

*Simplified Procurement –
Corruption Risks in Non-Competitive Government Contracts*

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Executive Summary

This report finds that extensive direct contracting by the Georgian government has resulted in numerous cases of companies linked to public officials receiving large, non-competitive contracts and that numerous beneficiaries of this practice in 2011 and 2012 made financial contributions to the ruling party, some of which may constitute kickback payments.

Transparency International (TI) Georgia analyzed more than 430,000 non-competitive government contracts awarded between December 2010 and September 2013. In 2011, the government issued direct contracts worth more than GEL 959 million, GEL 1.17 billion in 2012 and approximately 450 million in the first nine months of 2013. Last year, these contracts accounted for 18% of all government spending, equal to 4.7% of the Georgian economy (GDP).

Direct procurement is likely to result in wasteful spending, as there is no opportunity for other qualified bid for the same contract and bring down the price. The award of contracts outside the transparent e-procurement system also leads increased corruption risks, as contracts may be given to companies that are linked with the government or that support the ruling party.

In 2012, the United National Movement received donations of GEL 6.6 million from individuals who, according to the public registry, were linked to businesses that received non-competitive contracts with a total value of more than GEL 160 million the same year (the same businesses had received GEL 110 million in 2011).

Looking at donations for the ruling Georgian Dream party in 2013, TI Georgia found that the director of Elita Burji, a company apparently owned by former Prime Minister Bidzina Ivanishvili through offshore entities, donated GEL 50,000 to the Georgian Dream campaign, while the company received non-competitive and classified contracts of more than GEL 80,000 from the Ministry of Internal Affairs.

Overall, there appeared to be fewer cases of possible kickback payments to the ruling party around the 2013 Presidential elections, but the risk that directly awarded contracts are misused for indirect party financing persists nonetheless.

This report will show that a legal loophole, which results in direct purchases being made based on decrees by the government (and formerly also the president), has been extensively abused and continues to represent a high risk of nepotism and corruption.

TI Georgia found that companies fully or partly owned by several current and past Members of Parliament had benefitted from non-competitively awarded government contracts:

- MP Gocha Enukidze (Kia Motors, Iberia Servici): 415 contracts for GEL 30.9 million;

- MP Sergo Khabuliani (Cekuri): 16 contracts for GEL 12.3 million;
- MP Kakhaber Okriashvili (PSP, New Hospitals): 129 contracts for GEL 3.83 million;
- Former MP Kandid Kvitsiani (Enguri 2006, New Construction): GEL 31.9 million;
- Former MP Temur Kokhodze (Tegeta Motors): more than GEL 7.4 million;
- Former MP Aslan Tavdgiridze (Khino): GEL 5.59 million;
- Former Member of the Adjara Supreme Council Revaz Ardzenadze (LLC Pirosmeni): nine contracts, GEL 3.92 million.

A systematic analysis of the companies benefitting from non-competitive government contracts and their ownership showed that several enterprises have links to public officials.

- LLC New Energy, a company that according to Ministry of Finance investigators is owned by Caesar Chocheli, the former governor of Mtskheta-Mtianeti, received non-competitive contracts for GEL 69 million in 2011 and 2012. Caesar Chocheli disputes the Ministry of Finance's allegation that he was the beneficiary owner of New Energy, the case is currently in court.
- LLC Meno International, a construction company co-owned by Irakli Chikovani, who until spring 2013 served as the Chairman of the Georgian National Communications Commission, received direct contracts of GEL 36.9 million, his Magi Style more than GEL 1 million.
- LLC Anagi, a construction company owned by Nana Aroshidze, wife of Zaza Gogotishvili, a member of the Supreme Council of Adjara from 2008 to 2012, received 36 non-competitive contracts worth GEL 59.2 million while her husband served in the autonomous republic's Parliament, including GEL 10 million from the Adjaran Ministry of Sport.
- LLC Evrocandela received a non-competitive GEL 2.1 million contract for the installation of lights by the Zugdidi municipality owned Anaklia-Ganmukhuri Resorts only three weeks after the company was created. Evrocandela's co-founder became an official at the Ministry of Regional Development in September 2011, a few weeks later the company received another GEL 600,000 contract from the Municipal Development Fund.
- LLC Lebe, a construction company from Kaspi, received non-competitive contracts of more than GEL 450,000 from the local municipality while its 50% owner, Levan Demetrashvili, was an official of the same local government body.

The analysis in this report is largely based on data from public datasets, including the asset declarations of public officials, the public registry of legal entities, reported party donations and, most importantly, a new online database containing directly awarded government contracts that was launched by the Competition and State Procurement Agency in spring 2013, establishing a level of transparency in public procurement that at this point few, if any other countries have.

TI Georgia believes that the use of direct tendering can be dramatically reduced to cases where it is strictly necessary. In most cases there is no reason why state

tenders cannot be advertised in a transparent and competitive way on the Competition and State Procurement Agency's electronic platform. This would foster a competitive business environment, decrease prices and improve value for money for the public and decrease the risk of corruption.

Recommendations

- The government should seek to decrease the volume of contracts that are awarded non-competitively by amending the Law on Procurement so that only in narrowly defined scenarios can direct contracting be used. Legal loopholes that exempt certain contracts from being published online including all direct contracts of the Ministry of Internal Affairs and spending from government reserve funds should be closed.
- In order to further improve the transparency of public contracting and to ensure that all government bodies fully comply with the pro-active publication requirement, Parliament should consider amending the law so that contracts only come into force once they are released online, following the example of Slovakia.
- The State Audit Office and other relevant government agencies should monitor and scrutinize directly awarded government contracts more closely to deter nepotism and corruption and ensure that the government – and thus the public – receives good value for money.
- The government should ensure that the State Audit Office and other investigative bodies are provided with sufficient resources to fulfill their oversight role. The lack of independence of the State Audit Office from the governing party was one of the contributing factors hindering an effective oversight from the agency during the UNM government.
- The Public Service Bureau should hold those current and former officials to account who violated disclosure rules by not fully disclosing their company affiliations.
- As part of planned local government reforms, internal oversight mechanisms on the local level should be strengthened. While ministries have internal audit departments that are able to scrutinize spending and contracts, many directly awarded contracts are issued by legal entities of public law and by regional or local government bodies that may not have the structures or capacity to ensure a system of sufficient internal checks.
- The government of the Autonomous Republic of Adjara – which, like the central government, has the authority decree that a specific contract can be awarded without a competitive tender – should significantly step up its efforts to prevent and sanction nepotistic and corrupt contracting by its officials.
- Generally, goods and services should be tendered via the e-procurement website, especially in sectors like construction, where there are numerous suppliers that could implement a project. Moving to competitive contracting would result in lower prices and better value for money. It would also decrease opportunities for nepotism and corruption.

Introduction

The Georgian government spends about 40 per cent of its budget through procurement – an amount that equals approximately 10.6 per cent of the Georgian gross domestic product (GDP). Despite this large amount, procurement has received little attention by academics and think tanks in Georgia and has been subject to limited in-depth scrutiny by the media.

In an assessment of the electronic procurement system in June 2013, TI Georgia found that the e-procurement platform created by the State Competition and Procurement Agency (CSPA) is one of the most transparent systems to competitively procure government tenders.¹

However, the report also found that the law allows government entities to bypass the transparent e-procurement system and directly award contracts without a competitive process, if the president or the government authorizes to do so, under a provision called president/government consent. This provision appears to have been misused in recent years, and numerous multi-million-Lari contracts were directly awarded to companies without apparent reasons that would made holding public and competitive tender unfeasible.

Until recently, these directly awarded contracts remained completely opaque and were not subject to public scrutiny; neither did governmental investigative government agencies pay much attention to this spending. While all documentation and data about e-tenders has been accessible to the public since 2011, no information on directly awarded contracts was available. This changed in spring 2013, when the CSPA started publishing directly awarded contracts online, creating a level of transparency that can be found in few, if any, other countries at this point.

The available data goes back to December 2010. It is difficult to determine how complete the available data is, apart from contracts that were classified as secret for national security reasons. New, directly awarded contracts are uploaded into the system by the government agencies issuing the contract with a delay of at times several weeks. By the end of September 2013, the Procurement Agency's database contained more than 426,000 contracts issued under simplified procurement rules – many of them small purchases that did not meet the threshold requiring an electronic tendering process.

The database on <http://tenders.procurement.gov.ge> contains relevant meta data in Georgian, English and Russian (including procuring entity, supplier, amount paid and dates of payments made to the supplier, source of public funds and so-called CPV codes that describe the good or service purchased) and scanned copies of the contracts and amendments to those and also lists payments made by the government to the supplier.

¹ Transparency International Georgia would like the CSPA and its head for its cooperation in this research effort.

With the release of this data, the CSPA has established what we believe is a best practice in terms of transparency of public contracts that, to our knowledge, does not exist in any other country at this point. We would also like to thank that the CSPA's leadership, which has been helpful and supportive of TI Georgia's procurement research efforts.

Simplified Procurement

Goods and services of above GEL 5,000 generally have to be procured through competitive e-tenders.² But the law allows for a number of exceptions when so-called simplified procurement procedures – i.e. direct purchases – can be used to buy goods and services above this threshold, including in cases of:³

- Urgent necessity: which is defined as an unforeseen situation that threatens the normal functioning of a procuring entity or damages Georgia's state or public interests;⁴
- Government decree: The government can prescribe the use of simplified procurement (a direct purchase) through a decree for a specific purchase or a certain type of purchases in order to implement an event of "state or public importance within restricted time frames" – a provision referred to as president/government consent (until recent changes in the law made in September 2013, the President also held this right). The Georgian government can delegate this right to the governments of autonomous republics for a period of no longer than one year;⁵
- When only one company has the exclusive right to supply goods or services, or when maintenance of purchased goods is needed and it has to be performed by the supplier or a specific company;
- Maintenance work for vehicles during a guarantee period.

Unlike e-procurement, the law does not specify any procedures for simplified procurement – there are no rules on how procuring entities should choose suppliers. Thus, in practice, procuring entities, in most cases, sign a direct contract with a supplier without following a transparent and competitive bidding process. After signing the contract, procuring entities are now supposed to upload a scan of the contract and relevant meta data to the e-procurement system of the CSPA, after which the data then becomes accessible online.⁶

² For a more detailed analysis of the procurement law, please see: Transparency International Georgia (2013): Georgia's Public Procurement System, <http://transparency.ge/en/node/3117>.

³ For all provisions, please see Order Nr. 9 of the Chairman of the State Procurement Agency, Article 3, http://procurement.gov.ge/files/_data/eng/legalacts/order_no_9_20110407.pdf.

⁴ Law on State Procurement, Article 10¹ (3,k), http://procurement.gov.ge/files/_data/eng/legalacts/Law_of_Georgia_on_State_Procurement.pdf.

⁵ Article 10¹, 3².

⁶ The contracts are published on <http://tenders.procurement.gov.ge>. Users need to create a free account and log into the platform, and then click on the link "CMR" in the top right corner

Contracts that are classified as non-public due to national security concerns are also uploaded to the system but are not visible to the public – a provision that, for example, is appears to be used by the Ministry of Internal Affairs to refrain from publishing any of its directly awarded contracts.

Simplified procurement under the president/government consent clause

The provision – allowing the government to use simplified procurement based on a decision by the President or the government – has been extensively used during the observation period of the report – December 2010 to September 2013.

“The conducting of procurement was prescribed under the President of Georgia and/or the Government of Georgia legal act in order to implement an event of state and public importance without hindrance within the restricted timeframes.”⁷

This provision was narrowed in September 2013.⁸ The Law on State Procurement was amended, together with other constitutional changes made at the time, to no longer allow the president to prescribe the use of simplified procurement for purchases of “state or public importance”. This power currently is only held by the central government, which can delegate it to autonomous republics. From February 2014 on, the governments of autonomous republics (Adjara, Abkhazia) will have this power by default.⁹

The legislation is vaguely defined and effectively allows the government to interpret for itself what “events of state or public importance” are, and what constitutes “a restrictive timeframe”. This essentially creates a loophole that allows for direct purchases of virtually any value or type, bypassing the transparent competitive electronic procurement system. Nor can the reasons be established because the legal acts (decrees) that authorize the use of direct contracting are often not publicly accessible.¹⁰

There are some legitimate reasons why the government may chose to award a contract without using a competitive e-tender, for example:

- To allow a government entity to contract another government entity or state-owned company to provide a good or service. In Georgia, these agreements often involve legal entities of public law (LEPLs), which are legally

of the front page to access the direct contracting database. Contracts referred to in this report with an ID number starting with CMR can be viewed there.

⁷ Order No 9 of the Chairman of the State Procurement Agency April 7, 2011 on Approving the Rules for Conducting Simplified Procurement, Simplified Electronic Tender and Electronic Tender, Article 3 (2f).

⁸ Article 10¹ (3,d).

⁹ https://matsne.gov.ge/index.php?option=com_idmssearch&view=docView&id=2032352&lang=ge.

¹⁰ Some decrees are accessible through the CMR database or through the government law-database <https://matsne.gov.ge>.

- independent government bodies that generate income by providing services to the public and central government bodies;
- To procure a contract so that it is in line with the procurement requirements of a bi-lateral or multi-national donor that provides co-financing for a specific project.

Looking through many cases of contracts being directly given to a company without a transparent and competitive e-tender, TI Georgia often found no apparent reasons why a specific company was selected to provide a good or service. It appears that under the UNM-led government, the president/government consent provision has often been misused in order to avoid transparent and competitive processes – including and especially for construction projects. Under the current government, the problem appears to be less extensive, but we also found a number of sizeable contracts where the reasons for circumventing a competitive e-tender were not apparent.

Procurement and conflict of interest provisions

The Law on State Procurement states that a conflict of interests has to be avoided when selecting a supplier through simplified procurement.¹¹ The relevant term is defined in the Tax Code (where it is referred to as mutual dependence) according to which individuals involved in a transaction may not hold directly or through family ties more than 20 per cent of the company's shares.¹² The provision from the Tax Code defining conflict of interest as an indirect control of one party by another does not apply to any kind of state procurement.¹³

After the identity of a bidder or supplier becomes known to a procuring entity, the bidder has to certify in writing that there is no conflict of interest. This documentation is publicly accessible on the e-procurement website for electronic tenders, but not for simplified tenders. By law, in cases where there is a conflict of interest, the bidder or supplier has to declare it and cease participating in the procurement process.¹⁴

Under other conflict of interest laws, a public official, or a member of his/her family, has no right to hold a position or implement any kind of work for an enterprise registered in Georgia, the control of which is conducted by an official or falls under his/her capacity. Furthermore, an official is not allowed to hold any position in an enterprise. He/she or a member of his/her family has no right to own shares in an enterprise that operates under the control of his/her official capacity.¹⁵

¹¹ Law on State Procurement, Article 8 (1).

¹² Tax Code, Article 19.

¹³ Order No 9 of the Chairman of the State Procurement Agency, Article 17 (4).

¹⁴ Law on State Procurement, Article 4 and 5.

¹⁵ Law of Georgia on the Conflict of Interests and Corruption in Public Service, Article 13, https://declaration.gov.ge/res/docs/Law_on_Conflict_of_interest.pdf.

Scrutinizing directly awarded contracts

In 2011, 66 per cent of Georgian government contracts (GEL 1.751 billion) were procured in a transparent manner through the e-procurement system, allowing anybody to see details of the tenders, and bid for these contracts, which are awarded to the lowest bidder; 34 per cent of contracts were awarded without a competitive process (GEL 910 million), using so-called simplified procurement procedures.¹⁶

2012 saw a sharp increase in directly awarded tenders: only 55 per cent of all contracts were competitive e-tenders (GEL 1.532 billion), 45 per cent were awarded through non-competitive, simplified procurement procedures (GEL 1.238 billion).

The above data from the CSPA differs slightly from data TI Georgia derived from the database, which may be caused by data inaccuracies (contracts are issued in various currencies) or highly classified contracts that are not reflected in our data: TI Georgia found non-competitive spending of 959 million in 2011 (GEL 2.1 billion including several large-scale railway projects), GEL 1.17 billion in 2012 and approximately GEL 450 million in the first 9 months of 2013 (not including the contract for the Gardabani power plant over USD 163 million).

The main reason for the soaring value of non-competitive procedures was „the increase of simplified procurement conducted under the consent of the Government/President by up to GEL 200 millions“, according to the CSPA's 2012 Annual Report.¹⁷ Thus, about GEL 800 million were spent based on decrees by the president or the government, permitting to circumvent competitive procedures in 2012.

It appears that the increase in directly awarded contracts was driven and motivated by the October 2012 parliamentary elections: One explanation is that the United National Movement-led government wanted to quickly launch and implement major projects, many of which were related to infrastructure development. There are indications that a number of contracts may have been used to reward backers of the government, or to facilitate donations to the party in order to finance a highly competitive and expensive campaign against billionaire Bidzina Ivanishvili's Georgian Dream coalition. Monthly direct contracting under president/government consent peaked in August 2012 (GEL 131 million), during the run-up to the October 1 elections. In the months following the election and the change of government, simplified procurement spending decreased to less than GEL 15 million in November 2012. In recent months, there was a steady increase of direct contracting, GEL 45 million in June (see Graph 1 below).¹⁸ The trend line shows an increase in direct

¹⁶ Competition and State Procurement Agency (CSPA): Annual Report 2011, p.22, http://procurement.gov.ge/index.php?lang_id=ENG&sec_id=35.

¹⁷ Competition and State Procurement Agency: Annual Report 2012, p.21, http://procurement.gov.ge/index.php?lang_id=ENG&sec_id=35.

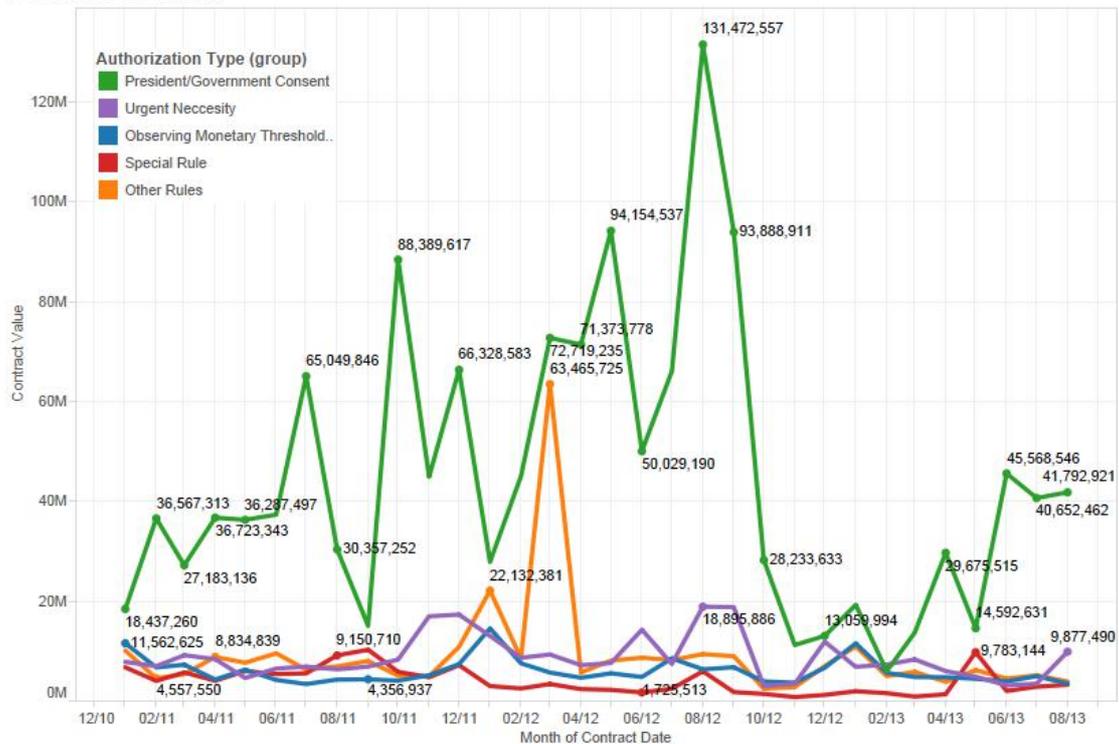
¹⁸ Source: CMR database on <https://tenders.procurement.gov.ge> (requires free registration).

Please note that we were not able to verify how complete the data is, this concerns especially the years 2010 and 2011, where a significant number of contracts might be missing. According to the CSPA, data should be largely complete from March 2012. The database appears to not include contracts classified for national security reasons.

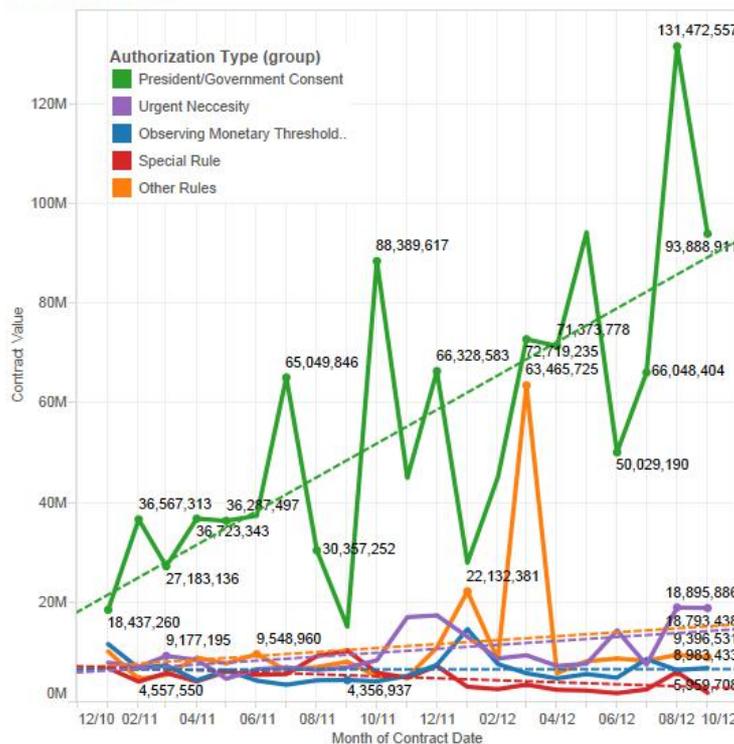
spending under the new government that resembles the trend under the previous administration.

Graph 1: Monthly aggregate value of contracts awarded through simplified procurement rules.¹⁹

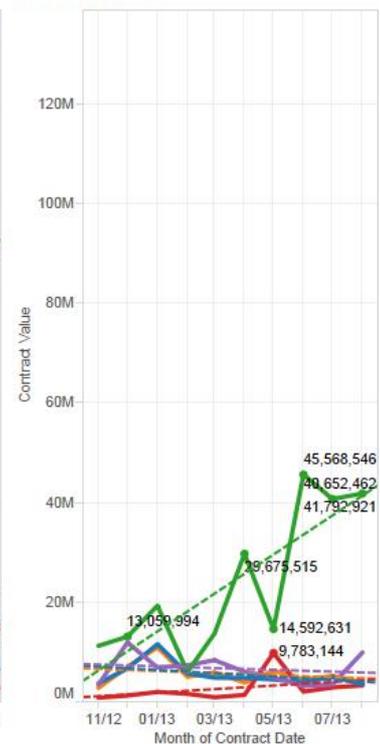
Total Value By Month



Total Value UNM



Total Value GD



¹⁹ The graphs do not include several contracts larger than GEL 60 million to: China Railway 23 rd Bureau Group Co Ltd (railway construction), Azeriolservisi (railway construction),

Graph 2 (below) shows that the largest segment of directly awarded contracts is construction – this is true for the former and also the current government. Construction is a sector with numerous potential implementers. It appears difficult to argue that most construction projects qualify as cases where there is such a large importance for the public and urgency that no competitive tender can be held.

The type of goods and services procured

In the period between December 2010 and November 2012, construction contracts worth GEL 874.8 million. The second largest segment was office and computer machinery, equipment and supplies (GEL 80.9 million), ahead of vehicles.

Under the current government, the type of goods and services that are procured with government approval has shifted and diversified. While construction work remains the largest sector of purchases (GEL 108 million until September 2013), the second most active area of direct purchasing is health and social work services (GEL 47.7 million) and hotel and restaurant services (GEL 42 million).

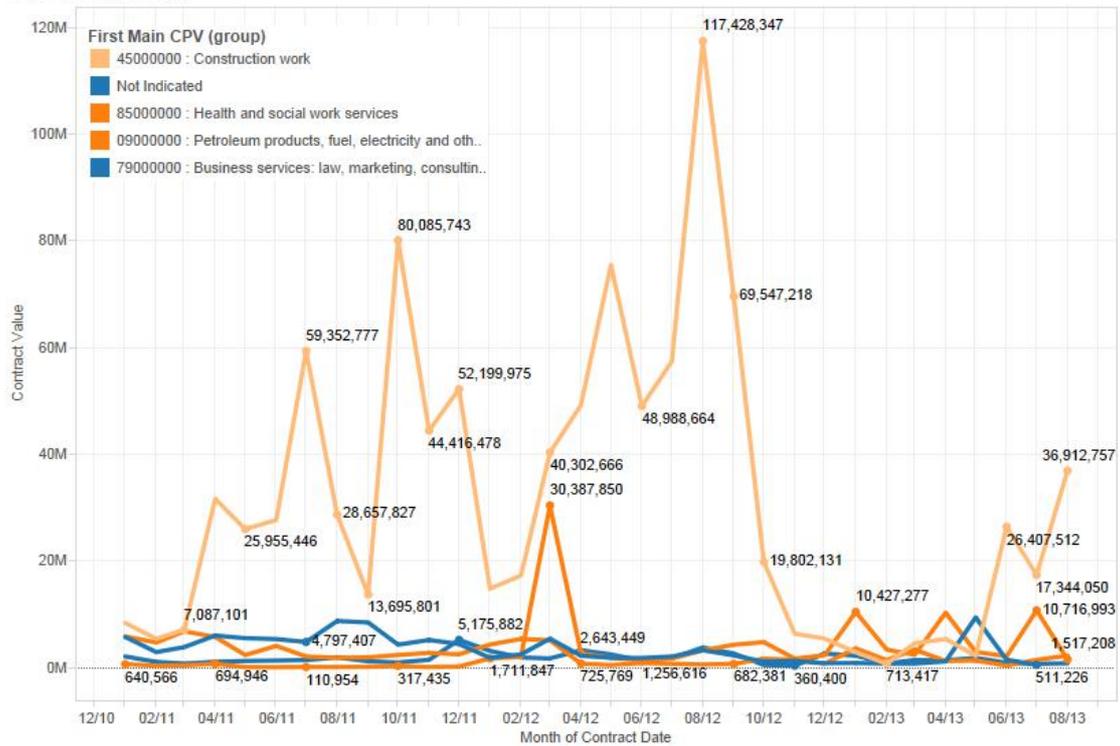
The vast amount of non-competitive contracting for construction is likely to result in significant overspending: with e-tenders, bidders can bring the price of a contract down significantly, resulting in better value for money for the public. When directly awarding multi-million construction contracts, this potential decrease in price is lost. The same is true when purchasing other goods or services, no matter if it is furniture, computers or printing services.

The visualization below (Graph 4) shows the distribution of goods and services by value and Common Procurement Vocabulary (CPV) codes – a standardized approach that is widely used with tenders that describes any good or service with a 9-digit code.

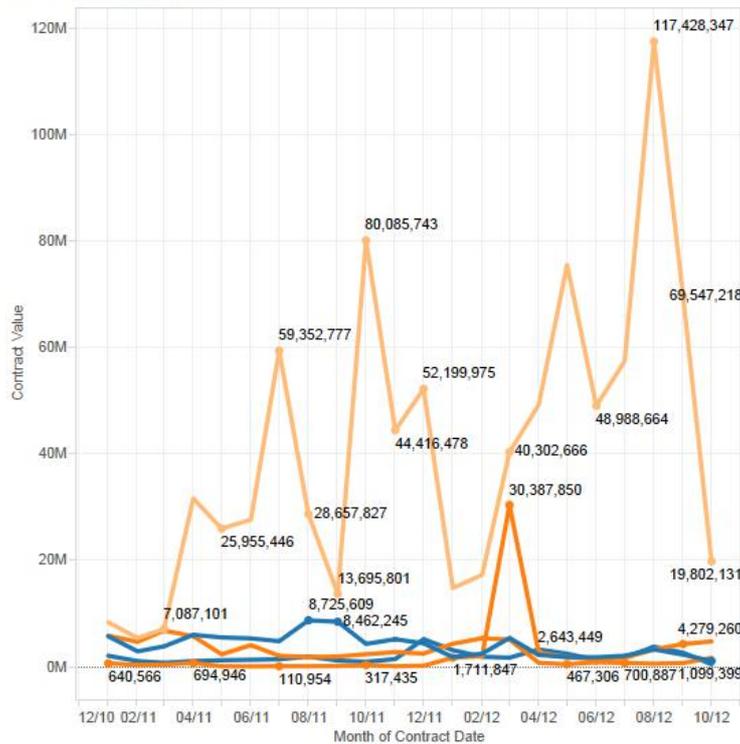
Huanchan Georgia Limited (Tbilisi Justice House construction), Calik a (Gardabani power plant construction). See the section on the largest contracts below for more details.

Graph 2: Monthly aggregate value of contracts by type of authorization by type

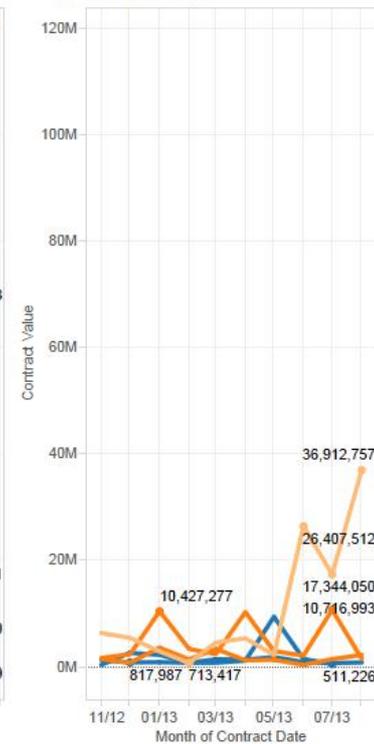
Construction Only



Construction Only UNM

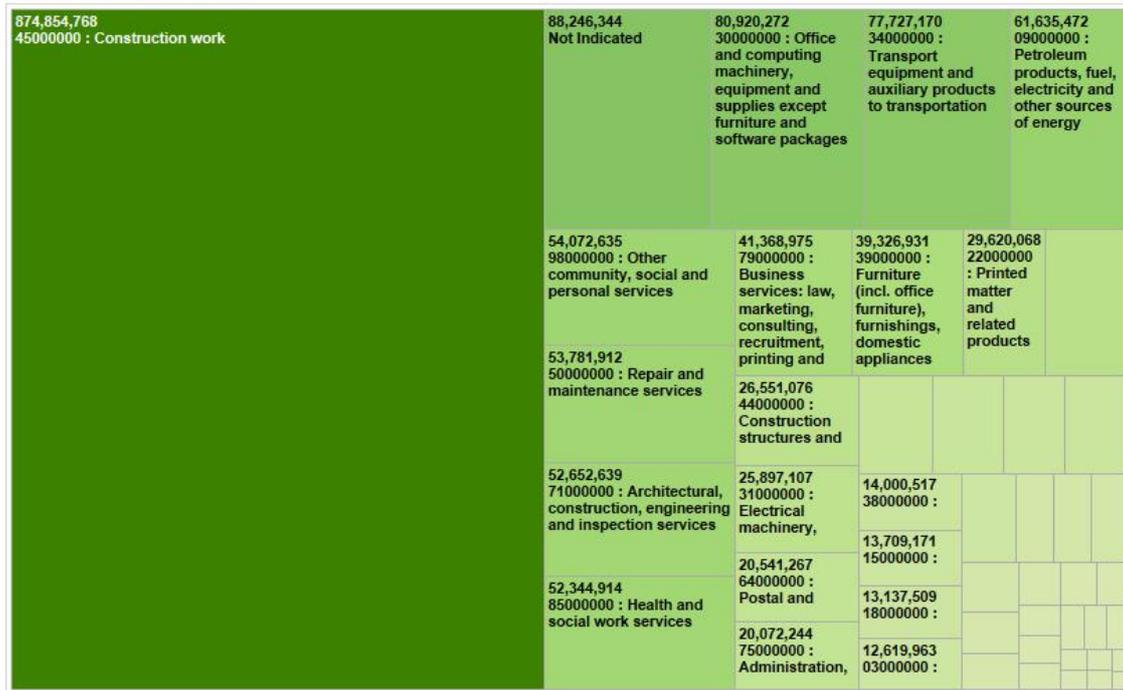


Construction Only GD

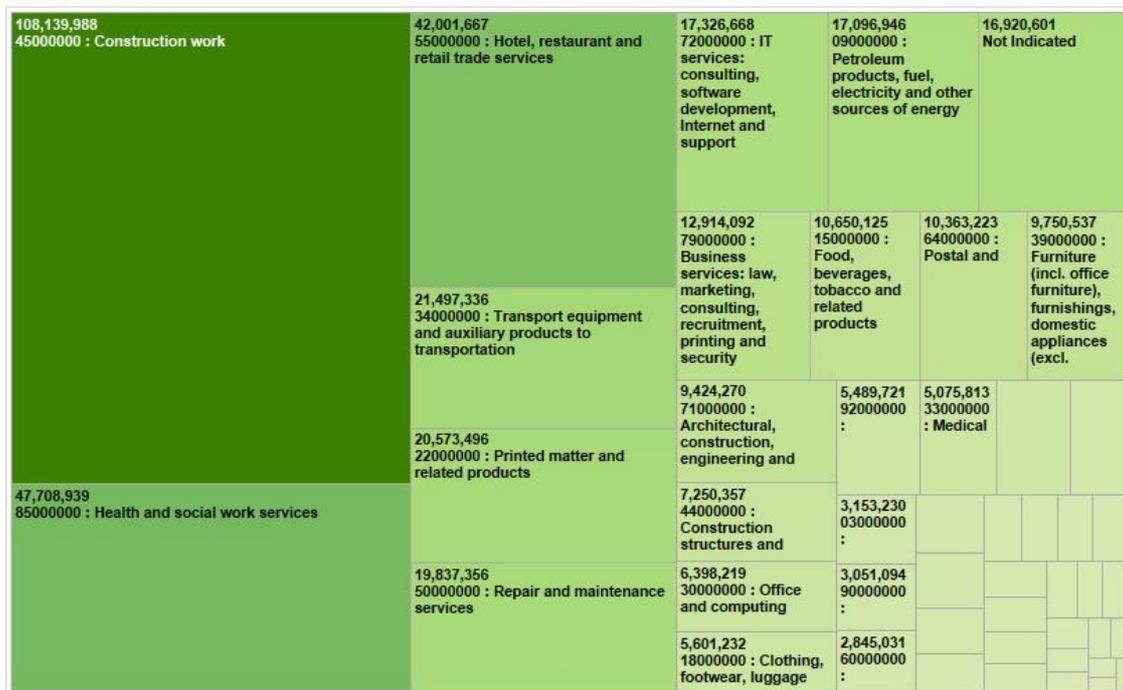


Graph 4: Types of goods/services procured directly (UNM and GD governments)

CPV Distribution UNM



CPV Distribution GD



Top recipients and procurers of directly awarded contracts

The companies that received the highest aggregate value of non-competitive contracts between January 2010 and September 2013 were

- Artesi (construction), GEL 75.1 million;
- New Energy (construction), GEL 68.2 million;
- Anagi (construction), 59.2 million;
- Black Sea Company Group (construction), GEL 53 million;
- Algorythm (computers), approximately GEL 51 million.

All of these companies were major suppliers under the United National Movement government. Of these companies, only Artesi received a GEL 21 million contract under the Georgian Dream (this contract has since been suspended and is subject to a legal dispute).

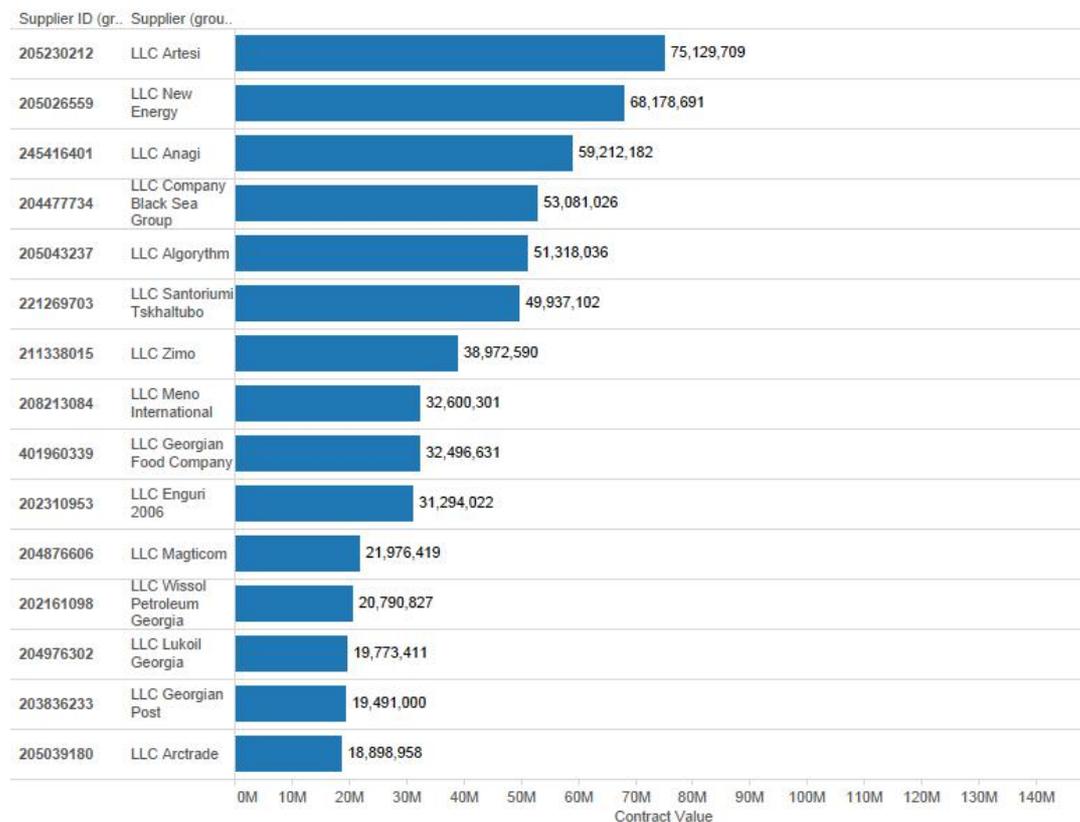
The largest implementer under the current government is the Georgia Food Company, a subsidiary of the Ministry of Defense. Behind Artesi are the construction company Zimo, the state-owned Georgian Post and the U.S. company Schweitzer Engineering Laboratories (see Graph 4).

Under the UNM-government, the Ministry of Regional Development and Infrastructure was the by far largest issuer of direct contracts, awarding contracts of GEL 127 million between December 2010 and October 2012. With GEL 93 million, the Educational and Scientific Infrastructure Development Agency was the second largest procurer, the Revenue Service, Batumi City Hall, the Ministry of Internally Displaced Persons and United Airports of Georgia.

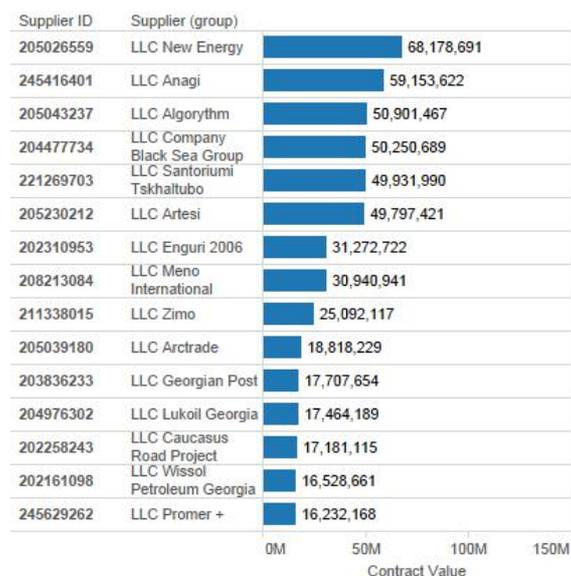
Under the Georgian Dream, the Social Service Agency has become the largest procurer of non-competitive contracts (Gel 42.2 million), ahead of the Ministry of Defense, the Ministry of Internal Affairs, the Infrastructure Development Company and the Educational and Scientific Infrastructure Development Agency (see Graph 5).

Graph 4: Top recipient companies of non-competitive government contracts

Top Companies



Top Companies UNM

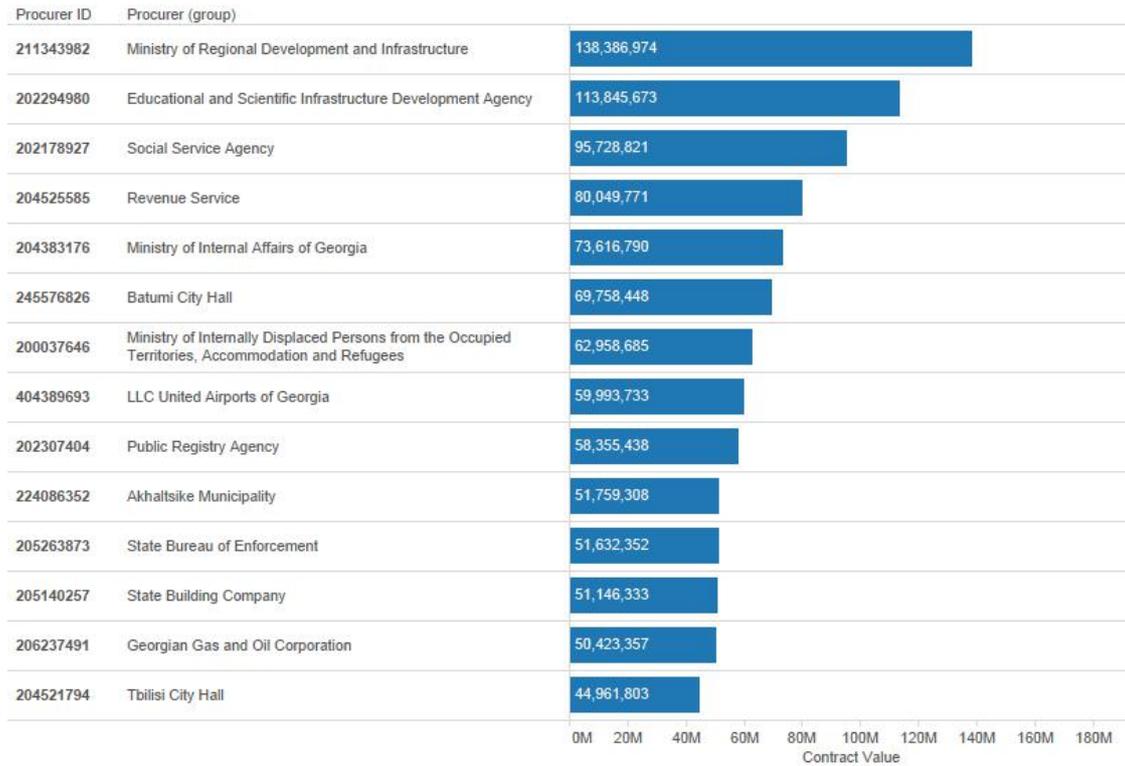


Top Companies GD



Graph 5: Top government entities awarding non-competitive contracts

Top Procurers



Top Procurers UNM



Top Procurers GD



The largest direct government purchases

The United National Movement government (2010-2012)

The data below describes the largest directly awarded government purchases between December 2010 and October 2012 for which contracts have been uploaded to the e-procurement website of the Competition and State Procurement (thus, some contracts may be missing, including classified contracts).

Several of the beneficiary companies appear to have somewhat close links to the United National Movement. Three of the largest ten contracts went to the computer assembler Algorithim (which, the State Audit Office has alleged, received favorable treatment from the Ministry of Interior under Vano Merabishvili),²⁰ two contracts to Anagi, a company owned by the spouse of a member of the Adjara Supreme Council at the time, one contract each to New Energy (a company that, government investigators allege, was controlled by the governor of Mtskheta-Mtianeti at the time), Enguri 2006 (50% owned by a UNM Member of Parliament at the time) and Meno International (partly owned by the Chairman of the Georgian National Communications Commission at the time). Caucasus Road Construction's CEO Paata Trapaidze served as Minister of Employment in the last three months of the UNM-government in summer 2012 – the company did not receive major contracts during Trapaidze's term as minister.

Contract value	Procuring entity	Supplying company	Purpose
USD 510,053,773	LLC Marabda-Kartsakhi Railway	Azeriolservice OJSC Georgian Branch	3 contracts for the construction of the Georgian section of the Baku-Tbilisi-Kars Railway ²¹
GEL 597,732,900	Georgian Railways	China Railway 23rd Bureau Group Co. Ltd	Railway construction ²²
USD 61,000,000	National Bank, LEPL Civil Registry Agency, LEPL National Agency of Public Registry	Huachuan Georgia Limited Company	Construction of the Public Service Hall/Justice House in the center of Tbilisi ²³
GEL 49,925,102	Georgian Oil & Gas Corporation JSC	LLC New Energy	Construction of a 110KW power line between Jakhunderi–

²⁰ <http://commercial.ge/vano-merabishvili-accused-of-favouritism-towards-friends-companies/>.

²¹ Contract #1: CMR120035125; #2: CMR120034737; #3: CMR120034686. Azeriolservis JSC is a subsidiary of the Ministry of Transport of Azerbaijan. Azerbaijan allocated a loan worth \$775 million to construct the Georgian section of the railway, <http://en.trend.az/capital/business/2113493.html>.

²² CMR120166305.

²³ CMR120078699, CMR120100316. Huachuan Georgia is a subsidiary of China Chengdu Import & Export Group Co, LTD, a Chinese state-owned company, <http://english.cciigroup.com>.

			Lakhori–Iphari–Mestia, with 5 additional power sub-stations ²⁴
USD 26,550,000 + GEL 13,688,060	LEPL Education and Scientific Infrastructure Development Agency	LLC Algorithm	Two identical contracts with a value of USD 13.275 million each were signed in 2011 to provide each 50,000 laptops to school children (USD 265.5/laptop). Another 2012 contract was worth GEL 13.688 million ²⁵
EUR 15,815,595	State Services Development Agency	Mühlbauer ID Services GmbH (Germany)	7-year contract for software and services related to the production of ID cards ²⁶
EUR 10,300,000	LEPL Civil Registry Agency, LEPL National Agency of Public Registry	Permasteelisa Interiors s.r.l. (Italy)	Delivering and constructing the roof of the Tbilisi Public Service Hall/Justice House ²⁷
USD 13,300,000	Revenue Service (Ministry of Finance)	Daisy Technology LLC (Bulgaria)	Provision of cash register machines ²⁸
GEL 13,944,220	LTD Union of Airports of Georgia	Black Sea Group	Runway construction work for the Kutaisi airport ²⁹
GEL 12,537,330	Roads Department of the Ministry of Regional Development and Infrastructure	Caucasus Road Project	General contractor to build a 505-meter-long wooden pedestrian bridge in Anaklia ³⁰
GEL 11,507,591	LEPL Education and Scientific Infrastructure Development Agency	LLC Anagi	Building a vocational education facility in Tbilisi ³¹
GEL 11,234,414	Roads Department of the Ministry of Regional	LLC Enguri 2006	Repair works on the Zugdidi-Jvari-Mestia-Lasdili highway. ³²

²⁴ CMR120069375.

²⁵ CMR120119129, CMR120050656 and CMR120150589.

²⁶ CMR130055776.

²⁷ CMR120186299.

²⁸ CMR120199363.

²⁹ CMR120198487.

³⁰ CMR120016883; Hess-Timber company website, http://www.hess-timber.com/downloads/aktuell/en/lecture_pedestrian_bridge_georgia.pdf.

³¹ CMR120113237.

	Development and Infrastructure		
GEL 9,909,726	Ministry of Education, Culture and Sport of Adjara	LLC Anagi	Construction work on the building of the Batumi Art Training University. ³³
GEL 9,817,567	Revenue Service (Ministry of Finance)	LLC Peri	Construction work for an office in Kazbegi. ³⁴
GEL 8,301,773	LTD Union of Airports of Georgia	Paul Schuler und Irao Group GmbH (Georgia)	Construction of the Kutaisi airport terminal building. ³⁵

The Georgian Dream government (2012-2013)

Direct contracting decreased in the first months after the Georgian Dream government took power in November 2012. By September 2013, the government had awarded a number of larger contracts without competitive procedures, including several construction projects.

The largest such contact (with exception of the Gardabani power plant project which was inherited from the previous government) was given to Artesi in June to renovate a building in central Tbilisi to become the President's residence.

In late August, the Ministry of Finance's investigative service alleged that the founder of Artesi, Zaza Kapanadze, and former MP and chairman of the Georgian Olympic Committee, Gia Natsvlishvili (who was alleged to be a secret shareholder in the company) had embezzled and laundered public funds by artificially increasing prices in public construction projects between 2009 and 2012. In early September, the government terminated the contract with Artesi.³⁶ In turn, Artesi reportedly brought a lawsuit against the Ministry of Infrastructure for terminating the contract. A lawyer of Natsvlishvili denied any wrongdoing of his client.³⁷

³² CMR120035656.

³³ CMR120026683.

³⁴ CMR120192601.

³⁵ CMR120160311.

³⁶ This sentence has been corrected.

³⁷ CMR130100928. See contract: <http://bit.ly/Artesi-1> (login on tenders.procurement.gov.ge required). At the time the contract was awarded, the company was owned by Malkaz Alavidze (USA, 40%), Ramaz Berdzenishvili (35%), and Giorgi Kikalishvili (25%), https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=561774&app_id=639075; http://www.messenger.com/ge/issues/2912_july_26_2013/2912_edit.html; <http://1tv.ge/news-view/54919>; <http://dfwatch.net/georgian-olympic-committee-chair-charged-with-embezzlement-30752>.

Contr. value ³⁸	Procuring entity	Supplying company	Purpose
USD 163,543,830	Gardabani TPP LLC (subsidiary of JSC Partnership Fund)	ÇALIK ENERJİ SANAYİ VE TİCARET A.Ş (Calik Enerji, Turkey)	Construction and installation of a combined cycle gas power plant with 230 MW capacity in Gardabani. ³⁹
GEL 21,120,000	Infrastructure Development Company	Artesi	Renovation of the building on Antoneli Str. 25 in Tbilisi designated to be the next office of the President – the contract was terminated in September after allegations against the founder of Artesi. ⁴⁰
USD 7,865,654	Staff (Administration) of the Parliament of Georgia	Sony Professional Solutions MEA FZ LLC (United Arab Emirates)	Voting, teleconference and broadcasting systems (incl. UPS and air-conditioning) and construction services for the Parliament building on Rustaveli Avenue in Tbilisi. ⁴¹
GEL 9,299,167	LEPL Education and Scientific Infrastructure Development Agency	United Georgian Press – Favoriti Printi & MVP	A joint venture of four publishing companies that had been established some 20 days earlier was contracted to print 4 million schoolbooks and notebooks. ⁴²

³⁸ **Correction:** A previous version of this report mentioned a directly awarded contract to Magticom. We have learned that this contract was awarded under competitive rules and corrected the error.

³⁹ CMR130327893, the contract data was first available online but could not be found recently. A first agreement was between the Partnership Fund and Calik was signed in August 2012 and then temporarily delayed. This contract came into force in October 2013. Committed total price tag of the project for the Partnership Fund is USD 213,379,684, [https://tenders.procurement.gov.ge/engine/ssp/document.php?code=/prod/disk005/2013/10/31/fa1dc8afbc4156708d5a32e3831a024-551147&mime=application/pdf&save=%20~%20Addendum_Agreement_2013.10.08\[1\]_page\[1-20\].pdf](https://tenders.procurement.gov.ge/engine/ssp/document.php?code=/prod/disk005/2013/10/31/fa1dc8afbc4156708d5a32e3831a024-551147&mime=application/pdf&save=%20~%20Addendum_Agreement_2013.10.08[1]_page[1-20].pdf).

⁴⁰ CMR130100928.

⁴¹ CMR130336376.

⁴² CMR130075614. Founders are the four companies Favoriti Printi, Forma, Sesani and MVP, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=520720&app_id=597911.

GEL 9,180,102	Georgian Municipal Development Fund	Zimo ⁴³	Construction of seven 5-story apartment buildings for IDPs in the Maltakva district of city of Poti. ⁴⁴
USD 7,622,134	JSC Georgian State Electrosystem	Schweitzer Engineering Laboratories, Inc. (USA)	4.5-year contract to provide equipment and support services for the rehabilitation of 10 power sub-stations. ⁴⁵
GEL 6,815,286	Roads Department of the Ministry of Infrastructure	Tsekuri	Repair works for the Kutaisi-Tskaltubo-Tsageri-Lentekhi-Lasdili highway (a contract for this project with Sani had been terminated in August 2012) ⁴⁶
GEL 6,741,180	LLC United Water Supply Company of Georgia	Zimo	Construction of a water pipeline and sewage system to the prison in Laituri, Ozurgeti. ⁴⁷
GEL 4,000,000	Roads Department of the Ministry of Infrastructure	LLC Iberia-J	Construction of barriers to improve traffic safety near Khulo on the Batumi-Akhaltiskhe road. ⁴⁸
GEL 3,150,200	Educational and Scientific Infrastructure Development Agency	LLC English Tsigni Sakartveloshi (English Books Georgia)	Delivery of printed English language school books under license of UK publishing houses. ⁴⁹

⁴³ The State Procurement Agency has put Zimo on its White List of reliable suppliers which enjoy some preferential conditions, http://procurement.gov.ge/index.php?lang_id=GEO&sec_id=62&info_id=1377.

⁴⁴ CMR130117059.

⁴⁵ CMR130091547.

⁴⁶ CMR130298676.

⁴⁷ CMR130312997.

⁴⁸ CMR130308022.

⁴⁹ CMR130080336.

Donations for contracts – contracts for donations? The correlation between political contributions and direct contracting

The awarding of direct contracts creates opportunities and risks for corruption, especially related to party financing. Kickback payments are one possible way of gaming the system, meaning the recipient has to return a part of the public money received through the contract to an official or to a political party. Individuals linked to companies that receive significant business through non-competitive government contracts are likely to be receptive to donations requests from the ruling party, as they have an interest in keeping this party in the government in order to receive directly awarded government contracts in the future.

This corruption risk is further exacerbated when contracts, such as all direct purchases of the Ministry of Internal Affairs, remain classified and are not subject to public scrutiny.

In order to establish if there is a strong correlation between a company being awarded non-competitive contracts and this company (or individuals linked to the company) donating to political parties, TI Georgia compared the names of individuals linked to companies that received at least one direct contract between December 2010 and August 2013 and cross-referenced these names and corporations with lists of contributors to political parties maintained by the State Audit Office (since the beginning of 2012, legal entities are no longer allowed to donate to political parties).⁵⁰

In 2012, the United National Movement received donations of GEL 6.6 million from individuals who, according to the public registry, were linked to businesses that received non-competitive contracts with a total value of more than GEL 160 million the same year (the same businesses had received GEL 110 million in 2011).

Georgia is Not for Sale, an anti-Ivanishvili campaign group active in the run-up to the 2012 parliamentary elections, received 19 donations with an accumulate value of GEL 545,100 that originated from individuals linked to companies that had received direct contracts. The respective entities received non-competitive contracts worth more than GEL 71.3 million in 2011 and 2012.

It is important to note that anybody is – and should be – entitled to support any political party through a donation. However, the large amount of cases in which recipients of directly awarded contracts donated to the ruling UNM party between 2010 and 2012 indicates a very high risk of corruption.

Almost all of the companies that donated to United National Movement in 2010 as legal entities received directly awarded contracts under the president/government consent provision. Similarly, 11 of the companies that donated to the UNM in 2011 (a non-election year) received major contracts awarded through simplified procurement.

⁵⁰ See: <http://sao.gov.ge>.

In several cases we observed that donations to the UNM were made within a few days of signing a large, directly awarded contract.

Representatives of the business community have been important backers of the UNM. In a previous analysis of 2012 party donations, TI Georgia was able to connect 397 of the UNM's 989 donors to one or several companies where the donors held shares or positions that are reported to the public registry. These donors accounted for 89% of donations to the ruling party – GEL 9,898,000 of the total GEL 11,429,023 the party reported to have received that year.⁵¹

Below, we provide short descriptions of several of the cases where strong correlations were found between major political donations and received contracts. The list below focuses on large and recent donations and only includes a small sample of cases.

Donors to the United National Movement

- Severian Saakashvili, director of **Agro LLC** (ID: 417874544), donated GEL 60,000 to the United National Movement on August 14, 2012. A day earlier, Agro LLC had been awarded a GEL 229,960 contract by Gori Municipality. Edward Khachishvili, who owns 25% of the company, had already donated GEL 60,000 on August 1st; that day, also Jemal Jiniashvili, also owner of 25% of shares, donated GEL 46,000. In June, another company managed by Khachishvili, LLC **Agroterminali** (ID: 217891084) had received a direct contract for GEL 89,584.⁵²
- Romani Abramishvili, the director of the **Geo Build Group** (ID: 424066101) donated GEL 7,000 to the UNM on June 14, 2012. His company was awarded a GEL 110,000 contract under the president/government consent clause on June 21 2012.
- A former shareholder of LLC **Khino** (ID: 445385495), Ednar Tavdgiridze donated GEL 38,000 to the UNM on July 20, 2012; the company's sole shareholder Tsiuri Davitadze, spouse of Adjara Member of Parliament, Aslan Tavdgiridze (2008 to 2012), made a donation of GEL 32,000 a day later. Khino received more than GEL 5.5 million in directly awarded contracts in the past three years.
- Vakhtang Edilashvili, who registered JSC Wissol Petroleum Georgia (ID: 202161098) donated GEL 60,000 to the UNM on August 1, 2012; Wissol's General Director, Vasili Khorava gave GEL 20,000 on the same day. In 2011 and 2012, Wissol received 25 large contracts under the president/government consent provision with a value of more than GEL 1.74 million.
- Giorgi Ingorokhva, director of **LLC Medical High Technology Center, University Clinic** (ID: 211385767) donated GEL 12,000 to the United National Movement on 3 June 2012; a representative of the company, Davit Bantsadze, contributed GEL 16,000 on the same day. A week earlier, the

⁵¹ For more details, see: TI Georgia (2013): Finances of Political parties for the year 2012, <http://transparency.ge/en/node/2948>.

⁵² CMR120242899.

company had received two non-competitive contracts worth GEL 68,000.⁵³ Throughout 2011, the entity was awarded direct contracts exceeding GEL 1.5 million.

- Grigol Chikovani, General Director of JSC **Khidmsheni** (ID: 204379886) donated GEL 20,000 on June 19, 2012. Three weeks later, the company received a directly awarded contract, worth GEL 178,142.
- Rather generous were the owners of LLC **Alta** (ID: 211380691): Zurab Tabidze, Levan Nikolaishvili, Grigol Nikolaishvili, and Irakli Kakabadze, who within four days all made separate donations to the UNM with an accumulate value of GEL 140,000. The company received two direct contracts about a month after the donation, worth GEL 1.3 million.⁵⁴
- The construction company **Block-Georgia** (ID: 211362461) received its only contract under the president/government consent provision that year in August 2012, worth GEL 1.7 million.⁵⁵ This contract was awarded on June 31, 2012. A week later, the company's general director, Mamuka Janashvili, donated GEL 60,000 to the UNM.
- The three owners of LLC **Gutidze Damenia Chantladze Solutions** (ID: 205268271) – Kakhaber Damenia (deputy Minister of Economy from 2005 to 2008), Izabela Gutidze, and Davit Chantladze (who served as Minister of Environment and Natural resources from 2007 to 2008 and as Deputy Chief of the President's Administration until 2009) – each donated GEL 60,000 to the UNM on May 29, 2012.⁵⁶ The company had received a 4-month contract (CMR 120046770) in August 2011 for legal services worth GEL 270,000.
- Ioseb Mchedlishvili, the director and 70% shareholder of LLC **Feri** (ID: 211352187) donated GEL 60,000 to UNM in June 2012, a few weeks after his company received a GEL 9.8 million non-competitive construction contract.

Donors to Georgia Is Not For Sale (2012)

Georgia is Not For Sale was a campaign vehicle airing political advertisements critical of Bidzina Ivanishvili and in support of the United National Movement ahead of the 2012 parliamentary elections.

- LLC **Pirosmani** (ID: 245423956) was awarded nine non-competitive contracts in 2011 and 2012 worth more than GEL 3.9 million. Two of its owners, Tamaz Gogoladze and Revaz Ardzenadze donated GEL 50,000 each on the same day, August 31, 2012. Three days later the director and third shareholder of the company Merab Beridze, donated GEL 60,000 to Georgia Is Not For Sale. In 2010, the company donated GEL 100,000 to the UNM.
- LLC **Anagi** (ID: 245416401) received 35 simplified procurement contracts in 2011 and 2012 worth GEL 59.2 million. Five contracts were awarded within a month of company representatives making major political contributions. On August 31 2012, several individuals linked to Anagi gave to Georgia Is Not For Sale: Nana Aroshidze, the company's owner, donated GEL 60,000; Irakli

⁵³ CMR120212381 and CMR120212384.

⁵⁴ CMR120250801 and CMR120250785.

⁵⁵ CMR120239247.

⁵⁶ http://www.solutions.ge/en/our_team/.

Gogolishvili, who served as director, donated GEL 9,000; GEL 5,000 were given by Soso Diasamidze, a former director of Anagi. A day earlier, Davit Baladze, who had registered the company, also donated GEL 4,000.

- Georgia Is Not For Sale received a GEL 60,000 donation from Ibraim Shalikadze on August 31, 2012, the 80% shareholder of LLC **Anagi Tbilisi** (ID: 400034388). The company's director, Davit Chantladze, donated GEL 2,000 to the same organization a day earlier; David Shalikadze, who owned 10% of the company, donated GEL 5,000; Davit Kvachadze, owner of the remaining 10% of shares, donated GEL 3,600. In 2012, Anagi Tbilisi received seven directly awarded contracts with a total value of GEL 7,88 million.
- Another donor to Georgia Is Not For Sale was Tinatin Nijharadze who also gave GEL 60,000. Nijharadze's company, LLC **Party House LLC** (ID: 404855965), which she fully owns and manages, received a GEL 144,000 directly awarded contract a few weeks after the donation; the company received a total of ten directly awarded contracts with a value of GEL 348,005 in 2012.

Donors to Georgian Dream

For the 2012 parliamentary and the 2013 presidential elections, the Georgian Dream received more than 130 donations from individuals who were linked with companies that received government contracts under simplified procurement rules. However, TI Georgia found that in most cases these companies have not received larger direct government contracts after the change of government. However, this does not mean that corruption risks around direct government contracting, for example in form of kickback payments to the ruling party, have disappeared.

- Tengiz Gvazava, Director General of the company **Elita Burji** donated GEL 50,000 GEL to the Georgian Dream in December 2012. The direct owner company of Elita Burji is Ringold Finance, a British Virgin Islands shell company, which, through its subsidiary Horizonti, also owns a part of the land plot where former Prime Minister Bidzina Ivanishvili's business center in Tbilisi is located. It thus appears that that Ivanishvili is the beneficiary owner of Elita Burji. In 2013, Elita Burji received several directly awarded contracts from the Ministry of Internal Affairs for delivering furniture worth GEL 84,439.⁵⁷
- Asmati Sirbiladze, a legal representative of several companies including Bureaucity (ID: 204575414) and Smiley (ID: 205289105), donated GEL 20,000 in August 2013. **Bureaucity** received a GEL 34,000 contract for providing furniture in June 2013 under the President/government consent provision;⁵⁸ **Smiley** received a number of direct government contracts, including a GEL 66,000 contract to provide laptops.⁵⁹

⁵⁷ See: <http://transparency.ge/en/node/3558>.

⁵⁸ CMR130100924.

⁵⁹ CMR130113498.

Links between public officials and companies benefiting from directly awarded contracts

Large government purchases that are directly awarded to a company without competitive procedures run a high risk of wasteful spending, nepotistic contracting and corruption. Until now, these contracts remained without public scrutiny because the data was not accessible to the public – until the CSPA started releasing these contracts online in spring 2013, with data going back to December 2010. In many cases described below, contracts were directly awarded based on a decree issued by the government or the president – without such a decree the contracts would have been electronically tendered to the lowest bidders.

To find out whether public officials or their close family members benefitted from directly awarded government contracts, and to identify cases where public officials may have faced conflicts of interest, TI Georgia scrutinized meta data for all directly awarded government contracts from December 2010 to September 2013, a total of 436,525 contracts and purchases.⁶⁰

We then derived the names of individuals who have been affiliated with the companies that were awarded contracts, based on public records (i.e. those who had registered the company, were listed as an official company representative/lawyer, held shares or served as director). To get this data, we developed a fully searchable copy of the Georgian company registry by freeing data from hundreds of thousands of PDF files from the Georgian public registry.⁶¹ Then, we cross-referenced these individuals with the names of public officials and their household members that are included in their public asset declarations, which we also turned into a searchable database in order to process the data.⁶²

- We found a number of companies that received large, directly awarded government contracts and were owned by a public official or a close family member living in the same household. In several cases, these officials had failed to disclose their involvement in a company in their asset declarations, despite the fact that this relationship was documented in company records in the public registry;
- In a number of cases there appears to be a clear conflict of interest between the public office held by an official and the contracts issued by his/her

⁶⁰ Please note that the data may not be complete, as some contracts may not have been entered into the database by the respective government agencies that were carrying out the purchase. The data also does not include highly classified contracts (for example, those by the National Security Council and some by the Ministries of Internal Affairs and Defense) and purchases made by entities that are exempted from procurement rules (including the Reserve Funds of the Government and the President, and certain companies with state-ownership). This data does not include contracts that were procured through competitive, electronic tenders and for which data is available on TI Georgia's <http://tendermonitor.ge> website and on the CSPA's e-procurement portal, <https://tenders.procurement.gov.ge>.

⁶¹ See: <http://corpsearch.tigeorgia.webfactual.com/en>.

⁶² See: <https://declaration.gov.ge>.

government entity, as a company linked to that official benefited from the contract;

- Many of the directly awarded contracts discussed below concern large construction projects – an area where the reasons for avoiding competitive e-tenders can be called into question;
- We found several cases with strong indications of nepotistic contracting concerning public officials from Adjara;
- In several cases, we found that companies owned by current or past Members of Parliament receive significant non-competitive contracts. We include these contracts, even if there may not always be a direct conflict of interest, because the public should be aware of the business activities of elected officials.

Caesar Chocheli, who served as governor of the Mtskheta-Mtianeti region from 2008 until he resigned in November 2012, has been accused by Ministry of Finance investigators of money laundering for having managed and controlled the construction company **New Energy** (ID 205026559) while in office. Chocheli has denied both accusations.⁶³ New Energy received 29 directly awarded contracts worth more than GEL 69.9 million between the beginning of 2011 and fall 2012. The largest contract, GEL 44.45 million for ancillary works on electricity power lines was awarded by the Georgian Oil and Gas Corporation in October 2011.⁶⁴

The construction company **Anagi** (ID: 245416401) is owned by Nana Aroshidze, wife of Zaza Gogotishvili, who served as a member of the Supreme Council of Adjara from 2008 to 2012. In 2011 and 2012, the company received 36 non-competitive contracts worth GEL 59.2 million; of those, GEL 21 million were awarded by the Educational and Scientific Infrastructure Development Agency, GEL 9.84 million were awarded by Batumi City Hall and GEL 10 million by Adjara's Ministry of Sports, Culture and Education – while Gogotishvili served in the Supreme Council, which is supposed to hold the Adjara government accountable. LLC **Lugo** (ID: 245546681), a subsidiary of Anagi, received three construction contracts from the State Construction Company in 2011, worth GEL 255,400 (the company received six other contracts with a value of less than GEL 5,000).⁶⁵ Neither Anagi nor Lugo have received directly awarded contracts since the change of government. In his asset declaration, Gogotishvili stated that his wife received an income of GEL 1,067,793 in 2011 from Anagi.⁶⁶

Giorgi Rurua, brother of Nika Rurua, who served as Minister of Culture from 2008 to 2012, has been connected to two companies that received sizable direct contracts. LLC **Geovia** (ID: 205274601) received two contracts with a combined value of GEL 1.996 million for supplying electronic equipment in April 2011 and a contract for road tunnel construction work in May 2011 from the Ministry of Regional

⁶³ <http://www.civil.ge/eng/article.php?id=25684>.

⁶⁴ <http://bit.ly/NewEnergy-1>.

⁶⁵ See: <http://corpsearch.tigeorgia.webfactual.com/en/corporations/2141121/>; <http://bit.ly/lugo-1>, <http://bit.ly/lugo-2>.

⁶⁶ <https://declaration.gov.ge/eng/declaration.php?id=5649>.

Development and Infrastructure.⁶⁷ Giorgi Rurua holds 25% of Geovia.⁶⁸ Former minister Nika Rurua, who lives in the same household with his brother, disclosed Giorgi Rurua's shareholdings in the company and declared an income of GEL 80,676 his brother had received in 2011 from Geovia.⁶⁹

Two Minutes received 22 directly awarded contracts over the past two years, most of them small purchases with a value of less than GEL 5,000 each, with the exception of three contracts, including a GEL 700,000 contract from the Agriculture Development Fund for restaurant and food delivery services in April 2012.⁷⁰ **Giorgi Rurua** held 50% of the company until January 2011. Then, Andro Gegenava, brother of MP **Archil Gegenava** (2008-2012, United National Movement) became a beneficiary shareholder (through his Holding.ge LLC).⁷¹ In March 2012, just before the large contract was awarded, he officially exited the company and neither of the two previous owners were registered shareholders – the company was owned by Giorgi Korakhashvili when it received the large direct contract.⁷²

The construction company **Meno International** (ID: 208213084) received 18 directly awarded contracts in 2011 and 2012 worth GEL 36.9 million.⁷³ Irakli Chikovani, who from 2009 to spring 2013 served as Chairman of the Georgian National Communications Commission (GNCC), owns 33% of shares in the company. Another company Chikovani is a shareholder of, **Magi Style** (ID: 208149895) received 31 directly awarded contracts worth GEL 5,000 and more, with a total value of GEL 1.08 million.⁷⁴ Chikovani disclosed the ownership of both companies and significant income from both entities in past years: GEL 928,000 from Meno International and GEL 181,000 from Magi Style (2011 and 2012 combined).⁷⁵

LLC **Lebe** (ID: 232559718), a Kaspi-based construction company, has received a total of 12 direct contracts from the local municipality. In November 2012, **Levan Demetrashvili** became the head of a Kaspi municipality committee. He held 50% in Lebe until May 8 2013, which he did not disclose in his asset declaration.⁷⁶ On 31 October 31 2012, Lebe received two non-competitive contracts worth GEL 66,000, in March 2013 it received a GEL 400,000 contract and on May 16 – one week after he officially handed the 50% ownership of the company to his business partner – Lebe received another contract over GEL 400,000.⁷⁷

⁶⁷ Contracts: <http://bit.ly/Geovia-1>, <http://bit.ly/Geovia-2> (prior login to tenders.procurement.gov.ge required).

⁶⁸ <http://corpsearch.tigeorgia.webfactional.com/en/corporations/2110964/>.

⁶⁹ <https://declaration.gov.ge/eng/declaration.php?id=6872>.

⁷⁰ <http://corpsearch.tigeorgia.webfactional.com/en/corporations/2111828/>. Contract: <http://bit.ly/O2Min-1>.

⁷¹ <http://transparency.ge/en/node/3255>.

⁷² <http://corpsearch.tigeorgia.webfactional.com/en/people/2554175/>.

⁷³ <http://corpsearch.tigeorgia.webfactional.com/en/corporations/2159525/>.

⁷⁴ <http://corpsearch.tigeorgia.webfactional.com/en/corporations/2160181/>.

⁷⁵ <https://declaration.gov.ge/eng/declaration.php?id=47092>.

<https://declaration.gov.ge/eng/declaration.php?id=7382>.

⁷⁶ <https://declaration.gov.ge/eng/declaration?id=8223>.

⁷⁷ CMR120273211, CMR120273213, CMR130066009, CMR130087091.

LLC J and J, (ID: 221269080), a construction company, has received seven contracts larger than GEL 5,000, with a value of GEL 2.71 million. The company is 50% owned by **Jambul Shughladze**, who has served as the head of a Tskaltubo Sakrebulo committee since at least fall 2012. The contracts were awarded by Kutaisi Municipality and the Ministry for Regional Development and Infrastructure. Shughladze did disclose his shareholding in the company in his 2012 asset declaration, for 2013 he stated income of GEL 25,000 from the company.⁷⁸

LLC Pirosmeni (ID: 245423956) received nine major contracts worth GEL 3.92 million in 2011 and 2012 from Batumi City Hall, and the municipalities Lanchkhuti, Ozurgeti and Chokhatauri. 33% of the company is held by **Revaz Ardzenadze**, who served as a member of the Adjara Supreme Council from 2008 to October 2012. In his asset declaration, he stated to have received GEL 100,000 of income from his shareholding in Pirosmeni in 2011 but indicated that he ended his involvement in mid-2011.⁷⁹ Public registry extracts show that in fact Ardzenadze has remained a shareholder.⁸⁰

LLC Acharganateba (ID: 245546486) has won ten construction contracts with various Batumi-based government entities, worth GEL 3.49 million.⁸¹ Tamaz Topuridze was the company's majority shareholder until his death in summer 2012, while serving in the self-governing council of Batumi.⁸²

LLC Evrocandela (ID: 404399156) was founded on 27 April 2011.⁸³ Only three weeks later, on 16 May, the company was directly contracted by Anaklia-Ganmughuri Resorts (owned by Zugdidi Municipality) to provide street lighting poles for GEL 2.1 million;⁸⁴ at the end of September 2011, the same entity issued another contract for GEL 133,265 to Evrocandela.⁸⁵ On 13 October 2011, the Municipal Development Fund, which operates under the Ministry of Regional Development and Infrastructure, directly procured streetlights for Mestia worth 598,954 from Evrocandela.⁸⁶ Nugzar Kevlishvili owned 50% in the company from April to August 2011, when co-founder Giorgi Kereselidze became the sole shareholder.⁸⁷ At the same time, Kevlishvili became Head of the Ministry of Regional Development's Infrastructure Department in September 2011. He held this post until May 2012, but never disclosed his involvement or any income from the company in his asset declarations.⁸⁸

⁷⁸ 2012 asset declaration: <https://declaration.gov.ge/eng/declaration.php?id=8493>; 2013: <https://declaration.gov.ge/eng/declaration?id=47362>.

⁷⁹ <https://declaration.gov.ge/eng/declaration.php?id=5643>.

⁸⁰

https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=573994&app_id=653224.

⁸¹ <http://corpsearch.tigeorgia.webfactual.com/en/corporations/2141118/>.

⁸² http://www.batumicc.ge/index.php?lang=2&page=menu&top_menu=1&l_menu=9.

⁸³ <http://corpsearch.tigeorgia.webfactual.com/en/corporations/2209131/>.

⁸⁴ <http://bit.ly/Eurocandela-1> (prior login on tenders.procurement.gov.ge required).

⁸⁵ <http://bit.ly/Eurocandela-2>.

⁸⁶ <http://bit.ly/Eurocandela-3>.

⁸⁷ <http://corpsearch.tigeorgia.webfactual.com/en/corporations/2209131/>.

⁸⁸ <https://declaration.gov.ge/eng/declaration.php?id=5340>,
<https://declaration.gov.ge/eng/declaration.php?id=7250>.

Companies involving current and former Members of Parliament

MP Sergo Khabuliani: 16 non-competitive contracts, GEL 12.3 million.

Khabuliani was elected Majoritarian MP from Tsageri in 2012 – he was elected as a member of the United National Movement, which he then left to co-found the parliamentary fraction Non-Partisan, Independent Majoritarians.⁸⁹ Khabuliani owns 62.5% of LLC **Cekuri**, a construction company that has received 16 direct government contracts since 2011.

Of these contracts, two were awarded after Khabuliani was elected to Parliament: on 5 November 2013, Cekuri received a GEL 31,787 contract from Mtskheta municipality – the same day he announced he was leaving the United National Movement. In August 2013, Cekuri received a GEL 6.8 million contract from the Ministry of Regional Development and Infrastructure’s Road Department. In his 2012 asset disclosure, Khabuliani declared GEL 1,389,612 income from Cekuri.⁹⁰

MP Kakhaber Okriashvili: 129 contracts, GEL 3.83 million.⁹¹

The Majoritarian from Dmanisi, re-elected on the UNM-ticket in 2012 and now in the fraction Non-Partisan, Independent Majoritarians, is a member of the Economy and Economic Policy and the Health and Social Issues Committees. He fully owns the healthcare provider and drug retailer PSP Pharma. For 2012, Okriashvili reported personal income of GEL 11.75 million from PSP.⁹²

- **PSP Pharma** received 65 contracts with a value of GEL 2.39 million;
- **New Hospitals**, a PSP Pharma subsidiary, received 64 contracts, with an aggregate value of GEL 1.44 million;⁹³

Former MP Temur Kokhodze: 214 contracts, GEL 7.39 million.

Kokhodze (United National Movement) served as MP from 2008 to 2012. His main business, Tegeta Motors, received 214 contracts (GEL 5,000+) for GEL 7.39 million between December 2010 and the end of his term in October 2012.⁹⁴ For the year 2011, Kokhodze declared income of GEL 505,000 from Tegeta Motors.⁹⁵

⁸⁹ <http://www.civil.ge/eng/article.php?id=25418>.

⁹⁰ <https://declaration.gov.ge/eng/declaration.php?id=44084>.

⁹¹ Data in this chapter does not include small purchases of less than GEL 5,000. Including small purchases of under GEL 5,000, his companies received 538 government contracts with an accumulate value of GEL 5,541,462.

⁹² <https://declaration.gov.ge/eng/declaration?id=46193>.

⁹³ **Correction:** Due to an editing error, we attributed ownership in Supta Samqaro Acharashi to Kakhaber Okriashvili. In fact, he is not affiliated with the company. We apologize for the mistake and corrected the numbers of direct contracts and their values accordingly. Okriashvili told TI Georgia that direct purchases from the government only account for 0.2% of PSP’s turnover. According to Okriashvili, New Hospitals inherited the obligation to provide medical services to specific government bodies – the Levan Samkharauli National Forensics Bureau, the Ministry of Defense, the Ministry of Corrections and Legal Assistance and the Ministry of Health and Social Affairs of the Autonomous Republic of Ajara – which account for the directly awarded contracts.

⁹⁴ This data does not include various smaller subsidiaries and sister companies of Tegeta.

⁹⁵ <https://declaration.gov.ge/eng/declaration?id=7086>

MP Gocha Enukidze: 415 contracts, GEL 30.9 million.

Several car businesses in which MP **Gocha Enukidze**, the current Majoritarian from Ambrolauri (UNM), holds shares, have received hundreds of directly awarded contracts since 2011:

Company	Enukidze owns	Nr. contracts GEL 5,000+	Value (GEL)
Kia Motors Georgia	30%	130	14,668,299
Iberia Motors	25%	13	300,528
Iberia Avto	20%	17	1,155,479
Iberia Avto Lendi	21.25%	43	1,103,702
Iberia Servici	25%	184	11,884,783
Sena Avto	21.25%	28	1,766,802
		415	30,879,593

Former MP Kandid Kvitsiani: 17 contracts, GEL 31.9 million.

LLC New Construction, formerly named **Enguri 2006**, was awarded a total of 17 non-competitive contracts with a total value of GEL 31.9 million. The company, which TI Georgia previously found to be involved in cases of property rights violations in Mestia, won most of its contracts with the Ministry of Regional Development and Infrastructure and with Mestia Municipality.⁹⁶ **Kandid Kvitsiani**, a former UNM Majoritarian MP for Mestia (2008 to 2012), never disclosed his 50% ownership in New Construction in his asset declaration (though he declared that his son worked as a consultant for Enguri 2006).⁹⁷

Former MP Aslan Tavdgiridze: 11 contracts, GEL 5.59 million.

The construction company **Khino**, owned by Tsiuri Davitadze, spouse of former Adjaran Member of Parliament Aslan Tavdgiridze (2008 to 2012), was directly awarded 11 contracts worth GEL 5.59 million from Batumi City Hall and Khelvachauri municipality – Tavdgiridze’s electoral district – in 2011 and 2012.⁹⁸ Tavdgiridze did not disclose his wife’s involvement in the company in his 2011 asset declaration.⁹⁹ In his 2012 asset disclosure, Tavdgiridze declared his wife had received an income of GEL 81,300 from **Khino** the year before.¹⁰⁰ After leaving Parliament, Tavdgiridze now serves as director of Khino.¹⁰¹

⁹⁶ <http://transparency.ge/en/node/2531>.

⁹⁷ <https://declaration.gov.ge/eng/declaration.php?id=7034>,
<http://corpsearch.tigeorgia.webfactional.com/en/people/2620869/>.

⁹⁸ <http://bit.ly/Khino-1>, <http://bit.ly/khino-2>, <http://bit.ly/Khino-3> (prior login on <http://tenders.procurement.gov.ge> required).

⁹⁹ <https://declaration.gov.ge/eng/declaration.php?id=4441>.

¹⁰⁰ <https://declaration.gov.ge/eng/declaration.php?id=6989>.

¹⁰¹ https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=532976&app_id=610005.