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POLITICAL PARTY FUNDING IN GEORGIA:

ENCOURAGING COMPETITION AND IMPROVING ACCOUNTABILITY

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Political Party Funding in Georgia: Encouraging Competition and Improving Accountability

DISCUSSION PAPER ♦ MARCH 2011

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This paper has been prepared by an independent elections consultant with extensive international experience. All opinions expressed herein are solely those of the author and not necessarily endorsed by any organization.

Introduction

The role of money in politics has a profound effect upon the legitimacy of elections and the quality of democracy, governance and development.¹ All countries, including advanced democracies, struggle with political finance issues. Every country has unique circumstances that resist simple or borrowed solutions. Nevertheless, international experience suggests ways to encourage competition among political parties and to improve financial accountability within political parties with regard to their funding:

- Election laws can serve the public's interest in encouraging vigorous public debate and political competition by providing sufficient basic funding of political parties and candidates. In a free society, government cannot impose an absolute 'level playing field' of funding or advocacy among political parties, but it may reduce disparities by offering a 'floor' of funds and additional supplements.
- Effective regulation of political finance activity includes requirements for genuine financial reporting by electoral participants. Comprehensive financial reporting by parties and candidates allows transparency in political funding, facilitates enforcement of the rules and restrictions upon such funding, and provides useful information to the public about the extent and sources of funds received by political parties and candidates.

Political parties, civil society organizations and other groups in Georgia are currently discussing potential reforms in several election policy areas, including funding of electoral participants (political parties and candidates). The **APPENDIX** attached to this paper provides a general summary of relevant provisions of the *Election Code of Georgia* and *Law on Political Association of Citizens* regarding the funding and financial reporting of political activity by political parties and their candidates. This summary demonstrates that the present system for political finance regulation and financial reporting by political parties and candidates in Georgia begins from a reasonably credible and comprehensive legal framework.

Georgia's electoral laws could benefit from adding further detail, better consistency and full integration. These laws should more strongly emphasize coherent reporting systems and clear assigning of responsibility

¹ *Money in Politics Handbook: A Guide To Increasing Transparency in Emerging Democracies*, Technical Publication Series (2003), Office of Democracy and Governance, U.S. Agency for International Development, Washington, D.C., p.5.

for financial reporting within the operations of electoral participants. The electoral environment could also gain from election campaign subsidies to political parties (distinct from funds currently provided under the *Law on Political Association of Citizens* for parliamentary parties' organizational needs).

This discussion paper is intended to provide an outside perspective on Georgia's existing laws governing political finance, with a particular focus upon financial support for political parties during the election campaign and upon requirements for accountability in financial accounting and reporting by political parties (and candidates). It is hoped that these specific recommendations for improving provisions in electoral laws related to political finance will encourage further discussions about electoral reforms in Georgia.

1. Integrate and synchronize contribution limitations, financial accounting and reporting obligations for political parties under the Election Code of Georgia and Georgia's Law on Political Association of Citizens.

BANK ACCOUNTS OF POLITICAL PARTIES

Election Code of Georgia

Article 46(2&3) obligates political parties to open election campaign fund accounts at the National Bank of Georgia or a commercial bank within five days of registration with the relevant election commission as a participant in elections; candidates nominated by a party are required to utilize their party's election campaign fund. *Article 46(5)* prohibits parties from opening more than one account for the election campaign fund.

Pursuant to *Article 46(3) of the Election Code*, all funds received by the political party for the election campaign fund must be deposited into the designated bank account. *Article 47(4)* prohibits a party from utilizing any funds during the election other than funds in the election campaign account. *Article 47* also sets out restrictions and amount limitations upon donations to the campaign fund accounts of political parties and separate limitations upon donations to candidates for majoritarian parliamentary seats.

Article 46(4) requires parties to submit documentation to the relevant election commission confirming the opening of the election campaign fund account and providing information about the account and its 'manager and accountant' (see: Recommendation #2). According to *Article 48(9)*, a political party must close the account of the election campaign fund no later than 20 days after consolidation of the final election results, and any remaining funds are to be returned to the party's donors in proportion to their contributions.

Law on Political Association of Citizens

This law provides for regulation and financial reporting requirements for political party funding that are related to routine administrative and organizational activity and are nominally separate from campaign funds regulated by the *Electoral Code*. It does not specifically refer to a particular designated bank account into which a political party must receive contributions or make expenditures for non-election purposes. An account or accounts is presumed to exist for such purposes.

Article 25 stipulates the type of assets a party may receive; *Article 26(1)* imposes restrictions upon sources of receipts; *Article 27(1)* places limitations upon the amount of contributions from persons and legal entities.

Article 26(6) states that information regarding financial donations to political parties is “public”, and the CEC is obligated to make the information accessible. *Article 32* requires each political party to publish in the news media its financial declaration along with the auditor’s conclusion before February 1 of each year.

INTER-RELATIONSHIP BETWEEN TYPES OF POLITICAL PARTY FUNDING AND ACCOUNTS

The provisions of the *Electoral Code of Georgia* and the *Law on Political Association of Citizens* regarding political party funding are ambiguous with regard to implementation and are not well integrated. Several questions arise:

- If the election campaign fund account of a political party is to be established within five days of registration to compete in elections – and donations for that account are subject to separate contribution limitations – then is that account supposed to be opened with a zero balance? Presumably the parties are entitled to transfer funds from their other administrative (‘operating’) account(s) to get started in the campaign; how are the donors for that money identified? When do the separate limitations on donations for the campaign fund account start and end?
- If candidates nominated by political parties are obligated to utilize the campaign fund account of their party to conduct their campaign, why does the law contain a provision for separate (and lower) amount limitations upon donations to candidates for majoritarian parliamentary seats? Are those donations to be deposited into the party’s campaign fund account? If not, should not these candidates be obligated to open separate designated bank accounts, and required to report their receipts and expenditures after the election?
- Why does the election law require political parties to close down their campaign fund accounts so quickly after the election (twenty days), since parties are obligated to submit their financial reports regarding these funds no later than one month after the election? Would it not be better to keep these accounts open until at least after an audit has been conducted? And why does the law require that excess funds be sent back to donors (this seems like a needlessly complex exercise), instead of simply letting successful parties transfer those funds into their administrative accounts?

It is likely that the election campaign fund accounts currently required by the *Election Code of Georgia* are arbitrarily and artificially constructed, that campaign spending begins before the accounts are established, and that money is transferred into these campaign fund accounts that has not been raised separately for such purposes. The extent of separate fundraising for election campaign funds is unclear, although that would be of great importance to newly registered political parties. It also appears that money is raised and spent by candidates for majoritarian parliamentary seats outside the party account, without any requirements for financial disclosure.

Administrative accounts and election campaign funds of political parties should be both more clearly separated and reporting requirements better integrated. Contributions to such funds (subject to separate but identical source restrictions and amount limitations [except for candidates for majoritarian seats]) are not clearly distinguished. The current legal arrangement blurs the separation of the two accounts and undermines transparency and accountability for the sources of funds used for campaign purposes.

FINANCIAL REPORTING BY POLITICAL PARTIES

Financial reporting by political parties outside and during the election period should be consolidated, so that a continuous trail of money flow can be determined and followed. Separate fundraising and limits upon donations are not the problem. However, political parties should be required to segregate and classify all their expenditures into categories of general administrative and operational expenses that are not election campaign expenses and those that are election campaign expenses; however, all financial activity should be reported comprehensively. Changes to the present election laws should include:

- *Political parties and blocs represented in parliament should be required to maintain their administrative ('operating' and organizational) funds in one designated account, into which all donations and other receipts and from which all expenditures for non-campaign related activity must be routed; similar to provisions in the Election Code, parties shall not be permitted to maintain any other accounts or use any other funds for these administrative purposes; donations to such accounts shall be subject to restrictions and annual amount limitations under the Law on Associations of Citizens;*
- *Political parties and blocs represented in parliament should be permitted to raise donations for a separate campaign fund account (pursuant to the restrictions and amount limitations) from the beginning of (and only within) the calendar year in which an election is held; separate bank accounts for such purposes (similar to current provisions in the Election Code) should be required; parties should be permitted to transfer only a small amount of funds from administrative accounts to the campaign fund account to get started and to finance fundraising for the election campaign fund;*
- *Political parties and blocs not represented in parliament that are seeking to contest elections should be required to open a designated election campaign fund bank account upon submitting their application to compete in the election and be permitted to raise funds pursuant to the restrictions and limitations under the Election Code; if a party or bloc is denied registration to compete in the elections by the CEC, any money remaining in an election campaign fund bank account shall be returned to donors or donated to a legally recognized charity;*
- *If a political party or bloc is successful in winning seats in the parliament, any money remaining in an election campaign fund bank account shall be transferred to the administrative account of the party or bloc, or returned to donors or donated to a legally recognized charity;*
- *Candidates for parliament in majoritarian seats should be required to submit their own post-election financial report of receipts and expenditures to the CEC within 30 days after the election ;*
- *All expenditures for election campaign expenses must be paid from the campaign fund account regardless of when they are incurred – not only expenses paid during the official campaign period under the law – and including payments made for such expenses/debts after election day; election campaign expenses should be defined in the Electoral Code to mean any expenditure to support or oppose any candidates for election to public office or to promote or criticize any political party;*
- *Political parties should be required to submit an accounting of the election campaign fund account within thirty days of the election, including all campaign expenses incurred and paid outside an*

election period, and the sources of funds for such expenditures; any transfers into that account by a political party (subject to amount limitations) must be identified; campaign fund accounts should remain open until an audit by the CEC is completed (see: Recommendation #2).

- *Forms for reporting of financial activity of candidates and political parties should be revised pursuant to clearer definitions about types of expenses, and according to more complete and professionally recognized standards of accounting, and requirements for reporting should adopt reasonable, minimal monetary thresholds for recordkeeping and reporting.*

2. *Clearly assign responsibility for recordkeeping and financial reporting within the operations of electoral participants in a consistent manner, and improve the quality and capacity of persons assigned such responsibility; remove auditing functions from the control of political parties.*

Article 48 of the Election Code of Georgia requires electoral participants to appoint “a manager and accountant of the election fund” (pursuant to their internal rules) to facilitate the proper use and spending of such funds. The manager is responsible for transferring illegally received contributions to the state budget and submitting a report about such contributions to election commissions, and also responsible for ‘processing documentation on all transactions’. No duties are specified for the accountant. Moreover, no further mention of either of these persons is made in the succeeding provisions related to political funding, including those provisions related to the submission of financial reports to election commissions.

In comparison, *Article 16(1) of Georgia’s Law on Political Association of Citizens* identifies a revision commission as among the “governing, executive and supervisory bodies” to be established in organizing a political party. *Article 19(4)* states:

Revision of financial documentation and accounting records of a party is the special competence of the revision commission. The revision commission may also have other control functions pursuant to the party’s internal rules.

However, the *Political Association* law makes no further mention of the revision commission. It twice refers to duties of an unspecified “person responsible for the financial activities of a party” in *Article 26*.

The use of inconsistent terms and ambiguous assignment of responsibilities for financial accounts of political parties should be repaired in Georgia’s electoral laws. Accountability would be strengthened if responsibility for recordkeeping and reporting of political accounts was expressly assigned to a specific person within a political party (or candidate’s campaign) organization, assisted by support staff. *The Law on Political Association of Citizens* could be amended to require appointment of a ‘Financial Officer’ by political parties, and the *Electoral Code of Georgia* could be amended to refer to the ‘Financial Officer’, as follows:

- *Each registered political party must appoint a Financial Officer who is legally responsible for recordkeeping of the financial activity of the political party’s administrative and election fund accounts, for preparing financial reports of contributions (or other receipts) to and expenditures from these accounts, and for compliance with all relevant political finance regulations and financial reporting obligations as required by law.*

- *Financial Officers shall be:*
 - *Qualified as a public accountant, and follow accepted accounting procedures in performing recordkeeping and reporting duties;*
 - *Legally responsible for keeping complete and accurate records of the financial activity of the political party, and for submitting reports about such activity in a timely and accurate manner pursuant to the law;*
 - *Designated to approve all expenditures by the political party (which exceed 10,000 Lari), and to review all contributions for compliance with restrictions under the law;*
 - *Provided full cooperation by political party leaders, candidates and their agents, or other relevant personnel of the political party or candidate campaign, subject to penalties for non-cooperative personnel;*
 - *Required to sign an affidavit at the time of submission of financial reports (in addition to the signatures of the party leader or candidate on the report) that the Financial Officer has fulfilled the requirements listed immediately above, and attests that the submitted report is complete and accurate to the best of his/her professional knowledge and personal belief.*

The Financial Officer should receive training from the CEC and be provided specialized software for financial record-keeping and reporting for election law purposes; consideration should be given to providing a public stipend for Financial Officers. Also, political parties should be encouraged to submit all financial reports to the CEC in electronic format.

Another common problem in political finance laws is the arrangement for auditing of financial reports of political parties. Such audits are often only a perfunctory examination of the presentation within the report ‘on its face’ – assessing whether the report follows the formal requirements and format specified by the law or election commission, and checking to see if the mathematical calculations are accurate. The auditor often has no power to look behind the numbers presented to determine their completeness or accuracy. Moreover, these auditors have an inherent conflict of interest if they are selected and paid by the political party itself. Under such conditions, the auditor’s report and conclusions have little credibility or value.

The election laws of Georgia could be amended to remedy these problems, as follows:

- *Political parties and candidates shall submit financial reports to an Auditor who has been appointed, trained and compensated by the CEC; the Auditor shall be granted authority to issue subpoenas for receipts, invoices, bank statements and other documentation from the Financial Officer of the political party (or candidate’s campaign) to verify the completeness and accuracy of the report; the Auditor’s report and evaluation shall be submitted to the CEC for any further necessary inquiry.*

3. Expand and clarify provisions in the Election Code of Georgia and Law on Political Association of Citizens to sharpen prohibitions upon secret donations and discourage campaign spending by ‘outside’ political elements.

The *Election Code of Georgia* contains several significant and worthy provisions intended to prevent avoidance of restrictions upon contributions to electoral participants (see: **APPENDIX**). However, some of these provisions could benefit from additional and clarifying language, as follows:

- *Articles 46(1) & 47(1) specify that “goods and services donated free-of-charge” come within the definition of ‘contribution’ and are subject to limitations and financial reporting obligations. It would*

be helpful to add “or provided at a discount below market value” to these provisions to encompass all non-monetary donations.²

- *Article 47(2)* prohibits “making contributions by means of another person.” To further clarify this provision, additional language could be added, as follows:

Persons or entities identified on financial reports as making contributions to a political party or candidate may not receive advance payments or reimbursements for such contributions from any other persons or entities. Contributions that have been passed through a person or entity acting as an intermediary for the true donor may not be identified on financial reports as donated by the intermediary.

- *Article 47(4)* prohibits electoral participants from using any other funds other than those in their official election campaign fund. To prevent ‘proxy’ funding of election activity by supporters of a political party that would not be attributed to the party’s election campaign fund, language could be added as follows:

Political parties are prohibited from consenting to or coordinating with other persons or entities to spend funds or use resources outside the parties’ election campaign fund accounts in support of the party and its candidates during the election.

4. Establish a state subsidy program for the election campaign funds of political parties (and candidates) who participate in elections, designed around providing: a basic ‘floor’ of funding; matching system for legal donations to political parties (up to a ceiling); requirements for repayment of subsidies when contributions/expenditures surpass a limit; and, free broadcast time on state television.

According to International IDEA³:

Public subsidies for political parties have already become a dominating feature of most stable democracies. They have been in operation in various forms for decades. ... In general, for the new democracies of CEE [Central and Eastern Europe] direct public funding is an almost standard feature; Belarus, Latvia, Moldova and Ukraine are the only countries among those considered here where political parties receive no direct support from the state. However, the precise pattern of state subvention varies considerably, and the levels of direct public funding in the CEE countries differ significantly.

The International Foundation for Electoral Systems (IFES) has also observed⁴:

There is no ultimate public funding system. This is often acknowledged, but often the only reason given is that no two countries are the same, and that any public funding system must therefore be

² *Article 27(2)* of the *Law on Political Association of Citizens* also refers to “services provided for the party’s purposes and on the party’s behalf (with party’s name)” as coming within restrictions upon donations.

³ *Funding of Political Parties and Election Campaigns* (Handbook Series) International Institute for Democracy and Electoral Assistance (International Idea), Stockholm 2003, p. 82-3.

⁴ “Political Finance Regulation: The Global Experience”, International Foundation for Electoral Systems (IFES), 2009, Washington, D.C., pp. 59, 61.

adjusted to suit the circumstances. ... [E]ach country must adapt any funding of its political parties or election campaigns by the state coffers to its political and party systems, economic capacity and traditions, and it must also take into consideration the goals that one hopes to achieve with such a system.

... Of the 183 UN member states that have a multi-party system, information regarding direct public funding is available for 174. [footnote omitted] Of these, 58% have legal provisions for direct public funding to political parties in some form or other. [footnote omitted]

Experience from the 2008 parliamentary elections in Georgia demonstrates that a wide disparity in funding exists among competing political party and blocs. While the most successful political party should not be punished for its success, nor should opposition parties in a competitive, modern democratic system be forever disadvantaged by dominant political forces controlling the government.

Georgia should adopt a public subsidy program for election campaign funding that is unique to the political and social environment of the country. The objective would not be the unachievable and unnecessary (and inherently undemocratic) goal of an absolutely 'level playing field' among political parties and blocs; some parties will always have an advantage in raising donations. Rather, such a system should provide a modest 'boost' to political parties and blocs to give them a chance to compete. That system should be based upon simple principles of providing a minimum level of initial funds and additional supplementary support. The basic outline of such a system might be as follows:

- Provide a 'floor' – a minimum level of initial funds – to permit political parties and blocs a fair chance to get started in the election campaign; for parliamentary parties, an initial state outlay of 100,000 lari, which would be dispensed at the beginning of the year in which elections are to be held (see: Recommendation #1); for political parties gaining the right to contest elections, an initial state outlay of 30,000 lari (having achieved registration for the elections by obtaining 30,000 signatures of supporters), which would be dispensed upon their registration;
- For both parliamentary political parties and blocs and new electoral participants, the state could then institute a 'matching' program whereby political parties and blocs are rewarded for the fundraising they achieve during the election period, at a rate of 2 lari of public funding for each 1 lari of donations raised pursuant to the restrictions and limitations upon contributions in the election law from private sources, up to a limit of matching 100,000 lari raised from private (individuals and legal entities) – a total of 300,000 lari;
- As a form of overall expenditure ceiling upon all campaign expenditures by any one political party, the system should provide a 'reverse matching' component:

Any private donations received above a maximum of 1,000,000 lari should require reimbursement of one lari to the state for every two lari received in donations; in other words, the previous state subsidy through a donation matching mechanism would require a form of reimbursement once the private donations received by a political party or bloc has exceeded 1,000,000 lari (not counting the initial 'floor' subsidy); reimbursement would no longer be required after the political party or bloc has repaid the 200,000 lari it received in matching state funds for its first 100,000 lari of donations, and the political party would be entitled to continue to raise private funds;

- Television stations should be prohibited from charging political parties more than their ‘usual and customary’ rate for advertising for non-political customers⁵; blocks of broadcast time should be provided each party registered to compete in the elections; consideration should be given to establishing a limitation upon expenditures for television advertising per political party or bloc; television stations should be required to submit weekly reports to the CEC of expenditures by political parties or blocs for television advertising.

5. Elevate the role of the group established by the CEC for monitoring election funds of electoral participants; significantly enlarge the capacity of the monitoring group to review and investigate irregularities in financial reports, as presented in independent audits of such funds (see: Recommendation #2); provide by statute the means for the monitoring group to submit their findings to the CEC or to criminal prosecutors, as appropriate to the nature of allegations of misconduct.

Article 48(10(1) of the *Election Code of Georgia* obliges the CEC to establish, within five days of the announcement of the election date, a group of social representatives, lawyers and licensed financial auditors to monitor the election funds of electoral participants. This provision also appears to allow for the operations of this group to be more fully determined by subsequent regulations. However, the jurisdiction of this entity does not appear well defined nor its functional capacity provided sufficient resources. It is particularly curious that the operations of this group begin soon after the announcement of elections, making its ‘watchdog’ role more appropriate to civil society (see: Recommendation #6). More importantly, the role, authority and resources for this monitoring group in reviewing the financial reports of electoral participants after the election should be clarified.

Successful oversight of political finance is not achieved simply by enhancing legal frameworks or procedural policies. Rather, significant attention must be devoted to developing capacity for auditing, investigating and enforcement. Stronger political finance rules for political finance reporting will not be fully respected in Georgia until reports on political contributions and expenditures are thoroughly scrutinized and those who violate the rules are caught and prosecuted. Failure to provide for means to identify incomplete and dishonest financial reporting by political parties and candidates in Georgia seriously undermines respect for the rule of law and for the ideals of political accountability. Enforcement of political finance reporting requirements as an integral part of anti-corruption efforts should be recognized in order to confer necessary seriousness to this issue and facilitate providing for effective action in this area.

6. Encourage, train and support civil society organizations and the news media to engage in expanded monitoring of political fundraising and spending by political parties and candidates, and of spending by ‘surrogate’ persons and entities during the election campaign period that is not reported through political party or candidate finance reports.

Effective implementation and enforcement of political finance regulation and reporting requirements need the engagement of civil society and the news media to support the efforts of governmental and prosecutorial bodies. As noted above, election administrators are necessarily focused during the election period on the difficult and time-intensive managerial responsibilities of conducting elections. Post-election

⁵ See: *Federal Election Campaign Act*, USA, Sec. 315(b)(1). www.fec.org

auditing and investigation of political fundraising and spending by an independent government body is essential. However, the chances of success of post-election reviews are significantly improved if groundwork is laid and evidence collected during the election period through the investigative and monitoring efforts of civil society organizations and the news media.

Gathering data in the field, recording observations and identifying potential witnesses regarding political finance activity immeasurably assist subsequent investigative and enforcement efforts in finding irregularities or abuses. Civil society and news media approach these issues from different perspectives and interests, but both play a valuable role. Indeed, global experience clearly shows regulation and monitoring by government agencies is not sufficient alone, and that “an active civil society and vigilant media” are needed to achieve effective oversight.⁶

Some civil society organizations and news media outlets in Georgia have probably gained experience in scrutinizing political fundraising and spending by candidates and parties in recent elections by monitoring their activities. The lessons these groups have learned should be shared and analyzed. Improved strategies should be developed. More civil society organizations and news media should be encouraged to participate in this process and assisted in building greater capacity. Training and financial/logistical support should be provided to expand the scope and quality of monitoring efforts. Part of this guidance could come from the experiences of civil society groups and news media from other developing democracies, particularly those in the region.

Based upon this need for an increased role for non-governmental entities, the CEC budget should be supplemented (in collaboration with international donors) to:

- *Permit the CEC to convene a meeting of interested civil society organizations in Georgia to discuss the experiences of those who have already engaged in monitoring of political fundraising and spending by political parties and candidates, and to encourage other groups to participate in monitoring political finance activity in future elections.*
- *Develop and implement training programs for civil society organizations, drawing upon experience already gained within Georgia from prior election monitoring and from international experience, and provide financial and logistical support to such groups to facilitate expanded and comprehensive political finance monitoring during the next national elections.*
- *Conduct a workshop with relevant news media outlets to educate them on political finance regulation and reporting requirements and suggest ways for them to improve journalistic capacity to monitor political finance activity of political parties and candidates and to better inform the public about legal compliance.*

⁶ “Political Finance Regulation: The Global Experience”, International Foundation for Electoral Systems (IFES), 2009, Washington, D.C., p. 13.

Conclusion

As experts from the International Foundation for Electoral Systems (IFES) have observed⁷:

While there are common understandings and experiences regarding money in politics, what role it plays and how it can be regulated, each country must consider what it is trying to achieve with political finance regulations and how these goals can be realized given the country's political situation and overall context. Many factors from political tradition and the levels of popular participation in politics to the electoral system, judicial structures and established accounting procedures must be taken into account.

Spending limits are a popular way of reducing the cost of elections and leveling the playing field. However, such limits are often honored more in the breach than in the observance. In particular, without disclosure regulations that are effectively enforced, no one will even know if candidates and political parties comply with spending limits, and therefore abuses cannot be sanctioned.

This paper has attempted to provide suggestions for improving the political finance system of Georgia that fit the unique political and social circumstances at this time in the country's history. It has tried to provide practical, achievable recommendations for encouraging competition among political parties by providing adequate mechanisms for funding and improving financial accountability within political parties with regard to their funding. This paper respectfully seeks to broaden perspectives among Georgian policymakers and stimulate an informed discussion as Georgia moves forward with anticipated electoral reform.

⁷ "Political Finance Regulation: The Global Experience", International Foundation for Electoral Systems (IFES), 2009, Washington, D.C., pp. 104 - 106.

The following are summaries of relevant provisions of the Election Code of Georgia and Georgia's Law on Political Association of Citizens. They are intended for general reference and information. These summaries are not fully comprehensive, do not adhere to statutory language and may be subject to some translation anomalies in interpretation.

Election Code of Georgia - Chapter VI: Election Funding

- *Article 46 (Election Campaign Fund)* regulates the operation of election funds for electoral subjects.⁸ An election fund includes all money resources used for election campaigning and goods and services donated free-of-charge ('in-kind contribution'). Electoral subjects are required to open an election fund bank account; candidates nominated by a political party or election bloc must use its account for their election campaign funding purposes. Donations of funds must be deposited in the election fund bank account. Information regarding the election fund bank account must be submitted to the relevant election commission within two days of its opening; such information must identify "the manager and accountant of the election campaign fund." It is not permitted to open more than one account for the election campaign fund or to use personal accounts of electoral subjects for such purposes.⁹
- *Article 47 (Contributions to the Election Campaign Fund)* sets requirements and restrictions upon receipt of contributions to the election fund of electoral subjects. Contributions include funds deposited into accounts and the value of goods and services received free-of-charge. Legal entities and natural persons who make contributions must provide identifying information and must utilize cashless transactions through the banking institution for money contributions (except for donations from natural persons not exceeding 300 Lari). Anonymous contributions are prohibited (and forfeited to the State). This article prohibits "making contributions by means of another person." It is also impermissible for an electoral subject to use any funds other than the funds of the election campaign fund during the elections.

Contribution limitations are established as follows –

To political party / election bloc: from individual person = 30,000 Lari; from legal entity = 100,000 Lari, – To majoritarian candidate in parliamentary elections: from individual person = 10,000 Lari; from legal entity = 30,000 Lari.

To majoritarian candidate in parliamentary elections: from individual person = 10,000 lari; from legal entity = 30,000 lari.

Prohibitions upon receipt of certain types of contributions are also set forth in *Article 47*, including from foreign sources and international organizations.

- *Article 48 (Rules for Expenditure of Election Campaign Funds)* requires the appointment by an electoral subject of a manager and accountant of the election fund, pursuant to the internal rules of the electoral subject, to facilitate the appropriate use and spending of such funds. The manager and accountant are to spend funds according to the instruction of the electoral subject, but are also responsible for the fund's

⁸ *Article 3(h)* defines electoral subject as a candidate for membership of a representative body of public authority or public office, or a party, election bloc and initiative group of voters registered by the appropriate election commission.

⁹ *Article 48(6)(1)* requires all electoral subjects within an election bloc to operate only through the bloc's account.

proper use. The election campaign fund manager is obligated to transfer illegally received contributions to the state budget within 10 days, and to submit a report with information regarding such contributions to the relevant election commission on a monthly basis and after the election. The manager is also responsible for processing documentation on all transactions.

Electoral subjects are required to submit a financial report to the relevant election commission within one month of the publication of election results. The report should provide information on the funds used for the election, together with the audit report prepared by an audit company, with a statement of the source of funds deposited to the election campaign fund.¹⁰ Those electoral subjects that receive sufficient votes for winning of seats, according to preliminary data, shall submit such reports within eight days after the election. Audit companies that operate on the territory of Georgia may carry out audit examinations. Similar provisions are included for election subjects that are majoritarian candidates participating in the second round of elections.

Electoral subjects obligated under the above provisions that do not submit a financial report of their election fund account to the election commission are prevented from participation in future elections. Those electoral subjects that fail to submit an election report within the law's deadlines, or have been proven to violate provisions regarding limitations and prohibitions upon the amount and sources of contributions, are to be warned by the relevant DEC or CEC and requested to correct the offenses. The DEC or CEC may apply to a court to request excluding the votes received by the offending electoral subject from the consolidation of the election results if the violations are considered substantial and potentially affecting the results of the election. Electoral subjects are required to close their election campaign fund account within twenty days after consolidation of the final results of the elections. Remaining funds in the account must be returned to contributors in proportion to the amount of their contributions.

Within five days of announcement of the election date, the Central Election Commission (CEC) is to establish a group of social representatives, lawyers and licensed financial auditors to monitor the election funds of electoral subjects. The group is to examine the information and conclusions presented to the CEC during the election period. The election law also stipulates that information regarding election contributions "shall be open, public and available for everyone." The CEC is obligated to provide information to all interested persons regarding the election campaign funds of electoral subjects, and is to publish such information on the CEC website within two days of receipt.

Georgia's Law on Political Association of Citizens

- *Article 16(1)* identifies a revision commission as among the "governing, executive and supervisory bodies" to be established in organizing a political party. *Article 19(1)* stipulates that the revision commission shall be composed of at least three members elected by a general meeting of the party. *Article 19(4)* states:

Revision of financial documentation and accounting records of a party is the special competence of the revision commission. The revision commission may also have other control functions pursuant to the party's internal rules.

¹⁰ Pursuant to *Article 48(10)*, the form of financial reports on the use of election campaign funds are to be determined by the Central Election Commission of Georgia.

- *Chapter III governs Property and Funds of a Party. Article 25* stipulates the types of property political parties are permitted to obtain, including membership dues, donations from natural persons and legal entities, and state funds as prescribed by law. Parties may not generally engage in for-profit entrepreneurial activities.
- *Article 26* specifies prohibited sources of contributions to parties, including foreign individuals and organizations and state entities. Donors must provide identifying information. Money donated without such information is considered anonymous, and must be “immediately” transferred into the state budget “by the official person responsible for financial activities of political organizations.” Exception is made for donations received in a public event that do not exceed 30,000 Lari per year; “a person responsible for the financial activities of a party is obligated to transfer donations received in a public event to the account of the party within seven days. Information on the financial donations of a party is public, and the CEC is to ensure the accessibility of such information in accordance with the law.
- *Article 27* sets forth annual limitations upon contributions to political parties: 30,000 Lari from a natural person; 100,000 Lari from a legal entity. These limits also apply to services provided “for the party’s purposes and on the party’s behalf (with party’s name).” Party membership fees and money donations from natural persons and legal entities must be paid only through bank transactions (exception for contributions from natural persons that do not exceed 300 Lari per year). *Article 27(4)* prohibits the making of a donation on behalf of another person or entity.
- *Article 28* requires that financial and material donations (goods and services) received in violation of the law be transferred to the state treasury within one month. Failure to comply with this requirement will result in compelled transfer of such funds and exclusion from receiving of state funds for a period between one to four years depending upon the amount involved.

(Articles 29 – 31 govern state budget subsidies to political parties and non-governmental organizations for institutional and organizational needs)

- *Article 32* requires each political party to publish in the news media its financial declaration along with the auditor’s conclusion before February 1 of each year [presumably regarding the prior calendar year]. The declaration is to include the party’s yearly income (including amounts of membership fees and donations, required information about donors, and subsidies from the state budget) and expenditures of the party (including spending on elections). Income and expenditures related to elections must be identified separately in the declaration. The declaration must also include a report on its existing property and financial assets in bank accounts. Political parties that have joined a bloc must report money received and used prior to joining the bloc and their share of the money received and used by the bloc. The party must send copies of the published declaration and auditor’s conclusion to the CEC and local tax body.
- *Article 33* requires political parties to annually conduct a financial audit of its activities. This article provides that a party may utilize any independent auditor to conduct its audit, and that the conclusion of the independent auditor on the financial status of the party must be submitted to the CEC. *Article 34* states that a political party that fails to timely publish its financial declaration will forfeit its right to state funds for the following year.