

**REPRESENTATION AND BUSINESS TRIP
EXPENSES IN LEGAL ENTITIES UNDER
PUBLIC LAW: 2019-2020**





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Main Findings

- According to the analysis of the expenses of 75 LEPLs, as compared to 2019, in 2020 the representation expenses decreased around four times - from 4,348,925 GEL to 1,198,429 GEL.
- Based on the study, in 2020, representation costs increased in only 7 LEPL.
- According to the cost analysis of 75 LEPL, as compared to 2019, in 2020, business trip expenses decreased about six times - from 1,890,575 GEL to 298,982 GEL.
- The costs of restaurant services in some agencies were incurred during a period when certain restrictions were imposed on food outlets and other gathering places due to the pandemic.
- During the state of emergency, the National Wine Agency hosted 20 people at Decoretto Ltd.
- In 2019, the State Service for Veterans' Affairs spent 19,256 GEL on events organized by the "Georgian Dream - Healthy Future".
- The head of the National Food Agency was on a business trip 11 times in 2019, for a total of 63 days, costing the agency GEL 54,202. Among them was a 4-day business trip to Moscow, the purpose of which remains unknown.
- In 2020, the National Energy and Water Regulatory Commission spent up to GEL 4,500 on restaurant expenses. Part of this expense, 1,876 GEL, was spent on a Memorandum of Understanding dinner with the National Food Agency held on October 16th.

Introduction

As a result of the spread of COVID-19 and the restrictions imposed in its wake, Georgia's GDP decreased by 6.2% in 2020¹. The economic crisis has also had a major impact on the state budget, increasing spending on healthcare and various types of subsidies. On June 9, 2020, the Ministry of Finance of Georgia submitted a draft amendment to the Law on the State Budget of Georgia for 2020, based on which the maximum reduction of administrative costs aimed at financing the budget deficit was planned². The analysis of the bureaucratic expenditures of the emergency budget showed that the planned expenditures provided for goods and services were reduced by about GEL 58 million, which was largely due to the natural reduction in the number of business trips and representation expenses in light of the pandemic restrictions.

Representation expenses include expenses spent on receptions organized by agencies, formal dinners, and events, while the largest share of business expenses come from expenses incurred by officials during their visits abroad (travel, hotel, and daily expenses). Consequently, restrictions on event management and air travel in a pandemic were a significant precondition for such cost savings.

In the present study, IDFI examined the representation and business trip expenses incurred by legal entities under public law (LEPL) and other independent agencies before and during the pandemic. The Institute sent requests for detailed public information on relevant expenditures in 2019-2020 to 100 agencies. For the purposes of the study, complete information was received from 75 agencies, while in the case of other agencies, the requests for information on expenditures incurred in this period were left unanswered.

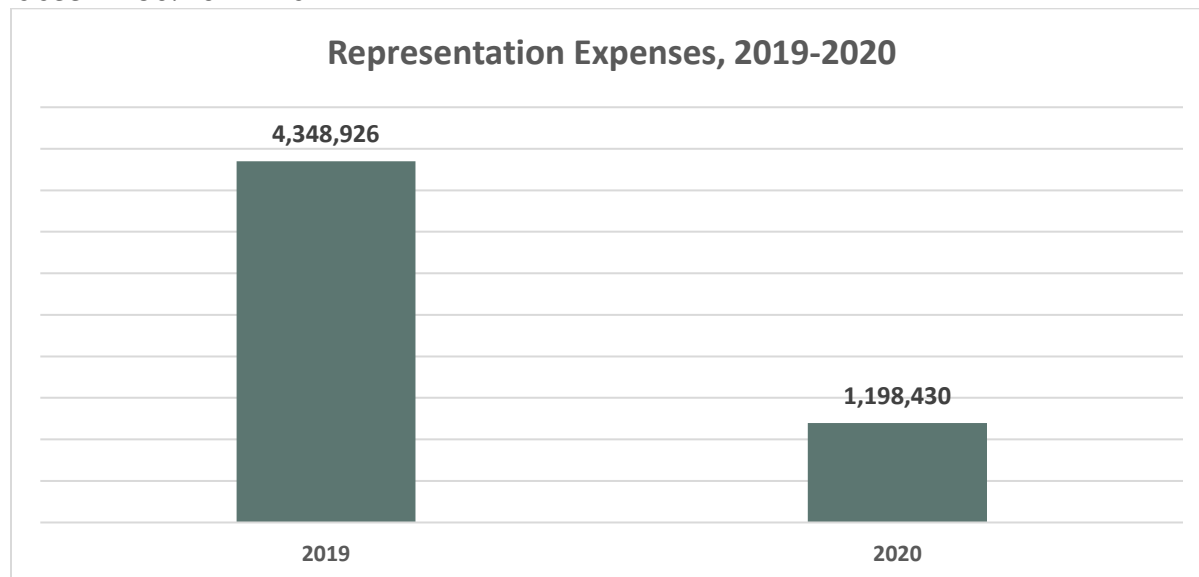
For example, LEPLs under the Ministry of Justice provided IDFI with only summary data on representation and business trip expenses for the second half of 2020, which does not provide adequate data to study spending policy in these agencies. In addition, the requests for the relevant data for the first 6 months of 2019 and 2020 were left unanswered by the National Tourism Administration, the Social Service Agency, the Treasury Service, and the State Agency for Care and Victims of Trafficking. Data for July-December 2020 were not provided by the Municipal Development Fund, the National Wine Agency, the National Wildlife Agency, the Technical and Construction Supervision Agency, and others. The present study is based on data provided by 75 agencies that have fully met IDFI public information requirements.

¹ Geostat – [Gross Domestic Product](#)

² [Analysis of Bureaucratic Expenditures of the Emergency Budget](#)

Representation Expenses

In 2020, the representation expenses of the agencies included in the research decreased about four times compared to 2019, from GEL 4,348,926 to GEL 1,198,430. The reduction of expenses is seen in 90% of LEPLs.



Exceptions are the Special State Protection Service, the Chamber of Commerce and Industry, the Agency for Regulation of Medical and Pharmaceutical Activities, the State Oil and Gas Agency, the National Agency for Minerals, the Legal Aid Service, and the National Food Agency. In each of them, there was an increase in representation expenses, from 3,000 to 23,000 GEL.

Also noteworthy is the case of the National Tourism Administration, which spent 435,785.23 GEL in representation expenses between July and December 2020. This mainly included providing food to Georgian media representatives (groups of 4 to 30 people) during their visits to different regions of Georgia. To this end, the Administration has made 59 transactions for restaurant services at various local establishments. This amount is not included in the numbers above, as the Institute is not aware of the costs incurred by the agency in the first half of 2019 and 2020.

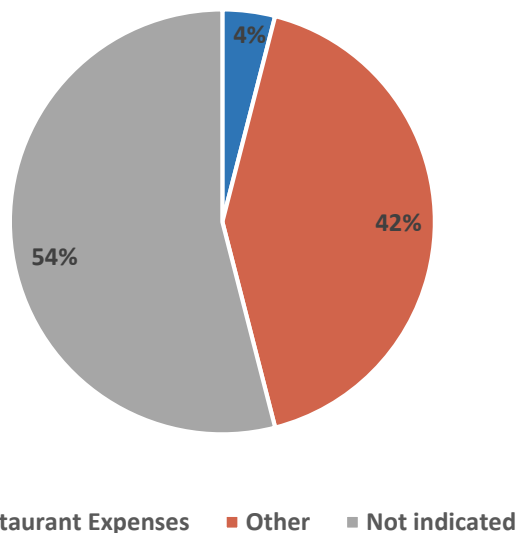
Representation Expenses (GEL)	2019	2020
State Security Service	270,531.58	188,427.00
Information Center on NATO and the European Union	378,807.14	141,140.61
National Agency for Mineral Resources	44,669.00	75,944.00
National Center for Education Quality Development	145,090.14	74,362.48
National Agency for the Protection of Cultural Heritage	452,938.74	47,621.87
National Food Agency	32,292.00	47,492.05
National Wine Agency	401,485.41	43,092.98
Revenue Service	238,216.40	40,290.10
National Center for Disease Control and Public Health	31,906.76	38,163.00
Youth Agency	186,842.50	34,551.00
Border Police	231,920.00	32,163.00
Innovation and Technology Agency	93,528.46	31,149.74
National Bank	435,029.88	23,709.16
State Audit Office	27,466.00	16,030.00
Special State Protection Service	11,956.50	15,121.00
Levan Samkharauli National Forensics Bureau	20,615.54	12,873.00
Chamber of Commerce and Industry	5,029.00	11,196.00

* Table 16 shows the agencies with the highest representation expenses in 2020 (out of 75 LEPLs that fully released the 2019-2020 data)

2020 data

During 2020, 75 agencies spent a total of 1,198,430 GEL on representation events. 4% of the total expenditures comprised restaurant service costs, although this figure may be even higher, as 54% of the expenditures listed did not have their purpose provided.

Distribution of Representation Expenses, 2020



The State Security Service had the largest expenditure in 2020, amounting to GEL 188,427. However, only the total amount is provided in response to the request for public information; therefore, the purpose of these costs and the share of costs for restaurant services are not known.

Between July and December, the National Food Agency conducted a series of events that included discussing the results of the fight against Asian Brown marmorated stink bug and meeting with farmers. The Agency ordered the Georgian Hazelnut Producers Association to organize these events for a total of 40,469 GEL. In addition, the agency spent up to GEL 4,500 on events held in January-February. This mainly included head office, business, and public meetings. There are no representation expenses in May-June.

In July 2020, the Agency for Protected Areas organized a World Ranger Day event for GEL 14,538.5 and issued gift vouchers totaling GEL 4,800.

The Central Election Commission spent GEL 102,005 on representation activities in July-December 2020. GEL 74,307 of these funds were spent on hotel services within the framework of the summer project "Youth Camps". According to the Commission, no expenses were allocated to restaurant services.

In 2020, The Agency for Innovation and Technology spent up to 31,000 GEL in the January-February period. The "Success and Recognition Program" award ceremony of the Ministry of Economy was held at the Technopark on January 10, for which the buffet service cost GEL 4,783. On February 20, a public report was submitted and a signing ceremony was held with 500

startups, during which the agency spent up to GEL 5,000 on procurement of catering services (for 150 people), GEL 7,000 on technical video support and organization, and up to GEL 8,000 on procurement of other technical services (audio equipment, lighting, screen). An additional GEL 1,432 was spent on the purchase of non-alcoholic beverages/drinking water for the guests invited by the Agency's management. Further, GEL 5,000 was spent between July and December. For 1,300 GEL, on October 6, the Agency hosted representatives of EPAM Systems at the restaurant "Bread House" (13 people in total). Up to 900 GEL was spent on organizing the opening ceremony of Gurjaani Technopark, and a total of 2,800 GEL was spent on the purchase of non-alcoholic beverages for the guests of Tbilisi and regional innovation centers.

The State Security Service printed 50 books ("This is Tbilisi") for 5,000 GEL and bought gift wine bottles for 4,000 GEL. The service spent an additional GEL 1,513 to purchase a gift voucher for the families of employees killed in the line of duty. The Oil and Gas Agency paid the largest representation fee, GEL 4,590, at a conference/work meeting held at Sevsamora Ltd. on December 14.

The Legal Aid Service incurred representation costs of about 12,000 GEL in 2020. Of this, GEL 11,556 is fixed in July-December, although the exact dates of the events are unknown. The service held a meeting with representatives of the US Embassy and US donor organizations operating in Georgia, which cost the agency GEL 4,700. Additionally, the expenditures for the events related to the opening of new counseling centers reached a total of GEL 6,800. According to the service, in 2020 the purchase of restaurant services did not take place.

On September 9, the State Hydrographic Service held an event for a meeting of the Georgian Ports Administration and the Business Ombudsman with shipowners, which cost the service up to 2,900 GEL. In addition, on December 22, an event related to the visit of a working group of South Korean engineers and translators within the framework of the ODA project, as well as the visit of the Ambassador of South Korea and Attaché to Georgia, cost the service up to GEL 2,700. Finally, the Service spent up to GEL 2,900 on various gift souvenirs.

The State Service for Veterans Affairs spent GEL 36,374 on representation activities in 2020. Up to 10,000 GEL was spent on restaurant services. In particular, on February 5, after submitting the 2019 activity report, the service hosted guests at the restaurant "Three Centuries", which cost 1,421.75 GEL. In addition, in the second half of the year, the service invited doctors and medical staff to provide free medical care to war veterans and members of their families living in Batumi, Zugdidi, Poti, and Senaki, and a total of GEL 8,128 was allocated for meals for invited doctors. It should be noted that in the case of Senaki, specialists of the organization "Georgian Dream - Healthy Future" were invited.

In terms of restaurant costs, the National Wine Agency also stands out, having spent a total of 12,592 GEL in this area in the first 6 months of 2020. As part of the Georgian Wine Tour from January 19 to January 24, the Agency hosted invited members of the Monaco Sommelier Association (17 people) at several restaurants, including Keto and Kote Ltd., Barbara Ltd., and Chateau Mukhrani JSC, the combined costs for which amounted up to 7,000 GEL. On May 15,

during the state of emergency, the agency hosted the leadership of the Ministry of Environment and Agriculture of Georgia and representatives of wine associations (20 people) at Decoretto Ltd. for 853 GEL. And on August 6, as part of the 2020 wine harvest, the National Wine Agency hosted guests at Capillon Ltd., costing up to 4,800 GEL. It should be noted that during this period there were certain restrictions on gatherings in public spaces. In addition to restaurant expenses, the agency has also spent GEL 19,296 on hotel (overnight) services. The Maritime Transport Agency purchased restaurant services 5 times in the period from August to November and spent a total of 2,300 GEL. The events were related to the opening of the branch of the Batumi State Maritime Academy - Poti Maritime Training Center, the visit of the members of the EU Delegation, and the meeting of the representatives of the maritime industry, ports, terminals, and logistics companies.

Also noteworthy are the expenses of the National Energy and Water Regulatory Commission. In 2020, the agency spent GEL 89,944 on representation expenses. The largest part of this amount was spent on gift items (wine-decorated bottles, figures, T-shirts, bags, glasses, etc.). The agency also spent about GEL 4,500 on restaurant services. GEL 1,876 of this amount was spent on a Memorandum of Understanding dinner with the National Food Agency on 16 October. According to the Commission, the purpose of the memorandum is to facilitate risk management for state control of businesses operating in drinking water, animal food, veterinary, and plant protection code under the Food and Veterinary Code, and to this end, to strengthen cooperation between the parties.

As for the LEPLs of the Ministry of Justice, they provided the Institute only with the relevant data for the period of July-December 2020. The Public Registry Agency stands out with the largest expenses of a total of GEL 92,214. It is followed by the State Service Development Agency - 55,661 GEL. The costs incurred by the National Archives reached 17,575 GEL. Representation expenses of the Special Penitentiary Service are 13,057 GEL. The costs of the National Agency for Crime Prevention, Execution of Non-custodial Sentences and Probation, and the Digital Governance Agency did not exceed GEL 600, while according to other LEPLs of the Ministry of Justice, they did not incur any expenses in this category. It is noteworthy that in the case of all the above agencies, the given data is not detailed, with no indication of individual measures, their purposes, and specific dates.

2019 data

In the representation expenses component, in 2019, 75 LEPLs spent a total of GEL 4,348,926. The National Agency for Cultural Heritage, the National Bank, the National Wine Agency, and the Information Center on NATO and the European Union are the institutions with the largest expenses. Their expenses ranged between GEL 372,807 and GEL 452,939.

Agency	2019 Representation Expenses
National Agency for the Protection of Cultural Heritage	452,938.74
National Wine Agency	401,485.41
Information Center on NATO and the European Union	378,807.14
Revenue Service	238,216.4
Border Police	231,920.00
National Bank	435,029.88
State Security Service	270,531.58
Sakpatenti	232,778.98
Youth Agency	186,842.5
Department of Highways	177,160.88

The State Service for Veterans' Affairs has spent GEL 103,117. Of this, GEL 19,256 was spent on catering services for the events (7 events) organized by the "Georgian Dream - Healthy Future". The organization was founded in 2013 and is headed by Ketevan Barateli. The Central Election Commission and the State Audit Office have received numerous complaints against the organization on charges of pre-election campaigning. Paragraph 4 of Article 45 of the Election Code defines the subjects that are not entitled to conduct pre-election campaigns. The list also includes charitable organizations. Although "Georgian Dream - Healthy Future" is mainly engaged in charitable activities, which is confirmed by a number of media stories, which can be found on the official Facebook page of the organization, due to its legal status, the Election Commission did not consider it a charitable organization. It is noteworthy that the logo of the NNLE "Georgian Dream - Healthy Future" on the Facebook page is similar to the logo of the party "Georgian Dream - for Democratic Georgia." Additionally, the name "Georgian Dream" represents the symbol of the party. Hence, there is a suspicion that the organization is carrying out these activities on behalf of the party, which can be considered as a political use of administrative resources.

Expenditures on restaurant services by the National Wine Agency amounted to GEL 66,000, while up to GEL 232,000 was allocated for the purchase of air transport services and hotel services.

Representation expenses of the National Agency for Cultural Heritage Preservation in 2019 amounted to 452,938 GEL. Among them, the largest funds were allocated for the following events:

- GEL 85,246 - for organizing events in museums and museum reserves within the structure of the Agency to mark the International Museum Day;

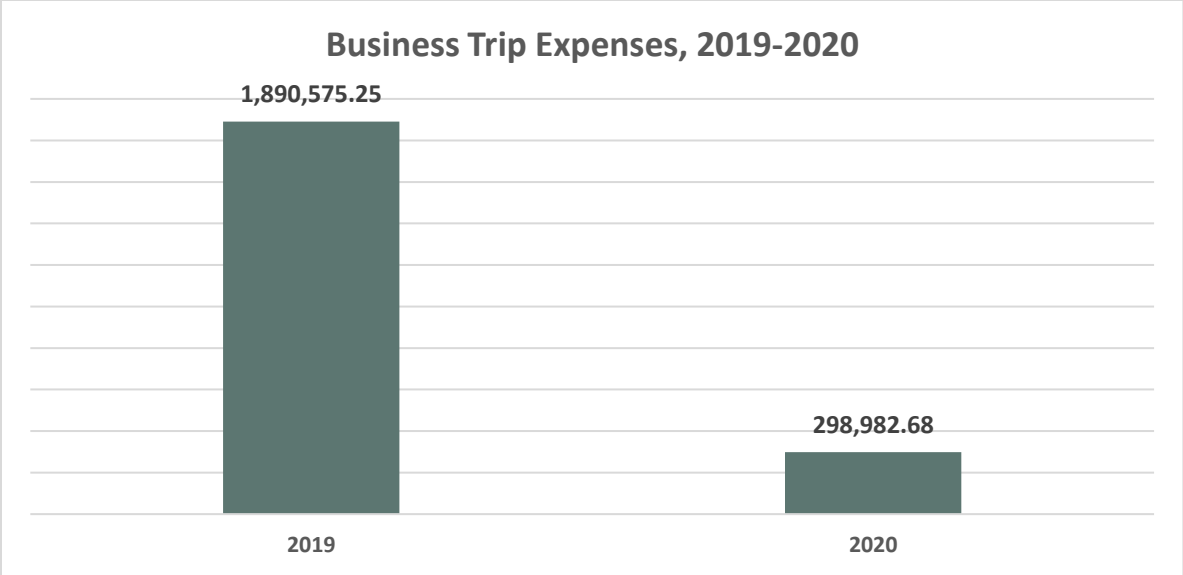
- 34,000 GEL - "Prehistoric rock art in Europe and Georgia" workshop;
- 37,207 GEL - for the implementation of the first working mission within the framework of the cooperation agreement signed in September 2019 between the Agency and the Department of Antiquities of Israel;
- 27,327 GEL was allocated for the event held on May 26, 2019, on the occasion of Georgia's Independence Day, on Rustaveli Avenue.

Representation expenses incurred by the National Bank in 2019 exceeded GEL 435,000. Of this, GEL 87,500 was spent on organizing events (conferences and other services), GEL 73,700 on gift souvenirs, GEL 62,500 on corporate events, GEL 66,500 on restaurant services, and GEL 145,000 on hotel, transport, catering, and other services. During the year, the bank procured restaurant services 85 times, in each case with the costs ranging from GEL 86 to GEL 8,797. The largest restaurant expenses were related to the official visit of the Managing Director of the International Monetary Fund and members of the IMF delegation for the annual conference of the Basel Committee on Banking Supervision (BCG), and the international seminar on cyber-risk and cyber flexibility for financial regulators at the Sheraton Grand Tbilisi Metekhi Palace.

LEPL Information Center on Representation of NATO and the European Union have spent 378,807 GEL on representation expenses in 2019. Of this, GEL 160,305 was the Center's budget resources, GEL 205,238 was targeted grants, and GEL 13,264 was allocated from the Government Reserve Fund. These funds were spent on projects and events such as the official opening and reception of Europe Days; Project "Young European Ambassadors"; Project "Europe-Historical Choice"; Poster competition; Essay Competition "Europe is for Me"; Information Meetings in the Regions - "EU - New Opportunities"; Media School for Journalists Working in the Languages of Ethnic Minorities on Euro-Atlantic Integration; Seminar "Communicators for More Communication"; Student meeting with servicemen participating in NATO missions; Project "Modeling of the Parliament of Georgia 2019 Spring Session"; etc. The documents provided by the Center show the total expenses and do not show costs by individual activities.

Business Trip Expenses

Similar to representation expenses, due to restrictions on international traffic in 2020, a sharp reduction in business trip expenses was expected.



In 2020, compared to 2019, business trip expenses decreased about six times - from 1,890,575 GEL to 298,982 GEL. This reduction was seen in all agencies under review. It is also noteworthy that most of the business trips in 2020 took place in the first half of the year.

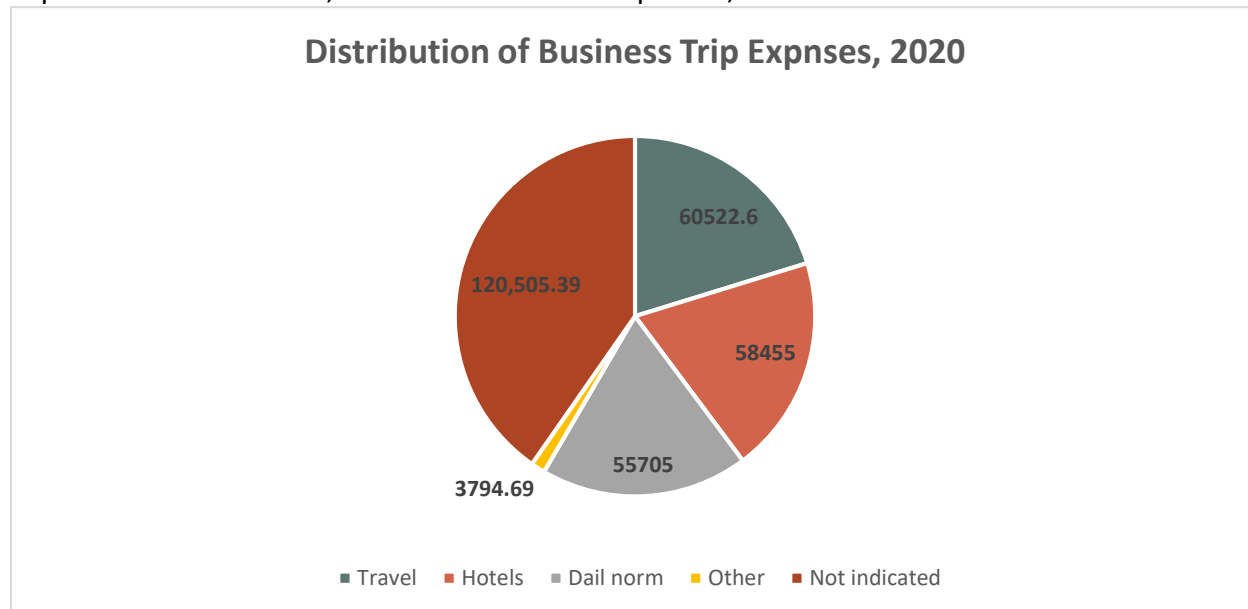
Business Trip Expenses (GEL)	2019	2020
State Laboratory of Agriculture	45,859.59	15,127.13
Produce in Georgia	102,178.00	12,683.00
Shota Rustaveli Georgian National Science Foundation	66,116.00	9,086.92
National Center for Teacher Professional Development	38,943.00	8,906.74
Innovation and Technology Agency	32,491.00	8,045.47
Education Management Information System	9,546.00	7,400.44
Land Transport Agency	35,260.00	6,819.22
State Security Service	208,828.00	83,010.38
Ombudsman	110,704.79	33,562.86
National Bank	125,850.38	22,658.64
Chamber of Commerce and Industry	34,573.00	18,766.00
National Library of Parliament	52,744.76	11,557.00
Special State Protection Service	12,033.21	10,672.60
Sakpatenti	18,584.58	9,713.04
Geostat	8,998.94	6,847.13
Central Election Commission	30,300.25	4,955.80

* Table 16 shows the agencies with the highest business trip expenses in 2020 (out of 75 LEPLs that fully released the 2019-2020 data)

2020 data

In light of the pandemic restrictions, business trip expenses were significantly reduced. Of the 75 agencies that provided full 2020 data, 46 did not incur travel expenses, while the remaining 29 agencies spent a total of GEL 298,982 on official visits abroad.

In total, business trip funds are almost evenly distributed between travel, hotel, and daily rate expenses. In some cases, there are also other expenses, such as visa costs.



The State Security Service had the largest expenditures totaling GEL 83,010, although detailed data was not provided. Therefore, it is unknown when, for what purpose, and in what direction the mentioned business trips were carried out.

33,562 GEL has been spent by the Public Defender's Office, although, according to them, most of the business trip expenses were covered by non-budgetary funds and grants. The Ombudsman attended a winter session organized by the Parliamentary Assembly of the Council of Europe in France and a meeting of the Board of Directors of the International Ombudsman Institute (IOI) in Spain. The deputies of the Public Defender were also on business trips. All these trips took place in January-February.

The Deputy Director of the LEPL State Laboratory of Agriculture has been on business trips abroad 5 times in 2020, including two business trips in May, June, and July. The Deputy Director attended a workshop in Slovenia in May as part of ERASMUS+'s international project, Improving Laboratory Practice for Agri-Food Specialists in Eastern Europe, and visited California in June - July to attend a conference. A total of more than GEL 15,000 was spent on the Deputy Director's visits, although the agency reported that the amount was covered by targeted grants.

Six visits from the National Wine Agency were made to Germany, Spain, France, and the USA. All of them in January and February, before the official announcement of the pandemic. The total cost of each visit ranged from GEL 5,000 to GEL 7,000, and the purpose of the visits was not reflected in the document provided by the agency.

Education Management Information System officials have been on a business trip abroad 3 times in 2020. The system director and one of his deputies were in the UK to attend the BETT 2020

conference, while the other deputy was in Brazil for the annual technology seminar of UGT and Dell EMC. In total, the agency's business trip expenses in 2020 amounted to GEL 7,400.

The Deputy Chairman of the Agency for Innovation and Technology was in the United States in February to participate in the Startup Grand Global event. In the same month, he left for Belarus to attend a meeting of the Georgian-Belarusian Government Commission on Economic Cooperation. Both trips cost more than GEL 8,000.

In 2020, two Deputy General Directors of the Centers for Disease Control were on a business trip abroad, in one case to attend a meeting of the European Regional Operational Group on High-Risk Pathogens in Austria by the World Health Organization, and in the other to attend an international conference in Thailand: Accelerating Universal Health Progress. Both trips were funded by the invitee.

2019 data

Business trip expenses incurred by 75 agencies in 2019 totaled GEL 1,890,575. The largest expense in this category, GEL 208,828, is again incurred by the State Security Service. In addition, more than GEL 100,000 was spent on business trips by officials from the National Wine Agency, the National Bank, the Cultural Heritage Protection Agency, and the Public Defender's Office.

In 2019, the National Wine Agency conducted more than 20 business trips abroad. In total, the agency spent 131,174 GEL, of which 72,677 GEL was spent on business trips of the Chairman of the Agency, and 54,966 GEL was spent on one of his deputies. GEL 23,148 was allocated to daily expenses, GEL 56,014 to travel expenses, and GEL 51,363 disbursed on hotel expenses.

22 business trips were carried out by 3 officials of the National Bank, which cost the bank a total of 125,850 GEL. The President of the National Bank himself paid 11 visits, among them were attending the Euromoney Central and Eastern Europe Forum in Austria, attending the International Monetary Fund and World Bank Spring Meetings in Turkey, and the Black Sea Trade and Development in Turkey and Greece, attending a meeting of the Board of Governors of the Bank (BSTDB), etc. His largest expenses are recorded during the visits to the United States, each of which cost the National Bank between 19,000 and 22,000 GEL. In total, up to GEL 63,000 between 3 visits. The largest amount of these expenses is allocated to travel and hotel expenses. For example, in the case of a 3-day visit on July 8, the cost of a hotel was GEL 7,109, while for the visit of October 16, the cost of travel exceeded GEL 14,000.

In the case of the Public Defender's Office, the data reflects 110,704 GEL business trip expenses in 2019, although it should be noted that more than 63,000 GEL from this amount came in the form of grant funding. The Public Defender and his 3 deputies traveled abroad to attend various conferences, workshops, and forums.

In 2019, the General Director of the National Agency for Cultural Heritage Preservation and his 4 deputies were on 28 business trips abroad, which cost the Agency GEL 112,461. The visits

included working meetings in the Hashemite Kingdom of Jordan, attending the annual exhibition of archeological tourism in the Italian city of Paestum, in Portugal participation in the International Forum of Historic Gardens in the city of Sintra, participation in the 43rd session of the UNESCO World Heritage Committee in Baku, and other similar activities.

The Director of the Civil Aviation Agency made 12 visits abroad in 2019, spending a total of 65 days on business trips, and his total business trip expenses reached GEL 61,479. These trips were mainly related to meetings with international aviation organizations (ICAO, ECAC, EASA).

The head of the National Food Agency was on business trips 11 times, for a total of 63 days, which cost the agency 54,202 GEL. Among them, on December 8, Zurab Chekurishvili carried out a 4-day business trip to Moscow, during which 2,059 GEL was allocated for hotel expenses, 825 GEL for visa expenses, 589 GEL for daily expenses, and 1,190 GEL for other business trip expenses, for a total of 4,664 GEL. The agency did not provide information to IDFI about the purpose of this visit.

Conclusion

The study showed that in 2020, the representation and business trip costs of LEPLs and other independent agencies have been significantly reduced, largely due to the pandemic and restrictions on travel around the world. It is also noteworthy that, in some cases, restaurant expenses incurred by agencies were observed during periods when certain restrictions on food establishments and gathering places were already in place.

Also noteworthy are those agencies that do not respond (fully or partially) to requests for public information on representation and business trip expenses. Such an attitude runs counter to the principles of transparency and accountability and raises doubts about inappropriate spending policies. IDFI believes that the State Audit Office should pay special attention to monitoring the bureaucratic costs (including representation costs) of those agencies that are characterized by opacity, including those agencies named in the present study that did not provide complete information.

At the same time, during the economic crisis, the state needs to optimize bureaucratic expenses, such as business trips and representation expenses. Given the scale of the economic damage suffered by the country over the past year, in parallel with the abolition and mitigation of existing restrictions, in the post-pandemic period, it would be advisable to keep representation and business trip expenses at a minimum.

