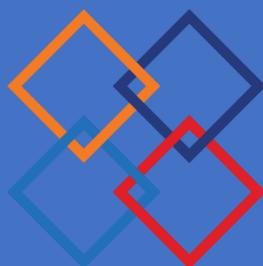




ESSAYS ON POLITICAL PARTIES

Robbery Without a Mask: The Cost of Politics in Georgia



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Levan Tsutskiridze¹

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Introduction:

The Georgian political finance system is manipulated to the advantage of the incumbent political parties and it had eventually evolved into a system that distorts political representation and undermines democratic social contract in the country. Elections have become a profit-making endeavour for the politicians and electoral organizations that have otherwise consistently failed to leave any substantial mark in political life. Georgian voters spend disproportionately more on campaign finance than many citizens of developed economies. The next wave of the reforms of political finance system should consider addressing these loopholes that have often been deliberately left open to be exploited by politicians for their partisan and economic inter beyond the public scrutiny.

¹ Levan Tsutskiridze is the executive director of the Eastern European Centre for Multiparty Democracy (EECMD). EECMD currently works in five countries of Eastern Europe and Central Asia and focuses on political development and democratic consolidation. Levan Tsutskiridze's professional interests include political institutions and political transformation, democratic development assistance and political party building, foreign and security affairs.

Robbery Without a Mask: The Cost of Politics in Georgia

“A political party is a non-profit legal entity” - Organic Law of Georgia on Political Union of Citizens

The political system of Georgia and its important features, such as the rules and norms of financing, election, and general functioning of political parties have long been a permanent source of income for the politicians who politically speaking are serial losers. But Politics has become an original tool to earn money in Georgia, and it no longer represents a dedication to the higher principles of public service. I will attempt to explain what is happening in the system that was once conceived as open and liberal electoral and political regime but had now become the source of enrichment for highly paid political buffoons. A famous American comedian Robin Williams once remarked that “Politics: “Poli” is a Latin word meaning “many” and “tics” meaning “bloodsucking creatures”.” Unfortunately, his quote quite accurately reflects the political reality of Georgia as well.

Georgian politicians and political parties have two sources of income – the state and private funding. In what follows, I am concentrating on the state funding because this is the money that flows out of the taxpayers’ pockets.

Cash for democracy?

According to the Georgian legislation, political parties that receive 3% and more of the votes, are automatically qualified to receive state funding. Such parties are called “qualified political parties”. Each of these “qualified” political organizations receive no less than 300,000 Lari (approximately 110 000\$) every year from citizens; this subsidy is called “basic funding”. For those parties that have received more than 6% of votes, the subsidy is doubled.

Besides, according to the Georgian legislation, funding of political parties depends on the number of seats gained in the Parliament. There is a special formula that factors in (a) the number of up to 30 members of Parliament (MP) elected by the proportional system, (b) the number of over 30 MPs elected by proportional system; (c) the number of up to 200,000 votes received; (d) the number of over 200,000 voted received and whether political party forms a parliamentary faction in the Parliament.

Additionally, those parties, whose electoral lists will be composed of at least three out of ten candidates representing a different gender, receive a state funding increase of 90,000 Lari. This financial incentive was created to promote women's political strengthening and it was the right decision. However, none of those parties who have qualified for this subsidy designate it for the purposes that would serve the women’s political empowerment. ([EECMD, 2017](#)).

Ordinary Georgian citizens can probably recall the names of around five political parties at most. However, in 2017 more than 23 political unions were financed with public funds and in total, the citizens have paid close to [18,812,913 Lari](#). On average, each of these “parties” received the grant

funding of 800,000 Laries, but most of them are nothing more than non-functional quasi-organizations.

In general, the principle of public funding of political parties is the right one: political parties, with relatively significant civic support, must function properly and ensure the political representation of their supporters. The problem is that parties that receive funding are often mere fictitious, and internal party decisions about how these funds are distributed are less likely to fall under the radar of the public and the media. For example, if any political leader decides to acquire a new vehicle with a state budget (which will be used by his spouse for example), he or she can do so freely, because according to the law such issues are largely internal party's "family affair." Under the current legislation, [the state can examine the expenditure of funds](#), however, it cannot dictate to the political organization how to spend these funds or how the party property should be used by its leaders. It is upon the readers to imagine how they allocate these resources. For this, it is enough to review the asset declarations of party leaders. Manipulation with state funding and, therefore, manipulation with the people's money is not only demonstrated in the use of funds for personal gain or narrow party interests. By manipulating the formats of legislative activities and forming parliamentary factions, politicians create additional sources of income.

Cash is King. (even in the Parliament)

The state ensures that after the elections political parties have all the possibilities to effectively conduct parliamentary activities. To this end, those political parties, which will gain seats in the Parliament, receive additional funding for the operation of their factions. According to the Election Code of Georgia 300,000 GEL is an additional fund for the formation of a faction. There are four political parties represented in the Parliament of Georgia: "Georgian Dream", "European Georgia", "United National Movement" and "Alliance of Patriots of Georgia". It would be logical that they also have four factions. However, the reality is different.

Currently, there are 13 factions in the Parliament of Georgia. The "Georgian Dream" that holds the parliamentary majority, has includes 8 factions. The parliamentary minority ("European Georgia") includes 3 factions and "National Movement" and "Alliance of Patriots of Georgia" are represented by one faction each. According to the Georgian legislation at least six parliamentarians have the right to form a faction. For an interesting comparison, we could look at the Dutch Parliament which is one of the most multiparty parliaments as there are no electoral thresholds in the Dutch electoral system. Under these circumstances, 13 political parties and exactly 13 parliamentary factions are represented in the Netherlands House of Representatives. By contrast with the Netherlands, 4 political parties are divided into 13 factions in Georgia.

Such manipulations by the regulatory framework provide politicians with the ability to reward their cronies with positions while they also create additional possibilities for obtaining procedural advantages in the Parliament. Political groups that enjoy a higher number of factions will obtain more time in parliamentary debates than they otherwise would have. The faction apparatus also represents a great opportunity for party activists to receive bonuses such as salaries, personal vehicles and to be safely employed.

If you look at the [list](#) of factions in the Georgian Parliament, you will find the ones you have not heard of before. Neither can you find any interesting information about their legislative endeavors. From a political point of view, they are simply empty shells, but they have other important functions: In April 2018, the Parliament of Georgia made an interesting change in the political party funding rules. A party that will gain at least one majoritarian seat in the legislative body and if the lawmaker manages to establish a faction, the party will receive state funding, despite the percentage of votes the party has received. It is noteworthy that at that time the law was extended only to one party. Because of this legislative manipulation "Topadze - Industrialists, Our Homeland" also known as "Industrialists" who received 0.78% of votes in the last election, obtained more than 600,000 Lari from the budget, just because its majoritarian candidate, joined by "Georgian Dream" deputies, formed the faction - "Georgian Dream - Industrialists". Of course, the formation of a faction did not change anything neither in terms of the balance of real power of parliament or in the view of presenting the voters' interests to the legislative body: "Georgian Dream - Industrialists" are no different from other factions of the Georgian Dream. On the other hand, the results were significant in more subtle but important ways: another faction was added to the parliamentary majority; the party, which was supported by just 0.78% (13,788 voters) of the electorate, was granted a solid budgetary funding. Consequently, the state funding of the party exceeded the public funding of the "Free Democrats" (the party which has collected 81,464 votes (4,63%) in the same elections) and "Industrialists" have been granted the right to appoint their member of the Central Election Commission who replaced the representative of the opposition "Free Democrats" in accordance with the applicable legislation.

By manipulating the financing system, a distortion of the political will of the voter becomes hidden from the electorate. These are not some overtly visible methods of outright vote-rigging as they have long fallen out of fashion. This is an indirect way to strengthen one's proxies and to weaken the opponents and is often undertaken in unnoticed and incomprehensible legislative maneuvers thereby actually deforming the democratic choice which the citizens have made at the electoral booths.

Competition for Attention

Manipulation with public funding does not stop there. Politicians and their parties also need additional finances for the pre-election campaign. Political parties receive additional funds for TV ads, which is defined by not more than 600,000 Lari for each qualified subject. The principle is clear: In order not to create an extremely unequal pre-electoral environment, the state ensures that all the relatively important parties have the resources necessary to communicate with the voters and to bring their opinion to them.

Let's put aside an issue of financing sources for a while and ask what is the money used for in political campaigns? Advertising got the lion's share of political parties' pre-election spending in most recent elections. According to the data of the State Audit Office of Georgia, the parties spent 39,490,699 Lari in 2017, where 20,023,363 GEL was spent on advertising. As a result of carefully observing pre-election campaigns, it is easy to notice an extremely polarized media (and political)

environment and a huge contributor to this cause is a hostile pre-election rhetoric. What conclusions can we draw from here? In my opinion, it is clear that politicians spend our money in order to exacerbate the confrontation between us! Their pre-election tactics and “message-box” in fact, undermine our public unity.

Spending on TV ads is regulated by law. The party is obliged to place at least 15% of advertisements in seven regional (non-national) broadcasters, and it is required to return unused funds. It is a different matter of how effective the enforcement of the law is and if there is a mechanism to prevent corruption. Under the circumstances when informal deals between the media and the parties are a typical part of Georgian political life, we should assume that such transactions involve money. One more factor that is connected to a television and election campaigns and therefore to our money is known as "technical candidates".

"Technical Candidates".

What does a “technical candidate” mean? The technical candidate is politically zero. He or she can be famous and respected or completely unknown but his/her electoral (political) influence is quite insignificant. Nevertheless, if such a candidate is able to collect the required volume of signatures for registration (as it will be discussed below), he or she will benefit from free time and relevant financial resources dispensed for TV advertising as any other, well-known politician. The purpose of the technical candidates is to use their time to support or oppose other candidates. Therefore, citizens of Georgia also pay for these candidates, and they use this money and time for other candidates to whom we have already paid. That's why if you look at the political advertisements on TV, by a small font you will see the name of a completely unknown politician that supports other politicians or shows someone else's political advertisement. Such "technical candidates" are manipulating not only advertising time but also their nominee "Parties" also receive budgetary funding for the financial compensation of the representatives at the polling stations. In addition to regular funding, the state has paid an additional 9,385,000 Lari to the representatives of election commissions for the 2017 elections, for making and broadcasting TV ads and for funding of election campaign funds.

Unfortunately, even those politicians who do not appreciate the current situation are forced to use such legislative black holes, otherwise, they will appear in an uneven political environment. By using such manipulation financially weak parties attempt to deal with financial asymmetry, which is largely the result of the ruling party's huge financial advantage. As a rule, during elections, the ruling party spends more than the whole opposition combined. The system, which generates such possibilities of massive financial asymmetries and legislative manipulation, put in an unequal position those who want to make ethical and moral politics. Such a situation is called the "prisoner's dilemma" in political science: When there is no trust that all the players will act within the law and morals, we all lose at the end.

Pecunia Non Olet

3,637 polling stations will be opened in Georgia for presidential elections. Any political party attempts to have at least one representative at each polling station. However, none of the Georgian political organizations have thousands of committed, dedicated and experienced members, moreover taking into consideration that the party requires not only representatives at polling stations, but also volunteers, activists and other people to perform a lot of organizational functions. There is virtually no party in Georgia with the possibility of mobilizing such resources, therefore, political organizations are forced to hire such people. Consequently, there is a vicious system and tradition of representatives of the committees in the country where party representatives are only technically "party members". The accumulation of technical knowledge required to observe elections needs time and experience. Therefore, a group of party "representatives", which has been formed over time, is in a rather monopolistic position. In fact, they offer their services to those who pay the most. That is why the same person is often representative of different parties in the commissions. Often political parties criticize their representatives for "moving to another side" and "treason".

All of this would be a bit less problematic, if we, Georgian citizens, did not fund the whole political processes. Each registered presidential candidate or political party participating in the elections receives at least 100 Lari per such representative. Besides, we don't know how fairly and formally, these funds are distributed.

Who's endorsing a Primer Minister?

A few weeks ago, a curious fact occurred. The information of Prime Minister of Georgia appeared in the list of supporters of one of the opposition presidential candidates. The episode was joyful, but it was noteworthy that another issue of Georgian politics was revealed. Namely that the creation of the lists of supporters is a big fiction and it does not reflect the real party supporters. The crucial point here is that the Georgian legislation does not define an effective mechanism for verifying the authenticity of the signature. The CEC may even annul the signature of a person, but only in case if „it is not signed or is signed by another person and this is confirmed in writing by the voter in whose stead the list was signed“. This is quite unrealistic. The Commission does not have the mechanism for determining the authenticity of the signature, nor do we, the voters, have any idea of what party and candidate we are "supporting". So, if it did not happen as in the case of the Prime Minister, it is practically impossible to find ourselves in the list of supporters. Theoretically, copies of the previously collected list of supporters are enough to create a new supporter's list for a new political candidate. It is supposed to be a very lucrative business. Obviously, all of this has nothing to do with a democratic political process.

Election loans

In Georgia, as in many other countries, the candidate can take a bank loan for campaign financing. The principle is clear and correct: political parties should not only depend on the state. Some candidates may lack minimal resources for the campaign or maybe they deliberately are not willing to receive state funds. In some countries political parties can choose from given alternatives: on the one hand, they can receive state funding, but they must provide completely transparent

information about campaign donors, or on the other hand, parties can refuse the public money and not disclose information about donors.

This seemingly well-known international practice has its mysteries in Georgia. First of all, the terms of credit are usually public and the preferential interest rate on the loan indicates the conflict of interest. Most importantly, the party, the candidate or party supporters are responsible for loan payment, not the state. On the contrary in Georgia, those candidates who overtake the 10% threshold on presidential elections receive 1,000,000 Lari for reimbursement of expenses incurred during the pre-election period, including a bank loan. It turns out that every citizen, whether they support a specific candidate's political ideas or no, pay for the debts (Including bank interest). For example, Salome Zourabishvili's one million loans, which she received from the "Cartu Bank", will be equally covered by her supporters and her opponents.

After reading some of the abovementioned examples, it is understandable why candidates or political parties are motivated to participate in unpleasant Georgian politics, even when there is no theoretical chance of achieving positive results in the election. In fact, the motive is totally banal: political activity is a profitable business. It is enough to understand the holes in the legislation (which are often deliberately formed) learn simple techniques, find some devoted business partners and perform the role of a patriot who devoted his life to serving his country. This is absolutely enough to earn millions of Lari easily.

Every single political group in Georgia takes advantage of a situation as well as odious, "evergreen" politicians and parties that have become real bloodsucking leeches of the system. For the same reasons, it is extremely difficult to transform the existing political and electoral system. The case is not in political principles or values. In fact, everything is much simpler and often only serves to satisfy the financial interests of political or financial actors. In Georgian reality, politically unsuccessful campaigns can be quite financially profitable.

I was discussing only official and state sources of financing political organizations, candidates and election campaigns. However, of course, the role of the private business funding of parties and candidates is very important in Georgia. According to the Georgian political tradition private sector favors ruling political parties. As a result, the governing parties spend more money on the elections than the rest opposition parties combined. The current presidential election is not an exception. As for the day of publication of this blog Salome Zourabishvili has received 2,127,000 Lari, Grigol Vashadze - 470,000 Lari and Davit Bakradze - 434,000 Lari. The donations received by the other candidates are statistically insignificant.

No matter what the Georgian business's altruistic peculiarities are that constantly fund the "good" ideas (i.e. ideas of ruling party) in politics, we should not forget that the debts must be paid. When a business provides financial support for politicians, as a result, it demands relevant privileges, state service contracts, direct purchases, tax cuts, and other rewards. Citizens pay this price too! In order to maximize profit Under the preferential terms, business decreases the quality of product and service and maintains monopolistic positions and prices on the market. Political patronage destroys fair competition and provides negative incentives for market agents. That is why we

should not be surprised if someone will not pay taxes; cities becoming concrete jungles; illegal logging is a problem; workers fall to their deaths from scaffolds. Because Georgian politicians are obsessed with money and their decisions are dictated by their sponsors and not the promises they made.

How we caught-up with and outrun Norway

Georgian political parties and overall the electoral system of Georgia spend record amounts of money on elections. Even though democracy is not a cheap political system, we may think that it's an unpleasant but necessary expenditure to live in a democratic or semi-democratic country. However, to illustrate the scale and proportions of irresponsible spending, I will use several examples.

About 22% of the Georgian population or about 820,000 people live below the extreme poverty line ([World Bank, 2017](#)). This means that the daily income of these people is less than 5 Lari (2 \$). Only 0.83% of our citizens receive more than 100,000 GEL per year and 98% of the population is not provided with basic needs ([UNICEF, 2015](#)). The majority of our students' have math and analytical skills lower than average and the country's overall indicator shows an alarming picture ([PISA 2015](#)). 3.6 years of schooling out of 12.5 are lost due to the extremely low level of teaching quality ([World Bank, 2018](#)). Air in Tbilisi is polluted, 20% of Georgia is occupied and the enemy's army is located 40 kilometers from the capital city.

There are 3,7 million people living in Georgia, Norway's current population is 5.2 million people. Both nations are small. But similarities end here: Apart from the relatively small population, there are no other similarities between Norway and Georgia. Georgia is a poor country and Norway is one of the richest states. Norway ranks #1 in the Human Development Index, which measures significant indicators of state development. On the other hand, Georgia ranked #70 of 188 countries. Georgia's gross domestic product reached 15.6 billion dollars in 2017, while Norway's GDP was almost 25 times higher - 398.8 billion dollars. The income of average Norwegian was \$ 75,504 in 2017, while Georgian citizen has about 18 times less - \$ 4,067. Under such circumstances, our country manages to catch-up and outrun Norway with only one index: the expenditure of political parties.

In 2017 local elections Georgian political parties (officially) spent 27,270,568 Lari. In the same year, the “needy” Norwegian politicians put up only 67.3 million Kroner (21,674,000 Lari) in their parliamentary elections. It turns out that we, the citizens of Georgia are so satisfied with the work of our politicians that we are giving them a huge part of our national income. It seems that compared to Georgia, Norwegians do not have effective politicians. Perhaps this is the reason why poor Georgians pay 32 times more to politicians than the rich Norwegians considering GDP proportions.

This oddity, however, is actually quite logical. Often the relationship between the quality of governance and the expenditure of political parties is inversely proportional: The more the parties and parliamentarians spent, the tougher the situation gets for the country and vice versa. For

example, the [Nigerian MPs had 116 times higher salaries than the income of the average Nigerian](#). For more international perspectives, we can easily compare Georgia, Ukraine, and Moldova to the same Norway, Sweden, Lithuania, Latvia and Estonia, the five states of the European Union. All five countries are spending less money on political parties than destitute and corrupt states such as Ukraine, Moldova, and Georgia. We should also take into consideration that in a country like Georgia, the so-called "black money" plays a significant role. It is impossible to measure the volume of "black money", however, we can assume that its share is fairly important in party expenses, therefore, the real expenditures of the parties are even higher than depicted in official statistics.

However, let's return to our (official) expenses and say that 27 million Lari, which was spent by the Georgian parties in the 2017 elections, is a lot of money. Only by this amount, we could have funded 150 students in Harvard or Princeton. Which is the total number of deputies required for the Parliament of Georgia. We could have saved a lot of patients who have died due to lack of funds or we could have financed a lot of new business projects that would employ many intelligent people and would greatly benefit the country.

Many European democracies reasonably limit the expenditure that the party or a candidate can afford. In some countries where such restrictions are not available, there is self-regulation on advertising and donations from legal entities. These restrictions significantly reduce the cost of the election. In France, whose population is 67 million and GDP exceeds \$ 2.5 trillion, the candidates in the last presidential election could not spend more than € 21.8 million (66,272,000Lari). In Georgia, the ceiling of pre-election expenditure is very high, and it is practically unlimited. Besides, in Georgia, there are neither restrictions nor party self-regulations which would significantly reduce the influence of money on politics.

In Georgia theoretically, any party can spend 0.1% of gross domestic product per year and 0.2% in the election year. Last year, such expenses amounted to approximately 76 million Lari. In reality, the bar is so high that it should be totally unacceptable for our country, not just from the financial, but from the ethical and moral point of view. Of course, nobody thought about it here, because the one who has to think about it is the main beneficiary of this system.

To summarize

Financing of parties, politicians, their election campaigns and parliamentary activity by taxpayer's money is good and necessary. On the one hand, we provide an equal and competitive environment and on the other hand, we force parties, politicians, and presidents to serve the public interest and not the interests of special groups. State money should be accompanied by higher accountability and transparency. However, the Georgian political system is so easily manipulated that even the most unsuccessful politicians can take advantage. The radical reform of this system is necessary if we want to reinforce the political system, institutions, and culture.

Without changing the existing vicious political system and a radical reduction in the demand for money it is naïve to hope that new passionate people will emerge in Georgian politics. Under the

circumstances when the entire system, including its main players, is focused on maintaining a corrupt status quo at any cost, this task is extremely difficult.

It is sickening to see the current political situation and the pre-election environment. We are no longer surprised by the criminal deals, neither the locked people in the basements nor the secret recordings or the violence. However, the most difficult and ironic is that all of this is done with our money! – The money that should have been used to educate our children, to improve our parents' health and our country's security.

In reality, a public contract between politicians and the population has been violated a long time ago. Nobody understands the will of the majority of the population. That is why it is necessary to mobilize public opinion on these issues and as a result strengthen healthy, progressive, and pro-democracy political and civic groups to change the existing electoral and political regime.