



Use of Administrative Resources for Election Campaign

Local Elections 2010

29 March 2010



Executive Summary

There has been an unprecedented increase in the funding allocated to local government entities in Georgia's state budget ahead of the 2010 local elections. The total transfers to local government bodies in the state budget exceed the previous year's figure by 34%. At the same time, there has been a considerable increase in the number of employees in the Tbilisi Mayor's Office and in the regional administrative bodies. The resulting growth of salary funds is at odds with President Saakashvili's policy of reducing bureaucracy costs. Those who oppose this approach have suggested that state money is being used to employ the people who are to participate in the ruling party's election campaign.

The government has also doubled the funding for the Rural Aid Programme even though some of the activities envisaged by the programme are supposed to be financed from local budgets under the existing laws.

The Tbilisi Mayor's Office is sponsoring a 10-lari pension raise for the pensioners residing in the capital in a move that violates the law (whereby the pension policy is not part of the local government powers) and is discriminatory towards the individuals who live elsewhere in Georgia. The Mayor's Office is also issuing medication vouchers to all pensioners in the capital. It is worth noting that similar programmes were implemented before the 2006 local elections and the 2008 presidential and parliamentary elections but not in 2007 or 2009 when no election was held. Furthermore, ruling party representatives are often actively involved in the implementation of social programmes financed from the state budget.

TI Georgia will continue to monitor the use of administrative resources during the election campaign. Future reports will explore the use of regulatory, institutional and hard resources. . The financial analysis will focus on expenditures in municipal budgets.

1st Report: Spending State Funds for Election Campaign¹

Examples of the use of state funds for an election campaign:

- *Unplanned disbursement of public funds during an election campaign period without clear explanation—for example, increases in state employees' salaries, increases in social payments such as pensions, and discounts on public transportation or other public services and utilities.*
- *Introducing new unplanned publicly funded investment projects, such as the construction or renovation of state or municipal housing, medical and social service facilities, schools, parks, or roads.*
- *Institutional advertising, i.e., boosting the image of incumbent parties or politicians by increasing advertising of government activities.²*

¹ This report reviews the main areas of expenditure in the 2010 state budget and Tbilisi city budget. The next report will provide a more detailed review of the state budget and the capital's budget, as well as the budgets of the local self-government entities and their expenditure trends.

² Most of the examples have been taken from *Monitoring Election Campaign Finance: A Handbook for NGOs* by Open Society Justice Initiative.



(1) Transfers from State Budgets to Local Self-Government Budgets

The total increase of the state budget between 2009 and 2010 was a mere 0.9% though there was a considerable change in the budget priorities: more money was allocated for general state services, economic activities, healthcare and education, while funding was reduced in other areas.

State budget expenditures in 2009-2010, thousands of lari³

Functional Classification Item	2009	2010	Growth/Reduction	
General state services	1,564,029.8	1,657,915.5	93,885.7	6.0%
Defence	870,495.0	748,301.0	-122,194.0	-14.0%
Public order and security	838,135.3	781,281.1	-56,854.2	-6.8%
Economic activities	780,462.3	930,532.8	150,070.5	19.2%
Environmental protection	30,024.2	21,217.8	-8,806.4	-29.3%
Housing and utilities sector	12,524.9	8,723.3	-3,801.6	-30.4%
Healthcare	372,791.4	415,337.5	42,546.1	11.4%
Recreation, culture and religion	133,492.8	124,248.5	-9,244.3	-6.9%
Education	484,559.0	528,687.3	44,128.3	9.1%
Social security	1,326,478.5	1,257,110.3	-69,368.2	-5.2%
Total:	6,412,993.2	6,473,355.1	60,361.9	0.9%

In the 2010 State Budget, 836.9m lari is allocated for transfers to the autonomous republics and local self-government entities, which exceeds the previous year's transfers by 214.4m lari (34%). Self-government entities have never received such large allocations before. The transfer allocated to the city of Tbilisi is also of unprecedented size and so is the city budget. Tbilisi received 323m lari in balance transfers, which amounts to 61.8% of the total balance transfers to all self-government entities. The total sum of the capital city's 2010 budget is 570.8m lari.

(2) Tbilisi Budget Expenditures

The amount of expenditures was smaller in the original version of the 2010 Tbilisi budget, approved on 28 December 2009. The budget was amended on 22 February 2010 and the expenditures grew by 58.1m lari.⁴ Through these amendments, the number of the Mayor's Office employees increased by 410, while 5.5m lari was added to the salary fund. The allocations for the purchase of goods and services increased by 34.2m lari and additional 63.1m lari was allocated for social security.

The Tbilisi city budget expenditures in 2008-2009, the original 2010 budget and the 22 February amendments.⁵

³ Georgian law "On 2010 State Budget of Georgia".

⁴ Decisions #15-37 of 28 December 2009 and #2-10 of 22 February 2010 of the Tbilisi City Council on the adoption of the Tbilisi city budget and amendments to the budget. http://www.tbilisi.gov.ge/index.php?lang_id=GEO&sec_id=174

⁵ The 2010 Tbilisi City Budget.



Type of Expenditure	2008	2009	2010 original	2010 amended
Number of employees	1 207,0	1 320,0	1 597,0	1 730,0
Costs	396 610,1	487 009,3	512 680,5	570 820,7
Salaries	20 766,6	28 379,8	33 845,3	33 845,3
Goods and services	130 926,4	126 995,4	160 654,8	161 157,2
Interest	2 605,9	2 417,1	2 052,3	2 052,3
Subsidies	36 190,4	42 242,5	49 813,0	49 933,0
Social security	54 848,7	58 461,3	117 792,4	121 592,4
Other costs	151 272,0	228 243,6	148 522,7	202 240,5

(3) Rural Aid Programmes

Funding for the state programme of rural aid doubled in the 2010 state budget compared to the previous year, growing from 20m to 40m lari.⁶ Subsequently, on 13 January 2010, the Georgian government passed Decree #41 “On Allocation of Funds for Local Self-Government Entities from Georgian State Budget under Rural Aid Programme” which divided the money between different regions. Under the same decree, in order to facilitate a prompt implementation of the activities, the government ordered local self-government bodies to procure the necessary work through negotiations with a single provider.

The Rural Aid programme normally provides funding for local infrastructure development and resolution of other economic problems in rural areas. Save for some exceptions, this type of work is never an emergency. It would therefore be advisable to make procurements through more competitive open tenders. Last year, with no election scheduled, the government did not order local self-government bodies to make procurements through negotiations with a single vendor.⁷ The decision to implement the activities in this particular manner has raised suspicions that there is an urgency to complete the work before the May elections.

In the 2010 State Budget, 91m lari was allocated for the Regional Projects Fund. Under the Georgian government Decree #40 of 12 January 2010, 66m lari was allocated for local self-government bodies from this fund. The self-government bodies are to use the money to sponsor for the following types of activities:

- Repair of rural roads
- Improvement of street lighting and sidewalks
- Improvement of parks and gardens
- Repair of water supply and sewerage systems
- Repair of apartment building roofs and elevators
- Construction of playgrounds
- Improvement of out-of-school care institutions

⁶ The 2010 Georgian State Budget, organizational code 50 09, www.mof.ge.

⁷ The Georgian government’s Decree #35 of 20 January 2009 “On Allocation of Funds to Local Self-Government Entities from Georgian Regional Projects Fund”.



- Other types of local infrastructure development

Under the Georgian laws, funding the majority of these activities is part of the local self-government's exclusive powers. The local self-government bodies must therefore have the necessary funds in their own budgets.

(4) Growth in Expenditures of State Representative/Governor Administrations

Compared to the previous year, the expenditures of the administrations of state representatives/governors have increased considerably in the 2010 State Budget. The growth of expenditures stems primarily from an increase in the number of people employed by the governors' staff, resulting in a bigger salary fund.

The increase in the number of people employed in the state representative/governor administrations and the growth of salary costs in thousands of lari.*⁸

Region	2009	2010	Increase	Increase%
Samegrelo – Zemo Svaneti	28	50	22	44,0
	456,9	575,2	118,3	20,6
Guria	21	43	22	51,2
	386,9	512,3	125,4	24,5
Imereti	28	50	22	44,0
	456,9	575,2	118,3	20,6
Kakheti	28	50	22	44,0
	456,9	575,2	118,3	20,6
Mtskheta-Mtianeti	21	43	22	51,2
	387,0	491,0	104,0	21,2
Racha-Lechkhumi, Kvemo Svaneti	21	43	22	51,2
	387,0	512,3	125,3	24,5
Samtskhe-Javakheti	21	43	22	51,2
	387,0	512,3	125,3	24,5
Kvemo Kartli	28	50	22	44,0
	456,9	575,2	118,3	20,6
Shida Kartli	21	43	22	51,2
	386,9	512,2	125,3	24,5
Total:	217	415	198	47,7
	3 762,4	4 840,9	1 078,5	20,3

* The top figures indicate the number of employees, while the bottom ones show the salary costs.

⁸ The 2010 Georgian State Budget.



The change was implemented through the Georgian president's Decree #44 of 20 January 2010. The decree is titled "On Amendments to Georgian President's Decree #454 of 27 July 2007 "On Approving Staff Structure and Employee Remuneration Rates in Administrations of State Representative/Governor in Georgia's Administrative and Territorial Entities"". Under the decree, the number of employees changed in the following manner:

- The number of employees in the administration of a state representative/governor of a Georgian administrative and territorial unit whose area of responsibility extends to more than six self-governing entities increased from 28 to 50.
- The number of employees in the administration of a state representative/governor of a Georgian administrative and territorial unit whose area of responsibility extends to six self-governing entities or less increased from 21 to 43.

Consequently, the number of administration employees increased by 22 in every Georgian region. At the same time, under the Decree #43 passed by the Georgian president on the same day – 20 January 2010, emergency services were established. The increase in the number of employees is probably linked to the creation of these services. It is worth noting that it is an exclusive power of the self-government bodies to deal with fires and other emergencies and they have relevant services too.

This change is at odds with the president's proposed policy of "tightening the belt" and reducing bureaucracy,⁹ which implies optimization of administrative costs, staff numbers and salary funds.

Those who oppose these initiatives believe that the changes are linked to the May elections. According to them, the government is using budget funds to employ the people who will participate in the ruling party's election campaign.

(5) **Funding for Social Programmes**

Following a decision by the Tbilisi Mayor's Office, the pensioners registered in the capital had their pensions raised by 10 lari as of 1 March 2010. The raise is financed from the Tbilisi Mayor's Office budget and a total of 19.9m lari was allocated for this.¹⁰ Nothing of this sort has been done in other self-governing entities.

The decision by the Tbilisi Mayor's Office is, on the one hand, at odds with the Georgian organic law On Local Self-Governance (whereby the pension policy is not part of the self-government powers) while also being discriminatory towards other pensioners.

⁹ The Akhali Taoba newspaper, 13 February 2009.

¹⁰ www.tbilisi.gov.ge/index.php?lang_id=GEO&sec_id=5056



The Tbilisi Mayor's Office acted in a similar fashion before the 2006 local elections. Back then, the Mayor's Office proposed a 5-lari increase in the pensions and provided funding for the raise.

The Tbilisi Mayor's Office has also passed a decree whereby the 167,271 pensioners residing in the capital are to receive personal transport cards, enabling them to use the public transport (metro and bus) at a reduced fare. There is 3.5m lari allocated for this purpose in the budget.

Moreover, the Mayor's Office has decided to spend 4m lari from the city budget to provide all pensioners with 25-lari medication vouchers. Pensioners also received medication vouchers before the 2006 local and 2008 presidential and parliamentary elections. No such vouchers were issued in 2007 or 2009.

Offering this type of social aid to all pensioners regardless of the income of their families contradicts the social security reform implemented by the Georgian government in 2006. The reform implied that an individual's belonging to a certain category, such as pensioners, single mothers, the disabled, the veterans of war and so on, was not to be used as a criterion for the provision of social aid (as it has been done by the previous government). Instead, the aid was to be distributed based on how poor any given family was and how much it needed government support (regardless of whether its members were veterans of war, pensioners and so on). This system of social aid is still in place and its core principle of providing support according to needs rather than categories has a lot of supporters both inside and outside the government. However, the fact that the Tbilisi Mayor's Office is implementing social programmes that are not compliant with the state system of social aid has not drawn any criticism from the central government so far.

(6) Participation of Public Officials in Election Campaign

As was the case before the 2006 local and the 2008 presidential and parliamentary elections, during the campaign for the upcoming local elections there have been instances of active involvement of ruling party representatives in the implementation of social and healthcare programmes (including free programmes) financed from the state and local budgets. A programme of free diagnostics is still being conducted in the villages of Zugdidi Municipality. Levan Konjaria, chief of the ruling party's district branch, is supervising the programme together with the head of the medical centre. The ruling party plans to continue conducting such activities in the future.

Transparency International – Georgia will continue preparing reports on the use of administrative resources regularly. Future reports will provide a review of the trends in the use of regulatory, institutional and hard resources for election campaign. The sections devoted to finance will focus on expenditures in municipal budgets.