STATE AUDIT OFFICE
POLITICAL FINANCES MONITORING DEPARTMENT

INTERIM FINANCIAL MONITORING REPORT FOR OCTOBER 31, 2020 ELECTIONS

OCTOBER 23, 2020

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I. GENERAL INFORMATION

This interim report provides information on the current results of expenditures, revenues and monitoring of political parties and electoral subjects during the 2020 parliamentary elections in Georgia, the elections of the Supreme Council of the Autonomous Republic of Adjara, the by-elections of the City Councils (Sakrebulo) and the extraordinary mayoral elections.

A total of 62 subjects (49 political parties, 2 election blocs and 11 independent candidates) running in the 2020 elections were required by the Election Code of Georgia, and the Order of the Auditor General of Georgia to submit information according to the following periods:

- From September 1 to September 21 – on September 24;
- From September 22 to October 12 – on October 15;
- October 13 to October 31 – on November 5;
- From September 1 to October 31 - must be submitted by November 12 *(by those electoral subjects who received the required number of votes as defined by the Election Code of Georgia based on preliminary data);*
- Information on the period from September 1 to the announcement of the election results - 1 month after the publication of the results (*all electoral subjects participating in the elections*);
- 3 days before the day of the second round - financial report of the activities carried out after the voting day of the first round (October 31) (*all electoral subjects participating in the second round*);
- Information on the period from September 1 to the announcement of the results of the second round of elections - 1 month after the publication of the results *(all electoral subjects participating in the second round).*

The State Audit Office (SAO) has developed an instruction letter on the current financial reporting regulations and deadlines, as well as samples of letters to be filled out. The letter was published on the website of the SAO and sent to all electoral subjects.

In addition to the above-mentioned instructions, on September 21 and October 7, 2020, meetings were held with the representatives of electoral subjects, where the discussion focused on their current obligations, as well as changes in the legislation.

On October 8, 2020, at the invitation of the SAO, together with local and international non-governmental organizations working on election issues, an information / advisory commission was set up to discuss the submission and analysis of expense reports within the current period, status of the study of received complaints, donations, and other matters.

II. ELECTION CAMPAIGN FINANCES

1. REVENUES

Electoral Subjects have two main sources of revenue: donations and budget funding.

According to the submitted election period expense reports, all electoral subjects received 23,846,652 revenues in the period from September 1 to October 12, namely:

N	Name of the party	Budget Funding	Donations	Total Revenue[1]
1	Georgian Dream – Democratic Georgia	215,505	10,139,707	**10,355,212**
2	Lelo for Georgia	-	2,599,290	**2,599,290**
3	United National Movement	103,687	2,295,309	**2,432,831**
4	Giorgi Vashadze - Strategy Aghmashenebeli	26,813	2,015,505	**2,042,318**
5	Alliance of Patriots of Georgia	148,001	1,886,805	**2,034,847**
6	European Georgia	107,387	1,646,295	**1,773,699**
7	Free Georgia	10,759	392,900	**403,659**
8	Movement for Social Justice	-	274,149	**274,149**
9	Georgian Labour Party	99,845	123,986	**224,041**
10	Democratic Movement – United Georgia	30,656	145,300	**175,956**
11	Alexander Elisashvili - the Citizens	-	162,565	**162,565**
12	Free Democrats	63,726	73,880	**137,606**
13	National-Democratic Movement	-	107,400	**107,400**
14	Social Democrats for the Development of Georgia	-	92,384	**92,384**
	and others	368,678	646,770	**1,030,696**
	Total Sum	**1,175,055**	**22,602,245**	**23,846,652**

1 The table shows only those subjects whose expenditures exceed 100,000 GEL.

2. EXPENDITURES

According to the expense reports submitted during the election period, 22,973,913 GEL was spent by political parties and independent candidates in the period from September 1 to October 12, which is mainly distributed for advertising and remuneration, namely:

N	Name of the Party	Advertisement[2]	Remuneration	Total Expenditure[3]
1	Georgian Dream – Democratic Georgia	8,213,467	39,888	**10,612,565**
2	Lelo for Georgia	1,793,441	242,942	**2,566,897**
3	United National Movement	1,864,982	9,523	**2,230,757**
4	Giorgi Vashadze - Strategy Aghmashenebeli	1,634,575	14,694	**2,008,235**
5	Alliance of Patriots of Georgia	1,773,088	3,824	**1,856,467**
6	European Georgia	953,478	55,388	**1,242,466**
7	Free Georgia	297,378	1,000	**374,027**
8	Movement for Social Justice	26,216	174,190	**270,578**
9	Georgian Labour Party	104,832	15,311	**228,154**
10	Democratic Movement – United Georgia	97,591	11,200	**174,983**
11	Alexander Elisashvili - the Citizens	153,202	856	**162,545**
12	Free Democrats	89,417	1,010	**106,050**
13	National-Democratic Movement	19,549	27,950	**104,984**
14	Social Democrats for the Development of Georgia	24,966	41,178	**103,313**
	and others	359,259	189,944	**931,895**
	Total Sum	**17,405,441**	**828,896**	**22,973,913**

In order to verify the revenues and expenditures declared by the electoral subjects, the SAO systematically compares them with the bank statements of the subjects and the results of the media monitoring.

2 The expenses of television advertisement does not include the cost of placing television advertisement financed from the state budget of Georgia to financially support the election campaign of political parties.

3 The table shows only those subjects whose expenditures exceed 100,000 GEL.

III. MONITORING RESULTS

1. STUDY OF DONATIONS

As of today, the SAO has requested information on the income of 1,055 individuals from the Revenue Service in the process of examining donations. Currently, information has been received on 39 individuals. 13 persons were invited to the interview for additional explanations to substantiate their income. At this stage, 3 individuals have been interviewed and further information on their income is being studied. The legal address of a large number of individuals is different from the actual residential address, which makes it difficult to inform them in a timely manner to be invited for an interview.

The donations made by the employees of "RMG Gold" Ltd and "Lilo-Mall" Ltd in favour of Political Union of Citizens "Georgian Dream-Democratic Georgia" were also examined. In this regard, the SAO, on the basis of the court order, requested information from the Revenue Service and the income and financial condition of the donors from commercial banks registered in Georgia. The documents did not reveal any suspicious transfers in the period before or after the donations. As a result of the analysis of the obtained data, the financial possibility of donations by the donors has been substantiated.

2. STUDY OF EXPENSE REPORTS

The SAO continuously examines financial declarations of political unions during both the election and non-election periods. During the non-election period - from January 1 to August 31, 2020, political parties submitted monthly expense reports to the SAO for 6 months[4] and monthly[5] before the election period.

As for the election period, 2 financial statements for the three-week period were submitted by political parties. The declarations covered the period from September 1 to October 12. In total, the SAO reviewed the expense reports of 78 subjects during the election period.

Examination of the expense reports for the first three weeks revealed several irregularities:

- PUC "Free Georgia" did not provide cash payment (5,450 GEL) information to the SAO. As a result, the requirements of Article 9 of the Political Finance Transparency Regulation, approved by the Order[6] of Auditor General, were violated. Accordingly, an administrative offence protocol drafted by the SAO was sent to the Tbilisi City Court for imposition of a double fine in accordance with the law. This fact was declared as an offense by the court and a warning was issued to the party.

- As a result of the study of the declarations, several facts[7] of making donations (in cash) with violation of the requirements[8] of the Organic Law of Georgia on Political Union of Citizens

4 From January 1 to June 30, 2020

5 Separate for July and August 2020

6 Order # 2915/21 of 5 May 2016

7 The cases mainly concerned the non-payment of non-substantial funds in cash to the accounts of political entities

8 Article 27[2] of the Organic Law of Georgia on Political Union of Citizens

were revealed. The SAO responded to the above-mentioned cases and the electoral subjects were instructed to correct the shortcomings accordingly. Therefore, monitoring will be carried out during the study of financial information for the next period.

The Political Finances Monitoring Department of the SAO continues studying the accuracy of the financial statements for the 2nd three-week period and the legality of the revenues and expenditures reflected in the declarations.

3. STUDY OF RECEIVED COMPLAINTS AND MEDIA MONITORING RESULTS

As a result of the complaints submitted to the SAO during the election period, the media monitoring carried out by the institution and information provided by the electoral subjects, administrative proceedings were initiated in 7 cases:

- Proceedings have been completed in 3 cases, on which administrative offence protocols have been drawn up and relevant decisions have been made by the court.
- Administrative offence protocols were drawn up following 2 cases of adminitrative offences and submitted to the Tbilisi City Court.
- Additional information is being sought in 2 cases and relevant legal and procedural actions are being taken.

3.1 THE STUDY OF 3 CASES HAS BEEN COMPLETED:

1. In August 2020, a legal entity [9] donated 50,000 GEL to the PUC "Social Democrats for the Development of Georgia".

   The holder of the share of the mentioned legal entity is a company registered outside Georgia.

   According to the Law of Georgia on Political Union of Citizens[10], this type of legal entity cannot be a donor. Therefore, the donation was considered a prohibited donation by the SAO. After the SAO informed the political party about the mentioned circumstances, the party returned the money to the bank account of the donor legal entity.

   Following the aboive-mentioned case, an administrative offence protocol drawn up by the SAO was sent to the Tbilisi City Court for the imposition of a double fine prescribed by law[11]. The court reviewed the case, found a violation and issued a warning to the legal entity.

9 Tam Management Ltd

10 Paragraph 2 of Article 25 of the Organic Law of Georgia on Political Union of Citizens

11 Paragraph 2 of Article 34[2] of the Organic Law of Georgia on Political Union of Citizens

2. In September 2020, an individual[12] donated 60,000 GEL to PUC "Lelo for Georgia", which exceeded the statutory[13] donation limit[14] by 25,000 GEL. After the SAO informed the political party about the above-mentioned circumstances, the party transferred the money back to the bank account of the donor. Following the case, an administrative offense protocol drawn up by the SAO was sent to the Tbilisi City Court for the purpose of imposing a double fine prescribed by law[15]. Having reviewed the case, the court found a violation and issued a warning to the individual.

3. PUC "Tetrebi" did not submit information about the election campaign fund to the SAO in accordance with Article 11 of the Political Finance Transparency Regulation approved by the order[16] of the Auditor General. An administrative offense protocol drafted by the SAO was sent to the Tbilisi City Court for the amount of 5,000 GEL in order to impose a fine prescribed by law[17]. The court considered the case, recognized the fact as an offense and applied a sanction-warning to the party.

3.2 2 ADMINISTRATIVE OFFENCE PROTOCOLS SENT TO THE COURT:

The SAO examined compliance of the video content of political parties PUC "Alliance of Patriots of Georgia" and PUC "New Political Center – Girchi" with the regulatory norms in August 2020 featured on Obeqtivi and Girchi TV.

The study revealed that from August 17 to August 31, 2020, the duration of the videos of useful political content of PUC "Alliance of Patriots of Georgia" on Obieqtivi TV was a total of 51 minutes and 46 seconds, and on "Girchi TV" the duration of the political advertisement of the "New Political Center – Girchi" was 82 minutes and 48 seconds. According to the tariffs given from the official website of the Communications Commission, the cost of the videos aired on "Obieqtivi" was 3,106 GEL, and the cost of the videos aired on "Girchi TV" was 828 GEL. The videos were shown free of charge and were therefore assessed by the SAO as a non-monetary donation. These donations were not declared by political parties. In addition, media-union Obieqtivi is a non-entrepreneurial (non-commercial) legal entity. Therefore, this donation in favor of PUC "Alliance of Patriots of Georgia" is a prohibited donation. As a result, PUC "Alliance of Patriots of Georgia" received prohibited donations and did not submit relevant information. In addition, the SAO identified acceptance of donations and non-submission of relevant information by PUC "New Political Center – Girchi". In both cases, the SAO drew up an administrative offence protocol, which was sent to the Tbilisi City Court to impose a double fine as provided by law[18].

12 Ivane Khazaradze

13 Paragraph 1 of Article 27 of the Organic Law of Georgia on Political Union of Citizens

14 By February 2020, it had already made a donation of 25,000 GEL

15 Paragraph 2 of Article 342 of the Organic Law of Georgia on Political Union of Citizens

16 Order # 2915/21 of 5 May 2016

17 Paragraph 1 of Article 85 of the Election Code of Georgia

18 Paragraph 2 of Article 34 of the Organic Law of Georgia on Political Associations of Citizens

2 CASES ARE BEING STUDIED:

1. Based on materials received from the Office of the General Prosecutor of Georgia, as well as information spread through the media regarding the possible violation of the financing of the MPG "Alliance of Patriots of Georgia", the SAO, within its mandate and competence, started to study the legality of the donations made in favor of PUC " Alliance of Patriots of Georgia". In this regard, the SAO, on the basis of a court order, requested information from the Revenue Service on the income of the donors of the PUC "Alliance of Patriots of Georgia". Information on the income and financial situation of donors from commercial banks registered in Georgia was also requested. In order to substantiate the income, 12 people were invited for additional explanations for the interview, however, due to the non-delivery of the notification, as of today, only 2 donors have showed up. In addition, the SAO continues to carry out the procedures prescribed by law to study the finances of other donors of the PUC "Alliance of Patriots of Georgia".

2. The SAO has also started studying posting of commercial videos containing political advertisements on Facebook pages of a non-entrepreneurial (non-commercial) legal entity – "Davasrulot" and the possible prohibited donations. In this regard, with the consent of the court, the SAO requested information from the Revenue Service and banking institutions about the income and banking operations of the legal entity, its director and board members.

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