



Transparency International Georgia Publishes a New Report

For immediate release

August 20, 2012, Tbilisi. Transparency International Georgia published a report on Financing of Political Parties during 2011 within the project *Transparent and Accountable Political Finance in Georgia*.

The report analyzes party revenues and expenses based on political parties' 2011 financing reports, and correlates these with the reports from the period from 2007 to 2010. We have based our selection on 13 parties that hold seats in Parliament and therefore receive state financing as a result of the 2008 parliamentary elections. The 13 parties¹ are: 1. The New Rights; 2. The United National Movement; 3. The Conservative Party; 4. European Democrats (We Ourselves); 5. The Christian-Democratic Movement; 6. Industry Will Save Georgia; 7. The Republican Party; 8. Georgia's Way; 9. The National Forum; 10. The Labour Party; 11. The Movement for United Georgia; 12. Kartuli Dasi; 13. People's Party.

The research revealed the following trends in financing of political parties during 2011:

- The United National Movement is the leader in receiving financial aid from the state budget; in the last year it received 1,757,240 GEL from the budget; the Christian-Democratic Movement and Labor Party come after with 573,651 and 391,338 GEL respectively.
- The payment of membership fees was not regulated during 2011. Only a few parties benefited from that source of income. Sums received from membership fees comprised only a small part of the funding of these parties, typically 5-10%.
- The State Audit Office, while publishing the 2011 financing reports, concealed addresses of individuals who made donations, which went against the requirement prescribed by law at the time. According to the new law on elections it is not obligatory to specify address of donors, which reduces financial transparency.
- In 2010 only two parties received donations from legal entities. In 2011, however, this list was topped by the Republican Party, Conservative Party and People's Party. Each of them received 1,100,000 GEL from legal entities.
- Both legal entities that donated to the United National Movement (Gzamsheni 4 and Univerali 93) belong to one individual – Rezo Chakhvashvili. The total amount of donation was 150,000 GEL.
- The Republican Party, the Conservative Party and the People's Party have some legal entities in common as donors. According to the Public Register's extracts, some of these legal entities have shareholders or persons entitled to make decisions in common with each other. For example, the director of Ltd. Kala Capital – Ilia Kechakmadze - is at the same time the director of Ltd. Kolkheti's parent company – JSC Kala Development.
- Making contributions through another person took place in 2011 as well. In particular, during a verification process, several individuals denied donating the sums shown in the financing reports;
- The financial declaration forms, which came as a result of the legislative reform carried out in December 2011, give a detailed picture of financial spending by political unions, which is a positive step forward.



- The names, ID numbers and other data of the persons making donations were not legible in The State Audit Office financial declarations.

Recommendations:

- The State Audit Office declarations should indicate all possible types of revenues of political parties, including the categories that were reflected in the party reports from previous years;
- Since all types of revenues cannot be covered in a declaration form, when using the “other revenues” category, it should be mandatory to indicate the source of each line of funding.
- The financial statements have an entry on advertisement costs but the sums are not broken down separately into categories for television, newspaper, radio, and outdoor (billboards, posters etc.) advertising costs. This shortcoming should be addressed. Also, it is necessary that the form to contain a detailed account of costs. Having detailed information on advertising is essential in order to carry out comprehensive monitoring of the media;
- When developing the online reporting forms, the State Audit Office should employ mechanisms facilitating information processing; this would help to make the information clearer, and ensure that it is easily processed (machine-readable).
- The State Audit Office should apply the law uniformly and not exercise selective justice. When disclosing a legal violation, it should act adequately.
- It is advisable that the information presented by a party to the State Audit Office become public upon receipt and that this principle apply not only to revenues but also to the costs incurred by political unions.
- Information published by State Audit Office should include complete data on source of revenues and expenses to raise the level of transparency and accountability.

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