

# Hunger Games: Political consultants during gubernatorial elections in Russian Federation worked "for food"

*Political consultants often receive money from unknown sources bypassing official election funds. This was the conclusion of the Movement for Defense of Voters' Rights "Golos" after analyzing financial statements of candidates for heads of regions in the September 10, 2017 elections.*

## Analytical report

### **Financial transparency of political consultants' services in the elections of senior officials of the subjects of the Russian Federation on 10 September 2017.**

By the end of October 2017, the final financial reports of candidates for governors and heads of republics (of those regions where such elections were held on September 10, 2017) were published. The Movement for Defense of Voters' Rights "Golos" prepared several analytical reports analyzing the financial transparency of the past election campaigns. The first report is devoted to service payment of political consultants working for candidates who won the elections.

On November 1, 2017, Alexander Georgiev, who calls himself a political consultant and the "head of field work for various election campaigns," testified in a court session in the case of former vice-governor of the Chelyabinsk region, Nikolay Sandakov. The media discovered and revealed Georgiev's admission that virtually all payment for his services over the course of several years did not come from the election funds. It turned out that in 2011, about 2.5 million rubles used for paying political consultants during elections in only two municipalities of the Chelyabinsk region came from outside the official election fund.

The "Golos" movement has repeatedly drawn attention to the problem of transparency in financing the services of political consultants. Indeed, evidence from previous years has shown that the costs of consulting services often remain in the "shadow." In 2016, for instance, such expenses were not reflected in the financial reports of several elected heads of regions, including Ramzan Kadyrov (Chechnya), Sholban Kara-ool (Tyva), Sergei Morozov (Ulyanovsk region), and Igor Rudeni (Tver region).

In March 2017, federal media reported on the participation of the Presidential Administration staff in coordinating political consultants for future candidates for the heads of regions. The media articles referred to specific names and companies, linking them to the regions in which these persons were supposed to work. The Movement "Golos" sent an [official information request](#) to the Presidential Administration regarding this matter. In its reply, the state body argues that the selection of political consultants is not within its authority, but avoids answering the question whether its employees engaged in such activities relating to gubernatorial elections. The Presidential Administration only indicated that they [had not selected](#) consultants for local elections. Since then, this information has not been further refuted; in fact, the allegations were confirmed for many election participants in regional media and by experts during the election campaign.

The media also indicated the approximate prices for such services. The figures ranged from 300 thousand to 1 million rubles per month, not including lodging, food, communication, and per diem expenses. The cost of the services for consultants with federal renown, according to the media, [could reach](#) as much as 8 to 10 million rubles. In other sources, the price was listed in the range of 50-150 thousand dollars (approximately 3 to 9 million rubles) for the [development](#) of campaign strategy and occasional counseling.

"Golos" this year analyzed all final financial reports of winning candidates, with the exception of the head of the Republic of Mordovia and the governor of the Belgorod region, whose reporting documents, as of November 1, 2017, had not been posted on the official websites of regional election commissions. (Regional laws in these two subjects of the federation do not contain a requirement to publish such documents; the election commissions send them only to the state-owned media, which reduces the financial transparency of election campaigns.)

All expenses of an election campaign candidate must be paid for from their election fund. The costs of consulting services should be reflected in the relevant line of the final financial report: "For the payment of services of information and consulting nature." Prior to the 2016 federal elections, the Central Election Commission of Russia [explained](#) in detail what these specifications mean. (The same wording in the same format was published this year in analogous explanations from the regional election commissions.) The term "information service," used in the classification of payments from the election fund, refers to the actions of persons who collect, summarize, and systematize information, and provide the results of its processing to the user (that is, they provide users with information products). Information products are provided to the user in various forms—on electronic media, on paper, and orally. "Consulting service" is defined by the Central Election Commission of Russia as a professional service provided by a natural or legal person based on a contract for consultations and analytical and research work (including the use of software products) to achieve certain results in elections.

In the table below, "Golos" collected the names of all political consultants mentioned in the media, linked to the respective regions, and indicated the amounts that appeared in the

financial statements of the candidates in the line reflecting the payment for political consulting services.

**Table. Expenditures for the services of political consultants hired by winning candidates in the election of senior officials of the subjects of the Russian Federation**

Candidate's name	Subject of the Russian Federation	Election Fund (in thousand rubles)	Costs of information and consulting services (in thousand rubles)	Political Consultants (according to the media)
Tsydenov Alexey Sambuevich	Republic of Buryatia	18,500	0	<a href="#">Zverev Sergey</a>
Parfenchikov Artur Olegovich	Republic of Karelia	31,000	15,830	<a href="#">Vasiliev Alexey</a>
Evstifeev Alexander Alexandrovich	Republic of Mari El	16,500	0	N/A
Volkov Vladimir Vladimirovich	Republic of Mordovia	N/A	N/A	N/A
Brechalov Alexander Vladimirovich	Republic of Udmurtia	27,205	12,664	<a href="#">Bystrov Peter</a>
Reshetnikov Maxim Gennadievich	Perm region	76,745	0	<a href="#">Kostin Konstantin</a> , <a href="#">Gusev Dmitry (Bakster group)</a> , <a href="#">Davydov Leonid</a>
Savchenko Evgeniy Stepanovich	Belgorod region	N/A	N/A	N/A
Alikhanov Anton Andreevich	Kaliningrad region	10,010	0	<a href="#">Vedernikov Mikhail</a> , <a href="#">Vysotsky Alexey</a>
Vasiliev Igor Vladimirovich	Kirov region	35,407	13,351	<a href="#">Obydenkov Alexey</a> , <a href="#">Karpilov Oleg</a>
Nikitin Andrey Sergeevich	Novgorod region	15,470	0	<a href="#">Orlov Dmitry</a> , <a href="#">Kurilkin Andrey</a>
Lyubimov Nikolay Viktorovich	Ryazan region	40,030	0	<a href="#">Kopylov Igor</a>
Radaev Valery Vasilyevich	Saratov region	10,030	286	<a href="#">Moskovichenko Roman</a> , <a href="#">Turovsky Rostislav</a>

Kuyvashev Evgeny Vladimirovich	Sverdlovsk region	51,430	0	<a href="#">Kuznetsov Gleb</a>
Zhvachkin Sergey Anatolievich	Tomsk region	29,800	0	N/A
Mironov Dmitry Yuriyevich	Yaroslavl region	50,000	13,770	<a href="#">Kazankov Grigory Григорий, IMA-Consulting</a>

Out of the 13 heads of regions whose financial reports “Golos” acquired, only five reported costs of consulting services: Arthur Parfenchikov (Karelia), Alexander Brechalov (Udmurtia), Igor Vasiliev (Kirov region), Valery Radaev (Saratov region), and Dmitry Mironov (Yaroslavl region).

It is important to stress that the expenses of Valery Radaev were almost 50 times lower than the average expenses of the remaining four candidates. The average sum of political consultancy spending of the 4 candidates was 13.9 million rubles, which is very close to the figures mentioned in the media. Thus, it can be assumed that in prior elections of the heads of regions the average price of the political consultants’ services fluctuated between 12 and 15 million rubles (although, of course, in some cases it could have higher or lower than this).

The remaining eight winning candidates put zeros in the corresponding line of their financial reports. However, in the Novgorod and Tomsk regions, the report forms, approved by the regional election commissions, for some reason do not contain the line in question. Another line in the form—concerning the payment of services to legal entities and individuals under contract—indicates that the candidates spent 6.4 million and 6.9 million rubles on these services, respectively. However, this information does not answer all the questions, since those candidates who indicated payment for consulting services also listed additional expenses under contracts with individuals and legal entities, and these expenses are comparable to those of Andrei Nikitin and Sergei Zhvachkin (see the table above). For example, Arthur Parfenchikov reported 8.3 million rubles for these services; Igor Vasiliev, 8.5 million rubles; Alexander Brechalov, 7 million rubles; and Dmitry Mironov, 25.5 million rubles. As a rule, this expense pays for the services of campaign workers, observers, and other non-executive staff members, as well as for individual services that do not fall under other categories.

As previously mentioned, there is no information on two candidates. However, considering that in Mordovia the maximum size of an electoral fund cannot exceed 5 million rubles, it is unlikely that these reports include a real account of spending on political consultancy. Moreover, in the information provided by Sberbank and published on the website of the election commission on August 31, which contains data on the flow of funds to and from the electoral account, there is no information about any "wage" expenses.

It is important to stress that according to paragraph 2 of Art. 77 of the June 12, 2002 Federal Law No. 67-FZ "On basic guarantees of electoral rights and the right to participate in the

referendum of citizens of the Russian Federation," if the candidate spends—in addition to the funds of his own election fund—more than 10% of the limit of spending of the election fund, the court can invalidate the election results. With an average estimated price of consulting services of more than 10 million rubles, almost all the winning candidates might have violated these restrictions. Consequently, the results of the elections could be called into question.

At the same time, in almost all these regions, the maximum size of an electoral fund theoretically could have enabled the candidates to show their real expenses for the payment of political consultants. Small problems could have only arisen in the Kaliningrad and Ryazan regions, but even there the candidates had a reserve of almost 10 million rubles. Only in the Sverdlovsk region, Yevgeny Kuyvashev alone would have exhausted the entire permitted limit.

In theory, of course, a political consultant may share the values of a candidate and work as a volunteer or "for food," but this situation is obviously not typical for the consulting market.

Unwillingness to show costs even if such an opportunity exists (i.e. expenses are within the legal limit) may be due, for example, to the fact that the services were paid from other sources, including the state budget. This scenario is likely because some of the people who worked in the last elections had been suspected by the public of using such schemes. (See, for example, the Transparency International Russia [investigation](#) on budget spending to pay for the services of political consultants in Moscow.)

However, the main reason for concealing such expenses is a significant complication and increase in the cost of accounting and legal support for such work, as well as a significant increase in the time spent on election campaigns when time is the most scarce resource. As a result, information on money spent on this expensive activity disappears from the final financial statements. Consequently, the documents do not reflect the receipt of a significant share of funds and voters remain unaware of a candidate's real donors. It is the latter that seems to "Golos" to be the most serious problem, as it reduces opportunities for voters to make an informed choice and prevents them from understanding, among other things, the obligations that a future head of the region or deputy has to lobbyists.

## **Conclusions and recommendations**

The system of financing election campaigns and political parties in Russia remains opaque. This is also recognized in the [report](#) of the Group of States against Corruption (GRECO), published a year ago. Often, the costs of paying for the services of political consultants, which make up a significant share of the expenses in any major election campaign, remain in the "shadow."

At the same time, financial violations amounting to more than 10% of the limit of an electoral fund are grounds for cancellation of the election results. Thus, the prevailing practice of concealing a significant share of the expenses of candidates and electoral associations raises questions about the legitimacy of past election results.

Election commissions that organize elections have no real tools to control such expenses. This situation can be corrected by separating the functions of election organization and financial control, and transferring the latter to another body. Such practice exists in other countries—the audit of financial reporting of candidates and parties is conducted either by state audit bodies or by specially created bodies/commissions for monitoring political finances. In some countries, such institutions can [initiate](#) a large-scale audit, which includes not only the examination of documents, but also public the hearings discussing audit results.

In addition, it is necessary to significantly simplify the financial and legal reporting on the expenditures of candidate and electoral association funds, while at the same time increasing attention to the disclosure of sources of money flowing to election funds. This will not only increase the financial transparency of election campaigns, but also help remove staff member salaries from the "shadow zone." The staff, in our opinion, are also interested in this, since the problem of legalizing their incomes will thereby finally be solved. The opportunity to legalize the incomes is actually very realistic, since candidates' contracts with individuals (i.e. their staff) are not taxed.

The issue of simplifying financial reporting is not straightforward and requires separate expert analysis, involving experts in the field of accounting and financial audit, but even now it is possible to introduce several simple measures.

First, the functional importance of the first compulsory financial report, which practically does not carry important information, is completely incomprehensible. Its removal is unlikely significantly to affect financial transparency of election campaigns. At the same time, in the history of the Russian elections of the last decade there have been cases when candidates were [banned](#) from the election due to inaccuracies in the first report.

Second, it is necessary to avoid duplicating documents. For example, candidates are required to attach to the final financial report the accounting report on reception and expenditure of funds, although this information is already available to the commission organizing the elections—it is regularly transmitted by the relevant branch of Sberbank. As a result, the candidate or his staff members are forced to re-enter this information into the form approved by the election commission. In the case of a large campaign with many contracts or donations, considerable resources may be wasted on this work. In addition, the final financial report requires attaching the originals or copies of all campaign materials, although they are already at the disposal of the election commission. The same applies to payment orders, incoming cash orders, and bank orders, which confirm the movement of funds to and from the account.