizens.

19 Non-Entrepreneurial (Non-Commercial) Legal Entity

Recommendation

The SAO should determine the source of funding for these billboards and take appropriate action in case of violation of legal requirements.

2.3.4. Undeclared donations

On August 4, Vakhtang Megrelishvili, one of the leaders of Girchi, said the party was auctioning off seats in precinct election commissions.²⁰ The amount received by the party from such action must be considered as a donation, therefore, according to Georgian law, it is subject to declaration. Nevertheless, it is clear from the declarations submitted by Girchi to the SAO that from August 2 to September 12, the party had no income other than budget revenue. Moreover, no donations are reported by the party during the year.

Recommendation

The SAO should investigate allegedly undeclared revenue of Girchi and, if confirmed, take the measures required by law.

20 *Girchi sells its seats in election commissions*, tvpirveli.ge, 04.08.2021:
<https://tvpirveli.ge/ka/siaxleebi/politika/7809-girchi-saarchevno-komisiybshi-adgilebs-kidis>

V. Expenditures of election subjects

1. Regulatory framework of expenditures

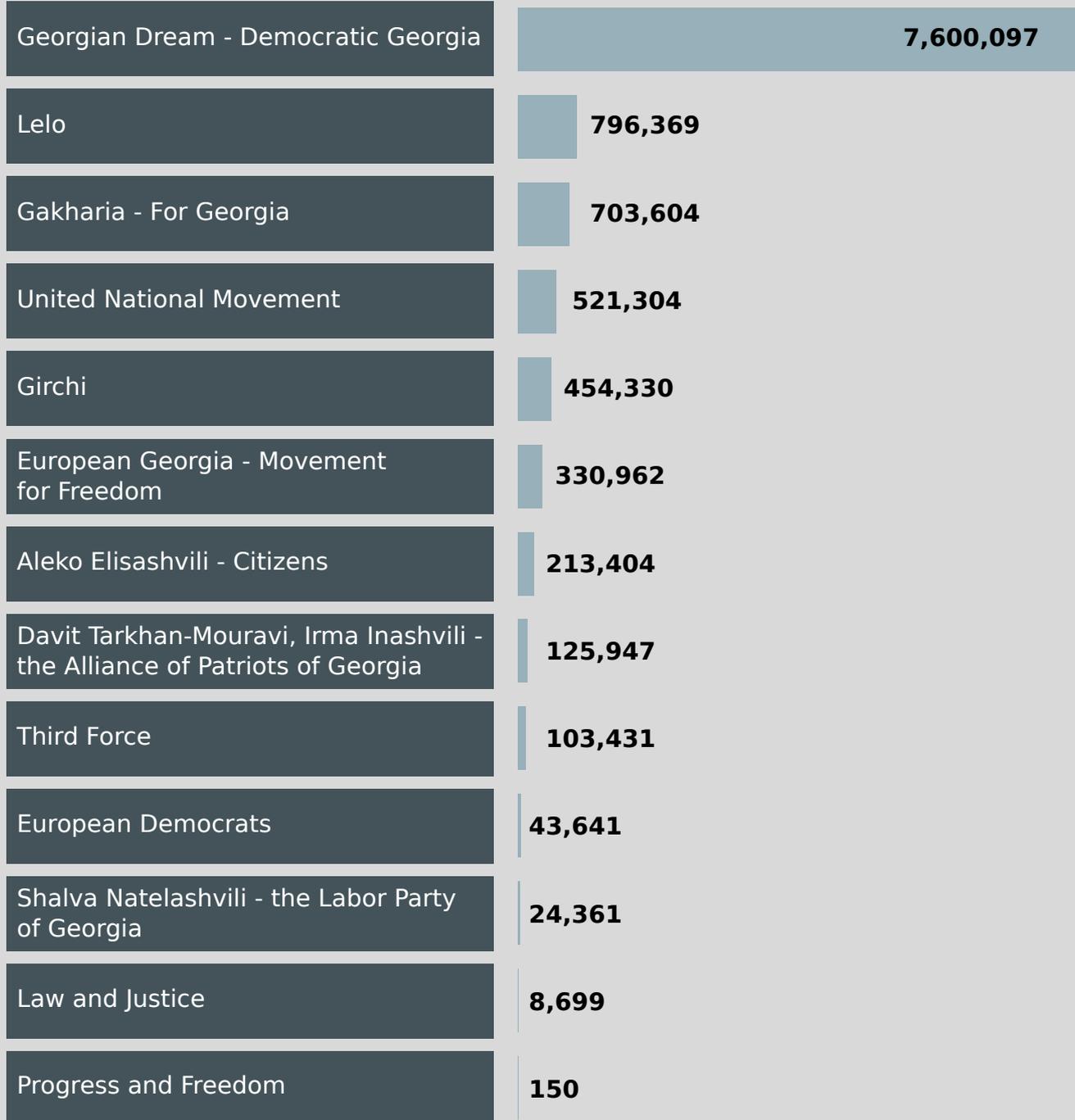
According to the legislation, election subjects are required to provide the SAO with detailed reports on their expenses. The SAO is obligated to publish these reports on its website. The Law of Georgia on Political Associations of Citizens sets ceilings for political party expenditures: a total annual sum of all expenditures made by a political party / election subject cannot be more than 0.1% of Georgia's gross domestic product (GDP) for the previous year. This figure includes expenses of a political party / election subject and other individuals / entities who have made payments in their support. Expenditures include expenses for financing campaign and other events, salaries, expenses for business trips and other events.

Apart for setting limits on the total annual expenditures by a political party, the law also stipulates limitations on certain types of expenditures: fees for experts and consultants should not be more than 10% of the ceiling set for political party expenditures (0.1% of the previous year's GDP). Georgian legislation does not make limitations on the types of purchases and payments during the election campaign.

2. Expenditures of election subjects: review and analysis

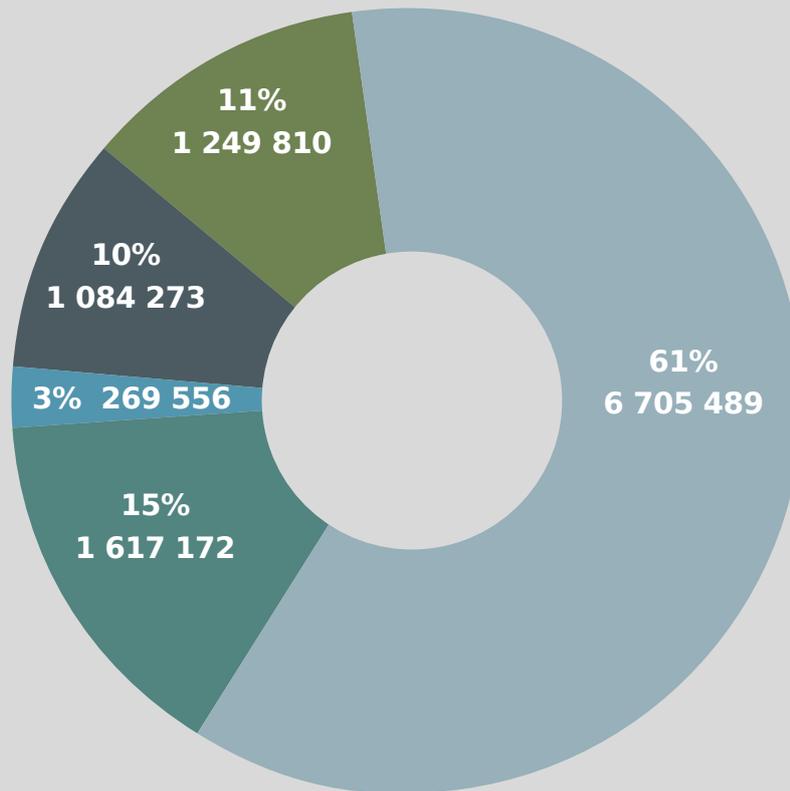
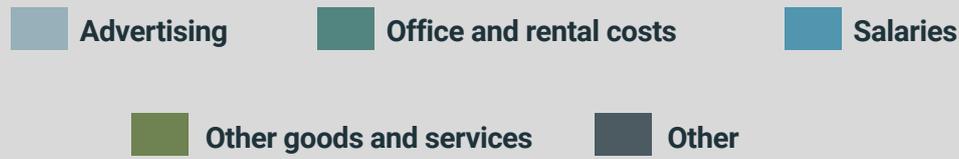
13 election subjects studied by TI Georgia spent a total of **GEL 10,926,299** during the reporting period, of which **70% - GEL 7,600,097** was spent by Georgian Dream - Democratic Georgia. Lelo was second with the expenditure of GEL 796,369, and Gakharia - For Georgia was third with GEL 703,604 (see **Figure 6**).

**Figure 6. Expenditures made by 13 Election Subjects
(August 2 - September 12), ₾**



As in other years' election campaigns, the largest expenses of election subjects fell under the following categories: a) advertising; b) rental costs; d) office expenses and; e) salaries. The advertising expenses (GEL 6,705,488) accounted for a substantial share (61%) of total expenditures of election subjects. Of the other categories, the largest were rental costs (6% of total expenditures) and salaries (4%) (See **Figure 7**).

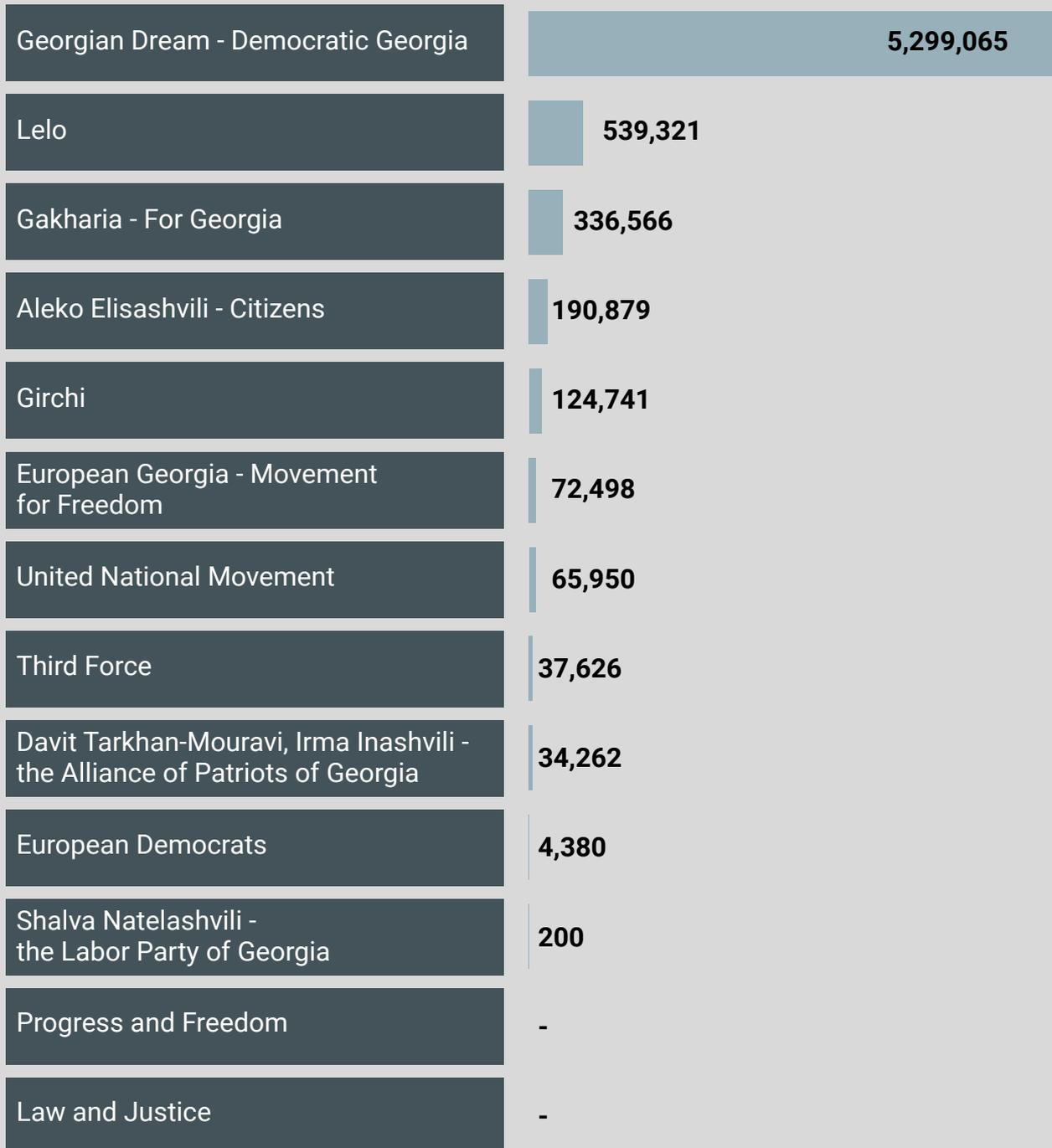
Figure 7. Total Expenditures Made by 13 Election Subjects, Main Categories (August 2 - September 12), ₾,% share



2.1 Advertising expenses

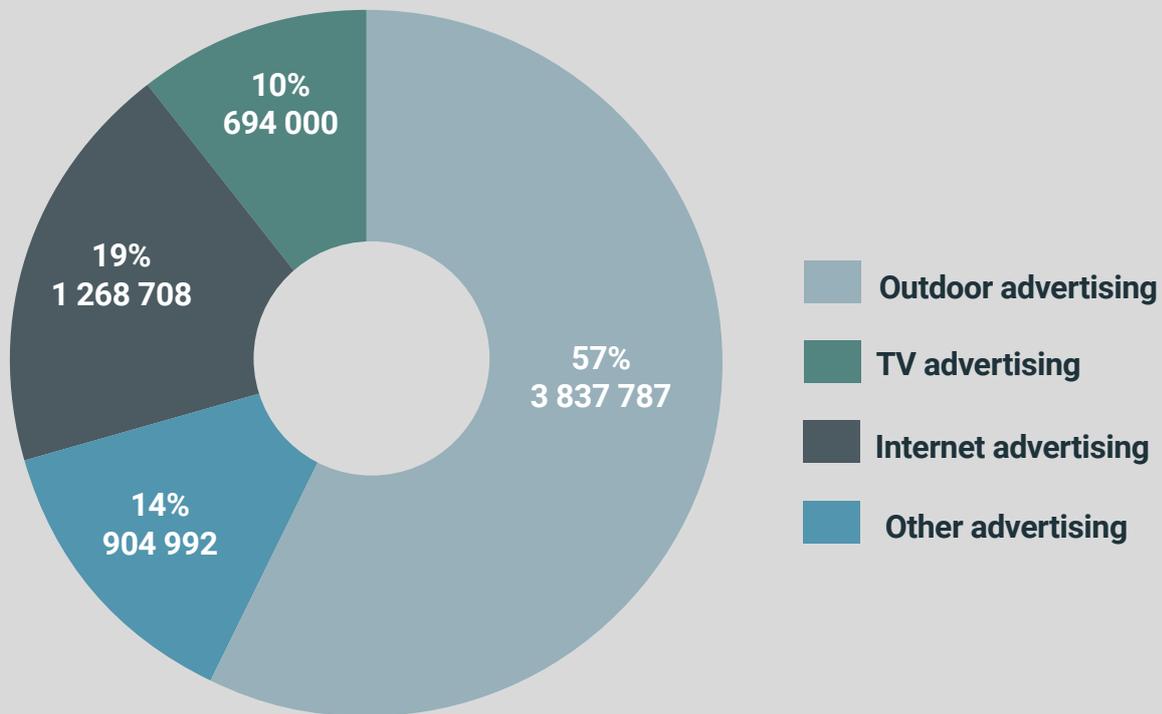
As already mentioned, during the reporting period, election subjects spent a total of GEL 6,705,488 on election advertising. Georgian Dream - Democratic Georgia spent the most on advertising – GEL 5,299,065, which is 79% of the total advertising expenses of 13 election subjects (see **Figure 8**).

Figure 8. Total Advertising Expenses made by 13 Election Subjects (August 2 - September 12), ₾



As for the categories of advertising, the largest amount was spent on outdoor advertising, the largest part of which - **88%** - was Georgian Dream - Democratic Georgia's share (see **Figure 9**).

Figure 9. Total Advertising Expenses Made by 13 Election Subjects, by Type of Advertising (August 2 - September 12), ₾,% share



2.3.4. Undeclared expenditures

On September 7, Imedi TV aired a story²¹ telling viewers that Girchi had bought a car worth more than \$ 100,000 and would run it prior to the upcoming elections. In particular, one of the leaders of the party, Iago Khvichia, said that the aim of the lottery was to encourage voter turnout. All voters who will go to polling stations, take a photo to prove it and publish it using a special hashtag, will automatically participate in the lottery, and the winner will be revealed by random selection.

Girchi has not indicated the cost of buying of this car in any of the three-week financial declarations, which is a violation of the law.

Recommendation

The SAO should determine the source of funding for these billboards and take appropriate action in case of violation of legal requirements.

21 *Who will win Girchi's Porsche worth of USD 100,000?*, Imedi TV, 07.09.2021: <https://www.facebook.com/watch/?v=253953146591972>

VI. Recommendations

- The Prosecutor's Office should launch an investigation into the alleged facts of pressure on local businessmen in Samtskhe-Javakheti, and study whether similar cases have taken place in other regions of Georgia;
- It is necessary to amend the Organic Law of Georgia on Political Associations of Citizens so that a political party does not lose its public funding regardless of whether it uses parliamentary seats or not, as party funding should depend on its election results and not on parliamentary activities;
- The SAO should identify the source of funding for the billboards placed in various cities featuring opposition party leaders and journalists, and take appropriate action if the law is violated;
- The SAO should investigate the possible undeclared revenue and expenses of Girchi and, if confirmed, take the measures required by law.

Abbreviations

CEC – Central Election Commission of Georgia

GEL – Georgian Lari

LEPL – Legal Entity of Public Law

MP – Member of Parliament

N(N)LE – Non-Entrepreneurial (Non-Commercial) Legal Entity

OSCE / ODIHR – Office for Democratic Institutions and Human Rights of the Organization for Security and Co-operation in Europe

SAO – State Audit Office of Georgia

SSS – State Security Service

TI Georgia – Transparency International Georgia