



# **BUSINESS CONNECTIONS, INCOMPATIBLE ACTIVITIES AND UNDECLARED COMPANIES OF PARLIAMENT MEMBERS**

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## INTRODUCTION

This study by Transparency International Georgia (TI Georgia) examines entrepreneurial activities and business connections of the Members of the Parliament of Georgia of the 10th<sup>1</sup> Convocation.<sup>2</sup>

## METHODOLOGY

The report is based on the examination of asset declarations of officials submitted by MPs and the information from the official website of the National Agency of Public Registry as well as the information requested and received from the Parliament of Georgia and the Civil Service Bureau.

The information about MPs' asset declarations and their shares in companies is provided in this report as of 16 September 2021.

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1 The recognition of powers took place on 11 December 2020.

2 Covering the period including 16 September 2021.

# 1. KEY FINDINGS

- Out of 150 MPs, **62** have business connections;<sup>3</sup>
- Of those, **20** MPs failed to fully declare their direct entrepreneurial activities (holding company shares or being a company representative);
- Indirect entrepreneurial activities (connected/branch enterprises) were not fully declared by **13** MPs;
- In **25** cases, shares were not transferred to another person with the right to manage;
- In **12** cases, MPs continued exercising representative authority of entrepreneurial entities simultaneously with their parliamentary activities;

The following MPs hold business assets in the largest number of companies (10 and more):

1. **Badri Japaridze** (Lelo – Partnership for Georgia faction) – 32 companies;
2. **Mamuka Khazaradze** (Lelo – Partnership for Georgia faction) – 30 companies;
3. **Vasil Chigogidze** (Georgian Dream faction) – 22 companies;
4. **Avtandil Enukidze** (European Socialists political group) – 20 companies;
5. **Pridon Injia** (European Socialists political group) – 20 companies;
6. **Kakhaber Okriashvili** (United National Movement faction – Power in Unity united opposition) – 12 companies;<sup>4</sup>
7. **Dilar Khabuliani** (United National Movement faction – Power in Unity united opposition) – 10 companies).

In most cases, GEL 0 is indicated in declarations as income received from entrepreneurial activities. Only 22 out of 62 MPs indicated that they receive income from entrepreneurial activities. According to the submitted declarations, the following MPs indicated the highest annual income from entrepreneurial activities:

- **Kakhaber Okriashvili** (United National Movement faction – Power in Unity united opposition) – GEL 11,268,533.54;
- **Pridon Injia** (European Socialists political group) – GEL 1,528,556;
- **Anton Obolashvili** (Georgian Dream faction) – GEL 1,418,917.5;
- **Elguja Gotsiridze** (Georgian Dream faction) – GEL 1,263,590.42;

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3 These data do not include the cases when company shares were purchased after the submission of a declaration.

4 One more company that was indicated in the declaration was liquidated after the submission of the declaration.

## 2. BUSINESS CONNECTIONS, UNDECLARED COMPANIES AND INCOMPATIBLE ENTREPRENEURIAL ACTIVITIES OF MPS

It has been a problem for many years that MPs fill out their asset declarations incorrectly and participate in entrepreneurial activities.

**TI Georgia, as a result of studying official sources (asset declarations of officials and the website of the National Agency of Public Registry), collected information about undeclared shares, conflict of interest and alleged involvement in entrepreneurial activities of MPs. We are unable to determine whether or not the undeclared companies are actually conducting entrepreneurial activities, so it is up to the Civil Service Bureau to show interest towards this issue; as for the conflict of interest, this needs to be examined by the Parliamentary Committee of Procedural Issues and Rules.**

### 2.1 LEGISLATION REGULATING BUSINESS INTERESTS OF MPS

**An MP has the right to own stocks, shares and other assets, however, entrepreneurial activities are not compatible with the status of an MP.**

#### **An MP is not allowed:**

- To be directly engaged in a repeated activity of managing material and financial assets for profit;
- To directly exercise the powers of a permanent head or a member of a supervisory, control, revision and/or consultative body of an entrepreneurial entity.<sup>5</sup>

If an MP is engaged in entrepreneurial activities, the Parliamentary Committee of Procedural Issues and Rules, **within 10 days** from discovering this fact, requests corresponding written documents, hears explanations from the MP in question, and prepares a corresponding conclusion.

If the engagement of an MP in entrepreneurial activities is *confirmed*, the conclusion is sent to the Parliamentary Bureau which puts the issue of early termination of the MP's authority on the agenda of the next plenary session.<sup>6</sup>

An MP is under the obligation to fill out an asset declaration in accordance with the Law on Conflict of Interest and Corruption in Public Institutions and submit it to LEPL Civil Service Bureau.

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5 Parliamentary Rules of Procedure, Article 7, <https://www.matsne.gov.ge/document/view/4401423?publication=18>

6 Parliamentary Rules of Procedure, Article 6, para. 5, <https://www.matsne.gov.ge/document/view/4401423?publication=18>

An asset declaration must include, among others, the following information:

- Immovable assets owned by a person and their family members;
- Movable assets owned by a person and their family members (securities, bank accounts and/or in-payments except for cash) if the value of each one of them exceeds GEL 10,000;
- Securities owned by a person or their family members; bank accounts and/or in-payments in Georgian or foreign banks or other credit institutions that a person or their family members have the right to manage and use;
- Cash owned by a person or their family members, if the amount exceeds GEL 4,000;
- Direct or indirect engagement of a person or their family members in entrepreneurial activities in Georgia or abroad.

The failure to indicate this information is punishable by fine. The Civil Service Bureau is responsible for monitoring whether the information indicated in an official's asset declaration is complete and correct, and whether the declaration is compliant with the Georgian legislation.

The amendments<sup>7</sup> made to the law defined instances that are considered ***non-essential violations*** in the process of filling out an asset declaration. Specifically, these include the following:

- ▶ The information about direct or indirect participation of a person or their family members in entrepreneurial activities in Georgia or abroad ***does not identify an enterprise in whose activities an official or their family member is engaged directly and/or indirectly and which, for three or more years prior to the date of filling out the declaration, did not have any turnover or carried out a transaction or whose annual recorded turnover is below GEL 2,000.***

The Bureau decides that **there is no violation** if:

- The information about direct and indirect participation of a person or their family members in entrepreneurial activities in Georgia or abroad does not identify an enterprise in whose activities an official or their family member is engaged directly and/or indirectly and which, ***six or more years prior to the date of filling out the declaration, did not have any turnover or carried out a transaction or whose annual recorded turnover is below GEL 500.***

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<sup>7</sup> For detailed assessment of these amendments, see Transparency International Georgia, *Assessment of the Performance of the Parliament of the Ninth Convocation*, p. 20, [https://transparency.ge/sites/default/files/sakartvelos\\_parlamentis\\_ix\\_mocvevis\\_otxcliani\\_angarishi\\_2.pdf](https://transparency.ge/sites/default/files/sakartvelos_parlamentis_ix_mocvevis_otxcliani_angarishi_2.pdf)

## 2.2 CASES EXAMINED BY THE PARLIAMENTARY COMMITTEE OF PROCEDURAL ISSUES AND RULES AND THE CIVIL SERVICE BUREAU

According to the information<sup>8</sup> provided by the Parliamentary Committee of Procedural Issues and Rules:

- In **97** cases, **17** Members of the Parliament of the Tenth Convocation transferred the shares they owned in entrepreneurial entities [to another person] with the right to manage, including seven cases when MPs resigned from the positions of directors of entrepreneurial entities and two cases when they resigned from the membership of supervisory boards.<sup>9</sup>
- In one case, an MP cancelled registration as an individual entrepreneur.
- **8** MPs of the tenth convocation resigned from the posts incompatible with the Parliament membership.

It was not clear from the information provided by the Parliamentary Committee of Procedural Issues and Rules how many cases were identified by the Committee in which shares were not transferred with the right to manage or how the Committee responded if an MP was still engaged in company management.

There are also cases when an MP had formally met all of the legal requirements but makes a statement from the parliamentary rostrum which reveals their connections to business and to the management of a specific business. For example, we may recall Davit Zilpimiani's speech on 22 February 2021, at the session of the vote of confidence in the Government of Georgia,<sup>10</sup> when he openly talked about managing a business registered in his name and, to an extent, even tried to lobby it when addressing the prime ministerial candidate with a request to solve a specific problem. It is noteworthy that the Committee did not respond to MP Zilpimiani's statement.

It is our opinion that the Committee should respond to such cases in an effective manner and exercise the authority given to it by the Rules of Procedure. According to the Parliamentary Rules of Procedure, the Committee, within 10 days from uncovering that an MP is engaged in entrepreneurial activities, is to request appropriate written materials and receive an explanation from the MP in question, followed by the preparation of a corresponding conclusion for the Bureau.

According to the Civil Service Bureau,<sup>11</sup> the following Members of the Parliament of the 10th Convocation were fined for the failure to submit officials' asset declarations:

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8 Date of response: 30 June 2021.

9 At the same time, eight MPs transferred the shares they owned in entrepreneurial entities [to another person] with the right to manage in 28 cases among the aforementioned ones and, in three cases, they also resigned from the positions of directors of entrepreneurial entities before the recognition of powers of the Members of the Parliament of the Tenth Convocation.

10 For audio recording of Davit Zilpimiani's speech follow the link: <https://info.parliament.ge/#law-drafting/21626>

11 Date of response: 29 June 2021.

1. Tamar Charkviani
2. Shalva Natelashvili
3. Teimuraz Janashia
4. Vakhtang Megrelishvili
5. Zurab Girchi Japaridze

The following additional comments should be made concerning these cases:

- Tamar Charkviani appealed against the ordinance on the fine issued by the head of the Bureau in court, however, she withdrew the complaint, so the claim was never considered. Details needed to fill out a declaration were sent to Tamar Charkviani and, later, on 30 June, she submitted her declaration.
- Vakhtang Megrelishvili<sup>12</sup> did not pay his fine by the deadline determined by the law, so, in order to enforce the payment, a corresponding request was submitted to LEPL National Bureau of Enforcement, while the repeat failure to submit a declaration after a fine was imposed was reported to a relevant law enforcement body.
- Teimuraz Janashia and Shalva Natelashvili appealed against the ordinances on fining them issued by the head of the Bureau in court. The term of payment of the fine was suspended due to the complaint. The case is still under consideration.
- Zurab Girchi Japaridze was sent the ordinance about his fine four times but it was not possible to deliver it to him in accordance with the rule determined by the law.

## 2.3 MPS EXERCISING REPRESENTATIVE AUTHORITY OF ENTREPRENEURIAL ENTITIES

- **Exercising Representative Authority**

**Giorgi Godabrelidze** is the director of [Skyway](#), LLC. This information has not been declared.

**Abdula Ismailov** is an [individual entrepreneur](#) but this status has not been declared.

**Manuchar Kvirkvelia** is the director<sup>13</sup> of [Evropa Entertainment](#), LLC; this information has not been declared.

**Nona Mamulashvili** is the director of [Caucasus Consulting International](#), LLC, but this is not indicated in her declaration.

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<sup>12</sup> (According to the Business Registry, Vakhtang Megrelishvili himself is not involved in entrepreneurial activities. His wife, Maia Charchkhalia, is the director and owner of 100% of shares.)

<sup>13</sup> Last update: 2011.

**Mamuka Mdinaradze** is the founder and director<sup>14</sup> of [Mamuka Mdinaradze and Tbilisi Legal Centre](#), GP. His status of a director has not been declared.

**Rostom Chkheidze** is an [individual entrepreneur](#) and this information has not been declared.

**Devi Chankotadze** is the director of [Gori 222](#), LLC.<sup>15</sup>

**Levan Khabeishvili** is an [individual entrepreneur](#).<sup>16</sup> This information has not been declared.

**Iago Khvichia** is the director of [Mana Legal Consulting](#), LLC and [Tbilisi Legal Consulting](#), LLC; this information has not been declared.

**Dimitri Khundadze** is the vice president of [Khundadze's LLC Firm Dionise](#) (it is indicated in the declaration that the activities of this company are suspended); this position has not been declared.

**Tamar Charkviani** is the director of [Georgian Word, Literature, Art, Politics](#), LLC; she is also the director<sup>17</sup> of [Morkinali 1](#), LLC, this information has not been declared.

**Khatuna Kvitsiani** is the director of [Mukhbe](#), LLC. She indicated in the [declaration](#) that she held this position between 15.02.2017 and 01.02.2018, however, according to the latest information from the Public Registry website, she remains in this post.

## 2.4 UNDECLARED SHARES AND ALLEGED ENTREPRENEURIAL ACTIVITIES OF MPS

### • *Ownership of Undeclared Shares, Cases of Share Management*

**Teona Akubardia** owns 25% of shares of [IBD Consulting](#), LLC, which she indicated in her declaration, however, she has not transferred the ownership of these shares with the right to manage to another person.

**Giorgi Godabrelidze** declared the ownership of shares in [Sky Logistics](#), LLC, [Goni](#), LLC, [Lugano](#), LLC, [Georgia 360](#), LLC, [Skyway](#), LLC, [Zugo](#), LLC but has not transferred the ownership of these shares with the right to manage to another person.

**Levan Varshalomidze** has declared the ownership of shares in [LV&PARTNERS](#), LLC but has not transferred the ownership with the right to manage to another person.

**Davit Kacharava** failed to [declare](#) the ownership of 33% of shares of [KGK Food](#), LLC and has not transferred the ownership with the right to manage to another person.

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14 Date of last extract/update: 2014.

15 Last update: 2016.

16 Founded/last update: 2006.

17 Last update: 2014.

**Levan Kobiashvili** declared the ownership of 100% of shares of [K-3](#), LLC and 25% of shares of [Ali Georgian Motors](#), LLC but he has not transferred the ownership with the right to manage to another person.

**Manuchar Kvirkvelia** declared the ownership of shares of [Evropa Entertainment](#), LLC; [Boki](#), LLC; [N13](#), LLC; [Bondi Development](#), LLC; [New Alliance](#), LLC, but he has not transferred the ownership with the right to manage to another person.

**Vakhtang Kikabidze** declared the ownership of shares of [Kus Tba Kala](#), LLC, [Kus Tba-2](#), LLC, [Kus Tba Palace](#), LLC, but he has not transferred the ownership with the right to manage to another person.

**Nona Mamulashvili** failed to [declare](#) the ownership of 100% of shares of [Caucasus Consulting International](#), LLC; neither has she transferred the ownership with the right to manage to another person.

**Samvel Manukian** declared the ownership of shares of [Grandi](#), LLC (50%), [Kristalli](#), LLC (50%) and [Geofood](#), LLC (50%) but he has not transferred the ownership of these shares with the right to manage to another person.

**Nika Machutadze** declared the ownership of shares of [Silk Travel Georgia](#), LLC but has not transferred the ownership with the right to manage to another person.

**Levan Mgaloblishvili** failed to indicate [Levanita](#), LLC in his [declaration](#).

**Irakli Mezurnishvili** declared the ownership of 35% of shares of [Filorga](#), LLC and 25% of [New Video](#), LLC but has not transferred the ownership with the right to manage to another person.

**Tesar Chocheli** failed to declare in his 2021 [declaration](#) the ownership of shares of [Interplasti](#), LLC, [JJ Group](#), LLC and [Georgian Water Company](#), LLC and has not transferred the ownership of these shares with the right to manage to another person; he declared the ownership of shares of [Miksor](#), LLC but has not transferred the ownership with the right to manage to another person.

**Tariel Nakaidze** failed to [declare Translation Center](#), LLC and [Tarjimani](#), LLC<sup>18</sup> and has not transferred the ownership with the right to manage to another person.

**Koba Nakopia** declared the ownership of shares of [Goldinvest](#), LLC but has not transferred the ownership with the right to manage to another person.

**Davit Songhulashvili** declared the ownership of shares of [Address](#), LLC, [Gamsakhurdia 5](#), LLC, [Progress](#), LLC, [Beleza](#), LLC, [TH Georgia](#), LLC, [Intergazi](#), LLC, [Dry Cleaning Georgia](#), LLC and [Rtveli-2002](#), LLC but he has not transferred the ownership of these shares with the right to manage to another person.

**Nino Tsilosani** did not indicate [N-Duo](#), LLC in her [declaration](#) but did transfer its ownership of these shares with the right to manage to another person.

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18 Last update: 2005.

**Irakli Khakhubia** declared the ownership of shares of [GCM Service](#), LLC and [Iceberg Trading](#), LLC but has not transferred the ownership of these shares with the right to manage to another person.

**Devi Chankotadze** declared the ownership of shares of [Gori 222](#), LLC, [Ninoshvili](#), LLC, [SHARK](#), LLC but has not transferred the ownership of these shares with the right to manage to another person.

**Dilar Khabuliani** owns shares of 10 companies without transferring them with the right to manage to another person. In addition, he failed to indicate the shares he owns in another seven companies in his 2021 [declaration](#). These companies are: [Dzveli Ubani](#), LLC, [Evroimmo](#), LLC, [Rasha Tejarat Georgia](#), LLC, [Martve 2011](#), LLC, [Arboli](#), LLC, [Geobitum](#), LLC and [Gorga+](#), LLC.

**Davit Khajishvili** declared the ownership of shares of five companies but did not transfer this ownership with the right to manage to another person. These companies are: [G&U GROUP](#), LLC, [IBERIA TRAVEL](#), LLC, [FOR TRAVEL](#), LLC, [Jamaica Coffee](#), LLC and [StunnerBeauty](#), LLC.

**Iago Khvichia** owns 20% of shares of [Mana Legal Consulting](#), LLC. He also owns 50% of shares of [Tbilisi Legal Consulting](#), LLC. The MP did not declare these companies in his 2021 [declaration](#) and has not transferred the ownership of these shares to another person with the right to manage.

**Khatuna Kvitsiani** declared the ownership of 100% of shares of [Eduko](#), LLC but has not transferred these shares with the right to manage to another person.

**Shota Khabareli** declared the ownership of 50% of shares of [Juna](#), LLC but has not transferred these shares with the right to manage to another person.<sup>19</sup>

**Zaal Dugladze** failed to [declare](#) the ownership of 50% of shares of [GIC](#), LLC.<sup>20</sup>

**Pridon Injia** failed to [declare](#) the ownership of 100% of shares of [Sistema Gaz](#), LLC.

**Dimitri Khundadze** has not transferred the ownership of 40% of shares of [Khundadze's LLC Firm Dionise](#) with the right to manage to another person.

**Tamar Charkviani** has not transferred the ownership of 100% of shares of [Georgian Word, Literature, Art, Politics](#), LLC with the right to manage to another person.

**Mamuka Mdinardze** has not transferred the ownership of shares of [Mamuka Mdinardze and Tbilisi Legal Centre](#), GP with the right to manage to another person.

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19 Last update: 2013.

20 Holding the director's post in this company during the previous period was declared.

## **Indirect Involvement in Enterprises**

Public officials are under the obligation to indicate indirect engagement in entrepreneurial activities in their declarations. This implies cases when a company owned by an official or their family member, in turn, owns another company. In case of 13 MPs the information indicated about connected companies is incomplete.

See [Annex](#) for detailed information about these issues and business interests of MPs and their family members.