

# Results of Parallel Expenditure Tracking of Tbilisi and Gori Mayoral Candidates: 2014 Local Self-government Elections in Georgia

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## I. Executive Summary

Transparency International Georgia (TI Georgia) has implemented a pilot project that envisaged the parallel counting and monitoring of political parties' expenses in the run-up to the 2014 municipal elections. Owing to the high amount of involved parties, TI Georgia could not find sufficient resources to monitor all of the involved political subjects. Moreover, the project has specific limitations as it was not possible to conduct monitoring across the whole territory of the country.

4 electoral subjects from Tbilisi and Gori mayoral candidates were selected for the parallel expenditure tracking:

### **Tbilisi**

- #1 Kakha Kukava (Non-Parliamentary Opposition (Kakha Kukava, Pikria Chikhradze));
- #3 Dimitri Lortkipanidze (Nino Burjanadze – United Opposition);
- #5 Nikanor Melia (United National Movement);
- #41 Davit Narmania (Georgian Dream).

### **Gori**

- #1 Vasil Butkhuzi (Non-Parliamentary Opposition (Kakha Kukava, Pikria Chikhradze));
- #3 Mamuka Nozadze (Nino Burjanadze – United Opposition);
- #5 Archil Sabiashvili (United National Movement);
- #41 Zurab Jirkvelishvili (Georgian Dream).

TI Georgia has calculated the estimate expenses, starting May 1 and ending June 14, of the aforementioned candidates in their electoral campaigns most costly categories (paid TV advertisements and outdoor advertisements).

The research revealed that only the United National Movement (UNM) and Georgian Dream (GD) candidates could afford the following type of expenses. According to TI Georgia's calculations, the UNM mayoral candidates for Tbilisi and Gori should have spent around GEL 521 000 for their paid TV ads. The figures presented in the UNM's financial statements for entire electoral campaign expenses, however, indicated GEL 196 328 for this activity. This mismatch in the figures was presumably due to a technical error. To double-check, TI Georgia presented the findings of the report to the UNM. According to their response, certain expenses were not reflected due to unverified information at the time of their submitting their financial declaration to the SAO. The UNM also stressed that the correct amount of expenses would be written in their closing report. In spite of this assurance, the SAO should look into this case and determine the cause of the mismatch.

As far as outdoor advertisements are concerned, the organization's calculations showed that in the reporting period the UNM should have spent around GEL 160 000 for billboard advertisements.

Tbilisi and Gori mayoral candidates from the GD should have spent around GEL 249 000 on paid TV advertisements and GEL 228 000 – on billboard advertisements.

Parallel Expenditure Tracking can prove to be interesting in subsequent elections as political parties will be aware that they are under scrutiny in this regard.

## II. Introduction and Methodology

Financial resources tend to often determine the success of political parties and other electoral subjects during democratic elections. For a political party, more money equals to a better platform for reaching out to its electorate. Georgia is no exception to the case and electoral subjects spare no money in this regard in the pre-electoral period. As a rule, only a handful of parties can afford large expenses. In this setting, society should have the ability to monitor political party expenses. This is important in order to deter undeclared money in electoral campaigns and avoiding further enlargement of the competition gap between political parties.

There are a number of different systems in the world for monitoring of political party expenses; however, notwithstanding varying degrees this issue is problematic in all countries. Oversight over party expenses is usually exercised by a state institution(s). However, this function requires civic engagement in countries where public trust towards such institutions is low. For example, civic oversight in Ukraine revealed a number of problems which were mainly related to electoral subjects' undeclared expenses. This kind of civic engagement forces electoral subjects to be more attentive in their financial activities.

Such civic monitoring has never been practiced in Georgia, in spite of the necessity in times when the government was not duly interested in this issue or when the monitoring was carried out subjectively.

The State Audit Office (SAO) is a state institution responsible for party expense monitoring since the end of 2011. Compared to 2012, interest groups have made fewer complaints in the SAO's address in the past two years. In 2014, the work of the SAO was positively assessed<sup>1</sup> by TI Georgia during the local self-government elections. Nevertheless, the SAO still lacks proper resources (human, financial) for monitoring. This has been recognized by the agency itself. Thus, one can assume that certain financial violations could go undetected by the SAO. TI Georgia has implemented a pilot project that envisaged the parallel counting and monitoring of political parties' expenses in the run-up to the 2014 local elections. This project was preceded by a similar pilot project, which was implemented during the 2013 presidential elections and was based on a new methodology.

Owing to the high amount of involved parties in 2014 local self-government elections, TI Georgia could not find sufficient resources to monitor all of the involved political subjects. Moreover, the project has specific limitations as it was not possible to conduct monitoring across the whole territory of the country. Due to this, the report cannot offer an all-encompassing picture or absolute precision in the counting and comparisons. Nevertheless, it enables the detection of substantial financial violations by political parties.

### 1. Monitoring limitations

#### a. Limitations on the selection of electoral subjects

Since it wasn't possible to cover all electoral subjects, the report focuses on four electoral subjects that the organization believes enjoy the largest public trust and interest. This approach is based on NDI's 2014 report<sup>2</sup> and the results of the previous elections. The following electoral subjects have been selected:

- #1 Kakha Kukava (Non-Parliamentary Opposition (Kakha Kukava, Pikria Chikhradze));

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<sup>1</sup> See Transparency International Georgia's report 'Georgian Political Party Finances in 2013': <http://goo.gl/VrcTNd>

<sup>2</sup> See NDI's report Public Attitudes in Georgia: <http://goo.gl/wV94z8>

- #3 Nino Burjanadze – United Opposition;
- #5 United National Movement;
- #41 Georgian Dream<sup>3</sup>.

#### **b. Limitations on the type of elections**

It was not possible to monitor all types of elections; therefore, the report focuses on mayoral candidates in Tbilisi and Gori:

##### **Tbilisi**

- #1 Kakha Kukava;
- #3 Dimitri Lortkipanidze;
- #5 Nikanor Melia;
- #41 David Narmania<sup>4</sup>.

##### **Gori**

- #1 Vasil Butkhuzi;
- #3 Mamuka Nozadze;
- #5 Archil Sabiashvili;
- #41 Zurab Jirkvelishvili<sup>5</sup>.

#### **c. Geographical limitations**

Mayoral elections were carried out in 2 self-governing cities. Only Tbilisi and Gori were selected for this project.

#### **d. Time limitations**

Initially it was planned that the monitoring would cover the entire pre-election period (April 14 – June 14) but due to technical reasons, it was possible to monitor certain expenses only from May 1 and others from May 9.

#### **e. Limitations on the selection of type of expenses**

The aim of the project was to provide the society with the clearest picture of political party expenses by covering as many categories as possible. Due to this, TI Georgia selected what it thought to be the category of the largest expenses. Specifically:

- Paid television advertisements;
- Outdoor advertisements – billboards (the report does not include outdoor advertisements such as so-called light boxes, big screens fixed on the street, advertisements on vehicles, etc.);
- Office expenses;
- Electoral campaign events expenses;

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<sup>3</sup> The electoral subjects list is given according to their numbers

<sup>4</sup> The electoral subjects list is given according to their numbers

<sup>5</sup> The electoral subjects list is given according to their numbers

As a rule, political parties have other types of expenses but it is difficult and sometimes even impossible for third parties to monitor them. Due to this, the report does not cover expenses such as salaries, vacations, printed commercial posters, internet advertisements, transport costs, etc.

## **2. Monitoring methodology**

A different methodology has been chosen for different type of expenses. The writing of the report is also based on the experience TI Georgia received during the monitoring of the 2013 presidential elections.

### **a. Monitoring of paid political advertisements**

Georgian legislation allows the placement of both free and paid political advertisements. An electoral subject must satisfy certain criteria to use the right to free advertisements. There are no requirements for paid advertisements and any electoral subject is allowed to use them. All four of the electoral subjects given in the report were allocated by law specific time for their free political commercials. However, as previous elections have demonstrated, some political parties spent a substantial amount of funds for paid commercials as well. This is why TI Georgia took special notice of this type of expense in 2014.

For the purposes of the monitoring (research period from May 1 to June 14) TI Georgia selected the TV stations which were most likely to feature paid political commercials by Tbilisi and Gori mayoral candidates. Namely, these are:

- Rustavi 2;
- Imedi;
- Kavkasia;
- TV 3;
- Palitra TV;
- Maestro;
- Obieqtivi;
- Tabula;
- Trialeti (For Gori mayoral candidates).

In spite of the fact that some of these TV stations broadcast the whole day, the placement of political commercials was less likely in certain timeslots of the day. Since electoral subjects already used their legal rights to free political advertisements, additional paid commercials were most likely to be broadcast during evening hours or the so-called ‘Prime Time’.

Due to this, we selected a 10-hour timeframe and dedicated two monitoring staff to observe it on a daily a basis through cable television SILK TV and internet television Myvideo.ge. The 10-hour timeframe covered the following periods:

- Morning - 08:00 – 10:00;
- Afternoon - 11:45 – 12:45 and 14:45 – 15:45;
- Evening - 17:45 – 23:45.

The following information was collected during the monitoring: the timeslot of the paid television commercial; duration (with precision to the second) and a brief description. Afterwards TI Georgia looked at the TV companies’ published tariffs for advertisements and compared it with the parties’

financial declarations (available on the SAO's website<sup>6</sup>) as well as with the letters indicating information on specific expenses sent by parties to the SAO.

#### **b. Monitoring of outdoor advertisements (billboards)**

A number of companies operate in the outdoor advertisement business in Georgia, the largest of which – LTD Outdoor.ge – enjoys the largest market share (around 80%).<sup>7</sup> Elections held in the past few years have shown that electoral subjects spend a substantial amount of funds on outdoor advertisements.

Based on the experience with previous projects only billboards were selected for the monitoring of outdoor advertisements. Other types of outdoor advertisements were not selected for monitoring because it would be quite difficult or impossible for a civil organization due to the specificity of the task.

Monitoring of billboards was carried out throughout all of Tbilisi and Gori in the period of May 9 till June 14. TI Georgia pre-selected certain streets and locations where the placements of billboards could be advantageous. In Tbilisi, monitoring of billboards was carried out in two groups that drove around the city and identified the locations of billboards on a map and their approximate sizes. Tbilisi was divided into 4 zones for this purpose, two zones for each group. In Gori, the same approach was used but with a single observer. Gori was divided into 2 zones. In both cities, observers carried out the monitoring of each every second day.

The information collected by the observers and the tariffs presented by Outdoor.ge were used to calculate the approximate expenses incurred on billboard advertisements by the political parties. This was later compared with the parties' financial declarations that are available on the SAO's website.<sup>8</sup>

#### **c. Monitoring of office expenses**

An office is an essential part of any political activity; therefore, as a rule, all political parties allocate funds in this regard. The monitoring of office expenses was carried out in the time period of May 9 to June 14 by 5 monitors in Tbilisi and in Gori. The observers were tasked with visiting respective candidates' offices and taking note of the supposed expenses by examining the equipment. Moreover, the observers calculated the estimate rent price of the office based on its location. Since the majority of the electoral subjects used the offices of their political parties, expenses in this regard could not be monitored. Therefore, information on this type of expenses is not reflected in the report.

#### **d. Monitoring of electoral campaign events**

Holding events is one of the most prevalent activities used by political parties during their electoral campaign. Events can sometimes be of big proportions and thus be related to large expenses.

Six observers, who were hired by TIG to monitor office expenses, were tasked to monitor expenses on events as well. TI Georgia addressed both of the electoral subjects and requested information on events planned by their respective candidates. Initially, neither of the two electoral subjects was against providing this type of information, however, there were cases when certain information on events was provided late or not provided at all. Moreover, since the monitoring of events began several weeks after the start of the pre-electoral campaign, some political parties had already carried out large political events.

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<sup>6</sup> <http://sao.ge/financial-monitoring-service/declaration/2014-local-self-governance-bodies-elections>

<sup>7</sup> See the *Report on Political Advertisements and its influence on Media and Elections* by the initiative group: <http://goo.gl/641rnp>

<sup>8</sup> <http://sao.ge/financial-monitoring-service/declaration/2014-local-self-governance-bodies-elections>

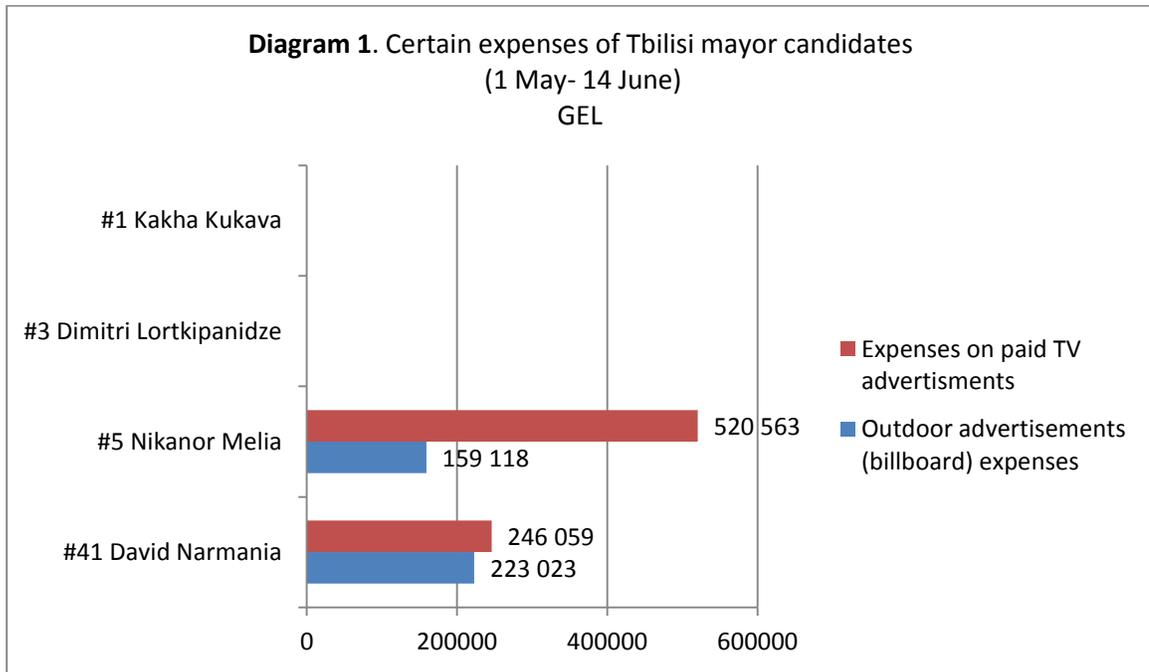
Registering the expenses of those events was therefore not possible. Throughout the remaining period the candidates selected for the report have not held any big and costly events. Due to this, this report does not include the aforementioned expenses.

### III. Findings of the Monitoring of Tbilisi Mayoral Candidates' Campaign Expenses

As mentioned in the introduction, four Tbilisi mayor candidates have been selected for the research:

- #1 Kakha Kukava (Non-Parliamentary Opposition (Kakha Kukava, Pikria Chikhradze));
- #3 Dimitri Lortkipanidze (Nino Burjanadze – United Opposition);
- #5 Nikanor Melia (United National Movement);
- #41 David Narmania (Georgian Dream).

Two of the aforementioned candidates – Kakha Kukava and Dimitri Lortkipanidze – have used neither paid television commercials nor billboard advertisements. Two other candidates – Nikanor Melia and David Narmania – actively used both forms of advertisements.



#### 1. #5 Nikanor Melia (United National Movement)

##### 1.1. Paid TV advertisement

During the monitoring period (May 1 – June 14) TI Georgia’s observers found that Nikanor Melia’s paid television commercials were broadcast only on two out of the nine TV companies in the scope of this research. They are Rustavi 2 and Kavkasia.

Nikanor Melia had 7 different types of 203 commercials broadcast on Rustavi 2, with an average duration ranging from 10 to 50 seconds. The TV tariffs for the commercials were different as they were broadcast in different time of the day. For example, a minute of political commercial for Tbilisi mayor candidate Nikanor Melia ranged from GEL 1 575 to GEL 9 100. According to TI Georgia’s calculations, the UNM should have paid GEL 513 948 for Nikanor Melia in paid television advertisement. Nikanor Melia’s paid television advertisements were broadcast on Kavkasia only throughout June 10-14, with an average price ranging from GEL 720 to GEL 1 200 per minute. TI Georgia’s calculations showed that the UNM should

have paid GEL 6 615 to Kavkasia for paid television advertisements. In total, the UNM must have paid GEL 520 563 for paid television advertisements on both TV companies. These expenses must have been reflected in the financial declaration submitted to the SAO. Since Georgian legislation does not require individual declarations for candidates and because parties are not obliged to sort their expenses per their candidates, it was impossible to make an exact comparison. Nevertheless, it is still possible to detect large discrepancies between parties' actual and declared expenses.

Financial declarations of electoral subjects spanning the entire pre-electoral period (April 14 – June 15) are available on the SAO's web-site. According to the most recent financial declarations, UNM had GEL 196 328 in expenses for paid television advertisements, which included GEL 53 044 in expenses for the period (May 5 – June 15) when TI Georgia's observers were engaged in the observation process. Obviously, there is a huge discrepancy between those two figures and the GEL 520 563 calculated by TI Georgia. It is worthwhile to note that the amount calculated by the organization does not include, due to varying tariffs, fees for the production of the video commercials.

TI Georgia addressed the SAO and requested the additional financial documents submitted by the party. The UNM, according to order #137/37, was submitting to the SAO information related to the acquisition of commercial timeslots. The documents show that UNM paid GEL 491 099 to Rustavi 2 for broadcast political commercials in the time period May 1 – June 8. The SAO has not provided information on expenses made after June 8. As far as Kavkasia is concerned, GEL 10 000 was paid for commercial fees. These figures are rather close to TI Georgia's calculations, but are still substantially different from the figures presented in the financial declarations. Since the party had correctly presented the figures in additional letters to the SAO, TI Georgia assumed that a technical error was made during the composition of the financial declarations.

To clarify the aforementioned issue, TI Georgia presented the findings of the report to the UNM. According to their response, certain expenses were not reflected due to unverified information at the time of their submitting their financial declaration to the SAO. The UNM also stressed that the correct amount of expenses would be written in their closing report. In spite of this assurance, the SAO should look into this case and determine the cause of the mismatch.

## *1.2. Outdoor advertisements - billboards*

Nikanor Melia quite actively used billboard advertisements. Many billboards had already been posted when the monitoring began (May 9) and many others were added throughout the monitoring period. Due to this, the calculated expenses could not provide a complete picture.

Throughout the monitoring period, observers recorded a total of 49 differently-sized billboards that depicted Nikanor Melia's advertisement in different periods of time. The total area of the billboards should have been around 1 500 m<sup>2</sup>. The largest company in the outdoor advertising business, LTD Outdoor.ge had a USD 40<sup>9</sup> standard tariff per 1 m<sup>2</sup> of advertising space. Moreover, there is an additional one-time 10 USD fee for the production of the billboard. According to TI Georgia's calculations, Nikanor Melia must have paid around GEL 159 000 in billboard advertisement expenses.<sup>10</sup>

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<sup>9</sup> Without VAT

<sup>10</sup> Including VAT. Currency exchange rate used: 1 USD = 1.77 GEL

Expenses on outdoor advertisements do not have a separate category in financial declarations and are included in the 'other expenses' category. Therefore, it is difficult to compare the organization's calculated expenses with the 'other expenses' category. To note, the financial declaration of the UNM shows that the party's expenses in this category amounted to GEL 611 634.

## **2. #41 David Narmania (Georgian Dream)**

### **2.1. *Paid television advertisements***

Out of the 9 monitored TV channels in the May 1 – June 14 time period, TI Georgia's observers found that four broadcast David Narmania's paid television advertisements: Rustavi 2, Imedi, TV3 and Kavkasia. The remaining five TV companies did not run Narmania's television ads.

In the time period May 19 – June 6, Rustavi 2 broadcast David Narmania's two different types of advertisements a total of 67 times, with an average duration ranging between 10-15 seconds. The advertisements ran in evening hours and the average price for a minute of airtime ranged from GEL 3 150 to GEL 9 000. According to TI Georgia's calculations, David Narmania's paid television advertisements on Rustavi 2 must have cost GD GEL 72 813.

David Narmania's 10 and 15 second-long advertisements ran a total of 67 times on the Imedi TV channel, with a minute of airtime cost ranging from GEL 2 625 to GEL 7 875. GD must have paid Imedi TV a total of GEL 102 244.

According to the findings of our observers, David Narmania's 15 and 25 second-long advertisements ran a total of 192 times on the TV3 channel, with a minute of airtime cost ranging from GEL 136 to GEL 850. GD must have paid TV3 around GEL 25 552 in advertisement airtime fees.

Narmania's 15 to 43 second-long advertisements were broadcast a total of 114 times on the Kavkasia channel, with a minute of airtime cost ranging from GEL 600 to GEL 1 200. The expenses for these advertisements must have amounted to a total of GEL 46 450.

Overall, the GD must have paid a total of GEL 246 059 for David Narmania's paid political advertisements. According to the financial declarations available on the SAO's website, GD's total expenses on political advertisements amounted to GEL 920 910 that includes expenses paid not only for Narmania's campaign, but also other party candidates.

### **2.2. *Outdoor advertisements - billboards***

As it was the case with Nikanor Melia, David Narmania actively used billboards for political advertisements. Many billboards had already been posted when the monitoring began (May 9) and many others were added throughout the monitoring period.

During the monitoring period, observers recorded a total of 73 differently-sized billboards that depicted David Narmania's advertisements in different periods of time. The total area of the billboards should have been around 2 200 m<sup>2</sup>. With the tariffs provided by LTD Outdoor.ge, David Narmania must have paid around GEL 223 000<sup>11</sup> in billboard advertisement expenses<sup>12</sup>.

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<sup>11</sup> Including VAT. Currency exchange rate used: 1 USD = 1.77 GEL

<sup>12</sup> Including VAT. Currency exchange rate used: 1 USD = 1.77 GEL

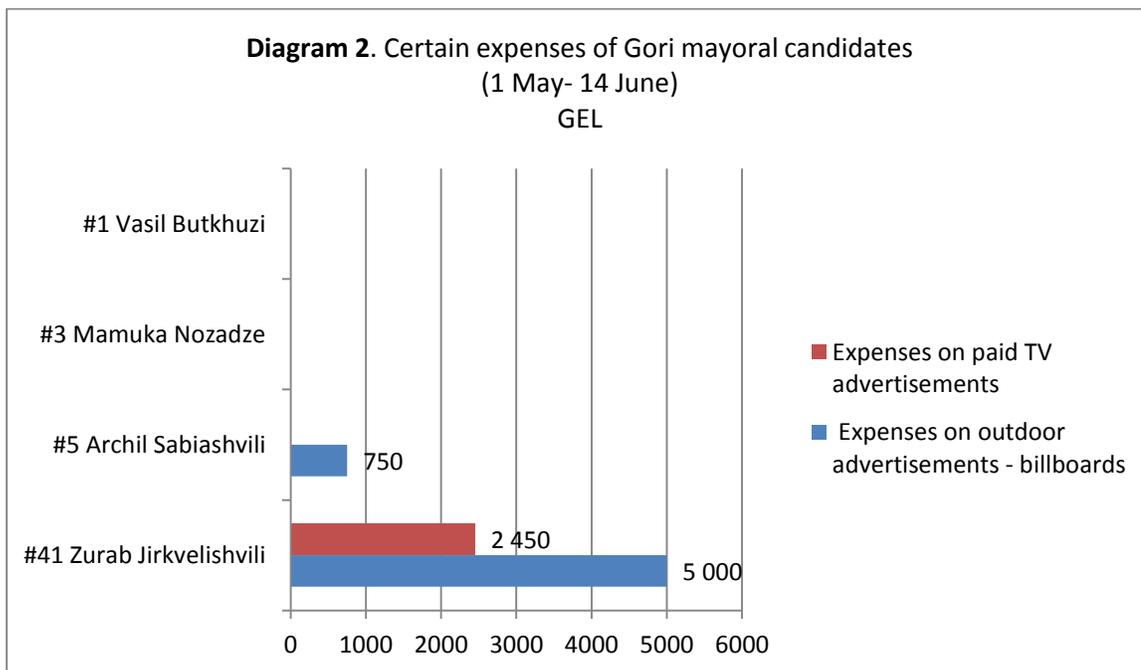
As already mentioned, expenses on outdoor advertisements do not have a separate category in financial declarations and are included in the 'other expenses' category. Therefore, it is difficult to compare TI Georgia's calculated expenses with the other expenses category. To note, the financial declaration of the GD shows that the party's expenses in this category amounted to GEL 1 516 323.

## IV. Findings of the Monitoring of Gori mayoral candidates' electoral expenses

As mentioned in the introduction, the following electoral subjects have been selected for the research:

- #1 Vasil Butkhuzi (Non-Parliamentary Opposition (Kakha Kukava, Pikria Chikhradze));
- #3 Mamuka Nozadze (Nino Burjanadze – United Opposition);
- #5 Archil Sabiashvili (United National Movement);
- #41 Zurab Jirkvelishvili (Georgian Dream)<sup>13</sup>.

Three of the aforementioned candidates – Vasil Butkhuzi, Mamuka Nozadze and Archil Sabiashvili – did not employ paid TV advertisements. As for the billboard advertisements only two candidates used this service. Due to this, this chapter deals with the expenses of two candidates: GD's Zurab Jirkvelishvili and UNM's Archil Sabiashvili.



### 1. #5 Archil Sabiashvili

#### 1.1. Outdoor advertisements - billboards

The first and only two-sided billboard advertisement of Archil Sabiashvili was posted 14 days prior to the elections. With the tariffs provided by Gori-based Company Alma, the standard monthly tariff per 1 m<sup>2</sup> of

<sup>13</sup> The electoral subjects are listed by their prescribed ballot numbers

advertising space was USD 25<sup>14</sup> and additional USD 10<sup>15</sup> for the production of billboard. Both sides of this billboard were about 30 m<sup>2</sup> in size, thus the advertising must have cost UNM around GEL 750.<sup>16</sup>

## 2. #41 Zurab Jirkvelishvili

### 2.1. *Paid TV advertisements*

Out of the 9 monitored TV channels in the May 1 – June 14 time period, TI Georgia’s observers found that only TV Company Trialeti broadcast Zurab Jirkvelishvili’s paid political advertisements.

In the time period May 19 – June 6, Trialeti broadcast Zurab Jirkvelishvili’s advertisement 24 times during evening hours. The average price for a minute of airtime ranged from GEL 300 to GEL 350. According to TI Georgia’s calculations, Jirkvelishvili’s paid television advertisements on Trialeti must have cost GD GEL 2 450.

### 2.3. *Outdoor advertisements - billboards*

Compared to others, Zurab Jirkvelishvili most actively used billboard advertisements. Throughout the monitoring period, observers recorded a total of 4 differently-sized billboards that were posted in different periods of time. The total area of the billboards was around 100 m<sup>2</sup>. With the tariffs provided by Gori-based Company Alma, the advertising must have cost UNM around GEL 5000.<sup>17</sup>

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<sup>14</sup> Without VAT

<sup>15</sup> Without VAT

<sup>16</sup> Including VAT. Currency exchange rate used: 1 USD = 1.77 GEL

<sup>17</sup> Including VAT. Currency exchange rate used: 1 USD = 1.77 GEL

## V. Recommendations

TI Georgia suggests the following recommendations in response to the problems and issues revealed throughout this report.

- The SAO should look into the accuracy of the UNM's expenses on television advertisements in the financial declarations and take adequate measures if needed;
- Due to the large amount of expenses on outdoor advertisements, it is recommended that the SAO dedicate a separate category in financial declarations (Form #5, 1.2.8. advertisement expenses) for 'outdoor advertisements expenses'.
- To improve the ability of civil society to monitor expenses of electoral subjects, it is recommended that the SAO also makes public documents related to the acquisition of advertisement services by political parties.

Transparency International Georgia plans to conduct similar monitoring in the future elections based on the findings and experience of this report.